ALLTEL CORPORATION
601 Pennsylvania Avenue, N.W.
Suite 720
Washington, DC 20004
202-783-3970
202-783-3982 fax

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ALLTEL

January 30, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Re: Phase II Reply Comments, CC Dockets 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, Inc. are an original and four copies of its Reply 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

Carolyn C. Hill
ALLTEL Corporation
601 Pennsylvania Avenue, NW
Suite 720
Washington, DC 20004
(202) 783-3970

CC: Ms. Ernestine Creech
Comments on Diskette

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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

Reply Comments of
ALLTEL Communications, Inc.

ALLTEL Communications, Inc., formerly ALLTEL Communications Services Corporation, on behalf of its local exchange carrier affiliates (hereinafter "ALLTEL" or the "ALLTEL Companies") respectfully submits it reply to the comments filed on December 21, 2000, in the above referenced proceeding.

Introduction

In its Notice of Proposed Rulemaking (NPRM), the Commission has continued to look at accounting and reporting reform measures that could be implemented in the near term for mid-sized and other ILECs. Moreover, it has continued to recognize the different needs of the mid-sized companies. NPRM par. 80. Its reform proposals are predicated on the Commission's prior conclusion that it could maintain the necessary degree of oversight and monitoring to protect consumer interests while imposing the less administratively burdensome requirements on mid-sized carriers. Ibid.

In its earlier comments, ALLTEL commended the Commission for its on-going consideration of rule changes to reflect the intent of the 96 Act and to reduce regulatory burdens on the mid-sized ILECs. Nevertheless, as pointed out in those comments, however meritorious the Commission's intent in proposing regulatory relief for mid-sized companies, shortcomings exist in its approach. There needs to be meaningful regulatory relief for mid-sized ILECS-- i.e., true Class B carrier status. ALLTEL comments pgs. 3-4. One of the ways to achieve this involves a revision of the definition of a "mid-sized ILEC." A revised definition should incorporate both a revenues test as well as the "two percent" standard established legislatively in the 96 Telecom Act and endorsed by the House in HR 3850. Thus, under the first part of the revised test, all ILECs that are part of holding companies with fewer than two percent of the access lines installed in the aggregate nationwide would be classified as Class B carriers. Under the alternative revenues test, an ILEC would be classified as a Class B carrier if the revenues of all its ILEC affiliates were less than 7 billion dollars annually, as adjusted annually for inflation. ALLTEL comments pgs. 4-5 and ITTA comments pgs. 12-17.

Adoption of such a revised threshold test would eliminate the mid-sized ILECs' current obligation to file a CAM, the accompanying attestation, as well as the obligation to file ARMIS. It would not, however, eliminate the need for them to comply with the Commission's accounting, cost allocation, separations, and other applicable rules contained in Parts 32, 36, 43, and 64.

No Discernible Public Interest Benefit Exists From Withholding True Class B Treatment For The Mid-Sized Companies.

A majority of the parties supported some form of regulatory relief for the mid-sized carriers, particularly as it relates to increasing the current revenue threshold that triggers CAM and ARMIS reporting requirements. Certain other parties opposed any change in the status quo, claiming that the Commission has already done enough for the mid-sized ILECs. However, some of the state regulators, while supporting an increase in the current revenue threshold, expressed concern with respect to the elimination of all or some ARMIS reporting. Nevertheless, it does not appear that the state regulators all use or rely on all of the ARMIS reports filed by the mid-sized ILECs. Rather, their assertions regarding the need for ARMIS reporting by the mid-sized ILECs appears to be based largely on generalizations rather than documented needs. Also, certain of the ARMIS data filed by the mid-sized ILECs appears duplicative of that already required to be filed in the state jurisdictions. While ALLTEL appreciates the concern expressed by some of the state regulators that necessary data be available on a timely basis, we believe that individual state needs can be addressed by carriers at the state level and without the perpetuation of costly and administratively burdensome ARMIS filings by the mid-sized ILECS.

In ALLTEL's view, no party has advanced a cogent basis for denying the mid-sized carriers true Class B carrier treatment. The parties opposing any change in the status quo or seeking to impose new reporting requirements on the mid-sized ILECs have missed the point. The Commission is under an obligation to regulate in the public interest and to adopt rules that implement reporting requirements necessary to achieve

that objective. Further, the Commission is required by the 96 Telecom Act to evaluate on a biennial basis the continued necessity of its rules. In the instant rulemaking, the Commission is not proposing to maintain the status quo; rather, it has sought to determine how much change is needed in order for it to regulate in the public interest and, at the same time, to eliminate unnecessary regulatory burdens on the mid-sized companies.

The regulatory reform that the mid-sized ILECs have advocated--true Class B carrier status--is regulatory reform at a level consistent with their position in the industry. The mid-sized ILECs that file CAM and ARMIS stand in marked contrast--both in terms of their percentage of net revenues and access lines--to the larger Class A ILECs. According to reported ARMIS data for the year ended 12/31/99, the mid-sized ILECs filing ARMIS account for less than 7% of the Nation's access lines as well as less than 7 % of net operating revenues. In the case of the five ALLTEL Companies currently required to file CAM and ARMIS, the percentages drop off even more. They account for less than 0.78% of net operating revenues and 0.72% of switched access lines. These percentages underscore the fact that it makes little sense for the Commission to continue to require mid-sized ILECs to incur the costs and administrative burdens associated with CAM and ARMIS filings.

As noted above, the Commission has previously recognized that mid-sized carriers are different. It was on this basis that it earlier adopted and continues to propose to adopt certain regulatory reform measures for the mid-sized ILECs. The rule changes adopted in CC Dkts 98-81 and 98-117 permitted mid-sized ILECs meeting the revenue threshold test to report on a Class B level with respect to their CAM and

ARMIS filings. However, this does not change the fact that these mid-sized ILECs continue to be classified as Class A carriers and that they continue to be subject to the regulatory burden of maintaining all of the 261 Class A accounts.

It is also important to consider that parties, such as AT&T and MCI who argue that rule changes would be "wholly inappropriate" or that the FCC has already "streamlined accounting and regulatory burdens enough for mid-sized ILECs " are not subject to these same requirements in their similar business ventures. Objections of this nature should not be allowed to obscure the fact that the maintenance of a CAM, the revisions to that CAM, the required attestation of that CAM and the requirement to maintain and file ARMIS reports on a yearly basis all come at a cost and that cost is borne by the rate payers of the mid-sized company in the jurisdiction covered by its specific CAM or ARMIS report. These are not insignificant dollars, especially when consideration is given to the fact that the mid-sized ILECs have fewer access lines across which to spread these costs. For example, Roseville Telephone Company estimates that it would cost approximately $272,00 annually or over $2.00 per access line for it to submit its initial ARMIS filing. Furthermore, it estimates the cost of the CAM attestation will be $225,000. Roseville comments pgs. 4-5. Iowa Telecom, a new entrant, estimates its costs associated with the reporting requirements to exceed $185,000 annually. Iowa Telecom comments, p. 4. Citizens Communications, as pointed out in the ITTA's comments, incurred costs of approximately $1,836,438 to submit its ARMIS reports last year. This represents a cost of approximately $ 1.83 per access line per year. Id. at page 20.

Conclusion

ALLTEL and others have demonstrated that the public interest will be served by the adopted of rule changes that implement true Class B carrier treatment of the mid-sized ILECs. In view of the upcoming accounting cycle and the attendant costs, ALLTEL encourages the Commission to implement promptly Class B carrier treatment of the mid-sized ILECs.

Respectfully submitted,
ALLTEL Communications, Inc.

By: Carolyn C. Hill

Carolyn C. Hill
Its Attorney
601 Pennsylvania Avenue, NW
Suite 720
Washington, DC 20004
(202) 7833-3970

Dated: January 30, 2001

Certificate of Service

I, Payquitah White, hereby certify that I have on this 30th day of January 2001, served on the foregoing Reply Comments of ALLTEL Communications, Inc. (formerly ALLTEL Communications Services Corporation) via, unless otherwise indicated, United States mail, postage pre-paid on the following parties:

Dorothy Attwood, Chief
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Ken Moran
Accounting Safeguards Division
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Ernestine Creech
Accounting Safeguards Division
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

International Transcription Service
1231 20th Street, NW
First Floor
Washington, DC 20036

Joe DiBella
Verizon
1320 North Courthouse Road
Eighth Floor
Arlington, VA 22201

James T. Hannon
1020 19th Street, NW
Suite 700
Washington, DC 20036

James U. Troup
Brian D. Robinson
Arter & Hadden, LLP
1801 K Street, NW
Suite 400K
Washington, DC 20006-1301

David Zesiger, Executive Director
ITTA
1300 Connecticut Avenue, NW
Suite 600
Washington, DC 20036

Karen Brinkman
Richard R. Cameron
Benoit Jacqmotte
Latham & Watkins
1001 Pennsylvania Avenue, NW
Washington, DC 20004

Paul Felder
Fletcher, Heald, & Hildreth
1300 N 17th Street
11th Floor
Arlington, VA 22209

Richard M. Sbaratta
Stephen L. Earnest
675 W Peachtree Street
Atlanta, Georgia 30375

James B. Ramsay
Sharla M. Barklind
National Association of Regulatory
Utility Commissioners
1101 Vermont Avenue
Suite 200
Washington, DC 20005

George N. Barclay
Michael J. Ettner
General Services Administration
1800 F. Street, NW
Room 4002
Washington, DC 20405

Christopher J. Wilson, Esq.
Delia Reid Saba, Esq.
201 E Fourth Street
Cincinnati, Ohio 45202

Lawrence E. Sarjeant
Linda L. Kent
Keith Towsend
John W. Hunter
Julie E. Rones
1401 H Street, NW
Suite 600
Washington, DC 20005

Alan Buzacott
Senior Manager, Regulatory Affairs
1801 Pennsylvania Avenue, NW
Washington, DC 20006

Mark Rosenblum
Judy Sello
295 N Maple Avenue
Room 1135L2
Basking Ridge, New Jersey 07920

Gene C. Schaerr
James P. Young
Sidley & Austin
1722 I Street, NW
Washington, DC 20006

Margot Smiley Humphrey
Holland & Knight, LLP
2100 Pennsylvania Avenue
Suite 400
Washington, DC 20037

Vickie Moir
4326 Mail Service Center
430 North Salisbury Street
Raliegh, North Carolina 27699

Susan Stevens Miller
Maryland Public Service Commission
6 Saint Paul Street
Baltimore, Maryland 21202

Lawrence G. Malone
Public Service Comission
of the State of New York
3 Empire State Plaza
Albany, New York 12223-1350

Cynthia B. Miller, Esq.
Capital Circle Office Center
2540 Shumard Oak Blvd
Tallahassee, FL 32399-0850

Jay C. Keithley
401 9th Street, NW
Suite 400
Washington, DC 20004

Rick Zucker
6360 Sprint Parway
KSOPHE0302
Overland Park, KS 66251

Scott Fabel
Rate Analyst
Montana Public Service Commission
1701 Prospect Avenue
P.O. Box 202601
Helena, Montana 59620-2601

Ohio Consumer's Counsel
10 West Broad Street
Suite 1800
Columbus, OH 43215-3485

Michael J. Travieso
NASUCA Telecommunications
8300 Colesville Road
Suite 101
Silver Spring, MD 20910

Lisa D. Nordstrom
Deputy Attorney General
Idaho Public Utilities Commission
P.O. Box 38720
Boise, ID 83720-0074

Utah Public Service Commission
Heber M. Wells Building
4th Floor
160 E 300 South
Salt Lake City, Utah 84111

The Honorable Kristin Lee
Steve Ellenbecker
The Hansen Building
2515 Warren Avenue
Suite 300
Cheyenne, Wyoming 82002

Linda Dorr
Public Service Commission of Wisconsin
610 N. Whitney Way
P.O. Box 7854
Madison, Wisconsin 53707-7854

The Honorable Ron Eachus
The Honorable Roger Hamilton
The Honorable Joan H. Smith
Public Utility Commission of Oregon
550 Capitol Street, NE
Suite 215
Salem, Oregon 97301-2551

Christopher A. McLean
Rural Utilities Service
USDA
14th & Independence Avenue, SW
Washington, DC 20250

Payquitah White

Payquitah White