TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
Lynn Greer, Director
Melvin Malone, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

August 13, 2001

Mr. T.G. Pappas, Esq.
Bass, Berry & Sims PLC
315 Deadrick Street #2700
Nashville, TN 37238

In re: TRA Docket No. 00-00451 – Petition of United Telephone Company to Change and Increase Certain Intrastate Rates and Charges So As to Permit It to Earn a Fair and Adequate Rate of Return on Its Property Used and Useful in Furnishing Telephone Service to Its Customers in Tennessee and to Adopt New and Realistic Depreciation Rates for Central Office Equipment

Dear Mr. Pappas:

In accordance with TRA Rule 1220-1-2-.21, Mr. Joe Shirley and I have been designated as parties in the above-referenced proceeding. To assist us in our investigation of United Telephone Company's Petition, please respond fully to the attached request for information.

We request that you provide us with two copies of your responses by August 20, 2001. You should also file the appropriate number of copies of your responses with the TRA's Office of the Executive Secretary. If you have any questions concerning the attached request for information, contact Joe Shirley at 615-741-2904, extension 152.

Sincerely,

Gary Hotvedt
Counsel

Attachment
cc: Herbert Bivens
David Waddell

Telephone (615) 741-2904, Toll-Free 1-800-342-8359, Facsimile (615) 741-5015
www.state.tn.us/tra

1. Provide a complete copy of United Telephone's responses to the data request from the Consumer Advocate and Protection Division dated July 27, 2001.

2. Provide a balance sheet and income statement for UTC Long Distance for the years ended 1998, 1999, and 2000.

3. Describe the nature and extent of all charges, including but not limited to any originating and terminating access and billing and collection, which United Telephone bills to UTC Long Distance.

4. Provide the following for 1998, 1999, and 2000:

   a. Originating access charges and associated minutes-of-use for interstate traffic that United Telephone billed to UTC Long Distance;

   b. Terminating access charges and associated minutes-of-use for interstate traffic that United Telephone billed to UTC Long Distance;

   c. Originating access charges and associated minutes-of-use for intrastate-interLATA traffic that United Telephone billed to UTC Long Distance;

   d. Terminating access charges and associated minutes-of-use for intrastate-interLATA traffic that United Telephone billed to UTC Long Distance;

   e. Originating access charges and associated minutes-of-use for intrastate-intraLATA traffic that United Telephone billed to UTC Long Distance;

   f. Terminating access charges and associated minutes-of-use for intrastate-intraLATA traffic that United Telephone billed to UTC Long Distance;

   g. Originating access charges and associated minutes-of-use for interstate traffic that United Telephone billed to all toll carriers except UTC Long Distance;

   h. Terminating access charges and associated minutes-of-use for interstate traffic that United Telephone billed to all toll carriers except UTC Long Distance;

   i. Originating access charges and associated minutes-of-use for intrastate-interLATA traffic that United Telephone billed to all toll carriers except UTC Long Distance;

   j. Terminating access charges and associated minutes-of-use for intrastate-interLATA traffic that United Telephone billed to all toll carriers except UTC Long Distance;

k. Originating access charges and associated minutes-of-use for intrastate-intraLATA traffic that United Telephone billed to all toll carriers except UTC Long Distance; and

l. Terminating access charges and associated minutes-of-use for intrastate-intraLATA traffic that United Telephone billed to all toll carriers except UTC Long Distance.

5. Does United Telephone bill the same billing and collection charges to UTC Long Distance as it does to other toll carriers? If not, please explain why not?

6. For 1998, 1999, and 2000, provide the amount of billing and collection charges and associated number of messages and bills that United Telephone billed to UTC Long Distance.

7. For 1998, 1999, and 2000, provide the amount of billing and collection charges and associated number of messages and bills that United Telephone billed to all toll carriers except UTC Long Distance.

8. On the BellSouth SN-642 settlement statements for the years ended 1998, 1999, and 2000, the following billing and collection charges were applied during the intrastate toll settlement process: $0.18040 billing charge per message, $0.00515 recording charge per message, and $0.00980 processing charge per message. Provide the billing and collection charges that will be used for the intrastate toll settlement process in 2001 and 2002.

9. Provide a copy of the BellSouth SN-642 settlement statements for the year-to-date 2001.

10. The NECA AS3000 settlement statements for January 2000 through December 2000 report a total of $3,420,441 in interstate access ($2,068,882 – Traffic Sensitive, $717,724 – CCL, and $633,835 – End User/Network Access.) In the response to Item No. 9 of the Consumer Advocate and Protection Division's data request dated June 14, 2001, page 2 of 40, United Telephone reported a total of $3,190,228 in interstate access revenues ($2,468,873 – Switched Access, $99,918 – Special Access, and $621,436 – Network Access.) Reconcile the NECA AS3000 settlement statements for January 2000 through December 2000 to United Telephone's interstate access revenues for the year 2000.

11. Provide a copy of the NECA AS3000 settlement statements for the year-to-date 2001.

12. Provide a detailed explanation of the proposed MAG plan and its expected impact on interstate access revenues. Include the following in your explanation:

    a. A general description of the MAG plan, including its objectives and overall financial impact.

b. The dates that the MAG plan will be approved and implemented;

c. The dollar effect, if any, that approval and implementation of the MAG plan will have on the access charge rate elements used by NECA to settle interstate access revenues (e.g., CCL compensation rates, End User compensation rates, and Traffic Sensitive compensation rates); and

d. The dollar effect, if any, that approval and implementation of the MAG plan will have on United Telephone's total interstate access revenues for 2001 and 2002.

13. Explain the nature and extent of the following classes of revenues that United Telephone reported on page 2 of 40 in the response to Item No. 9 of the Consumer Advocate and Protection Division's data request dated June 14, 2001:

a. Special Access – Intrastate;

b. NECA – Intrastate; and

c. NECA – Interstate.

14. In response to Item No. 39 of the Consumer Advocate and Protection Divisions data request dated June 14, 2001, United Telephone forecasted $250,000 in miscellaneous non-regulated revenues for 2001 and $120,000 for 2002. Provide a detailed explanation as to why United Telephone used a –52% growth factor for miscellaneous non-regulated revenues from 2001 to 2002.

15. In response to Request No. 7 of the Authority's data request dated July 9, 2001, United Telephone stated:

> The management assumptions used to forecast the revenues for 2001 and 2002 involved reviewing the growth rates of each general ledger revenue account for 1998, 1999 and 2000. For each revenue account, a growth factor was applied to the 2000 balances to arrive at the forecast estimate for 2001 and then applied again to calculate 2002 revenue. In cases where management deemed it appropriate, the growth factor was varied to allow for circumstances that are present whereby using the actual growth factors would cause inaccurate results.

a. Identify each general ledger revenue account where management deemed it appropriate to vary the actual growth factor;

b. For each general ledger revenue account identified in 15.a., above, provide the actual growth factor and the growth factor that management used to forecast revenues;

c. For each general ledger revenue account identified in 15.a., above, explain in detail the specific circumstances that are present which supports the use of management's growth factor rather than the actual growth factor.

16. Provide the amount of unamortized investment tax credits for the year ended 2000 and the projected amount of unamortized investment tax credits for the years ending 2001 and 2002.

17. Describe the process used to forecast the Working Capital amounts reported in the 2001 and 2002 columns on Enoch Exhibit 2. Include in your response copies of any workpapers used to develop the Working Capital forecast.

18. Provide the following information relating to United Telephone's application for a new RUS loan for $28 million:

a. What is the anticipated annual percentage rate of the new loan?

b. Provide a schedule of projected amounts and dates when United Telephone expects to receive the new loan proceeds.

c. Provide a schedule of projected CWIP for 2001 and 2002, including amounts and dates, that will be funded from the new loan proceeds.

d. Provide a schedule of projected Plant Additions by account, including amounts and dates, for 2001 and 2002 that will be funded from the new loan proceeds.

e. Provide a schedule of projected Depreciation Expense by account for 2001 and 2002 resulting from the Plant Additions forecasted in 18.d., above.

19. In response to Request No. 8 of the Authority's data request dated July 9, 2001, United Telephone state in part:

> (a,b,c&d)
>
> The management assumptions used to forecast the expenses for 2001 and 2002 involved reviewing the growth rates of each general ledger expense account for 1998, 1999 and 2000. For each expense account, a growth factor was applied to the 2000 balances to arrive at the forecast estimate for 2001 and then applied again to calculate 2002 expense. In cases where management deemed it appropriate, the growth factor was varied to allow for circumstances that are present whereby using the actual growth factors would cause inaccurate results.

a. Identify each general ledger expense account where management deemed it appropriate to vary the actual growth factor;

b. For each general ledger expense account identified in 19.a., above, provide the actual growth factor and the growth factor that management used to forecast expenses;

c. For each general ledger expense account identified in 19.a., above, explain in detail the specific circumstances that are present which supports the use of management's growth factor rather than the actual growth factor.

20. Provide copies of United Telephone's forecast of the following expenses, including supporting workpapers, for 2001 and 2002:

a. Plant Specific expenses reported on Line 2 of Enoch Exhibit 5;

b. Plant Non-Specific expenses reported on Line 3 of Enoch Exhibit 5;

c. Customer Operations expenses reported on Line 4 of Enoch Exhibit 5; and

d. Corporate Operations expenses reported on Line 5 of Enoch Exhibit 5.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served, via the method(s) indicated, this the 13th day of August, 2001, on the following:

[ ] Hand Delivery [X] Facsimile [ ] U.S. Mail	Vance L. Broemel, Esq. Office of the Attorney General Consumer Advocate and Protection Division 425 5th Avenue North, 3rd Floor Nashville, TN 37243
[X] Hand Delivery [ ] Facsimile [ ] U.S. Mail	J. Richard Collier, Esq. Tennessee Regulatory Authority 460 James Robertson Parkway Nashville, TN 37243
[ ] Hand Delivery [X] Facsimile [ ] U.S. Mail	James P. Lamoureux, Esq. AT&T 1200 Peachtree Street N.E. # 8100 Atlanta, GA 30309
[ ] Hand Delivery [X] Facsimile [ ] U.S. Mail	T.G. Pappas, Esq. Dale Grimes, Esq. Bass, Berry & Sims PLC 315 Deadrick Street #2700 Nashville, TN 37238

Gary Hotvedt