

Exhibit No.:
Issues: Policy-Managerial/
Technical
Witness: Gregg L. Richey
Sponsoring Party: Applicants
Type of Exhibit: Direct Testimony
Case No.: TM-2006-0272
Date Testimony Prepared: February 16, 2006

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

IN THE MATTER OF THE APPLICATION FOR THE)
APPROVAL OF THE TRANSFER OF CONTROL OF)
ALLTEL MISSOURI, INC. AND THE TRANSFER OF) **CASE NO. TM-2006-0272**
ALLTEL COMMUNICATIONS, INC. INTEREXCHANGE)
SERVICE CUSTOMER BASE.)

DIRECT TESTIMONY

OF

GREGG L. RICHEY

DIRECT TESTIMONY OF GREGG L. RICHEY

Q. Please state your name and business address.

A. My name is Gregg L. Richey. My business address is One Alltel Center, Alpharetta, Georgia.

Q. By whom are you employed and in what capacity?

A. I am presently employed by Alltel Communications as Area President of Wireline Services. I am testifying in this proceeding on behalf of Alltel Missouri, Inc., Alltel Communications, Inc., Alltel Holding Corp., Alltel Holding Corporate Services, Inc., and Valor Communications Group ("Valor") (collectively, "Applicants").

Q. Please describe your experience with Alltel Communications and in the telecommunications industry.

A. Currently, I have responsibilities for the day-to-day operations for Alltel's wireline and competitive local exchange operations in Arkansas, Alabama, Georgia, Florida, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, Pennsylvania, South Carolina and Texas. I will continue in this role for the new wireline company. I joined Alltel in 1991 as General Manager of Alltel's Gainesville, Florida market. Prior to my current position, I served as Senior Vice President - Sales and Distribution for Alltel Communications, President of Alltel's Mid-South Market, and Vice President and General Manager for our Florida, Georgia, and Alabama wireless operations. In 1994, I received Alltel's ALEX Award for helping the Gainesville market achieve Market of the Year status. I hold a Bachelor's Degree in computer science from the University of

1 Mississippi in Oxford and currently serve on the Board of Directors for the Georgia
2 Chamber of Commerce.

3
4 **Q. What is the purpose of your testimony in this proceeding?**

5 A. The purpose of my testimony is to explain that the Merged Wireline Business described
6 in our Application will have the requisite managerial and technical capabilities and that
7 the transactions will serve and not be detrimental to the public interest. As described in
8 the Application, Alltel Corporation ("Alltel") is separating its wireline and wireless
9 businesses. As part of the separation, Alltel Holding Corp. will become the owner of
10 Alltel's wireline business, merge with Valor, and assume control of Alltel's incumbent
11 local exchange carrier ("ILEC") subsidiaries including Alltel Missouri, Inc. ("the
12 Regulated Entity"). Additionally, Alltel Holding Corporate Services, Inc. will be a
13 wholly-owned subsidiary of Alltel Holding Corp. and will acquire the existing long
14 distance customers of Alltel Communications, Inc. We have requested that the Missouri
15 Public Service Commission ("Commission") approve the transfers of control of the
16 Missouri ILEC, the transfer of long distance customers, and the transaction financing. I
17 may refer to the ILEC and long distance businesses, together with Alltel's other internet,
18 broadband, directory publishing, telecommunications equipment, and other local
19 communications services, collectively as "the Wireline Business". I will demonstrate that
20 the transfer of the Wireline Business is not detrimental to the public interest. My
21 testimony will show that the Wireline Business (and after its merger with Valor, "Merged
22 Wireline Business") will continue to possess the requisite technical and managerial
23 ability to provide the same high quality service as is provided today. The testimony of

1 Jeffery Gardner is being filed contemporaneously herewith and will address how the
2 Merged Wireline Business will possess the requisite financial ability.

3
4 **Q. Please describe the Alltel affiliates operating in Missouri.**

5 A. The Regulated Entity is presently a wholly-owned subsidiary of Alltel and serves
6 approximately 67,000 access lines in various exchanges in Missouri. As of June 30, 2005,
7 the Regulated Entity and its other LEC affiliates served approximately 3.0 million local
8 access lines across fifteen states. Additionally, Alltel Communications, Inc. is certificated
9 in Missouri to provide resold long distance service and also provides long distance
10 service in 49 states and operates as a CLEC in seven states, including Missouri. Alltel
11 Holding Corporate Services, Inc. (a newly-created subsidiary of Alltel) will become part
12 of the Merged Wireline Business and is seeking authority from this Commission to
13 acquire Alltel Communications, Inc.'s existing long distance resale business in Missouri.

14
15 Although it does not operate in Missouri, Alltel Holding Corp. is a newly-formed
16 subsidiary of Alltel. As described above, Alltel Holding Corp. will become the owner of
17 the Wireline Business immediately upon the separation of Alltel's Wireline Business
18 from its wireless businesses then will merge into Valor. Alltel Holding Corp. is not
19 seeking authority from the Commission to become a regulated telecommunications
20 carrier or public utility in Missouri. Similarly, Valor, which owns LEC operations that as
21 of June 30, 2005 serviced approximately 530,000 access lines in four states, will become
22 the owner of the Merged Wireline Business but will not be a certificated public utility in
23 the State of Missouri.

1 **Q. Which entities will operate in Missouri after the transfer?**

2 A. As set forth in greater detail later in my testimony, the Regulated Entity will continue to
3 operate as an ILEC, and the transfer will appear primarily as a name change to end user
4 customers. Alltel Communications, Inc. will remain with Alltel's wireless businesses,
5 although its existing long distance customers will transfer to Alltel Holding Corporate
6 Services, Inc., which will provide long distance services in Missouri on a resale basis.
7 Just as Alltel is not a certificated entity in Missouri today, neither will Alltel Holding
8 Corp. or Valor after the transfer and merger. Again, the Regulated Entity and Alltel
9 Holding Corporate Services, Inc. will be wholly-owned subsidiaries of the entity
10 resulting from the merger of Alltel Holding Corp. and Valor.

11
12 **Q. What will be the impact to Missouri customers as a result of the transfers**
13 **referenced above?**

14 A. Both the transfer of control of the Regulated Entity and the transfer of long distance
15 customers will appear to customers in the short-term merely as a name change. The
16 principal officers of the Merged Wireline Business will be certain present Alltel officers,
17 and the Merged Wireline Business will adopt a new name and corporate logo.
18 Consequently, because end user customers of the Regulated Entity will continue to
19 receive the same rates and high quality service from the same dedicated local operations,
20 the transfer will appear merely as a name change. The Regulated Entity simply will have
21 a new parent company and new name. With respect to long distance customers, they will
22 be transferred from Alltel Communications, Inc. to Alltel Holding Corporate Services,
23 Inc. and will continue receiving the same resold interexchange service they receive today.

1 Customers will receive notice of the transfers in accordance with the Federal
2 Communications Commission's anti-slamming rules and, again, will notice a name
3 change in their providers. In the long-term, customers will experience benefits of the
4 Merged Wireline Business as discussed in greater detail below.

5
6 **Q. Why is Alltel transferring control of the Regulated Entity and customers of the long**
7 **distance business?**

8 A. These transfers are necessary because Alltel is separating its wireline and wireless
9 businesses and then merging the Wireline Business with Valor. This separation is the
10 result of the dramatic changes in the telecommunications industry in the last several years
11 and the expected changes in the coming years. As a result of intermodal competition and
12 rapidly changing fundamentals of the wireline industry, wireline companies need to adapt
13 their existing business models to more effectively compete. Intermodal competition,
14 between wireline and wireless telecommunications services, for example, is now
15 widespread even in the territories served by the Regulated Entity. One result of such
16 intermodal competition is an increased need by the Wireline Business for enhanced
17 financial and operational opportunities. Specifically, wireline businesses will require
18 enhanced strategic flexibility in the future to bring new products and services to the
19 marketplace faster and improve their existing overall customer service. The need to
20 execute strategies faster in the future will require greater focus and access to adequate
21 human and financial capital. Separating the Wireline Business into an independent, stand-
22 alone corporate structure and merging it with Valor allows the Merged Wireline Business
23 to achieve such enhanced opportunities. The Merged Wireline Business will increase its

1 focus on providing a full portfolio of high quality services to its residential and business
2 customers. Through its subsidiaries, the new wireline-focused company will continue to
3 meet the needs of local exchange and long distance customers throughout its service
4 areas.

5
6 **Q. How will Alltel accomplish the separation of the Wireline Business from its wireless**
7 **businesses?**

8 A. In order to carry out the separation, two new subsidiaries of Alltel have been created,
9 Alltel Holding Corp. and Alltel Holding Corporate Services, Inc. The pre-separation
10 corporate structure is illustrated on Exhibit 1 to the parties' Application. Alltel will
11 transfer ownership of the Regulated Entity and Alltel's other ILEC subsidiaries to Alltel
12 Holding Corp. Next, customers of Alltel Communications, Inc.'s long distance business
13 will transfer to Alltel Holding Corporate Services, Inc. This new long distance reseller
14 will become a wholly-owned subsidiary of Alltel Holding Corp. and is seeking a
15 certificate to operate as a reseller of long distance services in Missouri. Thereafter, the
16 ownership of Alltel Holding Corp. will transfer from Alltel to Alltel's shareholders,
17 thereby establishing Alltel Holding Corp. (along with its subsidiary, Alltel Holding
18 Corporate Services, Inc.) as a stand-alone holding company. The post-separation
19 corporate structure is illustrated on Exhibit 2 to the parties' Application. In the final step
20 of this process, Alltel Holding Corp. will merge into Valor, a holding company with its
21 own LEC subsidiaries operating in the states of Texas, New Mexico, Oklahoma and
22 Arkansas. The final post-merger corporate structure is illustrated in the chart attached as
23 Exhibit 3 to the parties' Application.

1
2 **Q. What will be the overall result of the separation?**

3 A. The transfer is consistent with the public interest, and the resulting Merged Wireline
4 Business will produce benefits for the wireline local exchange residential and business
5 customers. As of June 30, 2005, the Regulated Entity and Alltel's other ILEC affiliates
6 served approximately 3.0 million local access lines in fifteen states. Alltel
7 Communications, Inc. currently provides long distance service in 49 states and operates
8 as a CLEC in several states. Valor is the owner of local exchange operating companies
9 that as of June 30, 2005, provided local exchange service to approximately 530,000
10 access lines in four states. The Merged Wireline Business will continue to have the same
11 technical and managerial capability to provide these services that the Wireline Business
12 currently provides today. As described later in my testimony, the principal officers of the
13 Merged Wireline Business will be certain current officers of Alltel. The Merged Wireline
14 Business will adopt a name and corporate logo that is presently being determined and will
15 be headquartered in Little Rock, Arkansas. Because end user customers will continue to
16 receive the same high quality service from the same dedicated local operations, the
17 transfer will appear merely as a name change.

18
19 **Q. Will the Merged Wireline Business possess the requisite technical ability to provide**
20 **adequate service?**

21 A. Yes. The Merged Wireline Business will continue to possess the requisite technical
22 ability to provide the same high quality service as is provided today. All equipment,
23 buildings, systems, software licenses and other assets owned and used by the Wireline
24 Business in the provision of its service will remain assets of the Regulated Entity or will

1 transfer to the Merged Wireline Business or a subsidiary thereof. For example, the
2 Signaling System 7 network used by the Wireline Business to provide routing of
3 communications traffic will be transferred to the Merged Wireline Business. Some assets
4 held by an Alltel affiliate are jointly used to provide services to the Wireline Business
5 and one or more other affiliates that may not become part of the Merged Wireline
6 Business. However, to the extent the Merged Wireline Business requires continued use of
7 these assets or services from Alltel, they will be provided through lease arrangements or
8 service agreements with the separated Alltel companies. Following the transfer of
9 control, the Merged Wireline Business will continue to own or have arrangements to use
10 all of the necessary network assets and ordering, provisioning, billing, and customer care
11 capabilities required to continue to provide high quality retail and wholesale services
12 seamlessly.

13
14 **Q. Will the Merged Wireline Business possess the requisite managerial ability to**
15 **provide adequate service?**

16 A. Yes, the Merged Wireline Business will continue to be managed by very capable,
17 experienced executives and employees, many of whom are transferring from Alltel to the
18 Merged Wireline Business. The collective experience of these officers demonstrates that
19 the Merged Wireline Business will maintain the same technical and managerial ability to
20 continue providing reliable high quality services subsequent to the separation as the
21 Wireline Business provides today. In particular, the Regulated Entity will have the
22 support and direction of the extensive management experience and telecommunications
23 expertise that they receive today from Alltel and its affiliates.

1 **Q. What existing management expertise will the Regulated Entity acquire with the**
2 **business?**

3 A. The Merged Wireline Business will possess the management experience of key wireline
4 personnel who presently operate the Wireline Business and who will transfer to the
5 Merged Wireline Business. Attached to the Application and incorporated herein is a list
6 of the names and addresses of the officers of the Merged Wireline Business and a
7 description of their qualifications, together with a list of the names and addresses of the
8 Board of Directors of the Merged Wireline Business. Many of these capable,
9 experienced executives are transferring from Alltel to the Merged Wireline Business. For
10 example, Alltel Chief Financial Officer, Jeffrey Gardner, has been named Chief
11 Executive Officer of the Merged Wireline Business. I am currently Alltel Area President
12 of Wireline Services and will continue in that role for the new company. The collective
13 experience of our officers demonstrates that the Merged Wireline Business will maintain
14 the requisite technical and managerial ability. The Merged Wireline Business will
15 employ personnel experienced and dedicated to the provision of high quality
16 communications service. The customer service, network and operations functions that
17 are critical to the success of the Wireline Business today will persist, and the Merged
18 Wireline Business will be staffed to ensure that continuity. For example, the Regulated
19 Entity's local operations will continue to be staffed and managed by employees with
20 established ties to the community in Missouri and extensive knowledge of the local
21 telephone business.

1 **Q. What managerial services will the Regulated Entity and Alltel Holding Corporate**
2 **Services, Inc. receive from the new parent company (Alltel Holding Corp.)?**

3 A. The Regulated Entity and Alltel Holding Corporate Services, Inc. will be supported by
4 Alltel Holding Corp.'s extensive management experience and telecommunications
5 expertise. As part of the Merged Wireline Business, these entities will continue to receive
6 certain centralized management services and will be staffed by many of the same
7 experienced and knowledgeable persons currently providing these services. Presently,
8 centralized functions include human resource, finance, tax, media, legal, planning,
9 general support, and information services, thereby allowing the individual entities to
10 benefit from the efficiencies enjoyed with centralized support services. After the transfer
11 of control, the Merged Wireline Business will continue to receive similar centralized
12 management services and thus, will continue to enjoy efficiencies from centralized
13 support services and the benefits of an experienced staff.

14
15 **Q. Does Alltel Holding Corp. have the experience necessary to provide this expertise?**

16 A. Yes, it does. The Merged Wireline Business will consist in part of at least twenty-eight
17 ILECs serving over 3.4 million access lines in 16 states and a long distance reseller that
18 provides service in 49 states. Alltel has been acquiring, managing, and operating
19 telecommunications companies for many years, and its ILEC subsidiaries are the result of
20 over 250 mergers and acquisitions spanning over 60 years. In recent years, for example,
21 Alltel acquired Kentucky Alltel, Inc. in 2002, Georgia Telephone Corporation in 1997,
22 Standard Group, Inc. in Georgia in 1999, and Aliant Communications, Inc. in Nebraska
23 in 1999. In these 63 years of providing telecommunications service, Alltel has never, to

1 my knowledge, been found by any commission or regulatory agency to lack the
2 managerial or technical expertise to provide telecommunications service. Many of the
3 same officers who successfully manage and operate Alltel's Wireline Business today will
4 transfer to the Merged Wireline Business, thereby ensuring that the new business will
5 possess the same managerial ability to continue providing high quality service.

6
7 **Q. Will the Regulated Entity and Alltel Holding Corporate Services, Inc. provide**
8 **adequate service to Missouri customers?**

9 A. Yes. Up to and after the separation and merger, customers will receive the same full
10 range of products and services that the Wireline Business offered prior to the separation,
11 at the same prices, and under the same terms and conditions. Currently, the Regulated
12 Entity offers bundles of local calling and custom calling features combined with other
13 services via sales of its own services or its own services combined with the services of
14 another provider sold via a sales agency arrangement. These bundled offerings were
15 designed to meet the customer demand for a true "one stop shop" for communications
16 needs. The Merged Wireline Business will enter into the necessary arrangements to allow
17 it to continue providing bundled service offerings. Similarly, Alltel Holding Corporate
18 Services, Inc. will provide on a resale basis the same quality long distance service that
19 Alltel Communications, Inc. provides today. The transfers will not effect the Regulated
20 Entity's existing price regulation plan, service quality obligations, or tariffs, and any
21 subsequent end user rate changes will continue to be governed by the same rules and
22 procedures. Although the transfer will not result in substantive tariff changes, the entities
23 will amend applicable tariffs to reflect their new names. Further, the terms and prices for

1 existing wholesale services under applicable access tariffs will remain unchanged as a
2 result of this transfer. Finally, the transfer of control will not impact the terms of any
3 existing interconnection agreements or obligations under state and federal laws regarding
4 interconnection. Most significantly, the customer interface with the Merged Wireline
5 Business will not change. Customers will continue to call existing numbers to order new
6 services, report service problems, and inquire about billing or other customer care issues
7 and will receive notice of the transfer and name change via bill messages.

8
9 **Q. Will local operations continue to be involved with their Missouri communities?**

10 A. Yes. The Merged Wireline Business will concentrate on the local operations of wireline
11 customers, and local affairs will continue to be managed by men and women with
12 established local relationships and extensive knowledge of the local telephone business.
13 Applicants' participation in the local community will be ongoing and continue to be of
14 great importance. Furthermore, the senior executive team of the Merged Wireline
15 Business will be comprised of many of the same executives that have guided Alltel's
16 local operations in the past. Their experience and expertise, combined with new
17 flexibility to pursue wireline-only strategic goals, will ensure that the Merged Wireline
18 Business service quality and standards will remain at the highest levels.

19
20 **Q. Given the technical and managerial capability of the Merged Wireline Business, is**
21 **the transfer consistent with the public interest?**

22 A. Yes, the transfer is consistent with and not detrimental to the public interest. All of the
23 above facts demonstrate that the Merged Wireline Business will maintain the requisite

1 capability to fully support its operations subsequent to the transfer of control and provide
2 high quality service. The Merged Wireline Business will operate in an industry that has
3 been and continues to be subject to rapid technological advances, evolving consumer
4 preferences, and dynamic change. These factors, combined with regulatory developments,
5 create an environment in which the interests of the wireline business are diverging from a
6 wireless-centric focus. The establishment of the Merged Wireline Business as part of an
7 independent, stand-alone wireline-centric corporation serves the public interest by
8 allowing Alltel's separated ILECs to focus squarely on building their local wireline
9 operations to provide a full range of high quality services to local residential and business
10 customers. This separation better aligns the interests of the Merged Wireline Business
11 with the interests of its customers. The company's strategic wireline focus will allow for a
12 stronger local emphasis and permits the Merged Wireline Business to provide services
13 tailored to the needs of its customers. As I noted previously, the separation and merger,
14 other than a change of name, will be virtually transparent to customers, and service
15 quality and the customer experience will remain high priorities. Customers will
16 experience no less than business as usual, but very likely an improved experience, as the
17 Merged Wireline Business enhances service delivery, product development, and customer
18 interaction. Thus, the transfer promotes and is consistent with, and not detrimental to, the
19 public interest.

20
21 **Q. Is it your opinion that the Commission should approve this transfer?**

22 A. Yes, the Commission should issue an order approving the transfer. I have demonstrated
23 that the resulting Merged Wireline Business will have the requisite technical and

1 managerial capability as is possessed by the Wireline Business today. These facts together
2 with the benefits to customers that I discussed previously support a finding that the
3 transfer is not detrimental to the public interest.

4
5 **Q. Does this conclude your testimony?**

6 **A.** Yes, at this time.

AFFIDAVIT

STATE OF Georgia)
)
COUNTY OF Fulton)

SS:

Gregg L. Richey, being duly sworn according to law, deposes and says that he is Area President, and that in this capacity he is authorized to and does make this Affidavit on behalf of Applicants and that the statements set forth in the foregoing Testimony are true and correct to the best of his knowledge, information and belief.

Gregg L. Richey



Sworn and Subscribed to before me this 15 day of February, 2006.

Tanya Redding
Notary Public

My Commission Expires:

May 23, 2006