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December 21, 2000

Ms. Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

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DEC 21 2000
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Phase II Comments, CC Docket No. 00-199
2000 Biennial Regulatory Review
Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3

Dear Ms. Salas,

Enclosed for filing by ALLTEL Communications Corporation are an original and four copies of its Comments in Phase II of the referenced proceeding. Should there be any questions regarding this matter, please contact the undersigned counsel.

Sincerely,

Carolyn C. Hill

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CC: Ms. Ernestine Creech
Comments on Diskette

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
2000 Biennial Regulatory Review	)	
Comprehensive Review of the	)	**CC Docket No. 00-199**
Accounting Requirements and	)	
ARMIS Reporting Requirements for	)	
Incumbent Local Exchange Carriers:	)	
Phase 2 and Phase 3		

Phase 2

Comments of
ALLTEL Communications Services Corporation

ALLTEL Communications Services Corporation, on behalf of its local exchange carrier affiliates (hereinafter "ALLTEL" or the "ALLTEL Companies") respectfully submits its comments on the Commission's Notice of Proposed Rulemaking ("NPRM"), Phase II, released October 18, 2000, in the above-captioned proceeding.

The ALLTEL Companies' Interest

The ALLTEL Companies consist of twenty-two (22) individual incumbent local exchange carriers (ILECs) serving a total of approximately 2.4 million access lines in fifteen (15) states. Of these twenty-two (22) ILECs, five (5) are subject to the Commission's cost allocation manual (CAM) maintenance and filing requirements, a biennial attestation of their CAM, and applicable annual ARMIS reporting and filing requirements.

In 1999, as part of the biennial review obligations imposed by the 96 Telecom Act, and in response to a petition for forbearance filed by the Independent Telephone and Telecommunications Alliance ("ITTA"), the Commission modified certain of its rules with respect to CAM and ARMIS reporting requirements and CAM audit requirements. Specifically, it adopted for the first time a definition of a "mid-sized ILEC" in its Part 32

Rules. The new definition used a two-pronged test for mid-sized carrier status. Under this two-pronged test, an ILEC is considered a mid-sized carrier if its operating revenues equal or exceed an indexed revenue threshold (currently $114 million) and if its revenues when aggregated with the revenues of any local exchange carrier it controls, is controlled by, or with which it is under common control is less than 7 billion dollars. 47 C.F.R. §32.9000.

As a result of the rule changes adopted in 1999, ILECs meeting the two pronged test for the "mid-sized ILEC" treatment continue to be classified as Class A carriers, but are permitted to use Class B accounting except in two instances (Basic Property Records and pole attachments for which they are required to maintain Class A accounting). They are also required to have a biennial attestation of their CAMS.

The ALLTEL Companies currently treated as mid-sized carriers are Aliant Communications Co., ALLTEL Carolina, Inc., ALLTEL Georgia Communications Co., ALLTEL Pennsylvania, Inc., and The Western Reserve Telephone Co. As mid-sized ILECs, these five companies must maintain and file a CAM, file any revisions, on an annual basis, pay to have a public accounting firm perform a biennial attestation of their CAM, and file applicable ARMIS reports on an annual basis. The remaining seventeen (17) ALLTEL Companies are treated as true Class B carriers which means they can use Class B accounting, are not required to file a CAM with the FCC, have a biennial CAM attestation, or file ARMIS reports.

Since the Commission's last biennial review of its Part 32, Part 43, and Part 64 Rules and its related action on the ITTA's petition for forbearance, the Commission has indicated its continued willingness to maintain an on-going dialogue with the mid-sized ILECs on regulatory issues of concern, such as CAM and ARMIS reporting. ALLTEL commends the Commission for its responsiveness to those concerns as evidenced by certain of its proposed rule changes in Phase II of this proceeding. We strongly support

the Commission's efforts to reduce the regulatory burdens imposed on mid-sized ILECs and believe that those efforts can be successfully realized through the adoption of certain of the Commission's proposals, modification of others, and revision of the Part 32 definition of a "mid-sized ILEC."

The ALLTEL Companies Support True Class B Treatment for Mid-sized ILECs

As indicated in the NPRM, the Commission has recognized in various proceedings the different needs of mid-sized carriers and the fact that it can maintain the "necessary degree of oversight and monitoring to protect consumers interests while imposing the less administratively burdensome requirements on such carriers." NPRM par.80. In the current NPRM, the Commission continues to recognize that it can protect consumers without imposing unnecessary regulatory requirements on mid-sized ILECs. The ALLTEL Companies applaud this approach in that it is consistent with the goals of the 96 Telecom Act of less and not more regulation.

To accomplish the reduction of regulatory burdens for mid-sized ILECs, the Commission has requested comment on a variety of proposals, including the elimination of CAM maintenance and filing requirements, the CAM attestation requirement, and ARMIS filings for certain mid-sized carriers. The Commission has also proposed to revise the first prong of its two-pronged test for mid-sized ILEC status. Under this proposal, the ILEC annual operating revenue threshold would be increased to $200 million, subject to a yearly adjustment for inflation.

As discussed below, the ALLTEL Companies strongly endorse rule changes that will result in true Class B treatment for each of them. That is to say, the ALLTEL Companies would not be subject to CAM and ARMIS requirements or a biennial attestation requirement.

We see no discernible public interest benefit from withholding true Class B treatment from any of the ALLTEL Companies. With true Class B treatment, the

ALLTEL Companies would continue to be required to comply with Part 32 separations and Part 64 cost allocation rules. This compliance obligation is an on-going one and is not dependent on any CAM or ARMIS filing or a biennial attestation. In this regard, the ALLTEL Companies have an established track record of compliance with not only the Commission's accounting rules, but with its other rules as well. Moreover, the public interest would continue to be protected pursuant to the Commission's authority under Section 220 of the Communications Act to inspect a carrier's accounts and its records.

Unfortunately, the Commission's proposals fall short in terms of providing true Class B treatment for all of the ALLTEL Companies. To demonstrate, using the Commission's proposed revenue threshold of $200 million in annual operating revenues for mid-sized carrier status, two of the five ALLTEL Companies currently subject to CAM and ARMIS requirements would not, because of their current annual operating revenues of approximately $270 million and $215 million, qualify for true Class B treatment as apparently would the other three ALLTEL Companies currently subject to CAM and ARMIS requirements. We believe that such a result necessitates revision of the Part 32 definition of "mid-sized ILEC".

The Revised " Mid-Sized ILEC" Definition Should Have a Two Percent Standard and a A Higher Revenues Test

The current two-pronged test for mid-sized ILEC status is solely revenues based. ALLTEL believes that the Commission should revise the definition to incorporate both a revenues test, albeit at a higher level than proposed by the Commission, as well as the "two percent standard" established legislatively in the 96 Telecom Act and endorsed by the House in HR 3850.

Under the first part of the revised test for mid-sized carrier classification, all ILECs that are part of holding companies with fewer than two percent of the access lines

installed in the aggregate nationwide would be treated as Class B carriers. There would also be an alternative test for classification as a mid-sized carrier, and that test would be revenues based. However, rather than being set at a level that invites bracket creep, the annual operating revenues level should be set at seven billion dollars and adjusted annually for inflation. Under the alternative test, an ILEC would qualify for mid-sized ILEC status if all of its affiliated ILEC operating revenues were less than seven billion dollars annually. Adoption of this revised definition of " mid-sized ILECs" will provide the Commission with a defensible bright line in terms of differentiation of regulatory reporting and filing obligations of the largest segment of the industry, on the one hand, and the mid-sized and small carriers on the other.

Conclusion

The 96 Telecom Act was intended to profoundly change the regulatory landscape in America. One of the primary goals of that Act was a decrease in regulation. Adoption of true Class B treatment (i.e., elimination of CAM maintenance and filing requirements, the related biennial attestation requirement, and ARMIS reporting) for all mid-sized ILECs would be a tangible step by the Commission toward achievement of that goal. In this regard, the Commission should revise its definition of a "mid-sized ILEC" to reflect a " two percent" standard and the alternative test of seven (7) billion dollars in aggregated ILEC revenues. This would result in consistent treatment of and a lessening of administrative regulatory burdens on all mid-sized ILECS.

Respectfully submitted,

ALLLTEL Communications Services Corporation

By: Carolyn C. Hill

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Dated: December 21, 2000

Certificate of Service

I, Payquitah White, hereby certify that I have on this 21st day of December 2000, served the foregoing Comments of ALLTEL Communications Services Corporation via messenger on the following parties:

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