

ALLTEL COMMUNICATIONS

1410-A Market Street
Tallahassee, FL 32312



March 23, 2007

ORIGINAL

Beth Salak, Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket Numbers: 060581 – TP and 060582 – TP

Dear Ms. Salak,

Alltel Communications, Inc. ("Alltel") submits this letter further demonstrating the public interest benefits to be realized by designating the Company eligible to receive federal universal service support in the rural areas identified in its pending applications for eligible telecommunications carrier status. In particular, Alltel demonstrates that: 1) the benefits associated with Alltel's designation as an ETC in rural areas of Florida will be significant for rural consumers and communities; 2) Alltel's Lifeline offering will greatly benefit low-income consumers and further the goals of the Lifeline program; 3) Alltel's designation as an ETC will have no material impact on the size of the federal universal service fund; and 4) Alltel's receipt of federal universal service support will have no or only an insignificant impact on other ETCs.

Thank you for your consideration and should you have any questions or concerns, please feel free to call me at 850-556-9400.

Sincerely,

Denise Collins
SE Regional Manager of Government Affairs

Cc: Charlie Beck, Office of Public Counsel
Susan Masterton, Embarq
Tom McCabe, TDS/Quincy Telephone
Peter Healy, TDS Telecom

DOCUMENT NUMBER-DATE

02580 MAR 23 6

FPSC-COMMISSION CLERK

Supplemental Information:
Docket Numbers: 060581-TP and 060582-TP
March 23, 2007

1. The Benefits Associated With Alltel's Designation As An ETC In Rural Areas of Florida Will Be Significant For Rural Consumers and Communities

In accordance with 47 U.S.C 254(e), Alltel is required to use all universal service funds for the provision, maintenance and upgrading of facilities and services for which the support is intended. Alltel will use every dollar of universal service support it receives as a result of these designations as required. Alltel developed its 2007 budget based upon the belief that its commitment to the build out of its rural network would evidence the commitment necessary to demonstrate that the public interest will be served by the granting of these designations. This budget includes the addition of 24 cell sites in rural areas in 2007, as well as many other projects that will improve services for rural consumers. In contrast, in 2006, without universal service support in rural areas, Alltel built only 10 cell sites in rural areas.

These additional sites and other improvement projects will provide enhanced coverage and service quality for rural consumers that will enable them to enjoy the benefits of enhanced public safety, convenience and economic development that urban consumers already enjoy.

Clearly, rural Florida consumers will greatly benefit from the increased coverage, better service quality, and availability of basic and advanced services associated with the build-out and operation of Alltel's wireless network in rural areas of the state.

2. Alltel's Planned Lifeline Offering Will Greatly Benefit Low-Income Consumers and Further The Goals of the Lifeline Program

Alltel will participate in the Automatic Enrollment process and notify customers that the Department of Children and Families has notified the Company that the customer qualifies for a Lifeline discount. Alltel will identify the Lifeline eligible plans that are available with the Lifeline discount and direct the customer to take this notice/approval letter to the nearest Alltel retail store where the Alltel sales representative will offer the eligible customer a Lifeline prepaid or postpaid plan. The Alltel Lifeline prepaid plan provides the customer with 300 anytime minutes per month for \$16.70 per month. The Alltel postpaid plan has not yet been created, but will most likely provide the customer with 300 anytime minutes, and a large local calling area for \$16.49 per month. Both the prepaid and postpaid Lifeline rate plans provide the customer with nearly a 50 percent discount off of the equivalent non-Lifeline offerings.

The prepaid Lifeline plan is beneficial because the customer does not have to sign a service contract with Alltel and can receive the handset for \$19.99, use an existing handset, or receive a refurbished handset if one is available (at no extra cost). Furthermore, the prepaid Lifeline plan serves as a "spending limit" account in that it

Supplemental Information:
Docket Numbers: 060581-TP and 060582-TP
March 23, 2007

automatically prevents additional calling after 300 minutes are used, except for access to emergency service (911), unless the customer chooses to replenish.

The postpaid Lifeline plan is beneficial because the customer can receive monthly bills showing the monthly Lifeline discount of \$13.50 per month, and allows the customer to terminate the service without incurring an early termination fee.

In an effort to increase Lifeline subscribership, Alltel will voluntarily use an additional test to qualify customers to the Lifeline program. Although not legally required to, Alltel will include income (customer must have income at or below 135 percent of the federal poverty guidelines) as one of the factors to determine Lifeline eligibility when it self-certifies customers for Lifeline (see attached Lifeline application form). Currently, AT&T and Verizon allow customers to qualify for Lifeline through participation in federal low-income programs and income tests. Alltel will use an eligibility process consistent with AT&T's and Verizon's eligibility processes.

Recently, Alltel introduced a Spanish version of its Lifeline application forms on the corporate website at: <http://www.alltel.com/personal/wireless/plans/lifeline.html>. Additionally, Alltel will conduct outreach twice a year with local employment offices in its ETC service area in Florida.

All of these recent operational changes place Alltel in a position to increase Lifeline subscribership in Florida. The Company looks forward to working with the Commission to strengthen the Lifeline program.

3) Alltel's Designation As An ETC Will Have No Material Impact On The Size of the Federal Universal Service Fund

Alltel has calculated the impact that granting these applications would have, all other factors held static, on the level of federal universal service assessments for contributors and, as an example, the impact that these designations would have on a wireless customer whose monthly billing averages \$50.00. As shown on Attachment A, using the data available from the Public Notice in DA-07-1330, released by the FCC on March 15, 2007 (see Attachment B), the impact of these applications on the contribution factor would be approximately .000094 after adjusting for the retargeting of the capped IAS that would take place in the first year after designation.

Attachment A also provides a calculation of the impact on a customer that would result from these designations. To demonstrate this impact Alltel assumed that the customer receives an average monthly wireless bill of \$50.00. As shown in the middle of

Supplemental Information:
Docket Numbers: 060581-TP and 060582-TP
March 23, 2007

Attachment A, the monthly impact to this sample customer would be \$.0017. The impact on a wireline customer would be a similarly immaterial amount.

Alltel also illustrates on Attachment A that these designations would have a very small impact on the size of the universal service fund. After adjusting to reflect the IAS retargeting that will occur in the first year following designation, the granting of Alltel's application in Docket 060581-TP would only increase the existing universal service fund by 0.000765% and the granting of the application in Docket 060582-TP would only result in a 0.020454% increase.

Clearly, all of these impacts are negligible and provide no basis for concern regarding the impact of Alltel's ETC designation in Florida on either the federal fund or on consumer surcharges.

4) Alltel's Receipt of Federal Universal Service Support Will Have No or Only An Insignificant Impact On Other ETCs

Alltel has also calculated the financial impacts that granting these applications would have on the other ETCs in Florida as shown on Attachment C. The only financial impacts that would result from granting these applications are associated with those ILECs who participate in the IAS fund. These impacts occur because the IAS fund is annually retargeted to a level of \$650M. This retargeting was part of the creation of the fund that was intended to offset federal access charge reform rate reductions implemented as part of the CALLS plan. Only four ILECs receive IAS support in Florida -- Frontier Communications, Verizon Florida, Embarq Florida, and Southern Bell Florida. These are the only four ILECs that would experience a financial impact in their USF revenues as a result of Alltel's designations.

As shown on Attachment C, the impact of Alltel's designation in Docket No 060581-TP would result in a reduction in IAS support for these four ILECs of only 0.68% and the impact of Alltel's designation in docket No. 060582-TP would result in only a 0.01% reduction for these same four carriers.

It is important to note that the portability of these funds for CETCs and the capping of the fund at \$650M per year were agreed to by the ILECs in the CALLS proceeding at the FCC in exchange for the access charge replacement revenues provided by the IAS fund. Therefore, there should be no concerns regarding these small impacts to these ILECs. Because of the structure of the other universal service funds that do not reduce ILEC receipts when additional ETCs are designated, there are no other direct financial impacts to ILECs in Florida.

Impact of Alltel's Florida application on Federal USF

Attachment A

	Docket 060581-TP		Docket 060582-TP	
	Initial Proforma	After Adjustment to Reflect Retargeting of IAS	Initial Proforma	After Adjustment to Reflect Retargeting of IAS
Present Quarterly Revenue Base	\$15,995,664,000	\$15,995,664,000	\$15,995,664,000	\$15,995,664,000
Quarterly impact of Fla Application	\$1,160,364	\$55,902	\$1,507,149	\$1,495,215
Assessment impact	0.007254%	0.000349%	0.009422%	0.009348%
Existing Assessment rate	11.70%	11.70%	11.70%	11.70%
Proforma Assessment Rate	11.7073%	11.7003%	11.7094%	11.7093%

Customer Impact on \$50 monthly bill

	Present	Docket 060581-TP		Docket 060582-TP	
		Initial Proforma	After Adjustment to Reflect Retargeting of	Initial Proforma	After Adjustment to Reflect Retargeting of
Monthly bill	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Safe harbor	37.10%	37.10%	37.10%	37.10%	37.10%
Assessable amount	\$18.55	\$18.55	\$18.55	\$18.55	\$18.55
Assessment %	11.7000%	11.7073%	11.7003%	11.7094%	11.7093%
Surcharge	\$2.1704	\$2.1717	\$2.1704	\$2.1721	\$2.1721

Impact on Total USF Fund

	Docket 060581-TP		Docket 060582-TP	
	Initial Impact	After Adjustment to Reflect Retargeting of	Initial Impact	After Adjustment to Reflect Retargeting of
Present Fund Size	\$7,310,000,000	\$7,310,000,000	\$7,310,000,000	\$7,310,000,000
Additional funds from Alltel Application	\$1,160,364	\$55,902	\$1,507,149	\$1,495,215
Percent Impact	0.015874%	0.000765%	0.020618%	0.020454%



PUBLIC NOTICE

Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

DA-07-1330

Released: March 15, 2007

Proposed Second Quarter 2007 Universal Service Contribution Factor

CC Docket No. 96-45

In this Public Notice, the Office of Managing Director (OMD) announces that the proposed universal service contribution factor for the second quarter of 2007 will increase to 0.117 or 11.7 percent.¹

Rules for Calculating the Contribution Factor

Contributions to the federal universal service support mechanisms are determined using a quarterly contribution factor calculated by the Federal Communications Commission (Commission).² The Commission calculates the quarterly contribution factor based on the ratio of total projected quarterly costs of the universal service support mechanisms to contributors' total projected collected end-user interstate and international telecommunications revenues, net of projected contributions.³

USAC Projections of Demand and Administrative Expenses

Pursuant to section 54.709(a)(3) of the Commission's rules,⁴ the Universal Service Administrative Company (USAC) submitted projections of demand and administrative expenses for the second quarter of 2007.⁵ Accordingly, the projected demand and expenses are as follows:

¹ See 47 C.F.R. § 54.709(a).

² See *id.*

³ See 47 C.F.R. § 54.709(a)(2).

⁴ 47 C.F.R. § 54.709(a)(3).

⁵ See Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter 2007, available at <<http://www.universalservice.org/overview/filings>> (filed January 31, 2007) (*USAC Filing for Second Quarter 2007 Projections*). See also Federal Universal Service Support Mechanisms Quarterly Contribution Base for the Second Quarter 2007, available at <<http://www.universalservice.org/overview/filings>> (filed March 2, 2007) (*USAC Filing for Second Quarter 2007 Contribution Base*).

(\$ millions)

Program Demand	Projected Program Support	Admin. Expenses	Application Of Interest Income	Application of Periodic True-Ups	Total Program Collection
Schools and Libraries	539.152	23.348	-47.395	-3.883	511.222
Rural Health Care	40.796	2.209	-0.643	-0.029	42.333
High-Cost	1,086.507	9.252	-6.048	13.680	1,103.391
Low Income	196.960	2.488	-2.798	2.734	199.384
TOTAL	1,863.415	37.297	-56.884	12.502	1,856.330

USAC Projections of Industry Revenues

USAC submitted projected collected end-user telecommunications revenues for April through June 2007 based on information contained in the Second Quarter 2007 Telecommunications Reporting Worksheet (FCC Form 499-Q).⁶ The amount is as follows:

Total Projected Collected Interstate and International End-User Telecommunications Revenues for Second Quarter 2007: \$18.013566 billion.

Adjusted Contribution Base

To determine the quarterly contribution base, we decrease the second quarter 2007 estimate of projected collected interstate and international end-user telecommunications revenues by the projected revenue requirement to account for circularity, and decrease the result by one percent to account for uncollectible contributions. Accordingly, the quarterly contribution base for the second quarter of 2007 is as follows:

Adjusted Quarterly Contribution Base for Universal Service Support Mechanism

Second Quarter 2007 Revenues - Projected Revenue Requirement - 1%
(\$18.013566 billion - \$1.856330 billion) * 0.99

\$15.995664 billion.

Unadjusted Contribution Factor

Using the above-described adjusted contribution base and the total program collection requirement from the table above, the proposed unadjusted contribution factor for the second quarter of 2007 is as follows:

⁶ USAC Filing for Second Quarter 2007 Contribution Base at 7.

Contribution Factor for Universal Service Support Mechanisms

Total Program Collection / Adjusted Quarterly Contribution Base

\$1.826330 billion / \$15.995664 billion

0.116052

Unadjusted Circularity Factor

USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter. Accordingly, the proposed unadjusted circularity factor for the second quarter of 2007 is as follows:

Unadjusted Circularity Factor for Universal Service Support Mechanisms

$1 - ((\text{Second Quarter 2007 Revenues} - \text{Total Program Collection}) / \text{Second Quarter 2007 Revenues})$

$1 - ((\$18.013566 - \$1.856330) / \$18.013566 \text{ billion})$

0.103052.

Proposed Contribution Factor

The Commission has directed OMD to announce the contribution factor as a percentage rounded up to the nearest tenth of one percent.⁷ Accordingly, the proposed contribution factor for the second quarter of 2007 is as follows:

11.7

⁷ See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Order and Second Order on Reconsideration, 18 FCC Rcd 4818, 4826, para. 22 (2003) (*Second Order on Reconsideration*).

Proposed Circularity Factor

The Commission also has directed OMD to account for contribution factor rounding when calculating the circularity discount factor.⁸ Accordingly, the proposed circularity factor for the second quarter of 2007 is as follows:

0.110319⁹

Conclusion

If the Commission takes no action regarding the projections of demand and administrative expenses and the proposed contribution factor within the 14-day period following release of this Public Notice, they shall be deemed approved by the Commission.¹⁰ USAC shall use the contribution factor to calculate universal service contributions for the second quarter of 2007. USAC will reduce each provider's contribution obligation by a circularity discount approximating the provider's contributions in the upcoming quarter.¹¹ USAC includes contribution obligations less the circularity discount in invoices sent to contributors. Contribution payments are due on the dates shown on the invoice. Contributors will pay interest for each day for which the payments are late. Contributors failing to pay contributions in a timely fashion may be subject to the enforcement provisions of the Communications Act of 1934, as amended, and any other applicable law. In addition, contributors may be billed by USAC for reasonable costs of collecting overdue contributions.¹²

We also emphasize that carriers may not mark up federal universal service line-item amounts above the contribution factor.¹³ Thus, carriers may not, during the second quarter of 2007, recover through a federal universal service line item an amount that exceeds 11.7 percent of the interstate telecommunications charges on a customer's bill.

For further information, contact Kim Yee in Financial Operations, Office of Managing Director, at (202) 418-0805, TTY (202) 418-0484.

⁸ *Id.*

⁹ The proposed circularity discount factor = $1 + [(\text{unadjusted circularity discount factor} - 1) * (\text{unadjusted contribution factor} / \text{proposed contribution factor})]$. The proposed circularity discount factor is calculated in a spreadsheet program, which means that internal calculations are made with more than 15 decimal places.

¹⁰ See 47 C.F.R. § 54.709(a)(3).

¹¹ USAC will calculate each individual contributor's contribution in the following manner: $(\text{proposed contribution factor} * \text{contributor's projected collected revenues}) - (\text{proposed circularity discount factor} * \text{proposed contribution factor} * \text{contributor's projected collected revenues})$.

¹² See 47 C.F.R. § 54.713.

¹³ See 47 C.F.R. § 54.712.

Calculation of Carrier Impacts - IAS

Attachment C

	Docket 060581-TP	Docket 060582-TP
Projected Annual Alltel IAS Increase	\$4,417,848	\$47,736
IAS Fund Target level	\$650,000,000	\$650,000,000
Impact percent to existing receivers	0.0068	0.0001

Impact on Florida ILECs

ILEC	Present Annual IAS Receipts	Net Annual Impact	Net Annual Impact
Frontier Comm	\$106,260	\$722	\$8
Verizon Fla	\$18,722,400	\$127,250	\$1,375
Embarq Fla	\$17,732,016	\$120,519	\$1,302
Southern Bell Fla	\$10,358,688	\$70,405	\$761

**PLEASE TAKE COMPLETED FORM TO NEAREST ALLTEL RETAIL STORE
FOR PROCESSING**

Alltel Communications, Inc.

Federal Lifeline and/or Link-Up Assistance Certification form—Florida

Sales Rep Name (Please Print) and Contact Phone Number _____

Customer Alltel Phone Number _____ SSN# _____ --- _____ --- _____

Last Name _____ First Name _____ Middle Initial _____

Street/P.O. Box _____ City _____ State _____ Zip _____

Link Up: If you have no telephone, check here: _____ Alltel BAN# _____

Are you currently participating in one or more of these programs?

- ____ Temporary Assistance to Needy Families (TANF)
- ____ Food Stamps
- ____ Medicaid
- ____ Low-Income Home Energy Assistance Program (LIHEAP)
- ____ Supplemental Security Income (SSI)
- ____ Federal Public Housing Assistance (Section 8)
- ____ National School Lunch Program (NSLP) – Free Lunch Program

I certify under penalty of perjury that:

- I am eligible to receive benefits from the program(s) identified herein;
- The information contained on this form is true and correct to the best of my information and belief;
- I will notify Alltel when I no longer participate in any of the qualifying public assistance programs identified herein or when I no longer satisfy the income requirements; and
- I have or will receive telecommunications service at my principle place of residence as listed above.
- I have or will receive telecommunications service on my primary residential line.
- I am the head of the household and understand that only one Lifeline service offering is available per household.

I have read the information on this application and understand that I must meet the above qualifications in order to receive Lifeline assistance.

Print Applicant Name _____ Date _____

Applicant Signature _____