STATE OF TENNESSEE

Office of the Attorney General

REC'D TN REGULATORY AUTH.

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Reply to:
Consumer Advocate and Protection Division
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March 19, 2002

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

RE: IN RE: TARIFF OF ARDMORE COMMUNICATIONS, LLC, CROCKETT TELEPHONE COMPANY, INC., PEOPLES TELEPHONE COMPANY, INC., WEST TENNESSEE TELEPHONE COMPANY, INC., CENTURYTEL OF ADAMSVILLE, INC., CENTURYTEL OF OOLTEWAH-COLLEGEDALE, INC., LORETTO TELEPHONE COMPANY, MILLINGTON TELEPHONE COMPANY, INC., CONCORD TELEPHONE EXCHANGE, INC., HUMPHREYS COUNTY TELEPHONE COMPANY, TELLICO TELEPHONE COMPANY, TENNESSEE TELEPHONE COMPANY, CITIZENS TELECOMMUNICATIONS COMPANY OF TENNESSEE, CITIZENS TELECOMMUNICATIONS COMPANY OF THE VOLUNTEER STATE LLC and UNITED TELEPHONE COMPANY TO PROVIDE RATE REDUCTIONS TO OFFSET A PORTION OF THE 2002 TAX CREDIT
Docket Nos.: 02-00125, 02-00130, 02-00131, 02-00132, 02-00133, 02-00134, 02-00135, 02-00137, 02-00138, 02-00139, 02-00140, 02-00141, 02-00142, 02-00143, 02-00144 and 02-00145

Dear Mr. Waddell:

Enclosed is an original and sixteen copies of the Brief of the Consumer Advocate & Protection Division of the State of Tennessee's Office of the Attorney General in the above-referenced dockets. At the March 12, 2002 Final Conference, the TRA Directors instructed us to file a brief addressing two issues in all sixteen dockets. Pursuant to my conversation with Gary Hotvedt, we are filing an original and sixteen copies for all of the above-referenced dockets. We request that this be filed with the Tennessee Regulatory Authority. We have served copies on all parties of record. If you have any questions, kindly contact me at (615) 532-3382. Thank you.

Sincerely,

Shilina B. Chatterjee

Shilina B. Chatterjee
Assistant Attorney General

Enclosures

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IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: TARIFF OF ARDMORE	)	DOCKET NO. 02-00125
COMMUNICATIONS, LLC,	)	DOCKET NO. 02-00130
CROCKETT TELEPHONE COMPANY,	)	DOCKET NO. 02-00131
INC., PEOPLES TELEPHONE	)	DOCKET NO. 02-00132
COMPANY, INC., WEST TENNESSEE	)	DOCKET NO. 02-00133
TELEPHONE COMPANY, INC.,	)	DOCKET NO. 02-00134
CENTURYTEL OF ADAMSVILLE,	)	DOCKET NO. 02-00135
INC., CENTURYTEL OF OOLTEWAH-	)	DOCKET NO. 02-00137
COLLEGEDALE, INC., LORETTO	)	DOCKET NO. 02-00138
TELEPHONE COMPANY,	)	DOCKET NO. 02-00139
MILLINGTON TELEPHONE	)	DOCKET NO. 02-00140
COMPANY, INC., CONCORD	)	DOCKET NO. 02-00141
TELEPHONE EXCHANGE, INC.,	)	DOCKET NO. 02-00142
HUMPHREYS COUNTY TELEPHONE	)	DOCKET NO. 02-00143
COMPANY, TELLICO TELEPHONE	)	DOCKET NO. 02-00144
COMPANY, TENNESSEE TELEPHONE	)	DOCKET NO. 02-00145
COMPANY, CITIZENS	)	
TELECOMMUNICATIONS COMPANY	)	
OF TENNESSEE, CITIZENS	)	
TELECOMMUNICATIONS COMPANY	)	
OF THE VOLUNTEER STATE LLC and	)	
UNITED TELEPHONE COMPANY TO	)	
PROVIDE RATE REDUCTIONS TO	)	
OFFSET A PORTION OF THE 2002 TAX	)	
CREDIT	)	

BRIEF OF CONSUMER ADVOCATE & PROTECTION DIVISION

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ISSUES PRESENTED FOR REVIEW

I. WHETHER OR NOT THE ESTIMATED NET TAX SAVINGS CREATED BY THE ACT MUST BE FLOWED THROUGH TO BUSINESS CUSTOMERS ONLY IN THE FORM OF PRICE ADJUSTMENTS TO THE TARIFFED RATES OF TELECOMMUNICATIONS SERVICES AS OPPOSED TO CREDITS

II. WHETHER OR NOT IT IS APPROPRIATE FOR QUALIFYING COMPANIES, PARTICULARLY RATE-OF-RETURN REGULATED COMPANIES TO DEDUCT COSTS FOR COMPLYING WITH THE ACT'S REQUIREMENTS IN SUCH COMPANIES CALCULATION OF ESTIMATED NET TAX SAVINGS

STATEMENT OF THE CASE

This matter came before the Tennessee Regulatory Authority ("TRA") when Loretto Telephone Company ("Loretto"),Millington Telephone Company, Inc. ("Millington"), United Telephone Company, Inc. ("United Telephone"), CenturyTel of Adamsville, Inc. ("CenturyTel Adamsville"), CenturyTel of Claiborne, Inc. ("CenturyTel Claiborne"), Ardmore Communications, LLC ("Ardmore"), Crockett Telephone Company, Inc. ("Crockett"), Peoples Telephone Company, Inc. ("Peoples"), West Tennessee Telephone Company, Inc. ("West Tennessee"), CenturyTel of Ooltewah-Collegedale ("CenturyTel of Ooltewah"), Concord Telephone Exchange, Inc. ("Concord"), Humphreys County Telephone Co. ("Humphreys"), Tellico Telephone Company ("Tellico"), Tennessee Telephone Company ("Tennessee Telephone"), Citizens Telecommunications Company of the Volunteer State LLC ("Citizens Volunteer State") and Citizens Telecommunications Company of Tennessee ("Citizens Tennessee") (collectively, the "Companies") filed Tariff Nos. 02-00137, 02-00138, 02-00145, 02-00133, 02-00134, 02-00125, 02-00130, 02-00131, 02-00132, 02-00135, 02-00139, 02-00140, 02-00141, 02-00142, 02-00143 and 02-00144, respectively to make rate reductions to offset the ad valorem tax equity payments or credits with a proposed effective dates as follows:

Effective Date	**Company**
January 1, 2002	Loretto, Ardmore, Citizens of Volunteer State, Citizens of Tennessee, Millington and Tennessee Telephone
March 7, 2002	United Telephone
March 11, 2002	CenturyTel Ooltewah, CenturyTel Claiborne, Century Tel Adamsville, Humphreys County, Tellico, Concord
April 1, 2002	Peoples, West Tennessee, Crockett

Loretto, Millington, United Telephone, CenturyTel Adamsville, CenturyTel Claiborne, Ardmore, Crockett, Peoples, West Tennessee, CenturyTel of Ooltewah, Concord, Humphreys, Tellico, Tennessee Telephone, Citizens Volunteer State and Citizens Tennessee made its filing pursuant to Tennessee Code Annotated § 65-6-222. The Companies filed tariffs to provide reductions to offset a portion of the 2002 tax credit in order to comply with Tennessee Code Annotated § 67-6-222, however, their tariffs did not comply with the statute. Tennessee Code Annotated § 67-6-222 clearly states that any net tax savings that the Companies receive are to be passed onto business customers in the form of a price reduction.

Among other things, the Companies filed tariffs that included calculations that would result in understated rate reductions to business customers because they divided their annual tax savings over an 18 month period rather than a 12 month period. As a result, on March 5, 2002, the Consumer Advocate and Protection Division ("CAPD") of the Office of the Attorney General filed a Complaint and Petition to Intervene on all 16 tariffs that were filed by the above-referenced Companies.

On March 12, 2002, at the Final Conference the TRA directors suspended these tariffs until April 30, 2002 ordering the benefits to business customers must flow through on an annualized basis. Furthermore, the Directors of the TRA directed the CAPD and the Companies, either individually or collectively, to file legal briefs within seven (7) days on two issues. The following issues are to be addressed (1) whether or not the estimated net tax savings created by the act must be flowed through to business customers only in the form of price adjustments to the tariffed rates of telecommunications services as opposed to credits; and (2) whether or not it is appropriate for qualifying companies, particularly rate-of-return regulated companies to deduct costs for complying with the Act's requirements in such companies calculation of estimated net tax savings.

I. THE ESTIMATED NET TAX SAVINGS CREATED BY THE ACT MUST BE FLOWED THROUGH TO BUSINESS CUSTOMERS ONLY IN THE FORM OF PRICE ADJUSTMENTS TO THE TARIFFED RATES OF TELE-COMMUNICATIONS SERVICES AS OPPOSED TO CREDITS

Tennessee Code Annotated § 67-6-222 (the "Act") provides for a Telecommunications Ad Valorem Tax Reduction Fund that provides for credits to be paid to telecommunications service providers whose properties are designated as public utility property for ad valorem tax purposes. These credits are to offset the higher rates that they pay because of their designation as a public utility. Tennessee Code Annotated § 67-6-222(5)(c) states that the net tax savings that a telecommunications service provider receives as a result of the payment they receive from the Telecommunications Ad Valorem Tax Reduction Fund is to be passed onto the business customers. In addition, the Bill's preamble also indicated that the savings that are realized by these telecommunications service providers will be passed-through to customers through a reduction in rates for telecommunication services.

a. The Plain Language of the Statute States That Savings Shall be Passed Onto Business Customers in the Form of an Adjustment in Price

The plain language of the statute states that the telecommunications service providers shall pass-through savings through an adjustment in the price of telecommunications services. Tennessee Code Annotated § 67-6-222(c) states ". . .such net tax savings shall inure to the benefit of the business customers of such person through an **adjustment in the price** of telecommunications services provided by such person, including business and interconnection services." Tenn. Code Ann. § 67-6-222(c). (*Emphasis added*).

b. The Legislative History Provides That the Savings Are to Flow to Business Customers in the Form of a Rate Reduction

The legislative history is clear that the legislature intended the savings to business customers be in the form of a rate reduction.[1] (*See* Exhibit 1) The legislative intent was to ensure that business customers ultimately benefit from the tax savings that the telecommunications service providers realize as a result of this legislation. The legislative history states that businesses are to receive rate adjustments, not credits.

There are several discussions before the General Assembly that indicate that the rates for business consumers would be in the form of an adjustment to the prices that are paid by business customers for telecommunications services. First, the legislative history states that the legislation involved a series of credits that would offset higher property tax rates that are paid by telecommunications service providers and the net tax savings would be passed through in the form of reductions in the rate charges to their customers.[2] Second, there were discussions in the legislature that specifically referenced reduced rates for businesses. Senator Kisber stated that the amount of the credit that the public utility receives from the Fund will be "reflected in **reduced tariffs or reduced rates** to the businesses."[3] (*emphasis added*). Therefore, the legislature wanted rates to be reduced.

The legislature contemplated that a price adjustment would be in the form of a reduction

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[1] Public Chapter 195 (SB 1484, HB 864), Hearing on SB 1484 Before the Senate Finance, Ways & Means, Tax Subcommittee, 2001 General Assembly (Tn. 2001) (statement of Senator Rochelle, April 5, 2001).

[2] Tax Equity Payments for Telecommunications Providers: Hearing on SB. 1484 Before the Senate Comm. on Ways and Means, April 24, 2001 (Senator Rochelle).

[3] Tax Equity Payments for Telecommunications Providers: HB. 864 Before the House of Representatives, April 30, 2001 (statement of Representative Kisber)

in price that a telecommunications service provider charged their business customers. The House Commerce Committee Amendment Number one to House No. 864 stated that the General Assembly found that it was in the best interest of Tennessee consumers of telecommunications services that any net tax savings experienced by such telephone companies be passed on to consumers in the form of reductions in the prices charged for the services provided by such telephone companies. (*See* Exhibit 2)

There is no indication anywhere in the legislative history that the Companies had the option to either offer an adjustment in price or a credit even if they both achieved the same result. The statute and the legislative history is clear and states that a rate reduction will be given to business customers as a result of the net tax savings that telecommunications service providers receive under the legislation.

c. The Rate Reductions Will Not Result in Unwarranted Expenses

The Companies belief that filing for rate reductions rather than credits would result in unwarranted expenses since it could lead to a rate case and it would be an additional burden on consumers since it will tend to increase costs is erroneous. The legislature did consider the costs of administering this legislation and they acknowledged that there would be costs and those costs would be borne by the State of Tennessee. They specifically provided for the recouping of these administrative costs in the statute. However, they did not expect the telecommunications service providers would have costs that they could not absorb or would be exorbitant costs.

d. An Adjustment in Price Will not Result in a Rate Case

Although the Companies may argue that there potentially could be an increase in rates, it is unfounded. The legislative history indicates that the legislature did not envision a rate increase.[4] A potential increase in rates that would spawn a rate case are moot because the statute provides for the Companies to continuously receive a tax savings. Also, the legislators did state that they worked with the TRA to ensure that rates would not later be raised and they would have to stay within the filed tariffs. In the unlikely event of an increase in rates, the Companies would only have to file another tariff adjusting the rate.

The legislative history states that the TRA would regulate the rates and rate structure, however, there was no mention that the filing of their annual tariff to comply with the statute would result in a rate case.[5]

The Companies can merely file a simple tariff annually indicating the adjustment in price and it would not be necessary to file a rate case. In prior instances before the TRA, adjustments to rates were made without instituting a rate case. In docket 97-07628 (commonly referred to as the "Megacom Order"), the TRA (formerly known as the Tennessee Public Service Commission (TPSC)) implemented a simple mechanism to adjust the carrier common line charge (CCLC) rate (a component of access service of LECs). That adjustment caused decreases and increases to the CCLC rate for some LECs. The procedure was not complicated.

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4 Tax Equity Payments for Telecommunications Providers: Hearing on HB. 864 Before the House Comm. on Commerce, April 10, 2001 (Statements of Representative Kisber).

5 Tax Equity Payments for Telecommunications Providers: Hearing on SB. 1484 Before the Senate Comm. on Ways and Means, Tax Sub-Comm. April 5, 2001 (Statement of Senator Cole).

e. The Statute Specifically Requires a Rate Reduction as the Method to Pass-Through Savings to Business Consumers Even Though As a Practical Matter the Savings Can Be In the Form of a Rate Reduction or Credit

As a practical matter, it is clear that the end result is that the business customer will receive the benefit by having a reduced rate for their telecommunications service whether it be in the form of a rate reduction or a credit. However, the statute provides for the form that should be used to pass-through the savings and it states that the business customers will receive a reduction in rates. Therefore, the TRA should not allow the Companies to file tariffs providing credits.

II. QUALIFYING COMPANIES, PARTICULARLY RATE-OF-RETURN REGULATED COMPANIES MAY NOT DEDUCT COSTS FOR COMPLYING WITH THE ACT'S REQUIREMENTS IN THEIR CALCULATIONS OF ESTIMATED NET TAX SAVINGS

The statute does not provide for the deduction of compliance costs. Courts must construe statutes as they are written. *BellSouth Telecommunications, Inc. v. Greer*, 972 S.W.2d 663, 673 (1997). Neither the language nor the legislative history indicates that compliance costs are to be included in the calculations of their tariffs made by the companies. There is no indication that compliance costs are to be included.

Compliance costs should not be deducted and should be borne by the Companies as part of their operating expenses. In instances, where compliance costs associated with a statute have been substantial, Congress believed that costs of compliance in an industry are costs of doing business. *American Textile Manufacturers Institute, Inc. v. Donovan*, 452 U.S. 490 (1981). The TRA should not allow compliance costs to be included in the calculations filed by the Companies.

If the companies are permitted to deduct compliance costs, they are reducing the savings that were mandated to be passed to business customers under Tennessee Code Annotated § 67-6-222. The following amounts are the approximate monthly amounts that business customers will pay for the benefit that the telecommunication service providers receive in tax savings on their property.[6]

Company	Amount Charged for Compliance
Loretto	.12/month
Concord	.01/month
Tellico	.01/month
Tennessee Telephone	.01/month
United Telephone	.25/month
Millington	.10/month
CenturyTel Adamsville	.03/month
CenturyTel Claiborne	.03/month
CenturyTel Ooltewah	.03/month

Based on the overearnings of the respective companies, it appears that compliance costs should not be deducted in the calculations. Their existing revenue stream is adequate to cover costs. Moreover, these costs of compliance are reasonable costs associated with doing business. Based on a review of their most recent surveillance reports, a majority of the LECs, individually or combined under a parent company umbrella exceed their targeted fair rate of return. (*See* Exhibit 3)

In addition, those Companies that included compliance costs in their calculations, failed to substantiate their costs and failed to show the exact nature of the costs of compliance. They

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6 These amounts reflect the compliance costs that were included by the Companies.

need to provide support for these compliance costs and that the costs have a recognizable impact upon their businesses.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Brief of Consumer Advocate and Protection Division was served on parties of record via facsimile and U.S. Mail, postage prepaid, on March 19, 2002.

Shilina B. Chatterjee

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Exhibit #1

LEGISLATIVE HISTORY TRANSCRIPT
PUBLIC CHAPTER 195 (SB 1484, HB 864)

Prepared By: Wendy Bishop, Paralegal
Prepared For: Bernadette Welch, Asst. Atty. General
Date: January 4, 2002

SENATE: FINANCE, WAYS & MEANS, TAX SUB-COMMITTEE
April 5, 2001
Tape # 1

SB 1484

ROCHELLE: 1484 is the telecommunications tax reform bill, and this one is one that is complicated, of course. We have a looming problem of major proportions for local governments, in that the traditional telephone companies were classified as monopolies and as public utilities. Of course, for the last 20 years changes have occurred in the telecommunications industry. It is no longer a pure monopoly; it no longer can be argued totally that it is a public utility. So what we've tried to do and have had discussions over the last 4 or 5 years, is how can we address that issue without being totally disruptive to local governments who rely upon their property tax structure and basis for bonds and such. So what this does is this would have them keep paying to the local governments a property tax based on the public utility classification. You would then provide a tax equity credit to companies that are subject to that -- public utility, telecommunication companies that are classified like that. And that credit would basically be, the maximum amount it could be would be the difference between being classified as public utility versus commercial and industrial classification. We would then increase the sales tax rate on business **interstate** long distance telecommunications services from 3.5% to 7.5%, and that would be available then for use on the ad valorem tax equity credit. That is the same rate that is already charged on **intrastate** long distance telecommunications services. It would then pass through and apply the credit. In return, the telecom companies will be required to pass that tax savings on to business customers, the users of this interstate call, in the form of reduced prices, access charges, on the telecom services. Now that's what the bill does, there's an amendment that makes the bill that does those things. I move we recommend the bill with the amendment.

CLABOUGH: Senator Rochelle moves Senate Bill 1484 as amended. Senator Rochelle, if we could talk a little bit about this. In my discussions with everybody in the telecommunications industry in the last 24 hours; why are we going to shift the burden? As I understand it, the telecommunications industry are still going to basically pay the same amount of tax, bottom line. So why are we shifting that burden from them paying property tax to the business customer paying an additional sales tax?

ROCHELLE: It provides the funds to provide the credit. Then you offset the cost to the business customer by reducing the access charge, which will lower the cost of his calls. And it's really revenue neutral to the state, revenue neutral to the business customers, neutral to the local governments, and the telephone company's advantage is that it has everyone in the business being, in effect, taxed on a level playing field. That then allows them all to compete without tax consequences interfering with that competition.

CLABOUGH: And who regulates that fund, and who, does TRA regulate the fund and regulate the reduced rates to businesses?

ROCHELLE: No, I believe Revenue will have the, well, we may want to hear from Mr. Cole, I may need some information on that. Mr. Cole has worked with us on the amendment.

COLE: I'm Mike Cole, Deputy Commissioner of Revenue. The way it would work, the fund itself would be administered by the Comptroller's office under the amendment, and the rates and the rate structure and everything would continue to be regulated by TRA.

CLABOUGH: Any questions? All those in favor of Senate Bill 1484 say aye. Aye. Bill moved to committee with favorable recommendations.

HOUSE: COMMERCE
April 10, 2001

HB 864

KISBER: House Bill 864 is a bill that is designed to address a problem that is not unique to Tennessee, but is happening throughout the country. And that is as technology has made the provision of telecommunication services more widely available, the types of companies and the convergence of these companies' technologies have made the tax systems which states and local governments have used to finance education and other services somewhat obsolete. And over the last couple of years, the telecommunication providers in Tennessee have been working with the Comptroller's office and with local governments in a way in which to fashion a system that would allow them to continue to pay the property taxes to the local governments at the assessment rate of 55% as opposed to those industries which are classified commercial/industrial, which are at a much lower rate, and also to be in a position to remain competitive. This bill is an attempt to do that. What this bill attempts to do is on business telephone services, raise the state sales tax to 7.5%, create a fund which 4% would go into to help those companies that are assessed at the 55% rate pay the property tax to bring them down to a comparable level to those that are assessed at the commercial/industrial rate. And the amendment that you have before you from the TRA would require them to lower the rates by a like amount, so that their rates would be competitive with those who provide the service that are taxed at the lower property tax assessment levels. We worked with the TRA as well on language that assures that they cannot then come back and raise rates, that they have to stay within the tariffs that they file with the TRA and utilize the tax savings that would be generated to reduce rates, which is their whole intent, because it's an effort to make sure that they're all playing on a level playing field. That's

what the bill attempts to do, Mr. Chairman, any questions, I'd appreciate y'all moving it out.
RHINEHART: Is there anyone from TRA here? Have you come to agreement with TRA?

KISBER: Yes, sir, we included the language that they requested us to include, and they were okay with the bill with their language. I dealt with Mr. Waddell (?) and their legal staff. Let's see, I've got a letter from them.

SARGENT: Now, for the records, this will keep the municipalities and counties whole; they will not lose anything on their uh, they will be made whole.

KISBER: That's exactly right.

SARGENT: Thank you.

MCKEE: Representative Kisber, the amendment also deletes the machinery and equipment sales tax exemption, too, doesn't it?

KISBER: That is correct.

MCKEE: And it removes the fiscal note?

KISBER: It removes the expense side of the fiscal note; there's still a fiscal note in that it raises a significant amount of money, and to the extent that there are dollars collected that aren't used for the property tax credit, those would revert to the general fund, plus .5% goes to the general fund for K-12 education and .5% is distributed to local governments under the existing scheme.

FITZHUGH: As I understand this, even though we're raising business tax rates from 3.5% to 7.5%, that there will be reductions in the rate so that there will be effectively no increase in taxes, or rates for that matter, for business customers that have to pay the increased tax rate. Is that correct?

KISBER: That's correct.

FITZHUGH: I don't understand this thing, but you're telling me that it's going to have no net negative effect on business telephone customers.

KISBER: And part of the reason, and it gets somewhat difficult, and as co-chairman of this task force on telecommunications and e-commerce, we spent a lot of time talking about these changes that are taking place and the effect they're having. Because of the way in which property taxes are building to the tariff and the higher assessment rate, they have to have a higher rate to charge in order to pay that. By flipping it and putting it on the outside, so to speak, they can then reduce that rate, and have it be competitive with those industries that are taxed at the lower rate, so that when you as a consumer are looking at the rates, you'll see that ABC is at 8 cents a minute, or $35 a month, and XYZ is at $35 a month, even though, for property tax purposes, they're structured differently.

GODSEY: Matt, just for the record, because we get eaten up on this all the time, this has nothing to do with residential telecommunications involvement, right?

KISBER: That is correct, it's strictly business service which is currently taxed at 3.5%. Residential is currently taxed at the full, so it puts it on similar footing in terms of the sales tax application, but then of course, the credit, which would reduce the rates for the property tax.

RHINEHART: Who gave you this legislation, Matt?

KISBER: This legislation comes from the telecommunications companies led primarily by Bell South, but has had involvement by all the major telecommunications companies in the state.

RHINEHART: So, it's a break for them, or they wouldn't have brought it to you.

KISBER: Well, I think it does two things. It's not necessarily a break for them. There's a benefit in that they will be able to compete with those industries that are similarly situated but have property tax assessment levels that are much lower, and the consumer will not have to pay any more because they're going to reduce the rates. So, in essence, what I believe it will do is keep competition in the state, because you'll be able to have multiple players irrespective of the way they're structured, which means the rate at which they pay property taxes.

RHINEHART: Let me ask our attorney, have you studied this bill?

LEGAL STAFF: As you know, this is a very complicated issue. I have absolutely no reason to doubt Chairman Kisber's interpretation as he has been very involved with the inception of this kind of legislation nationwide. The one thing that I would say is that TRA has not brought me anything specifically; what I've seen has only come through Chairman Kisber. I did not receive a summary or any further explanation from the Regulatory Authority; occasionally on bills of this proportion and magnitude, I do. So that's all I can say on the issue.

RHINEHART: So, in other words, you haven't received enough information to recommend the bill?

(Can't hear response)

WOODS: In the early stages when the bill was presented, there was a fear on the part of the local governments that they would lose some of their tax base. That's been resolved, hasn't it?

KISBER: That is correct, and I'll tell you one of the reasons why I agreed to take this bill on and to work with the interested parties, is that if we don't do something, I'm convinced that in the next few years we're going to see this industry radically change. And the ones who will be most dramatically impacted will be local governments because of the way in which they depend on higher assessment levels for their property taxes. And all you have to do is look at the way in which the national landscape is changing and the way in which technology is developing, and I think we're getting ahead of the curve in an effort to protect our local governments in a way in which is beneficial to a consumer, as well.

RHINEHART: Matt, would you get with our attorney before this bill reaches the floor and explain this to her so that she may do an adequate job explaining it to us?

KISBER: I'd be happy to. (Discussion)

WHITE: Mr. Chairman, if no one else has any questions on this bill, I just call for questions, and let's vote on it.

RHINEHART: Why would you call for the question? Do you understand the bill?

WHITE: Pretty, good, yes, sir.

RHINEHART: Well, go ahead and explain it to us.

WHITE: Well, basically what it does is one company has their rates and their price, and so whenever they quote prices, they're higher than their competition, so they're trying to get in a different structure so that they can be competitive.

RHINEHART: They're not competitive at this time?

WHITE: That's right, under the way they're structured.

RHINEHART: How many years has it been since they've been competitive?

WHITE: It was before I got here. And I think I made a proper motion, and it was a second, and I called for question.

RHINEHART: Okay, are we ready for the vote on the question? We'll have a roll call vote. All those in favor will say aye, and all opposed say no when the role is called.

(Roll call vote on the question; 21-2, 3 pass)
(Bill passed to Finance, Ways & Means)

SENATE: FINANCE, WAYS & MEANS
April 24, 2001
Tape #2

SB 1484

ROCHELLE: This is the telecommunications situation here; I hope that everybody has had a chance to talk about it. It's been thoroughly discussed in the prior committee. This addresses the issue of where, because of changes across the nation in regard to the telecommunications industry, we are in jeopardy in Tennessee of having telecommunications companies declared as commercial enterprises as opposed to public utilities. What this does is set up a method whereby through a series of credits and reductions in rate charges, that the local governments can, we don't threaten their source of revenue, they would continue to collect on the basis of a public utility assessment. The companies that were paying on that higher assessment would be able to, it assesses a tax against them which they would be able to claim a credit against. They would then have to provide rate reductions for the amount of that credit. There is one additional amendment that has come on as a result of discussions to make sure that the telecommunications companies annually look at that issue and make sure that they adjust their rate structure downward as they receive any greater credit. So, with that understanding, I would move that the committee recommend the passage of the bill.

HENRY: Senator Rochelle, what was the vote on Tax Sub?

ROCHELLE: Unanimous. The big amendment, number 1, would become the base bill, then I have a second amendment that does guarantees on renewing it annually. So I move amendment number 1.

(Vote; adopted.)

ROCHELLE: Amendment number 2 requires an annual review to make sure that they give enough rate reduction to match the credit amount they receive.

(Vote on amendment 2; adopted.)

HENRY: Now Senator Rochelle, let me ask you, the bill with the amendments is said to be neutral. Therefore, it must shift a cost which is now being born by somebody to somebody else. Could you or somebody explain how that works, please?

ROCHELLE: Yes, it shifts it through a series of credits and such as that, really to the shareholders of the telephone company, who stand to gain because the telephone company, by being able to operate on a level playing field with other telecommunications companies in the same type of business, they would hope be able to secure more of the business on the competitive market. The shareholders take the hit at the beginning, but by allowing their company to be on a level playing field with those with which they are in competition, they stand the possibility of being able to build the value of their investment.

(Roll call vote; vote passed.)

HOUSE SESSION
April 30, 2001
Tape #H-50 and H-51

HB 864

KISBER: As many of you are aware, I have had the privilege of serving for the past two years as co-chairman of the National Conference of State Legislature's task force on electronic commerce and telecommunications. One of the issues we have wrestled with, the e-commerce issue, has gotten the bulk of the attention, but one of the most important issues confronting states is the way in which the telecommunications industry is changing. If we look at the tax structure in TN and in most every other state, that tax structure reflects the days in which a telecommunications company was a public utility, which means that it was a monopoly. We think of the telephone company somewhat romantically in the days in which we had only one operating telephone company in most communities. Well, with the advent of technology and the changes that have taken place, today we have a multitude of companies engaged in the provision of telecommunications services, and depending on the way in which they are legally structured depends upon the type of taxes that they pay. If you are what we think of as a public utility telecommunications company, a company like Bell South or Sprint, or one who has provided the wide range of telephone and telecommunications services, you are probably a public utility, and by such, having that legal definition, you are assessed at a much higher property tax rate, both for real property and personal property, than those companies that are providing similar services that are taxed at a commercial and industrial rate. The difference can be anywhere from 27 to 45 percent.

What this legislation would do would be to take the rate, the sales tax that is paid by business customers, which is currently 3.5%, and would increase that to 7.5%. It would create a fund that the state would administer that would allow those public utility companies to get a credit based on the amount that's collected for the difference in the property tax at the public utility rate and the commercial and industrial rate. It also requires that the benefit that those public utility companies would receive from that payment would have to be reflected by statute every year as a reduction in the business rates that those business customers would be paying based on the credit that they receive. Some would ask, why would we want to do this? And I'll tell you. Because of the way in which we're structured, if you're a public utility, you're having to build into the cost of your rates those property taxes which are at a much higher assessment level than if you were a competitive industry taxed at the commercial and industrial rate. What this bill does is say that we will raise the sales tax, they will then be able to get a credit off of the difference between the public utility and the commercial and industrial rate, and that amount will then be reflected in reduced tariffs, or reduced rates to the businesses, thereby showing to the business payer no net increase, and in some instances it could be a net decrease, because of the effect of bringing more competition on a level playing field to an industry that is highly competitive and is bringing about new and emerging technologies. We as a state would tend to benefit. I know it's a very lengthy explanation. It's a somewhat complicated piece of legislation, but the end result is to ensure that we continue to allow that our local governments are not harmed by the changes that are taking place in this industry, that the property taxes that they depend upon will be there, and that the business payers who would be paying it would see no net increase in their rates because they will be required each year to bring about a reduction in their tariffs based on the benefit that they receive. And, to the extent that the increase in the sales tax generates more revenues than needed to offset the property tax, that would go to the benefit of the general fund each and every year. To make this work, Mr. Speaker, we have a couple of amendments, and in order to get the bill in its proper position, I would move passage of House Bill 864 on third and final consideration.

RHINEHART: Would the clerk read the amendment.

CLERK: House Commerce Committee amendment number 1 amends House No. 864 by deleting all language after the enacting clause and by substituting instead the following:

Section 1. It is the finding of the General Assembly that one measure of the State's economic competitiveness is the presence of an efficient and affordable telecommunications infrastructure using the latest technological advancements. The General Assembly further finds that the telecommunications industry is undergoing a dramatic change that is altering the identity of its participants, the nature of services that the industry provides, and the methods used to deliver those services. The General Assembly finds that the telecommunications industry is becoming increasingly competitive, that the distinction among the providers of the various types of telecommunications services have become blurred, and that a full and fair competition within the telecommunications industry is beneficial to residents and businesses of Tennessee. Further, it is the finding of the General Assembly that the Tennessee property tax laws now place certain telephone companies at a competitive disadvantage because their properties are treated as a public utility property for ad valorem tax purposes and assessed at the ratio of 55%. As such, the properties' fair market values for the properties of other businesses, including those of certain other competitors, are treated as industrial and commercial property and assessed at lower ratios as such properties' fair market values. Accordingly, the General Assembly finds that in order to mitigate the effects of such competitive advantage, telephone companies whose properties are treated as public utility properties should be entitled to an ad valorem tax equity payment to be paid out of the telecommunications ad valorem tax reduction fund in an amount equal to their ad valorem property tax attributable to the difference between the assessment ratios. The General Assembly further finds, however, that it is in the best interest of the State and its political subdivisions that the revenues available to the State not be diminished by ad valorem tax equity payments made to such telephone companies, and that an increase in the sales tax imposed on interstate telecommunications services sold to businesses is expected to provide the State revenues to fund the payments made out of the ad valorem tax reduction fund. The General Assembly further finds that in the event sufficient funding is not reached by the increase in sales tax, that payments made to such telephone companies should be proportionately reduced until such funding is available. Furthermore, the General Assembly finds that it is in the best interest of Tennessee consumers of telecommunications services that any net tax savings experienced by such telephone companies be passed on to consumers in the form of reductions in the prices charged for the services provided by such telephone companies. Accordingly, the General Assembly finds that there is a compelling need to affect these changes in the tax system of the State in order to avoid placing certain telecommunication service providers at a competitive disadvantage, to provide purchasers of telecommunication services with greater choices and lower prices, and to preserve the revenue base of the existing property tax system for the political subdivisions of the state.

Section 2. Tenn. Code Ann. §67-6-221 is amended by deleting that section in its entirety and substituting instead the following: (Reads new statute)

RHINEHART: Mr. Speaker, this is a Commerce committee amendment, and what it does, really, is raise the sales tax from 3.5% to 7.5%. The initial revenue will be placed in the telecommunications ad valorem tax reductions fund established by this Act. I'd like to move its adoption.
(Amendment 1 adopted).

KISBER: Amendment 2 is similar to the commerce committee amendment, but what it does is add specific dates on which the rate adjustments must take place each year, that reflects the benefit of the payments that have been made to the public utility and telecommunications companies, and I would move its adoption.
(Amendment 2 adopted.)

KISBER: Amendment 3 embodies all the language that has been currently adopted, but it removes the preamble from the legislation. There had been some concern among members that the preamble was not necessary. As we know the preamble is not part of the enacting statute, so therefore, amendment 3 would embody all the language that we have currently adopted minus the preamble, and I would move its adoption.
(Amendment 3 adopted.)

KISBER: Again, what this bill does is increase on the business telephone consumer the sales tax from 3.5 to 7.5%, but it turns around and gives a rate reduction equal to the benefit that would be received from the telecommunications companies for the property tax credits that they would receive, therefore making the bill in most business cases a wash, if not a net reduction. It also, with the amendments that have been adopted, has a new fiscal note. The fiscal memo is traveling with the amendment. The original fiscal note showed a loss of revenue to the state. The current fiscal note with the amendment language shows that it would have no significant increase in state expenditures. The other fiscal impact would be to increase revenues by approximately $12,884,000, which are placed in the telecommunications ad valorem tax reduction fund in the state treasury. After administrative expenses are deducted, remaining revenues are paid to telecommunications companies and must be used to reduce business telephone rates charged to customers. Also, after all those credits are paid, any remaining amounts would revert to the general fund at the end of the year and would not be carried forward for the benefit of those uses. So pending any questions, Mr. Speaker, I would renew my motion for passage.

ODOM: I have two questions about this legislation, and let me say that I appreciate the explanation that you gave. Tell me, when we are talking about an entity that is a public utility as opposed to one that is designated as an industrial and commercial entity, are we basically talking about public utilities versus private businesses?

KISBER: The statute defines what a public utility is, and when you are a public utility, you are assessed for property taxes at a higher rate. When we began discussions on this issue, recognition was that if we change that definition to make everybody similarly situated, we would have a tremendous negative impact on cities and counties. So we tried to find a way to make sure that we could accomplish the end result without adversely impacting consumers or cities and counties, and that's the result that's before us.

ODOM: I understand that, and I appreciate that, but again, going back to the question. I believe I know what a public utility is; a public utility is really something that started out as kind of quasi governmental in its earlier stages, is that not correct?

KISBER: Well, yeah, a public utility was a company deemed to be providing a necessary public service and granted certain privileges for that, in some instances monopoly characteristics, in return for higher taxes.

ODOM: I understand that. Now, when we have companies that are designated not public utilities, but industrial and commercial, we're basically talking about private companies, are we not? That never had that designation.

KISBER: That's correct.

ODOM: But they're doing the same thing, is that correct?

KISBER: That's correct.

ODOM: They have a substantial amount of the market now, since we went through the good and the bad of deed regulation, is that true?

KISBER: They are competitive, and by being competitive they are taking parts of the market, that's correct.

ODOM: So would you have any idea what percentage of the market we're talking about here?

KISBER: I don't know the market share.

ODOM: Well, it's important to know that, because when you talk about raising the sales taxes that businesses will pay for long distance service, I believe you said earlier that there would be no real effect, because it will be kind of a wash. The tax will be increased on those customers of public utilities, and that increase will be put over in this fund, which will help them compete better with the private companies, and that fund that's being created with that 12 million dollars will be used as a credit, so to speak, on the higher property taxes that the utility is paying to make them compete more with the private companies, is that true?

KISBER: That's correct.

ODOM: Now my concern is, it's been said a number of times that this is a wash, and that the businesses are really not going to be paying any more, but what I would submit to you is the case, and correct me if I'm wrong, what we're looking at, if your business happens to be the customer of one of these private companies, this bill will impose a 4% increase on what you're paying in long distance services because of the 4% tax increase. Now everybody's going to have to make a decision whether or not they want to do that, and whether the value of this legislation is worth that increase. Isn't that true, if you are a customer of a private company, of the one that is designated industrial and commercial, when this bill goes into effect, you'll be paying 4% more on your long distance phone bill, is that correct?

KISBER: That's correct. But they also are deriving the benefit by not being classified as a public utility, though providing a similar type service of providing the lower tariff. So what this will do is enable, we could go about this a number of different ways, but the only way it could be accomplished by holding local governments harmless is to approach it in the manner that's before us today.

ODOM: I understand that, and again, the impact of the 4% tax increase is also going to be on the business customer, and that's my point. I realize we find ourselves in a situation where private companies are paying less property taxes, and I know that's the dilemma that we have. But the bottom line is, we have a substantial number of businesses in this state that are using these private companies for long distance telephone services, and this bill is going to be a 4% increase on their long distance calls, and the question I asked you earlier is what percentage are we talking about. Because this bill is before us because of the change in the market place, because of what deregulation has brought about. And I just want the members to know that, because the people who have the companies providing long distance service that have talked with you up here over the last couple of weeks, the customers of those companies are probably not going to have any impact from this. They are going to pay more in sales tax, but that sales tax, that reduction is going to be used to lower the overhead of the company and the rates are probably not going to change that much. The problem is, if you represent private businesses that are in the business of providing long distance service, or if you represent businesses that are using private companies for their long distance services, this is a 4% tax increase. That's my understanding right now.

KISBER: Well, it all depends on how you approach the issue, and I'm not going to tell you you're wrong, but what I am going to say is these new entrants into the market have benefitted from being classified a different type of business, even though they are competing against an established business that's taxed at a much higher rate. This is no different than the way we approach trying to bring equity to the franchise excise tax law, because you can be a business that was paying no tax or paying the complete load of tax, based on your type of structure, but you might be providing the same type of service. So, I would submit that these new entrants in the market today are benefitting from being able to classify themselves because of their legal structure in a different manner to get a lower tax rate. And so, we can let one of two things happen. We can let the market continue to go as it is today, and ultimately they'll take all the business away from the incumbent public utility, and therefore local governments will lose their revenues completely, and we'll be up here trying to decide how we're going to help hold local governments harmless with the requirements they have to fund education and other services. Or we can get proactive and try to figure out, what's a way to spare to the most number of people that are involved in this discussion and that does not harm our local communities, our local cities and counties. And I can tell you from my over a year's worth of discussion of this issue, that it is a very difficult issue, and this is the most fair way that anyone I know of could come forward with a way of trying to achieve all those policy goals. But those people who are customers today of these companies that are classified at the lower rate are already enjoying the benefit of the tax law, because they are able to take advantage of a lower tax rate, which is reflected in the tariff or in the rate they are paying, and this act, if it were passed, would bring equity to the situation.

ODOM: At any time during the process has anyone from the private businesses involved in this, have they sat down and been part of this? Because I think there's a good message to give them, and I think you just gave them that. But I would probably feel better about it if somewhere throughout the process a discussion had been held involving not just the public utilities, but the other private companies, too, because I'm not sure they realize that this is even up here. And so I appreciate your comments, thank you.

KISBER: I just want to clarify, representatives of some of the competitive companies were involved in discussions, and they weren't involved in discussions with me, but they were involved in discussions with the various companies that were working on this, and with the design and discussions that took place in trying to put this together. I'm not sure who they are because I was not involved in those discussions, but I was told that there were representatives of some of those affected companies involved.

TURNER: Representative Kisber, I've never been this confused, and I like to understand what I'm voting on before I do it. Which companies are we exempting here, what type of companies?

KISBER: We're not exempting anyone from property taxes. Let me try to go through it again as simply as I can. If you think back to the days in which we had one telephone company, whether it be South Central Bell or Sprint, whatever they were called, they were structured under state law as a public utility. And because they were a monopoly and were granted exclusive franchises, we taxed the heck out of them, both at the state and federal level. In around 1990, the business tax committee saw that there was a revolution coming in technology, and that there was going to be new entrants and a change in the way in which telecommunications services would be provided. And at the state level, we totally reformed the way in which we levied taxes on competitive companies, and even the public utility, their parts that had competition, like cellular services, were treated as such. And what we did in state law was we said we're going to abolish all of the gross receipts taxes, or most all of them, and replace them with an end user sales tax, because that's how competitive goods are sold. Well, that takes us through a few more years, and since then we've seen with the changes that took place in federal policy and technology, we have a whole host of companies now that can sell telecommunications services, phone service. They can hook you up to the local network and provide long distance. Now most of them are interested in business customers, because that's where the big money is. So I'm one of these new entrants who have come into the market, and because of the way in which I've come into the market and I'm structured and classified, I only provide one niche part of the service. I can be structured as what's called a commercial/industrial company, and for property tax purposes, I'm assessed at a much lower level. So you have Bell South, Sprint, whomever, that's a public utility, that in real property is taxed 27% higher and in personal property some 45% higher because they're under the old monopoly structure. Their rates have to reflect those taxes. So, as a business rate, if I'm a business man, and South Central Bell gives me a rate of say $50 because they're building in all these gross receipts taxes and property taxes, and I'm a new entrant that doesn't have those same levels, I can sell you that same service at say $40. What this bill would do is allow for them to take the difference in property taxes, which is significant, and get a credit based on the increase in the sales tax that would be paid, so that they can reduce that base rate. So now I come in and I have a competitive company at $40, and I have a public utility at or around $40, I can make my decision based on true competition and not based on the demands that we place on them because they're defined as a public utility. That is in essence what it does. Because of the increase in the tax, then the credit that's given for the difference in the property tax, the legislation requires that that then be reflected in the tariff. The TRA has language that they gave me to make sure that that happens, and that that reduction has to occur by a certain date each year.

RHINEHART: We went through long hours of debate on this. There's nothing wrong with this legislation; it's revenue neutral in the end, and any additional revenue will be placed in a special fund. So, Mr. Speaker, I move the previous question on the bill.

(Vote, passed, 85-8, 2 present not voting.)

SENATE SESSION
May 2, 2001
Tape # 46

SB 1484

ROCHELLE: This is the telecommunications tax bill, and I hope everybody has had an opportunity to talk about it. This comes from the changes in the telecommunications industry, and the fact that we still treat some of the telecom companies as public utilities, and this affects their property tax. So the solution that's been proposed to that is for the locals to keep collecting based on them being a public utility and set up a new fund that would give them a way to get a credit on a statewide basis, and then increase the sales tax on the business interstate long distance telecom services to the same as the others are, and then pass through that tax savings to the customers in mandated reduced access charges, and with the House amendments would have definite time periods and an annual requirement that that be looked at each year. I believe that the House bill is on the desk, and so I'd move to substitute and conform with the House bill.

WILDER: Federal amendments are withdrawn.

KYLE: As I read the amended bill, it will impact the jurisdiction of the TN Regulatory Authority, and for those purposes I will I will now recuse myself from the debate and the vote on this bill.

HENRY: Are finance committee amendments numbers 1 and 2, are they in the House bill?

WILDER: Yes

HENRY: All right, I withdraw number 1.

WILDER: All amendments are withdrawn. All amendments to the House bill, without objection, every amendment is withdrawn.

(Vote, adopted.)

Exhibit #2

Filed for intro on 02/07/2001
SENATE BILL 1484 By
Rochelle

HOUSE BILL 864
By Kisber

AN ACT to provide for the levy of additional sales tax on interstate telecommunications services sold to businesses; to amend Tennessee Code Annotated, Section 67-4-2009, relative to provide for the pass-through to customers of certain savings through reduction in rates for telecommunications services; to provide a sales tax exemption for certain telecommunications equipment; to provide for effective dates.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. It is the finding of the general assembly that one measure of the state's economic competitiveness is the presence of an efficient and affordable telecommunications infrastructure using the latest technological advancements. The general assembly further finds that the telecommunications industry is undergoing a dramatic change that is altering the identify of its participants, the nature of services that the industry provides, and the methods used to deliver those services. The general assembly finds that the telecommunications industry is becoming increasingly competitive, that the distinctions among the providers of the various types of telecommunications services have become blurred, and that full and fair competition within the telecommunications industry is beneficial to all residents and businesses of Tennessee. Further, it is a finding of the general assembly that the Tennessee property tax laws now place certain telephone companies at a competitive disadvantage because their properties are classified as "public utility property" and assessed at the ratio of fifty-five percent (55%) of such properties' fair market values while the properties of other businesses, including those of certain of their competitors, are classified as "industrial and commercial property" and assessed at lower ratios of such properties' fair market values. Accordingly, the general assembly finds that, in order to mitigate the effects of such competitive disadvantage, telephone companies whose properties are classified as "public utility property" should be entitled to a credit against their franchise and excise taxes in an amount equal to their ad valorem property tax attributable to the higher assessment ratio applicable to public utility property. The general assembly further finds, however, that it is in the best interests of the state and its political subdivisions that the revenues available to the state not be diminished by the franchise and excise tax credits allowed to certain telephone companies; and that an increase in the sales tax imposed on interstate telecommunications services is expected to provide to the State revenues approximately equal to the franchise and excise tax credits allowed to certain telephone companies. Furthermore, the general assembly finds that its in the best interests of Tennessee consumers of telecommunications services that any net tax saving experienced by such telephone companies be passed on to consumers in the form of reductions in the prices charged for the services provided by such telephone companies. Accordingly, the general assembly finds that there is a compelling need to effect these changes in the tax system of the state in order to avoid placing certain telecommunications services providers at a competitive disadvantage, to provide purchasers of telecommunications services with greater choices and lower prices, and to preserve the revenue base of the existing property tax system for the political subdivisions of the state.

SECTION 2. Tennessee Code Annotated, Section 67-6-221, is amended to read as follows:

67-6-221. Interstate telecommunications services.

(a) Notwithstanding any other provision of the law to the contrary, interstate telecommunication services sold to businesses shall be subject to a tax imposed at the rate of six percent (6%).

(b) The revenue from a rate equal to one-half percent (0.5%) of tax shall be deposited in the general fund and earmarked for education purposes for kindergarten through grade twelve (K-12) in accordance with Section 67-6-103(c)(2). The revenue from a rate equal to one-half percent (0.5%) of tax shall be distributed to incorporated municipals in the proportion each population bears to the aggregate population of the state and to unincorporated areas of counties in the proportion each population bears to the aggregate population of the state, according to the most recent federal census and other census authorized by law. Counties and incorporated municipalities shall use such funds in the same manner and for the same purposes as funds distributed pursuant to Section 67-6-712. The revenue from a rate equal to two and one-half percent (2.5%) of tax shall be deposited in the telecommunications ad valorem tax reduction fund created by Section 5 of this act. All other revenue generated from the tax imposed by subsection (a) shall be deposited in the state general fund and allocated pursuant to Section 67-6-103(a).

SECTION 3. Tennessee Code Annotated, Section 67-4-2009, is amended by adding at the end thereof a new subsection (10) to read as follows:

(10)

(A) Pursuant to the rules of this subsection, every person providing telecommunications services subject to tax under Chapter 6 of this title shall be allowed as a credit against the sum total of the taxes imposed by the franchise tax law, compiled in Title 67, Chapter 4, Part 21, and by the excise tax law, compiled in Title 67, Chapter 4, Part 20, an amount equal to the sum of (i) 27.27% of the aggregate ad valorem taxes paid to political subdivisions of this state relating to property assessed with a lien date on or after January 1, 2002, with respect to such person's public utility property, as defined in §67-5-501(8)(B), which is real property; and (ii) 45.45% of the aggregate ad valorem taxes paid to political subdivisions of this state relating to property assessed with a lien date on or after January 1, 2002, with respect to such person's public utility property, as defined in §67-5-501(8)(B), which is personal property.

(B) The credit allowed under this subsection shall be applied against any Tennessee franchise and excise taxes shown on a return filed by such person for taxable years ending on or after December 31, 2002.

(C) The excess, if any, of the credit allowed by this subsection over the aggregate franchise and excise tax liability of a person against which such allowable credit may be applied, as provided in this subsection, shall be deemed to be for which the taxpayer shall be entitled to a refund under §67-1-1802. Any such refund, together with interest thereon, must be paid by the commissioner within ninety (90) days of receipt by the commissioner of the return on which the credit allowed by this section is claimed. Failure of the commissioner to pay such refund within such ninety (90) day period, in whole or in part, shall entitle the aggrieved taxpayer to proceed with the remedies provided in §67-1-1802.

(D) To the extent that the amount contained in the telecommunications ad valorem tax reduction fund does not equal or exceed the total amount of credits or refunds as allowed by §67-4-2009(10), such credits and refunds shall be proportionately reduced by

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the amount of the shortfall; provided, however, that any such reductions shall be carried forward to any succeeding year. The commissioner shall determine the amount of any reductions required pursuant to this subsection.

(E) With respect to any person or entity not required to file a return, including, but not limited to, telephone cooperatives, the credit allowed under this subsection shall be deemed to be a payment of tax in excess of the taxpayer's actual liability governed by the provisions of paragraph (C) of this subsection. Any such person shall notify the commissioner in writing of the amount of the credit claimed and, for purposes of paragraph (C) of this subsection, the date of receipt by the commissioner of such notice shall be deemed to be the date of receipt by the commissioner of the return on which the credit allowed by this subsection is claimed.

SECTION 4. Tennessee Code Annotated, Section 67-6-102(13), is amended by adding at the end thereof a new paragraph (J) to read as follows:

(J) Machinery, apparatus and equipment with all associated parts, appurtenances and accessories, including hydraulic fluids, lubricating oils, and greases necessary for operation and maintenance, repair, parts and any necessary repair or taxable installation labor therefor, which is (i) necessary to, and primarily for, the receiving, initiating, amplifying, processing, transmitting, retranslating, switching or monitoring of switching of telecommunications services for sale or internet access services for sale or any combination thereof, including, but not limited to, such machinery, apparatus and equipment used or consumed to upgrade systems to allow for the receiving, initiating, amplifying, processing, transmitting, retranslating, switching or monitoring of switching of telecommunications services for sale or internet access services for sale or any combination thereof; and (ii) used by a person legally permitted to provide interstate telecommunications services to customers in this state.

SECTION 5. There is hereby created in the state treasury a special fund to be known as the telecommunications ad valorem tax reduction fund. The monies in the fund shall be used solely and exclusively for the purpose of providing funds to pay the credits or refunds allowed by Section 67-4-2009(10). Annually, monies shall be transferred to the state general fund in the amount equal to the total credits taken and refunds issued pursuant to Section 67-4-2009(10). The monies in the fund shall be invested in the same manner as the monies in the state general fund. Interest earned on investment of monies in the fund shall be deposited in and credited to the fund. Unexpended monies in the fund at the close of each fiscal year shall remain in the fund.

SECTION 6. To the extent that a person engaged in the business of providing telecommunications services subject to tax under Chapter 6 of this title experiences a net tax savings solely as a result of the amendment to Tennessee Code Annotated, Section 67-4-2009, enacted by Section 3 of this act, such net tax savings shall inure to the benefit of the customers of such person through a reduction in the price of telecommunications services provided by such person. For purposes of this section, "net tax savings" shall take into account and be reduced by any reduction in a company's share of the NECA settlement pool resulting from the provisions of this act.

SECTION 7. The provisions of this act are deemed not to be severable. Therefore, if the amendment to Tennessee Code Annotated, Section 67-4-2009, enacted by Section 3 of this act, is repealed, declared invalid or otherwise become inoperable, all other provisions of this act, shall by operation of law immediately become inapplicable inoperable and of no effect.

SECTION 8. The provisions of Section 2 of this act shall be effective with bills submitted by telecommunications service providers to their customers which are dated on or after January

1, 2002. Sections 3, 4, 5, and 6 of this act shall be effective on January 1, 2002. The remaining provisions of this act shall take effect upon becoming a law, the public welfare requiring it.

Exhibit #3

(Arranged alphabetically by company name)

QUARTERLY REPORT OF REVENUES, EXPENSES AND INVESTMENTS - TELEPHONE COMPANIES

TENNESSEE ONLY

Company Name Ardmore Telephone Co. Inc.
Quarterly Ending June 30, 2001

Item (a)	Amount For This Quarter This Year (b)	Amount For This Quarter Last Year (c)	Year-to-Date This Year (d)	Year-to-Date Last Year (e)	12 Months-To-Date This Year (f)	12 Months-To-Date Last Year (g)
Operating Revenues						
Local Revenues (5000 to 5069)	138,127	131,403	274,484	261,996	542,826	515,436
Access Revenues (5080 to 5084)	258,050	237,953	534,414	497,509	1,043,147	1,139,277
Long Distance Revenues (5100 to 5169)	0	0	0	5	0	5
Miscellaneous Revenues (5200 to 5270)	33,671	48,635	78,136	100,066	170,693	189,905
Uncollectible Revenues (5300 to 5302)	2,325	2,325	4,650	4,650	10,076	6,504
Total Operating Revenues (L1 to L4 Less L5)	427,523	415,666	882,384	854,926	1,746,590	1,838,119
Operating Expenses						
Plant Specific Expenses (6110 to 6441)	61,645	73,798	124,287	127,775	249,109	244,296
Plant NonSpecific Expenses (6510 to 6540)	12,612	10,430	24,266	20,635	47,440	42,737
Depreciation & Amortization (6560 to 6565)	72,784	71,363	145,479	142,213	290,019	283,170
Customer Operations Expense (6610 to 6623)...	28,378	25,075	54,488	54,061	116,748	112,667
Corporate Operations Expense (6710 to 6790)...	67,636	62,629	140,940	124,456	275,899	237,372
Other Operation Taxes (7230 & 7240)	34,469	55,106	71,843	110,601	71,158	142,066
Federal Income Tax (7210, 7220, and 7250)	40,322	39,183	65,029	78,366	94,790	133,063
Total Operating Expense (L7 toL13)	317,846	337,584	626,332	658,107	1,145,163	1,195,371
Net Operating Income (L6 minus L14)	109,677	78,082	256,052	196,819	601,427	642,748
Nonoperating Inc. (7310 to 7370)-(7410 to 7450)	5,243	8,304	10,083	27,249	29,154	57,734
Interest Expense (7510 to 7540)	52,166	53,753	100,845	103,273	209,091	213,308
Extraordinary Items (7610 to 7640.........................						
Net Income	62,754	32,633	165,290	120,795	421,490	487,174

Selected Balance Sheet Items	Balance End of Quarter This Year (h)	Balance End of Quarter Last Year (I)	Average 12 M-T-D This Year (J)	Average 12 M-T-D Last Year (k)
Plant in Service (2110 to 2690)	7,909,728	7,800,603	7,872,920	7,716,377
Property Held For Future Use (2002)				
Plant Under Construction (2003 to 2004)	146,130	125,069	130,473	61,119
Plant Acquisition Adustment (2005)				
Materials & Supplies (1220)	78,479	81,769	91,091	54,561
Depreciation Reserve (3100 to 3600 less 3300)...	2,385,311	2,099,694	2,276,589	1,993,313
Unamortized Investment Tax Credit (4320)				
Accumulated Deferred Income Taxes (4340) ...	1,010,226	1,009,014	1,010,824	994,029
Preferred Stock (4510)	19,450	19,450	19,450	19,450
Common Stock (4510)	145,000	145,000	145,000	145,000
Additional Paid in Capital (4520)				
Retained Earnings (4550)	6,126,182	5,897,546	6,037,861	5,912,369
Long Term Debt (4210 to 4270).........................	14,218,141	14,508,214	14,370,608	14,649,968

TENNESSEE

For Quarter Ended June 30, 2001

Line #		Average Quarterly Balance	Average for 12 MTD
	Additions:		
1	Plant in Service	7,893,848	7,872,920
2	Plant Under Construction	135,739	130,473
3	Property Held For Future Use		
4	Materials & Supplies	76,209	91,091
	Other Additions (Itemize):		
5	Working Capital	56,757	57,433
6			
7			
8	**Total Additions**	8,162,553	8,151,917
	Deductions:		
9	Accumulated Depreciation	2,348,919	2,276,589
10	Accumulated Deferred Income Taxes	1,008,484	1,010,824
11	Unamortized Investment Credit -- Pre 1971		
12	Customer Deposits	40,935	40,235
	Other Deductions (Itemize):		
13			
14			
15			
16	**Total Deductions**	3,398,338	3,327,648
17	**Rate Base**	4,764,215	4,824,269
18	Net Operating Income (NOI)	438,708	601,427
	Adjustment to NOI (Itemize):		
19	Directors Salaries	15,530	60,554
20			
21			
22			
23			
24	**Adjusted Net Operating Income**	454,238	661,981
25	**Rate of Return (L24/l17)**	9.53%	13.72%

All amounts should be calculated in a manner consisten with the last Rate Order issued by the Commission for this company.

CENTURYTEL OF ADAMSVILLE, INC.
MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES
AND INVESTMENTS - TELEPHONE COMPANIES

ITEM	AMOUNT FOR THE MONTH 11/30/01			YEAR-TO-DATE (11 MS 11/30/01)			12 M-T-D (12 MOS. ENDED 11/30/01)		
	COMBINED	INTERSTATE	INTRASTATE	COMBINED	INTERSTATE	INTRASTATE	COMBINED	INTERSTATE	INTRASTATE
OPERATING REVENUES									
LOCAL REVENUES	$223,084	$2,713	220,371	$2,386,271	$28,986	$2,357,285	$2,596,761	$31,489	$2,565,272
ACCESS REVENUES	$434,648	$220,711	213,937	$4,378,754	$2,121,181	2,257,573	$4,821,159	$2,384,232	2,436,927
LONG DISTANCE REVENUES	$95,235	($64)	95,299	$1,075,725	$2,127	1,073,598	$1,371,421	$2,192	1,369,229
MISCELLANEOUS REVENUES	$26,244	$7,624	18,620	$275,284	$100,475	174,809	$299,579	$110,212	189,367
UNCOLLECTIBLE REVENUES	($5)	0	(5)	($185,016)	0	(185,016)	($186,516)	0	(186,516)
TOTAL OPERATING REVENUES	$779,205	$230,984	$548,221	$7,931,017	$2,252,769	$5,678,248	$8,902,403	$2,528,125	$6,374,278
		INTRASTATE FACTOR			INTRASTATE FACTOR			INTRASTATE FACTOR	
OPERATING EXPENSES									
PLANT SPECIFIC EXPENSES	$114,345	0.716419	$81,919	$1,296,188	0.716419	$928,614	$1,428,388	0.716419	$1,023,324
PLANT NONSPECIFIC EXPENSES	$53,000	0.664257	35,206	$371,295	0.664257	246,635	$487,538	0.664257	323,851
DEPRECIATION AND AMORTIZATION	$148,878	0.701766	104,477	$1,656,485	0.701766	1,162,465	$1,804,828	0.701766	1,266,567
CUSTOMER OPERATIONS EXPENSE	$60,143	0.728280	43,801	$619,394	0.728280	451,092	$678,546	0.728280	494,172
CORPORATE OPERATIONS EXPENSE	$49,852	0.720227	35,905	$470,176	0.720227	338,633	$514,711	0.720227	370,708
OTHER OPERATING TAXES	$42,449	0.716424	30,412	$370,227	0.716424	265,239	$411,472	0.716424	294,788
FIT	$103,902	31,463	72,439	$1,048,509	287,070	761,439	$1,191,941	325,251	866,690
TOTAL OPERATING EXPENSES	$572,569	$31,468	$404,158	$5,832,274	$287,075	$4,154,118	$6,517,424	$325,255	$4,640,101
NET OPERATING INCOME	$206,636	$199,516	$144,063	$2,098,743	$1,965,694	$1,524,130	$2,384,979	$2,202,870	$1,734,178
INTEREST ON CUSTOMER DEPOSITS	($149)	0.715029	($107)	($1,947)	0.715029	(1,392)	($2,154)	0.715029	($1,540)
FEDERAL INCOME TAX (.35)	52	0	37	681	0	487	754		539
ADJUSTED NOI	206,539		143,994	2,097,478	0	1,523,225	2,383,579		1,733,177
RATE OF RETURN	13.46%		13.08%	12.58%		12.74%	13.18%		13.36%
PRIOR PERIOD ADJUSTMENTS	($1,175)		($888)	$30,611		$1,805	$273,429		$190,752
PRIOR PERIOD ADJUSTMENTS & NOI	$205,364		$143,106	$2,128,089		$1,525,030	$2,657,008		$1,923,929
NOI NET OF PRIOR PERIOD ADJUSTMENTS	$207,811		$144,882	$2,068,132		$1,521,420	$2,111,550		$1,542,425
RATE OF RETURN EXCLUDING PPA'S	13.54%		13.16%	12.41%		12.72%	11.68%		11.89%

	AVERAGE MONTHLY 11/30/01			AVERAGE YTD (11 MOS ENDING 11/30/01)			12 MONTHS ENDING 11/30/01		
SELECTED BALANCE SHEET ITEMS	COMBINED	INTRASTATE FACTORS	INTRASTATE	COMBINED	INTRASTATE FACTORS	INTRASTATE	COMBINED	INTRASTATE FACTORS	INTRASTATE
PLANT IN SERVICE	33,355,285	0.715025	23,849,863	33,277,437	0.715025	23,794,199	33,232,848	0.715025	23,762,317
PROPERTY HELD FOR FUTURE USE									
PLANT UNDER CONSTRUCTION	189,806	0.715025	135,716	468,990	0.715025	335,340	453,757	0.715025	324,448
PLANT ACQUISITION ADJUSTMENT									
MATERIALS AND SUPPLIES	12,896	0.749224	9,662	15,620	0.749224	11,703	15,612	0.749224	11,697
WORKING CAPITAL	277,340		196,830	344,632		245,622	259,099		184,338
DEPRECIATION RESERVE	12,142,552	0.711672	8,641,514	12,671,060	0.711672	9,017,639	12,634,359	0.711672	8,991,520
UNAMORTIZED ITC	173,532	0.715025	124,080	184,601	0.715025	131,994	185,831	0.715025	132,874
ACCUMULATED DFD INCOME TAXES	3,071,680	0.715026	2,196,331	3,030,198	0.715026	2,166,670	3,025,037	0.715026	2,162,980
CUSTOMER DEPOSITS	29,815	0.715029	21,319	35,398	0.715029	25,311	35,902	0.715029	25,671
RATE BASE	18,417,748		13,208,827	18,185,422		13,045,250	18,080,187		12,969,755

CENTURYTEL OF ADAMSVILLE, INC.
Supplemental Financial Data to PSC 3.02
For the Month Ended November 30, 2001

INTRASTATE

Line #	Average Monthly Balance	Average YTD BALANCE	Average for 12 MTD
Additions:			
1. Plant in Service	$23,849,863	$23,794,199	$23,762,317
2. Plant Under Construction	135,716	335,340	324,448
3. Property Held for Future Use			
4. Materials and Supplies	9,662	11,703	11,697
Other Additions (Itemize):			
5. Working Capital	196,830	245,622	184,338
6.			
7.			
8. Total Additions	**$24,192,071**	**$24,386,864**	**$24,282,800**
Deductions:			
9. Accumulated Depreciation	$8,641,514	$9,017,639	$8,991,520
10. Accumulated Deferred Income Taxes	2,196,331	2,166,670	2,162,980
11. Unamortized Investment Tax Credit	124,080	131,994	132,874
12. Customer Deposits	21,319	25,311	25,671
Other Deductions (Itemize):			
13.			
14.			
15.			
16. Total Deductions	**$10,983,244**	**$11,341,614**	**$11,313,045**
17. Rate Base	**$13,208,827**	**$13,045,250**	**$12,969,755**
18. Net Operating Income	$144,063	$1,524,130	$1,734,178
Adjustments to NOI (Itemize):			
19. Adjustment for Interest on Customer Deposits	(107)	(1,392)	(1,540)
20. Adjustment for FIT (.35)	37	487	539
21.			
22.			
23.			
24. Adjusted Net Operating Income	**$143,994**	**$1,523,225**	**$1,733,177**
25. Rate of Return (L24/L17)	13.08%	12.74%	13.36%
26. Rate of Return, excluding prior period adjustment	13.16%	12.72%	11.89%
27. Prior Period Adjustments (Net of Tax) Refer to attached Schedule PPA.1	($888)	$1,805	$190,752

CENTURYTEL OF CLAIBORNE, INC.
MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES
AND INVESTMENTS - TELEPHONE COMPANIES

ITEM	AMOUNT FOR THE MONTH 11/30/01			YEAR-TO-DATE (11 MS. 11/30/01)			12 M-T-D (12 MOS. ENDED 11/30/01)		
	COMBINED	INTERSTATE	INTRASTATE	COMBINED	INTERSTATE	INTRASTATE	COMBINED	INTERSTATE	INTRASTATE
OPERATING REVENUES									
LOCAL REVENUES	$278,468	$0	$278,468	$3,005,560	$0	$3,005,560	$3,267,071	$0	$3,267,071
ACCESS REVENUES	346,285	$157,481	$188,804	3,537,879	$1,626,828	1,911,051	3,906,823	$1,834,032	$2,072,791
LONG DISTANCE REVENUES	61,917	$0	61,917	793,074	$173	792,901	957,293	$204	$957,089
MISCELLANEOUS REVENUES	30,447	$7,147	23,300	354,795	$84,511	270,284	382,844	2,521	$380,323
UNCOLLECTIBLE REVENUES	2,501	0	2,501	(101,491)	0	(101,491)	(112,191)	$0	($112,191)
TOTAL OPERATING REVENUES	$719,619	$164,628	$554,991	$7,589,817	$1,711,512	$5,878,305	$8,401,840	$1,836,757	$6,565,083
OPERATING EXPENSES		INTRASTATE FACTOR			INTRASTATE FACTOR			INTRASTATE FACTOR	
PLANT SPECIFIC EXPENSES	$134,237	0.739485	$99,266	$1,376,980	0.739485	$1,018,256	$1,504,856	0.739485	$1,112,819
PLANT NONSPECIFIC EXPENSES	54,891	0.739229	$40,577	379,881	0.739229	280,819	419,019	0.739229	309,751
DEPRECIATION AND AMORTIZATION	125,692	0.736625	$92,588	1,335,219	0.736625	983,556	1,453,536	0.736625	1,070,711
CUSTOMER OPERATIONS EXPENSE	70,398	0.680278	$47,890	690,633	0.680278	469,822	755,986	0.680278	514,281
CORPORATE OPERATIONS EXPENSE	39,976	0.719764	$28,773	436,149	0.719764	313,924	484,919	0.719764	349,027
OTHER OPERATING TAXES	33,835	0.748460	25,324	277,780	0.748460	207,907	328,131	0.748460	245,593
FIT	88,911	13,654	75,257	1,049,321	165,940	883,381	1,208,819	172,291	1,036,528
TOTAL OPERATING EXPENSES	$547,939		$409,676	$5,545,963		$4,157,666	$6,155,266		$4,638,709
NET OPERATING INCOME	$171,679		$145,315	$2,043,854		$1,720,639	$2,246,574		$1,926,373
INTEREST ON CUSTOMER DEPOSITS	($152)		($112)	($2,055)		($1,519)	($2,269)		($1,677)
FEDERAL INCOME TAX (.35)	53		39	719		532	794		587
ADJUSTED NOI	171,581		145,242	2,042,518		1,719,652	2,245,099		1,925,283
RATE OF RETURN	15.06%		17.25%	16.45%		18.74%	16.70%		19.38%
PRIOR PERIOD ADJUSTMENTS	($1,852)		($926)	$18,296		($5,852)	$167,886		$82,612
PRIOR PERIOD ADJUSTMENTS & NOI	$169,729		$144,316	$2,060,814		$1,713,800	$2,412,985		$2,007,895
NOI NET OF PRIOR PERIOD ADJUSTMENTS	$173,433		$146,168	$2,024,222		$1,725,504	$2,077,213		$1,842,671
RATE OF RETURN EXCLUDING PPA'S	15.22%		17.36%	16.30%		18.81%	15.45%		18.55%

SELECTED BALANCE SHEET ITEMS	AVERAGE MONTHLY (11/30/01)			AVERAGE YTD (11 MOS ENDING 11/30/01)			AVERAGE 12 MONTHS ENDING 11/30/01		
	COMBINED	INTRASTATE FACTORS	INTRASTATE	COMBINED	INTRASTATE FACTORS	INTRASTATE	COMBINED	INTRASTATE FACTORS	INTRASTATE
PLANT IN SERVICE	28,432,232	0.739228	21,017,902	27,603,723	0.739228	20,405,445	27,513,841	0.739228	20,339,002
PROPERTY HELD FOR FUTURE USE	0			0			0		
PLANT UNDER CONSTRUCTION	12,271	0.739230	9,071	131,479	0.739230	97,193	154,896	0.739230	114,504
PLANT ACQUISITION ADJUSTMENT	0								
MATERIALS AND SUPPLIES	25,019	0.754628	18,880	27,073	0.754628	20,430	27,111	0.754628	20,459
WORKING CAPITAL	299,502		216,507	360,455		260,353	263,732		190,490
DEPRECIATION RESERVE	12,118,295	0.739012	8,955,565	11,609,693	0.739012	8,579,702	11,551,718	0.739012	8,536,858
UNAMORTIZED ITC	433	0.739247	320	1,732	0.739247	1,280	1,876	0.739247	1,387
ACCUMULATED DFD INCOME TAXES	2,946,724	0.739402	2,178,814	2,929,470	0.739402	2,166,056	2,926,709	0.739402	2,164,014
CUSTOMER DEPOSITS	30,340	0.739243	22,429	37,363	0.739243	27,620	37,818	0.739243	27,957
RATE BASE	13,673,232		10,105,232	13,544,472		10,008,762	13,441,459		9,934,238

CENTURYTEL OF CLAIBORNE, INC.
Supplemental Financial Data to PSC 3.02
For the Month Ended November 30, 2001
INTRASTATE

Line #	Average Monthly Balance	Average YTD BALANCE	Average for 12 MTD
Additions:			
1. Plant in Service	$21,017,902	$20,405,445	$20,339,002
2. Plant Under Construction	$9,071	$97,193	$114,504
3. Property Held for Future Use			
4. Materials and Supplies	18,880	20,430	20,459
Other Additions (Itemize):			
5. Working Capital	216,507	260,353	190,490
6. RTB Stock	0	0	0
7. Unamortized Rate Case Expense			
8. Total Additions	**$21,262,360**	**$20,783,421**	**$20,664,455**
Deductions:			
9. Accumulated Depreciation	$8,955,565	$8,579,702	$8,536,858
10. Accumulated Deferred Income Taxes	2,178,814	2,166,056	2,164,014
11. Unamortized Investment Tax Credit	320	1,280	1,387
12. Customer Deposits	22,429	27,620	27,957
Other Deductions (Itemize):			
13.			
14.			
15.			
16. Total Deductions	**$11,157,128**	**$10,774,658**	**$10,730,216**
17. Rate Base	**$10,105,232**	**$10,008,763**	**$9,934,239**
18. Net Operating Income	$145,315	$1,720,639	$1,926,373
Adjustments to NOI (Itemize):			
19. Adjustment for Interest on Customer Deposits	(112)	(1,519)	(1,677)
20. Adjustment for FIT (.35)	39	532	587
21.			
22.			
23.			
24. Adjusted Net Operating Income	**$145,242**	**$1,719,652**	**$1,925,283**
25. Rate of Return (L24/L17)	17.25%	18.74%	19.38%
26. Rate of Return, excluding prior period adjustment	17.36%	18.81%	18.55%
27. Prior Period Adjustments (Net of Tax) Refer to attached Schedule PPA.1	($926)	($5,852)	$82,612

CENTURYTEL OF OOLTEWAH-COLLEGEDALE, INC.
MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES
AND INVESTMENTS - TELEPHONE COMPANIES

ITEM	AMOUNT FOR THE MONTH 11/30/01			YEAR-TO-DATE (11 MS. 11/30/01)			12 M-T-D (12 MOS. ENDED 11/30/01)		
	COMBINED	INTERSTATE	INTRASTATE	COMBINED	INTERSTATE	INTRASTATE	COMBINED	INTERSTATE	INTRASTATE
OPERATING REVENUES									
LOCAL REVENUES	$253,738			2,681,141.63			$2,922,855		
ACCESS REVENUES	230,200			2,587,655			2,831,230		
LONG DISTANCE REVENUES	18,392			188,214			(115,642)		
MISCELLANEOUS REVENUES	15,213			184,443			198,369		
UNCOLLECTIBLE REVENUES	(9)			(39,104)			(45,104)		
TOTAL OPERATING REVENUES	$517,534			$5,602,350			$5,791,708		
OPERATING EXPENSES									
PLANT SPECIFIC EXPENSES	$115,125			$1,262,998			$1,368,759		
PLANT NONSPECIFIC EXPENSES	35,701			446,015			519,362		
DEPRECIATION AND AMORTIZATION	114,671			1,232,267			1,339,474		
CUSTOMER OPERATIONS EXPENSE	61,025			648,916			710,649		
CORPORATE OPERATIONS EXPENSE	43,771			431,438			476,672		
OTHER OPERATING TAXES	28,991			198,672			219,315		
FIT	30,508			322,868			230,843		
TOTAL OPERATING EXPENSES	$429,792			$4,543,173			$4,865,074		
NET OPERATING INCOME	$87,742			$1,059,178			$926,634		
INTEREST ON CUSTOMER DEPOSITS	($129)			($1,452)			($1,582)		
FEDERAL INCOME TAX (.35)	45			508			554		
ADJUSTED NOI	87,658			1,058,234			925,605		
RATE OF RETURN	6.16%			5.97%			4.72%		
PRIOR PERIOD ADJUSTMENTS	($1,118)			$67,446			($225,887)		
PRIOR PERIOD ADJUSTMENTS & NOI	$86,540			$1,125,680			$699,718		
NOI NET OF PRIOR PERIOD ADJUSTMENTS									
RATE OF RETURN EXCLUDING PPA'S	6.23%			5.58%			5.86%		

SELECTED BALANCE SHEET ITEMS	AVERAGE MONTHLY (11/30/01)			AVERAGE YTD (11 MOS ENDING 11/30/01)			AVERAGE 12 MONTHS ENDING 11/30/01		
	COMBINED	INTRASTATE	INTRASTATE	COMBINED	INTRASTATE	INTRASTATE	COMBINED	INTRASTATE	INTRASTATE
PLANT IN SERVICE	26,348,938			25,579,449			25,509,822		
RTB Stock	203,500			203,500			203,500		
PLANT UNDER CONSTRUCTION	480,202			429,051			433,394		
PLANT ACQUISITION ADJUSTMENT	0			0			0		
MATERIALS AND SUPPLIES	23,379			26,863			26,907		
WORKING CAPITAL	255,622			2,789,366			3,075,442		
DEPRECIATION RESERVE	7,008,010			6,554,436			6,503,128		
UNAMORTIZED ITC	0			0			0		
ACCUMULATED DFD INCOME TAXES	3,186,791			3,090,303			3,078,749		
CUSTOMER DEPOSITS	25,895			26,401			26,371		
RATE BASE	17,090,945			19,357,089			19,640,817		

CENTURYTEL OF OOLTEWAH-COLLEGEDALE, INC.

Supplemental Financial Data to PSC 3.02
For the month ended November 30, 2001

Line #	Average Monthly Balance	Average YTD BALANCE	Average for 12 MTD
Additions:			
1. Plant in Service	$26,348,938	$25,579,449	$25,509,822
2. Plant Under Construction	$480,202	$429,051	$433,394
3. Property Held for Future Use			
4. Materials and Supplies	23,379	26,863	26,907
Other Additions (Itemize):			
5. Working Capital	255,622	2,789,366	3,075,442
6. RTB Stock	203,500	203,500	203,500
7.			
8. Total Additions	**$27,311,641**	**$29,028,229**	**$29,249,065**
Deductions:			
9. Accumulated Depreciation	$7,008,010	$6,554,436	$6,503,128
10. Accumulated Deferred Income Taxes	3,186,791	3,090,303	3,078,749
11. Unamortized Investment Tax Credit	0	0	0
12. Customer Deposits	25,895	26,401	26,371
Other Deductions (Itemize):			
13.			
14.			
15.			
16. Total Deductions	**$10,220,696**	**$9,671,140**	**$9,608,248**
17. Rate Base	**$17,090,945**	**$19,357,089**	**$19,640,817**
18. Net Operating Income	$87,742	$1,059,178	$926,634
Adjustments to NOI (Itemize):			
19. Adjustment for Interest on Customer Deposits	(129)	(1,452)	(1,582)
20 Adjustment for FIT (.35)	45	508	554
21.			
22.			
23.			
24. Adjusted Net Operating Income	**$87,658**	**$1,058,234**	**$925,606**
25. Rate of Return (L24/L17)	6.15%	5.96%	4.71%
26. Rate of Return, excluding prior period adjustment	6.23%	5.59%	5.87%
27. Prior Period Adjustments (Net of Tax) Refer to attached Schedule PPA.1	($1,118)	$66,328	($227,005)

CITIZENS COMMUNICATIONS
MONTHLY COMMISSION REPORT OF REVENUES AND EXPENSES
CTC - TENNESSEE
DECEMBER 2001

ITEM	Current Month			Year-To-Date			12 Months-To-Date		
	Combined	Interstate	Intrastate	Combined	Interstate	Intrastate	Combined	Interstate	Intrastate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Operating Revenues									
1 Local Network	1,880	-	1,880	21,635	-	21,635	21,635	-	21,635
2 Network Access	2,846	1,505	1,341	32,042	17,060	14,982	32,042	17,060	14,982
3 Long Distance Network	76	(0)	76	1,127	(0)	1,127	1,127	(0)	1,127
4 Miscellaneous	120	32	88	1,710	495	1,215	1,710	495	1,215
5 Less: Uncollectibles	(124)	-	(124)	(173)	-	(173)	(173)	-	(173)
6 TOTAL OPERATING REVENUES	4,797	1,537	3,260	56,341	17,555	38,786	56,341	17,555	38,786
Operating Expenses									
7 Plant Specific	881	218	663	9,171	2,267	6,904	9,171	2,267	6,904
8 General Plant	407	98	308	4,425	1,070	3,355	4,425	1,070	3,355
9 Customer Operations	372	54	318	4,471	645	3,826	4,471	645	3,826
10 Corporate Operations	639	130	509	7,569	1,540	6,029	7,569	1,540	6,029
11 Other Operating	-	-	-	-	-	-	-	-	-
12 Depreciation & Amortization	1,458	359	1,098	17,179	4,234	12,944	17,179	4,234	12,944
13 Operating Taxes (ex Income)	174	61	113	1,833	642	1,191	1,833	642	1,191
14 Operating Income Taxes	337	240	97	4,549	2,784	1,765	4,549	2,784	1,765
15 TOTAL OPERATING EXPENSES	4,268	1,160	3,108	49,197	13,183	36,014	49,197	13,183	36,014
16 NET OPERATING INCOME	529	377	152	7,145	4,373	2,772	7,145	4,373	2,772
17 Interest Charges Construction	(16)	(3)	(13)	(170)	(33)	(137)	(170)	(33)	(137)
18 Other Income	-	-	-	-	-	-	-	-	-
19 Misc. Income Charges & Taxes	-	-	-	5	1	4	5	1	4
20 Fixed Charges	-	-	-	-	-	-	-	-	-
21 Extraordinary & Delayed Items	-	-	-	-	-	-	-	-	-
22 NET INCOME	545	380	165	7,310	4,404	2,905	7,310	4,404	2,905

CITIZENS COMMUNICATIONS
MONTHLY COMMISSION REPORT OF INVESTMENTS
CTC - TENNESSEE
DECEMBER 2001

(000's omitted)

		Intrastate		
		Average Monthly Balance	Average Y-T-D Balance	Average 12 MTD Balance
		$	$	$
1	Telephone Plant in Service	130,861	126,378	126,378
2	Telephone Plant under Construction	4,040	4,543	4,543
3	Materials and Supplies	333	382	382
4	Working Capital	1,886	1,751	1,751
5	**TOTAL**	**$ 137,120**	**$ 133,053**	**$ 133,053**
	Deductions:			
6	Depreciation Reserve	72,681	68,868	68,868
7	Accumulated Deferred Federal Income Tax	6,978	6,605	6,795
8	Unamortized Investment Credit - Pre 1971	0	0	0
9	Other Current Liabilities	1,304	1,413	747
10	Customer Deposits	100	188	188
11	**TOTAL**	**$ 81,062**	**$ 77,074**	**$ 76,598**
12	Rate Base	$ 56,058	$ 55,979	$ 56,455
13	Net Operating Income	152	231	231
14	Adjustments to Net Income -Common Plant Cost	0	0	0
15	Income for Return	$ 152	$ 231	$ 231
16	**Rate of Return - Annualized**	**3.26%**	**4.95%**	**4.91%**

CITIZENS COMMUNICATIONS
MONTHLY COMMISSION REPORT OF REVENUES AND EXPENSES
CTC - VOLUNTEER STATE
DECEMBER 2001

ITEM	Current Month			Year-To-Date			12 Months-To-Date		
	Combined	Interstate	Intrastate	Combined	Interstate	Intrastate	Combined	Interstate	Intrastate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Operating Revenues									
1 Local Network	532	-	532	6,389	-	6,389	6,389	-	6,389
2 Network Access	531	392	139	5,873	4,266	1,607	5,873	4,266	1,607
3 Long Distance Network	33	0	33	396	0	395	396	0	395
4 Miscellaneous	37	8	29	475	133	342	475	133	342
5 Less: Uncollectibles	(5)	-	(5)	(14)	-	(14)	(14)	-	(14)
6 **TOTAL OPERATING REVENUES**	**1,127**	**399**	**728**	**13,119**	**4,399**	**8,719**	**13,119**	**4,399**	**8,719**
Operating Expenses									
7 Plant Specific	170	50	120	1,897	568	1,329	1,897	568	1,329
8 General Plant	135	41	94	1,479	402	1,076	1,479	402	1,076
9 Customer Operations	109	19	90	1,314	233	1,081	1,314	233	1,081
10 Corporate Operations	211	66	145	2,183	516	1,667	2,183	516	1,667
11 Other Operating	-	-	-	-	-	-	-	-	-
12 Depreciation & Amortization	458	218	240	4,419	1,495	2,924	4,419	1,495	2,924
13 Operating Taxes (ex Income)	39	19	20	330	91	239	330	91	239
14 Operating Income Taxes	3	(5)	7	583	426	157	583	426	157
15 **TOTAL OPERATING EXPENSES**	**1,123**	**407**	**716**	**12,204**	**3,731**	**8,473**	**12,204**	**3,731**	**8,473**
16 **NET OPERATING INCOME**	**4**	**(8)**	**12**	**915**	**669**	**246**	**915**	**669**	**246**
17 Interest Charges Construction	(4)	(1)	(3)	(80)	(25)	(54)	(80)	(25)	(54)
18 Other Income	-	-	-	-	-	-	-	-	-
19 Misc. Income Charges & Taxes	-	-	-	-	-	-	-	-	-
20 Fixed Charges	0	0	0	8	2	5	8	2	5
21 Extraordinary & Delayed Items	-	-	-	-	-	-	-	-	-
22 **NET INCOME**	**8**	**(6)**	**14**	**987**	**692**	**295**	**987**	**692**	**295**

CITIZENS TELECOM
MONTHLY COMMISSION REPORT OF INVESTMENTS
CTC - VOLUNTEER STATE
DECEMBER 2001

(000's omitted)

		Intrastate		
		Average Monthly Balance	**Average Y-T-D Balance**	**Average 12 MTD Balance**
		$	$	$
1	Telephone Plant in Service	37,657	36,402	36,402
2	Telephone Plant under Construction	734	1,110	1,110
3	Materials and Supplies	-21	-2	-2
4	Working Capital	462	443	443
5	**TOTAL**	$ 38,831	$ 37,952	$ 37,952
	Deductions:			
6	Depreciation Reserve	18,233	17,300	17,300
7	Accumulated Deferred Federal Income Tax	2,975	2,781	2,719
8	Unamortized Investment Credit - Pre 1971	0	0	0
9	Other Current Liabilities	0	0	0
10	Customer Deposits	81	91	91
11	**TOTAL**	$ 21,289	$ 20,172	$ 20,110
12	Rate Base	$ 17,542	$ 17,781	$ 17,843
13	Net Operating Income	12	21	21
14	Adjustments to Net Income -Common Plant Cost	0	0	0
15	Income for Return	$ 12	$ 21	$ 21
16	**Rate of Return - Annualized**	0.79%	1.39%	1.38%

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES
AND INVESTMENTS - TELEPHONE COMPANIES
Concord Telephone Exchange
Month Ending December 31, 2001.

Ln No.	Item (a)	Total Company 12 Month (b)	Interstate 12 Month (c)	Intrastate 12 Month (d)	Interstate %
	OPERATING REVENUES				
1	Local Revenues (5000 - 5069)	$ 7,732,301	$ -	$ 7,732,301	
2	Interstate Access (5081-5083)	5,830,881	-	5,830,881	
3	Interstate USF (50821)	-	-	-	
4	Intrastate Access (508421-50847)	1,755,620	-	1,755,620	
5	Long Distance Revenues (5100 - 5169)	495,674	-	495,674	
6	Miscellaneous Revenues (523-5269)	339,563	-	339,563	
7	B&C (5270)	247,499	-	247,499	
8	Uncollectible Revenues (5300)	(35,504)	-	(35,504)	
9	Total Operating Revenues (L1 to L8)	$ 16,366,034	$ -	$ 16,366,034	
	OPERATING EXPENSES				
10	Plt Specific Expense (6110 to 6441) + 7130	$ 1,086,118	$ -	$ 1,086,118	0.00%
11	Plt Non Spec. Expense (6510 to 6540)	1,045,162	-	1,045,162	0.00%
12	Depreciation & Amortization (6560)	4,116,392	-	4,116,392	0.00%
13	Customer Operation Expense (6600)	2,533,737	-	2,533,737	0.00%
14	Corporate Operation Expense (6700)	2,676,102	-	2,676,102	0.00%
15	Other Operating Taxes (7240)	390,761	-	390,761	0.00%
16	Federal Income Taxes (7220 and 72501)	1,415,869	-	1,415,869	
17	State Income Taxes (7230 and 72502)	257,120	-	257,120	
18	Total Operating Expenses (L10 to L17)	$ 13,521,261	$ -	$ 13,521,261	
19	Net Operating Income (L9 less L18)	$ 2,844,773	$ -	$ 2,844,773	
20	Nonoperating Inc (7310 to 7370) and (7410 to 7450)	256,628	-	256,628	
21	Interest Expense (7510 to 7540)	240,842	-	240,842	
22	Extraordinary Items (7610 to 7640)	-	-	-	
23	Nonregulated Income Items (7990)	(323,527)	-	(323,527)	
24	Net Income..............................	$ 2,537,032	$ -	$ 2,537,032	

Ln No.	Selected Balance Sheet Items	12 Mth Average	Interstate	Intrastate	Interstate %
25	Plant in Service (2100-2400)	$ 45,578,095	$ -	$ 45,578,095	0.00%
26	Depreciation Reserve (3100-3120)	23,878,867	-	23,878,867	0.00%
27	Property Held for Future Use (2002)	79,845	-	79,845	0.00%
28	Plant Under Construction (2003)	1,918,731	-	1,918,731	0.00%
29	Materials & Supplies (1220)	105,163	-	105,163	0.00%
30	Unamortized ITC (4230)	-	-	-	0.00%
31	Customer Deposits (4040)	-	-	-	0.00%
32	Leases and Leasehold Improvements (net) (2681, 2682)	77,687	-	77,687	0.00%
33	RTB Stock (14021)	284,300	-	284,300	0.00%
34	Accumulated Deferred Income Taxes (4340,4361,1437)	1,660,865	-	1,660,865	0.00%
35	Preferred & Common Stock (4510)	21,310	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	
36	Additional Paid In Capital (4520)	129,667	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	
37	Retained Earnings (4550)	24,781,215	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	
38	Long Term Debt (4210 to 4270) + 4050	3,209,693	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	
39	Short Term Debt (4020)	-	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES AND INVESTMENTS - TELEPHONE COMPANIES
Concord Telephone Exchange
Month Ending December 31, 2001.

TENNESSEE INTRASTATE SUPPLEMENTAL FINANCIAL DATA TO PSC-3.01 FOR

Ln No.	SELECTED BALANCE SHEET ITEMS	Average Monthly Balance	Average 12 Months To Date	Average 12 Months To Date
	(a)			
1	Plant In Service	$ 47,379,876	$ 45,578,095	$ 45,578,095
2	Plant Under Construction	1,471,859	1,918,731	1,918,731
3	Plant Held for Future Use (Net)	-	79,845	79,845
4	Materials & Supplies	73,211	105,163	105,163
5	Capital Leases (Net)	288,867	77,687	77,687
6	Working Capital (45 Days)	763,015	966,485	966,485
7	RTB Stock	284,300	284,300	284,300
8	Total Additions	$ 50,261,128	$ 49,010,306	$ 49,010,306
	LESS:			
9	Accumulated Depreciation	25,322,667	23,878,867	23,878,867
10	Accumulated Deferred Taxes- Accelerated Depreciation & Cost of Removal	1,643,612	1,660,865	1,660,865
11	Unamortized ITC	-	-	-
12	Customer Deposits	-	-	-
13	Total Reductions	$ 26,966,279	$ 25,539,732	$ 25,539,732
14	Rate Base	$ 23,294,849	$ 23,470,574	$ 23,470,574
15	Alternative Net Operating Income	$ 348,827	$ 2,832,870	$ 2,832,870
16				
17				
18				
19				
20				
21				
22				
23				
24				
25	Alternative Net Operating Income	$ 348,827	$ 2,832,870	$ 2,832,870
26	Return on Rate Base	17.97%	12.07%	12.07%

Crockett Telephone Co., Inc. November 30, 2001

Company Name Crockett Telephone Co., Inc.
Month Ending November 30, 2001

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES
AND INVESTMENTS - TELEPHONE COMPANIES

	Item (a)	Amount For The Month Combined (b)	Amount For The Month Interstate (c)	Amount For The Month Intrastate (d)	Year - To - Date Combined (e)	Year - To - Date Interstate (f)	Year - To - Date Intrastate (g)	12 Months-To-Date Combined (h)	12 Months-To-Date Interstate (i)	12 Months-To-Date Intrastate (j)
	Operating Revenues									
1	Local Revenues (5000 to 5069)	96,731	0	96,731	1,037,408	0	1,037,408	1,122,267	0	1,122,267
2	Access Revenues (5080 to 5084)	314,524	110,443	204,081	2,407,587	940,368	1,467,219	2,763,144	1,015,153	1,747,990
3	Long Distance Revenues (5100 to 5169)	403	0	403	9,224	0	9,224	10,409	0	10,409
4	Miscellaneous Revenues (5200 to 5270)	(70,124)	2,648	(72,772)	(816,361)	39,016	(855,377)	(908,384)	45,008	(953,392)
5	Uncollectible Revenues (5300 to 5302)	345	0	345	3,881	0	3,881	4,228	0	4,228
6	**Total Operating Revenues (L1 to L4 less L5)**	**341,188**	**113,090**	**228,098**	**2,633,977**	**979,383**	**1,654,593**	**2,983,207**	**1,060,162**	**1,923,045**
	Operating Expenses									
7	Plant Specific Expenses (6110 to 6441)	21,504	3,421	18,083	286,331	45,554	240,777	305,131	48,545	256,586
8	Plant NonSpecific Expenses (6510 to 6540)	49,531	13,636	35,895	583,592	160,664	422,928	631,496	173,852	457,644
9	Depreciation & Amortization (6560 to 6565)	43,697	12,030	31,667	441,590	121,570	320,020	477,359	131,417	345,942
10	Customer Operations Expense (6610 to 6623)	51,754	8,420	43,334	629,132	102,361	526,771	685,525	111,536	573,989
11	Corporate Operations Expense (6710 to 6790)	57,037	12,297	44,740	466,672	100,614	366,058	502,066	108,245	393,821
12	Other Operating Taxes (7230 & 7240)	19,304	3,108	16,196	141,713	22,857	118,856	135,845	21,912	113,933
13	Federal Income Taxes (7210, 7220 and 7250)	28,211	7,806	20,405	(48,325)	(12,997)	(35,328)	498	512	(14)
14	**Total Operating Expenses (L7 to L13)**	**271,037**	**60,718**	**210,319**	**2,500,705**	**540,623**	**1,960,082**	**2,737,920**	**596,019**	**2,141,901**
15	**Net Operating Income (L6 minus L14)**	**70,151**	**52,372**	**17,779**	**133,271**	**438,760**	**(305,489)**	**245,287**	**464,143**	**(218,855)**
16	Nonoperating Inc (7310 to 7370)-(7410 to 7450)	3,753	525	3,228	62,362	8,363	53,999	70,511	9,504	61,007
17	Interest Expense (7510 to 7540)	8,440	1,362	7,078	115,716	17,994	97,722	126,872	19,794	107,078
18	Extraordinary Items (7610 to 7640)	0	0	0	0	0	0	0	0	0
19	Nonregulated Income Items	4,962	695	4,267	(21,411)	(2,997)	(18,414)	(21,785)	(3,049)	(18,736)
20	**Net Income**	**70,426**	**52,230**	**18,196**	**58,506**	**426,132**	**(367,626)**	**167,143**	**450,804**	**(283,661)**

	Selected Balance Sheet Items	Balance End of Month Combined (k)	Balance End of Month Interstate (l)	Balance End of Month Intrastate (m)	Average 12 M-T-D Combined (n)	Average 12 M-T-D Interstate (o)	Average 12 M-T-D Intrastste (p)
21	Plant in Service (2110 to 2690)	9,288,998	1,493,671	7,795,327	9,087,890	1,461,333	7,626,557
22	Property Held For Future Use (2002)	0	0	0	0	0	0
23	Plant Under Construction (2003 to 2004)	1,639,516	263,634	1,375,882	937,820	150,801	787,018
24	Plant Acquisition Adjustment (2005)	0	0	0	0	0	0
25	Materials & Supplies (1220)	437,693	73,795	363,898	277,505	46,787	230,718
26	Depreciation Reserve (3100 to 3600 less 3300)	7,088,766	1,100,885	5,987,881	6,873,081	1,067,389	5,805,692
27	Unamortized Investment Tax Credit (4320)	34,569	5,369	29,200	38,412	5,965	32,447
28	Accumulated Deferred Income Taxes (4340)	(1,280,572)	(198,873)	(1,081,699)	(1,065,829)	(165,523)	(900,305)
29	Preferred Stock (4510)	53,800	XXXXXX	XXXXXX	53,800	XXXXXX	XXXXXX
30	Common Stock (4510)	550,000	XXXXXX	XXXXXX	550,000	XXXXXX	XXXXXX
31	Additional Paid In Capital (4520)	0	XXXXXX	XXXXXX	0	XXXXXX	XXXXXX
32	Retained Earnings (4550)	2,588,488	XXXXXX	XXXXXX	2,517,995	XXXXXX	XXXXXX
33	Long Term Debt (4210 to 4270)	2,384,956	XXXXXX	XXXXXX	2,446,960	XXXXXX	XXXXXX

SUPPLEMENTAL FINANCIAL DATA TO PSC 3.01
FOR THE MONTH ENDED November 30, 2001

Line #		Average Monthly Balance	Average Y-T-D Balance	Average for 12 M-T-D
	Additions:			
1	Plant In Service	$9,278,439	$9,160,939	$9,087,890
2	Plant Under Construction	1,548,285	930,382	937,820
3	Property Held For Future Use	0	0	0
4	Materials & Supplies	438,591	298,138	277,505
	Other Additions (Itemize):			
5	Working Capital	179,825	178,848	177,152
6				
7				
8	**Total Additions**	$11,445,140	$10,568,308	$10,480,367
	Deductions:			
9	Accumulated Depreciation	7,068,081	6,890,508	6,873,081
10	Accumulated Deferred Income Taxes	(1,262,905)	(1,080,358)	(1,065,829)
11	Unamortized Investment Credit - Pre 1971	34,889	38,092	38,412
12	Customer Deposits	15,350	16,835	17,010
	Other Deductions (Itemize):			
13	Deferred Revenue-TPSC ordered	0	0	0
14				
15				
16	**Total Deductions**	$5,855,415	$5,865,078	$5,862,674
17	**Rate Base**	$5,589,725	$4,703,230	$4,617,693
18	Net Operating Income (NOI)	70,151	131,666	243,682
	Adjustments to NOI (Itemize):			
19				
20	Less: Interest on Customer Deposits	74	931	1,021
21	Add: Inside Wiring (NOI)	139	(8,583)	(8,538)
22	Add: Parent Tax Savings	5,429	50,248	53,819
23	Less: Interstate B&C Net Income	(3,813)	(26,061)	(25,519)
24	**Adjusted Net Operating Income**	$79,459	$198,460	$313,461
25	**Rate Of Return (L24/L17)**	17.06%	4.60%	6.79%

All amounts should be calculated in a manner consistent with the last Rate Order issued by the Commission for this company.

CONTINUING SURVEILLANCE CONSIDERATIONS. Estimate the effect on net operating income of very significant known changes occurring within the period covered by the report which are not fully reflected in the revenue and expense amounts shown in the report.

1.
2.

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES AND INVESTMENTS - TELEPHONE COMPANIES
Humphreys County Telephone
Month Ending December 31, 2001.

Ln No.	Item (a)	Total Company 12 Month (b)	Interstate 12 Month (c)	Intrastate 12 Month (d)	Interstate % (e)
	OPERATING REVENUES				
1	Local Revenues (5000 - 5069)	$ 308,419	$ -	$ 308,419	
2	Interstate Access (5081-5083)	442,361	442,361	-	
3	Interstate USF (50821)	202,706	-	202,706	
4	Intrastate Access (508421-50847)	363,699	-	363,699	
5	Long Distance Revenues (5100 - 5169)	342,034	-	342,034	
6	Miscellaneous Revenues (523-5269)	23,055	-	23,055	
7	B&C (5270)	37,557	18,294	19,263	
8	Uncollectible Revenues (5300)	(3,270)	-	(3,270)	
9	Total Operating Revenues (L1 to L8)	$ 1,716,562	$ 460,655	$ 1,255,907	
	OPERATING EXPENSES				
10	Plt Specific Expense (6110 to 6441) + 7130	$ 139,677	$ 40,437	$ 99,241	28.95%
11	Plt Non Spec. Expense (6510 to 6540)	130,675	37,661	93,014	28.82%
12	Depreciation & Amortization (6560)	393,407	116,197	277,210	29.54%
13	Customer Operation Expense (6600)	224,104	60,418	163,685	26.96%
14	Corporate Operation Expense (6700)	192,933	55,131	137,803	28.58%
15	Other Operating Taxes (7240)	24,748	7,269	17,480	29.37%
16	Federal Income Taxes (7220 and 72501)	177,356	45,585	131,771	
17	State Income Taxes (7230 and 72502)	34,916	(1,515)	36,431	
18	Total Operating Expenses (L10 to L17)	$ 1,317,817	$ 361,181	$ 956,636	
19	Net Operating Income (L9 less L18)	$ 398,745	$ 99,474	$ 299,271	
20	Nonoperating Inc (7310 to 7370) and (7410 to 7450)	52,041	-	52,041	
21	Interest Expense (7510 to 7540)	107,712	-	107,712	
22	Extraordinary Items (7610 to 7640)	-	-	-	
23	Nonregulated Income Items (7990)	44,618	-	44,618	
24	Net Income................................	$ 387,691	$ 99,474	$ 288,217	

Ln No.	Selected Balance Sheet Items	12 Mth Average	Interstate	Intrastate	Interstate %
25	Plant in Service (2100-2400)	$ 4,827,129	$ 1,391,179	$ 3,435,950	28.82%
26	Depreciation Reserve (3100-3120)	2,128,673	629,023	1,499,650	29.55%
27	Property Held for Future Use (2002)	-	-	-	0.00%
28	Plant Under Construction (2003)	33,343	9,609	23,733	28.82%
29	Materials & Supplies (1220)	10,832	2,925	7,907	27.00%
30	Unamortized ITC (4230)	17,789	5,153	12,636	28.97%
31	Customer Deposits (4040)	300	75	225	24.90%
32	Leases and Leasehold Improvements (net) (2681, 2682)	-	-	-	0.00%
33	RTB Stock (14021)	22,000	6,338	15,662	28.81%
34	Accumulated Deferred Income Taxes (4340,4361,1437)	124,787	36,151	88,636	28.97%
35	Preferred & Common Stock (4510)	20,000	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
36	Additional Paid In Capital (4520)	1,601,290	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
37	Retained Earnings (4550)	1,761,841	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
38	Long Term Debt (4210 to 4270) + 4050	1,611,308	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
39	Short Term Debt (4020)	-	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		

QUARTERLY REPORT OF REVENUES, EXPENSES AND INVESTMENTS-TELEPHONE COMPANIES

Company Name: Loretto Telephone Company, Inc.
Quarter Ending: 30-Sep-2001

Income Statement Item (a)	Amount For This Quarter		Year-To-Date		12 Months-To-Date	
	This Year (b)	Last Year (c)	This Year (d)	Last Year (e)	This Year (f)	Last Year (g)
Operating Revenues						
Local Revenues (5000 to 5069)	$441,213	$418,793	$1,317,630	$1,228,730	$1,733,681	$1,631,770
Access Revenues (5080 to 5084)	$688,866	$675,692	$2,057,735	$2,110,353	$2,795,698	$2,834,945
Long Distance Revenues (5100 to 5169)	$0	$0	$0	$0	$0	$0
Miscellaneous Revenues (5200 to 5280)	$47,842	$65,091	$173,699	$191,120	$241,681	$253,993
Uncollectible Revenues (5300 to 5302)	$1,943	$1,522	$4,984	$1,762	$6,623	$5,631
Total Operating Revenues (L1 to L4 less L5)	$1,175,978	$1,158,054	$3,544,080	$3,528,441	$4,764,437	$4,715,077
Operating Expenses						
Plant Specific Expenses (6110 to 6441)	$283,797	$246,026	$718,014	$563,689	$940,826	$731,865
Plant NonSpecific Expenses (6510 to 6540)	$78,004	$69,491	$217,266	$200,066	$298,666	$281,622
Depreciation & Amortization (6560 to 6565)	$185,685	$202,572	$557,055	$607,296	$753,928	$816,976
Customer Operations Expense (6610 to 6623)	$60,947	$55,636	$168,206	$192,260	$236,807	$287,190
Corporate Operations Expense (6710 to 6790)	$200,174	$209,611	$662,705	$663,497	$925,313	$994,575
Other Operating Taxes (7230 & 7240)	$55,108	$67,504	$165,252	$179,793	$213,546	$239,086
Federal Income Taxes(7210, 7220 and 7250)	$106,483	$169,324	$319,452	$375,324	$473,088	$425,858
Total Operating Expenses (L7 to L13)	$970,198	$1,020,164	$2,807,950	$2,781,925	$3,842,174	$3,777,172
Net Operating Income (l6 minus L14)	$205,780	$137,890	$736,130	$746,516	$922,263	$937,905
Nonoperating Inc.(7310 to 7370)-(7410 to 7450)	$1,879	($8,271)	$24,524	$55,196	($474)	($17,508)
Interest Expense (7510 to 7540)	$68,491	$72,748	$206,320	$220,170	$279,914	$291,868
Extraordinary Items (7610 to 7640)	$0	$0	$0	$0	$0	$0
Net Income	$139,168	$56,871	$554,334	$581,542	$641,875	$628,529

Selected Balance Sheet Items	Balance End of Quarter		Average 12 M-T-D	
	This Year (h)	Last Year (i)	This Year (j)	Last Year (k)
Plant in Service (2110 to 2690)	$13,423,696	$13,491,239	$13,462,517	$13,241,500
Property Held for Future Use (2002)	$0	$0	$0	$0
Plant Under Construction (2003 to 2004)	$336,478	$42,347	$212,711	$84,285
Plant Acquisition Adjustment (2005)	$0	$0	$0	$0
Materials & Supplies (1220)	$43,497	$29,147	$36,104	$35,785
Depreciation Reserve (3100 to 3600 less 3300)	$6,249,158	$6,021,291	$6,069,880	$5,683,976
Unamortized Investment Tax Credit (4320)	$0	$0	$0	$0
Accumulated Deferred Income Taxes (4340)	$0	$0	$0	$0
Preferred Stock (4510)	$28	$28	$28	$28
Common Stock (4510)	$4	$4	$4	$4
Additional Paid in Capital (4520)	$35,368	$35,368	$35,368	$35,368
Retained Earnings (4550)	$3,210,526	$3,742,986	$3,436,807	$3,767,565
Long Term Debt (4210 to 4270)	$4,742,996	$5,085,968	$4,970,245	$5,267,879

FOR THE QUARTER ENDED 30-Sep-2001

Line #		Average Quarterly Balance	Average for 12 MTD
	Additions:		
1	Plant in Service	$13,468,860	$13,462,517
2	Plant Under Construction	$389,375	$212,711
3	Property Held For Future Use	$0	$0
4	Materials & Supplies	$35,096	$36,104
	Other Additions (Itemize):		
5	Working Capital	$199,100	$198,214
6	RTB Stock	$570,435	$559,824
7			
8	**Total Additions**	$14,662,866	$14,469,370
	Deductions		
9	Accumulated Depreciation	$6,188,745	$6,069,880
10	Accumulated Deferred Income Taxes	$49,908	$49,762
11	Unamortized Investment Credit-Pre 1971	$0	$0
12	Customer Deposits	$65,430	$64,596
	Other Deductions (Itemize):		
13			
14			
15			
16	**Total Deductions**	$6,304,083	$6,184,238
17	**Rate Base**	$8,358,783	$8,285,132
18	**Net Operating Income (NOI)**	$823,120	$922,263
	Adjustments to NOI (Itemize):		
19	**Effects of Extraordinary Items Removed:**		
24	**Adjusted Net Operating Income**	$823,120	$922,263
25	**Rate Of Return (L24/L17)**	9.85%	11.13%

All amounts should be calculated in a manner consistent with the last Rate Order issued by the Commission for this company.

Pre-2001 Audit

Millington Telephone Co., Inc. Selected Balance Sheet Items 12 Month Moving Averages

ITEM (A)	January 2001	February 2001	March 2001	April 2001	May 2001	June 2001	July 2001	August 2001	September 2001	October 2001	November 2001	December 2001	12-MONTH TO-DATE
OPERATING REVENUES													
LOCAL REVENUES	720,159	699,228	710,602	690,373	707,720	712,692	706,784	713,470	716,242	713,993	701,462	708,356	8,501,081
ACCESS REVENUES	565,173	936,299	592,245	502,084	634,114	348,839	813,703	815,788	646,101	705,193	485,697	101,046	7,146,282
LONG DISTANCE REVENUES	2,040	2,271	2,209	2,134	1,869	1,918	1,915	27,976	1,976	-24,303	1,911	1,911	23,827
MISCELLANEOUS REVENUES	88,174	82,837	122,048	106,332	84,681	77,041	97,864	78,417	82,649	94,892	57,227	78,051	1,050,213
UNCOLLECTABLE REVENUES	1,964	1,969	1,980	1,944	1,955	1,997	1,975	1,986	1,987	1,980	1,962	61,972	83,671
TOTAL OPERATING REVENUES	1,373,582	1,718,666	1,425,124	1,298,979	1,426,429	1,138,493	1,618,291	1,633,665	1,444,981	1,487,795	1,244,335	827,392	16,637,732
OPERATING EXPENSES													
PLANT SPECIFIC EXPENSES	256,228	369,627	494,697	390,015	484,166	487,590	385,651	503,012	470,100	506,347	502,507	728,974	5,578,914
PLANT NON-SPECIFIC EXPENSES	82,470	107,722	132,014	104,835	129,698	141,822	122,050	138,625	108,986	116,222	148,148	234,430	1,567,022
DEPRECIATION & AMORTIZATION	261,930	268,825	263,746	267,655	268,121	266,894	275,676	269,177	267,865	271,606	268,035	258,964	3,208,494
CUSTOMER OPERATIONS EXPENSE	110,974	123,414	141,980	115,371	107,287	157,395	117,388	166,896	117,001	121,713	148,962	304,594	1,732,975
CORPORATE OPERATIONS EXPENSE	141,404	129,383	156,071	112,852	115,238	152,114	120,913	151,126	137,736	115,803	147,822	48,610	1,529,072
OTHER OPERATING TAXES	56,291	56,291	56,291	56,291	56,291	56,291	65,765	56,291	56,291	56,291	56,291	56,291	684,966
FEDERAL INCOME TAXES	115,763	179,531	31,287	46,843	50,131	-79,864	135,577	79,220	60,236	54,139	-59,218	-305,684	307,961
TOTAL OPERATING EXPENSES	1,025,060	1,234,793	1,276,086	1,093,862	1,210,932	1,182,242	1,223,020	1,364,347	1,218,215	1,242,121	1,212,547	1,326,179	14,609,404
NET OPERATING INCOME	348,522	483,873	149,038	205,117	215,497	-43,749	395,271	269,318	226,766	245,674	31,788	-498,787	2,028,328
NON-OPERATING INCOME	54,413	-12,362	3,779	19,122	-5,596	8,430	-20,663	2,549	819	-1,977	6,284	-45,644	9,154
INTEREST EXPENSE	120,250	107,332	119,838	114,187	116,492	111,292	132,082	115,540	109,834	112,823	101,358	94,112	1,355,140
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0	4,000	4,000
NONREGULATED INCOME ITEMS	-6,383	8,740	-25,014	-524	-703	-970	-452,335	-18,233	-16,323	3,183	-18,185	-321,207	-847,954
NET INCOME	276,302	372,919	7,965	109,528	92,706	-147,581	-209,809	138,094	101,428	134,057	-81,471	-955,750	-161,612

Selected Balance Sheet Items	January 2001	February 2001	March 2001	April 2001	May 2001	June 2001	July 2001	August 2001	September 2001	October 2001	November 2001	December 2001	12-MONTH
PLANT IN SERVICE	51,827,976	52,031,327	52,354,643	52,341,299	52,419,154	52,581,110	52,747,063	52,894,215	52,956,052	53,015,683	53,117,888	50,069,792	52,363,017
PROPERTY HELD/FUTURE USE	0	0	0	0	0	0	0	0	0	0	0	0	0
PLANT UNDER CONSTRUCTION	1,179,567	1,148,109	1,108,878	1,218,736	1,259,781	1,291,931	1,251,611	1,266,327	1,335,617	1,306,976	1,322,740	610,898	1,191,764
PLANT ACQUISITION ADJUST	0	0	0	0	0	0	0	0	0	0	0	0	0
MATERIALS & SUPPLIES	554,288	583,422	596,821	612,561	605,257	597,262	585,431	603,796	647,002	783,582	782,514	648,792	633,394
DEPRECIATION RESERVE	27,884,924	28,142,468	28,378,279	28,636,530	28,891,399	29,146,876	29,392,238	29,655,458	29,898,929	30,161,668	30,375,234	26,531,425	28,924,619
UNAMORT INVESTMENT TAX CR	-726	-1,453	0	0	0	0	0	0	0	0	0	0	-182
ACCUM DEFERRED INCOME TAX	1,061,538	1,061,538	1,061,538	955,949	1,453,932	1,435,439	1,142,768	1,142,658	1,485,867	1,485,692	1,339,486	1,364,851	1,249,271
PREFERRED STOCK	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
COMMON STOCK	49,600	49,600	49,600	49,600	49,600	49,600	49,600	49,600	49,600	49,600	49,600	49,600	49,600
ADDN'L PAID IN CAPITAL	0	0	0	0	0	0	0	0	0	0	0	0	0
RETAINED EARNINGS	4,226,512	4,599,430	4,607,395	4,716,924	4,809,632	4,662,051	4,451,944	4,590,040	4,691,466	4,825,523	4,744,055	3,788,002	4,559,415
LONG TERM DEBT	21,072,343	20,914,368	20,856,906	20,747,354	20,595,663	20,535,135	20,427,370	20,371,171	20,309,366	20,200,845	20,041,418	19,982,050	20,504,499

MILLINGTON TELEPHONE CO., INC.
SUPPLEMENTAL FINANCIAL DATA TO PSC 3.01
FOR MONTH ENDED
DECEMBER 2001

	AVERAGE MONTHLY BALANCE	AVERAGE YTD BALANCE	AVERAGE FOR 12MTD BALANCE
ADDITIONS			
1. PLANT IN SERVICE	51,593,840	52,411,657	52,363,017
2. PLANT UNDER CONSTRUCTION	966,819	1,192,873	1,191,764
3. PROPERTY HELD FOR FUTURE USE	0	0	0
4. MATERIALS & SUPPLIES	715,653	640,585	633,394
OTHER ADDITIONS (ITEMIZE):			
5. AVERAGE CASH	1,121,127	884,692	860,224
6. RTB STOCK	478,750	478,750	478,750
7.	0	0	0
8. TOTAL ADDITIONS	54,876,189	55,608,558	55,527,150
DEDUCTIONS:			
9. ACCUMULATED DEPRECIATION	28,453,330	29,019,137	28,924,619
10. ACCUMULATED DEFERRED INCOME TAXES	1,352,169	1,266,338	1,249,271
11. UNAMORTIZED INVESTMENT CREDIT -PRE 1971	0	-132	-182
12. CUSTOMER DEPOSITS	340,131	365,675	366,586
OTHER DEDUCTIONS (ITEMIZE):			
13. ACCOUNTS PAYABLE APPLICABLE TO MATERIALS & SUPPLIES	13,600	13,600	13,600
14. DEFERRED REVENUE PER PSC ORDER 93-08614	610,830	607,306	607,241
15.	0	0	0
16. TOTAL DEDUCTIONS	30,770,059	31,271,923	31,161,136
17. RATE BASE	24,106,131	24,336,635	24,366,014
18. NET OPERATING INCOME (NOI)	-498,787	2,028,333	1,546,085
ADJUSTMENTS TO NOI (ITEMIZE):			
19.			
20. INTEREST ON CUSTOMER DEPOSITS	778	14,944	1,245
21. INTEREST ON DEF REVENUE	2,789	33,466	33,466
22.	0	0	0
23.	0	0	0
24. ADJUSTED NET OPERATING INCOME	-502,354	1,979,923	1,511,373
25. RATE OF RETURN (L24/17)	-25.01%	8.14%	6.20%

ALL AMOUNTS SHOULD BE CALCULATED IN A MANNER CONSISTENT WITH THE LAST RATE ORDER ISSUED BY THE COMMISSION FOR THIS COMPANY.

*Note. (Instructions per Paul Green, TRA, Feb. 1997)
Column (a), line 18, Use current month's net operating income from Form PSCMO, column (b), line 15
Column (b), line 18, Use Year-To-Date net operating income on Form PSCMO, column (e), line 15
Column (b), line 20, use sum of actual months, year-to-date
Column (b), line 25, Rate of Return, Line 24 divided by line 17 by months year-to-date times 12 to annualize
Column (c), line 18, use 12 months-to-date net operating income on Form PSCMO,column (h), line 15
Line 19 deleted per Roger Knight of TRA on 11/9/99.

Company Name Peoples Telephone Co., Inc.
Month Ending November 30, 2001

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES AND INVESTMENTS - TELEPHONE COMPANIES

	Item (a)	Amount For The Month Combined (b)	Amount For The Month Interstate (c)	Amount For The Month Intrastate (d)	Year - To - Date Combined (e)	Year - To - Date Interstate (f)	Year - To - Date Intrastate (g)	12 Months-To-Date Combined (h)	12 Months-To-Date Interstate (i)	12 Months-To-Date Intrastate (j)
	Operating Revenues									
1	Local Revenues (5000 to 5069)	85,579	0	85,579	891,307	0	891,307	967,460	0	967,460
2	Access Revenues (5080 to 5084)	336,784	131,036	205,748	2,583,360	1,068,310	1,515,050	3,186,381	1,165,365	2,021,015
3	Long Distance Revenues (5100 to 5169)	30	0	30	3,941	0	3,941	4,529	0	4,529
4	Miscellaneous Revenues (5200 to 5270)	46,243	3,691	42,551	395,684	54,809	340,875	425,173	63,559	361,614
5	Uncollectible Revenues (5300 to 5302)	345	0	345	3,883	0	3,883	4,226	0	4,226
6	**Total Operating Revenues (L1 to L4 less L5)**	**468,291**	**134,727**	**333,564**	**3,870,409**	**1,123,119**	**2,747,290**	**4,579,317**	**1,228,924**	**3,350,392**
	Operating Expenses									
7	Plant Specific Expenses (6110 to 6441)	32,331	6,495	25,836	393,735	79,101	314,634	421,717	84,723	336,994
8	Plant NonSpecific Expenses (6510 to 6540)	65,540	13,259	52,281	736,405	148,977	587,428	790,160	159,852	630,308
9	Depreciation & Amortization (6560 to 6565)	61,563	12,454	49,109	668,219	135,179	533,040	722,575	146,175	576,400
10	Customer Operations Expense (6610 to 6623)	59,824	15,040	44,784	715,816	179,956	535,860	777,386	195,435	581,951
11	Corporate Operations Expense (6710 to 6790)	75,818	19,652	56,166	626,166	162,303	463,863	670,446	173,780	496,666
12	Other Operating Taxes (7230 & 7240)	21,063	4,309	16,754	162,360	33,217	129,143	199,253	40,765	158,488
13	Federal Income Taxes (7210, 7220 and 7250)	56,368	13,517	42,851	218,336	52,357	165,979	376,586	90,305	286,281
14	**Total Operating Expenses (L7 to L13)**	**372,507**	**84,726**	**287,781**	**3,521,038**	**791,090**	**2,729,948**	**3,958,122**	**891,035**	**3,067,087**
15	**Net Operating Income (L6 minus L14)**	**95,784**	**50,001**	**45,783**	**349,371**	**332,029**	**17,341**	**621,195**	**337,889**	**283,305**
16	Nonoperating Inc (7310 to 7370)-(7410 to 7450)	(9)	(2)	(7)	(3,781)	(762)	(3,019)	(3,747)	(755)	(2,992)
17	Interest Expense (7510 to 7540)	76	15	61	898	181	717	1,062	214	848
18	Extraordinary Items (7610 to 7640)	0	0	0	0	0	0	0	0	0
19	Nonregulated Income Items	(332)	(67)	(265)	(19,078)	(3,843)	(15,235)	(15,789)	(3,181)	(12,608)
20	**Net Income**	**95,367**	**49,917**	**45,450**	**325,614**	**327,243**	**(1,630)**	**600,597**	**333,739**	**266,857**

	Selected Balance Sheet Items	Balance End of Month Combined (k)	Balance End of Month Interstate (l)	Balance End of Month Intrastste (m)	Average 12 M-T-D Combined (n)	Average 12 M-T-D Interstate (o)	Average 12 M-T-D Intrastste (p)
21	Plant in Service (2110 to 2690)	10,560,166	2,131,569	8,428,597	10,249,127	2,068,786	8,180,341
22	Property Held For Future Use (2002)	0	0	0	0	0	0
23	Plant Under Construction (2003 to 2004)	4,758,192	960,441	3,797,751	3,662,372	739,250	2,923,122
24	Plant Acquisition Adjustment (2005)	0	0	0	0	0	0
25	Materials & Supplies (1220)	328,126	69,530	258,596	218,441	46,288	172,153
26	Depreciation Reserve (3100 to 3600 less 3300)	4,532,511	917,380	3,615,131	4,248,816	859,960	3,388,856
27	Unamortized Investment Tax Credit (4320)	11,738	2,369	9,369	14,425	2,911	11,514
28	Accumulated Deferred Income Taxes (4340)	621,838	125,487	496,351	529,273	106,807	422,466
29	Preferred Stock (4510)	0	XXXXXX	XXXXXX	0	XXXXXX	XXXXXX
30	Common Stock (4510)	127,600	XXXXXX	XXXXXX	127,600	XXXXXX	XXXXXX
31	Additional Paid In Capital (4520)	0	XXXXXX	XXXXXX	0	XXXXXX	XXXXXX
32	Retained Earnings (4550)	7,963,675	XXXXXX	XXXXXX	7,735,229	XXXXXX	XXXXXX
33	Long Term Debt (4210 to 4270)	0	XXXXXX	XXXXXX	0	XXXXXX	XXXXXX

Peoples Telephone Co., Inc. November 30, 2001

SUPPLEMENTAL FINANCIAL DATA TO PSC 3.01
FOR THE MONTH ENDED November 30, 2001

Line #		Average Monthly Balance	Average Y-T-D Balance	Average for 12 M-T-D
	Additions:			
1	Plant In Service	$10,486,949	$10,323,415	$10,249,127
2	Plant Under Construction	4,632,025	3,687,137	3,662,372
3	Property Held For Future Use	0	0	0
4	Materials & Supplies	323,136	232,269	218,441
	Other Additions (Itemize):			
5	Working Capital	233,513	224,738	221,642
6				
7				
8	**Total Additions**	$15,675,623	$14,467,560	$14,351,582
	Deductions:			
9	Accumulated Depreciation	4,501,794	4,264,595	4,248,816
10	Accumulated Deferred Income Taxes	604,350	539,278	529,273
11	Unamortized Investment Credit - Pre 1971	11,960	14,185	14,425
12	Customer Deposits	13,725	15,613	15,885
	Other Deductions (Itemize):			
13	Deferred Revenue-TPSC ordered	0	0	0
14				
15				
16	**Total Deductions**	$5,131,829	$4,833,670	$4,808,398
17	**Rate Base**	$10,543,794	$9,633,890	$9,543,184
18	Net Operating Income (NOI)	95,784	349,371	621,195
	Adjustments to NOI (Itemize):			
19				
20	Less: Interest on Customer Deposits	76	855	1,001
21	Add: Inside Wiring (NOI)	(1,261)	(10,607)	(11,826)
22	Add: Parent Tax Savings	20,666	207,707	224,456
23	Less: Interstate B&C Net Income	(6,906)	(50,033)	(49,553)
24	**Adjusted Net Operating Income**	$122,018	$595,649	$882,376
25	**Rate Of Return (L24/L17)**	13.89%	6.74%	9.25%

All amounts should be calculated in a manner consistent with the last Rate Order issued by the Commission for this company.

CONTINUING SURVEILLANCE CONSIDERATIONS. Estimate the effect on net operating income of very significant known changes occurring within the period covered by the report which are not fully reflected in the revenue and expense amounts shown in the report.

1.
2.

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES AND INVESTMENTS - TELEPHONE COMPANIES

Tellico Telephone Company
Month Ending December 31, 2001.

Ln No.	Item	Total Company 12 Month	Interstate 12 Month	Intrastate 12 Month	Interstate %
	(a)	(b)	(c)	(d)	(e)
	OPERATING REVENUES				
1	Local Revenues (5000 - 5069)	$ 2,383,838	$ -	$ 2,383,838	
2	Interstate Access (5081-5083)	2,014,581	2,014,581	-	
3	Interstate USF (50821)	568,149	-	568,149	
4	Intrastate Access (508421-50847)	502,635	-	502,635	
5	Long Distance Revenues (5100 - 5169)	1,722,034	-	1,722,034	
6	Miscellaneous Revenues (523-5269)	144,982	-	144,982	
7	B&C (5270)	127,818	78,823	48,995	
8	Uncollectible Revenues (5300)	(28,810)	-	(28,810)	
9	Total Operating Revenues (L1 to L8)	$ 7,435,227	$ 2,093,405	$ 5,341,822	
	OPERATING EXPENSES				
10	Plt Specific Expense (6110 to 6441) + 7130	$ 561,142	$ 161,479	$ 399,663	28.78%
11	Plt Non Spec. Expense (6510 to 6540)	557,085	176,127	380,958	31.62%
12	Depreciation & Amortization (6560)	1,787,399	519,161	1,268,238	29.05%
13	Customer Operation Expense (6600)	1,111,575	380,666	730,908	34.25%
14	Corporate Operation Expense (6700)	983,416	287,246	696,169	29.21%
15	Other Operating Taxes (7240)	157,464	45,454	112,009	28.87%
16	Federal Income Taxes (7220 and 72501)	632,954	128,465	504,489	
17	State Income Taxes (7230 and 72502)	130,975	45,966	85,009	
18	Total Operating Expenses (L10 to L17)	$ 5,922,010	$ 1,744,564	$ 4,177,445	
19	Net Operating Income (L9 less L18)	$ 1,513,217	$ 348,840	$ 1,164,377	
20	Nonoperating Inc (7310 to 7370) and (7410 to 7450)	176,788	-	176,788	
21	Interest Expense (7510 to 7540)	494,865	-	494,865	
22	Extraordinary Items (7610 to 7640)	-	-	-	
23	Nonregulated Income Items (7990)	105,395	-	105,395	
24	Net Income...............................	$ 1,300,535	$ 348,840	$ 951,694	

	Selected Balance Sheet Items	12 Mth Average	Interstate	Intrastate	Interstate %
25	Plant in Service (2100-2400)	$ 23,686,755	$ 6,779,149	$ 16,907,606	28.62%
26	Depreciation Reserve (3100-3120)	13,092,021	3,821,561	9,270,460	29.19%
27	Property Held for Future Use (2002)	-	-	-	0.00%
28	Plant Under Construction (2003)	902,487	258,292	644,195	28.62%
29	Materials & Supplies (1220)	51,861	13,344	38,517	25.73%
30	Unamortized ITC (4230)	-	-	-	28.62%
31	Customer Deposits (4040)	1,062	303	759	28.56%
32	Leases and Leasehold Improvements (net) (2681	-	-	-	28.62%
33	RTB Stock (14021)	239,850	68,637	171,213	28.62%
34	Accumulated Deferred Income Taxes (4340,436	959,717	274,671	685,046	28.62%
35	Preferred & Common Stock (4510)	27,800	xxxxxxxxxxxxxx	xxxxxxxxxxxxxx	
36	Additional Paid In Capital (4520)	73,726	xxxxxxxxxxxxxx	xxxxxxxxxxxxxx	
37	Retained Earnings (4550)	8,692,713	xxxxxxxxxxxxxx	xxxxxxxxxxxxxx	
38	Long Term Debt (4210 to 4270) + 4050	7,992,477	xxxxxxxxxxxxxx	xxxxxxxxxxxxxx	
39	Short Term Debt (4020)	-	xxxxxxxxxxxxxx	xxxxxxxxxxxxxx	

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES AND INVESTMENTS - TELEPHONE COMPANIES
Tellico Telephone Company
Month Ending December 31, 2001.

TENNESSEE INTRASTATE SUPPLEMENTAL FINANCIAL DATA TO PSC-3.01 FOR

Ln No.	SELECTED BALANCE SHEET ITEMS (a)	Average Monthly Balance	Average 12 Months To Date	Average 12 Months To Date
1	Plant In Service	$ 17,737,607	$ 16,907,606	$ 16,907,606
2	Plant Under Construction	1,015,935	644,195	644,195
3	Plant Held for Future Use (Net)	-	-	-
4	Materials & Supplies	34,540	38,517	38,517
5	Capital Leases (Net)	-	-	-
6	Working Capital (45 Days)	289,571	289,964	289,964
7	RTB Stock	171,213	171,213	171,213
8	Total Additions	$ 19,248,866	$ 18,051,495	$ 18,051,495
	LESS:			
9	Accumulated Depreciation	9,554,134	9,270,460	9,270,460
10	Accumulated Deferred Taxes- Accelerated Depreciation & Cost of Removal	693,616	685,046	685,046
11	Unamortized ITC	-	-	-
12	Customer Deposits	1,000	1,062	1,062
13	Total Reductions	$ 10,248,750	$ 9,956,568	$ 9,956,568
14	Rate Base	$ 9,000,116	$ 8,094,926	$ 8,094,926
15	Alternative Net Operating Income	$ 117,893	$ 1,164,463	$ 1,164,463
16				
17				
18				
19				
20				
21				
22				
23				
24				
25	Alternative Net Operating Income	$ 117,893	$ 1,164,463	$ 1,164,463
26	Return on Rate Base	15.72%	14.39%	14.39%

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES
AND INVESTMENTS - TELEPHONE COMPANIES
Tennessee Teelphone Company
Month Ending December 31, 2001.

Ln No.	Item	Total Company 12 Month	Interstate 12 Month	Intrastate 12 Month	Interstate %
	(a)	(b)	(c)	(d)	(e)
	OPERATING REVENUES				
1	Local Revenues (5000 - 5069)	$ 21,795,679	$ -	$ 21,795,679	
2	Interstate Access (5081-5083)	10,498,059	10,498,059	-	
3	Interstate USF (50821)	1,811,955	-	1,811,955	
4	Intrastate Access (508421-50847)	2,855,497	-	2,855,497	
5	Long Distance Revenues (5100 - 5169)	7,977,787	-	7,977,787	
6	Miscellaneous Revenues (523-5269)	899,994	-	899,994	
7	B&C (5270)	840,266	579,270	260,996	
8	Uncollectible Revenues (5300)	(187,592)	-	(187,592)	
9	Total Operating Revenues (L1 to L8)	$ 46,491,646	$ 11,077,329	$ 35,414,317	
	OPERATING EXPENSES				
10	Plt Specific Expense (6110 to 6441) + 7130	$ 3,360,067	$ 972,740	$ 2,387,328	28.95%
11	Plt Non Spec. Expense (6510 to 6540)	3,552,698	1,023,888	2,528,810	28.82%
12	Depreciation & Amortization (6560)	10,424,108	3,078,864	7,345,243	29.54%
13	Customer Operation Expense (6600)	7,207,439	1,943,126	5,264,314	26.96%
14	Corporate Operation Expense (6700)	7,145,440	2,041,809	5,103,630	28.58%
15	Other Operating Taxes (7240)	987,697	290,086	697,610	29.37%
16	Federal Income Taxes (7220 and 72501)	4,360,522	608,204	3,752,318	
17	State Income Taxes (7230 and 72502)	858,939	(72,858)	931,797	
18	Total Operating Expenses (L10 to L17)	$ 37,896,910	$ 9,885,859	$ 28,011,050	
19	Net Operating Income (L9 less L18)	$ 8,594,736	$ 1,191,469	$ 7,403,267	
20	Nonoperating Inc (7310 to 7370) and (7410 to 7450)	348,318	-	348,318	
21	Interest Expense (7510 to 7540)	815,818	-	815,818	
22	Extraordinary Items (7610 to 7640)	-	-	-	
23	Nonregulated Income Items (7990)	1,062,871	-	1,062,871	
24	Net Income...............................	$ 9,190,108	$ 1,191,469	$ 7,998,638	

Ln No.	Selected Balance Sheet Items	12 Mth Average	Interstate	Intrastate	Interstate %
25	Plant in Service (2100-2400)	$ 133,477,823	$ 33,703,150	$ 99,774,673	25.25%
26	Depreciation Reserve (3100-3120)	72,443,057	18,596,133	53,846,924	25.67%
27	Property Held for Future Use (2002)	-	-	-	0.00%
28	Plant Under Construction (2003)	4,245,646	1,072,026	3,173,621	25.25%
29	Materials & Supplies (1220)	606,875	158,576	448,299	26.13%
30	Unamortized ITC (4230)	-	-	-	25.26%
31	Customer Deposits (4040)	5,632	1,457	4,175	25.87%
32	Leases and Leasehold Improvements (net) (2681, 2682)	64,432	16,275	48,156	25.26%
33	RTB Stock (14021)	-	-	-	0.00%
34	Accumulated Deferred Income Taxes (4340,4361,1437)	5,397,495	1,363,407	4,034,088	25.26%
35	Preferred & Common Stock (4510)	2,953,800	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
36	Additional Paid In Capital (4520)	3,278,054	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
37	Retained Earnings (4550)	63,000,990	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
38	Long Term Debt (4210 to 4270) + 4050	15,807,800	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		
39	Short Term Debt (4020)	-	xxxxxxxxxxxxxxxxxxxxxxxxxxxxx		

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES
AND INVESTMENTS - TELEPHONE COMPANIES
Tennessee Teelphone Company
Month Ending December 31, 2001.

TENNESSEE INTRASTATE SUPPLEMENTAL FINANCIAL
DATA TO PSC-3.01 FOR

Ln No.	SELECTED BALANCE SHEET ITEMS (a)	Average Monthly Balance	Average 12 Months To Date	Average 12 Months To Date
1	Plant In Service	$ 102,781,071	$ 99,774,673	$ 99,774,673
2	Plant Under Construction	3,567,748	3,173,621	3,173,621
3	Plant Held for Future Use (Net)	-	-	-
4	Materials & Supplies	253,668	448,299	448,299
5	Capital Leases (Net)	145,964	48,156	48,156
6	Working Capital (45 Days)	1,675,599	1,997,712	1,997,712
7	RTB Stock	-	-	-
8	Total Additions	$ 108,424,050	$ 105,442,460	$ 105,442,460
	LESS:			
9	Accumulated Depreciation	56,795,835	53,846,924	53,846,924
10	Accumulated Deferred Taxes- Accelerated Depreciation & Cost of Removal	3,781,176	4,034,088	4,034,088
11	Unamortized ITC	-	-	-
12	Customer Deposits	5,398	5,632	5,632
13	Total Reductions	$ 60,582,409	$ 57,886,644	$ 57,886,644
14	Rate Base	$ 47,841,642	$ 47,555,816	$ 47,555,816
15	Alternative Net Operating Income	$ 1,038,193	$ 7,385,411	$ 7,385,411
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26	Alternative Net Operating Income	$ 1,038,193	$ 7,385,411	$ 7,385,411
27	Return on Rate Base	26.04%	15.53%	15.53%

UNITED TELEPHONE COMPANY, INC.

PSC - 3.01

Company Name UNITED TELEPHONE COMPANY

Month Ending OCTOBER, 2001

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES

	Item (a)	Amount For The Month Combined (b)	Amount For The Month Interstate (c)	Amount For The Month Intrastate (d)	Year - To - Date Combined (e)	Year - To - Date Interstate (f)	Year - To - Date Intrastate (g)	12 Months-To-Date Combined (h)	12 Months-To-Date Interstate (i)	12 Months-To-Date Intrastate (j)
	Operating Revenues									
1	Local Revenues (5000 to 5069)	285,208		285,208	2,761,188		2,761,188	3,288,894		3,288,894
2	Access Revenues (5080 to 5084)	581,545		581,545	5,476,302		5,476,302	6,560,494		6,560,494
3	Long Distance Revenues (5100 to 5169)	(13,146)		(13,146)	(60,384)		(60,384)	(57,210)		(57,210)
4	Miscellaneous Revenues (5200 to 5270)	51,956		51,956	558,181		558,181	698,250		698,250
5	Uncollectible Revenues (5300 to 5302)			0	114,590		114,590	119,210		114,601
6	**Total Operating Revenues (L1 to L4 less L5)**	905,563	0	905,563	8,620,697	0	8,620,697	10,371,218	0	10,375,827
	Operating Expenses									
7	Plant Specific Expenses (6110 to 6441)	118,110		118,110	1,107,809		1,107,809	1,364,055		1,364,055
8	Plant NonSpecific Expenses (6510 to 6540)	28,751		28,751	271,788		271,788	332,224		332,224
9	Depreciation & Amortization (6560 to 6565)	167,250		167,250	1,587,814		1,587,814	1,930,228		1,930,228
10	Customer Operations Expense (6610 to 6623)	100,711		100,711	776,627		776,627	946,524		946,524
11	Corporate Operations Expense (6710 to 6790)	94,291		94,291	823,333		823,333	952,684		952,684
12	Other Operating Taxes (7230 & 7240)	118,650		118,650	1,159,758		1,159,758	1,676,725		1,676,725
13	Federal Income Taxes (7210, 7220 and 7250)	10,000		10,000	100,000		100,000	(172,168)		(172,168)
14	**Total Operating Expenses (L7 to L13)**	637,762	0	637,762	5,827,128	0	5,827,128	7,030,272	0	7,030,272
15	**Net Operating Income (L6 minus L14)**	267,801		267,801	2,793,569	0	2,793,569	3,340,945	0	3,345,554
16 *	Nonoperating Inc (7310 to 7370)-(7410 to 7450)	(563)		(563)	1,790		1,790	30,941		30,941
17	Interest Expense (7510 to 7540)	185,290		185,290	1,777,887		1,777,887	2,017,094		2,017,094
18	Extraordinary Items (7610 to 7640)	5,052		5,052	(112,993)		(112,993)	(239,487)		(239,487)
19	**Net Income**	87,000	0	87,000	904,479	0	904,479	1,115,305	0	1,119,914

	Selected Balance Sheet Items	Balance End of Month Combined (k)	Balance End of Month Interstate (l)	Balance End of Month Intrastste (m)	Average 12 M-T-D Combined (n)	Average 12 M-T-D Interstate (o)	Average 12 M-T-D Intrastste (p)
20	Plant in Service (2110 to 2690)	48,504,493			45,885,658		
21	Property Held For Future Use (2002)						
22	Plant Under Construction (2003 to 2004)	5,576,558			6,324,974		
23	Plant Acquisition Adjustment (2005)				0		
24	Materials & Supplies (1220)	421,271			401,640		
25	Depreciation Reserve (3100 to 3600 less 3300)	8,135,143			7,213,350		
26	Unamortized Investment Tax Credit (4320)	127,182			132,617		
27	Accumulated Deferred Income Taxes (4340)	4,110,967			3,754,533		
28	Preferred Stock (4510)		XXXXXX			XXXXXX	XXXXXX
29	Common Stock (4510)	72,250	XXXXXX		72,250	XXXXXX	XXXXXX
30	Additional Paid In Capital (4520)		XXXXXX			XXXXXX	XXXXXX
31	Retained Earnings (4550)	7,047,853	XXXXXX		7,583,845	XXXXXX	XXXXXX
32	Long Term Debt (4210 to 4270)	37,206,222	XXXXXX		35,436,172	XXXXXX	XXXXXX

... report to the 301, it was decided that Miscellaneous Revenues are being misstated on the 301

SUPPLEMENTAL FINANCIAL DATA TO PSC 3.01
FOR THE MONTH ENDED OCTOBER, 2001

Line #		Average Monthly Balance	Average for 13 MTD
	Additions:		
1	Plant In Service	48,452,321	45,689,283
2	Plant Under Construction	5,428,634	6,110,839
3	Property Held For Future Use		
4	Materials & Supplies	414,782	394,501
	Other Additions (Itemize):		
5	MONTH EXP LESS DEP, AMORT & TAXES	341,862	299,624
6			
7			
8	**Total Additions**	54,637,599	52,494,247
	Deductions:		
9	Accumulated Depreciation	8,050,469	7,138,722
10	Accumulated Deferred Income Taxes	127,682	134,669
11	Unamortized Investment Credit - Pre 1971		
12	Customer Deposits	53,782	53,640
	Other Deductions (Itemize):		
13			
14			
15			
16	**Total Deductions**	8,231,932	7,327,032
17	**Rate Base**	46,405,667	45,167,215
18	Net Operating Income (NOI)	222,256	2,891,058
	Adjustments to NOI (Itemize):		
19	INTEREST ON CUSTOMER DEPOSIT	403	3,707
20			
21			
22			
23			
24	**Adjusted Net Operating Income**	221,853	2,887,351
25	**Rate Of Return (L24/L17)**	5.74%	6.39%

All amounts should be calculated in a manner consistent with the last Rate Order issued by the Commission for this company.

CONTINUING SURVEILLANCE CONSIDERATIONS. Estimate the effect on net operating income of very significant known changes occurring within the period covered by the report which are not fully reflected in the revenue and expense amounts shown in the report.

1.
2.

West Tennessee Telephone Co., Inc. November 30, 2001

Company Name: West Tennessee Telephone Co., Inc.
Month Ending: November 30, 2001

MONTHLY REPORT OF TENNESSEE REVENUES, EXPENSES AND INVESTMENTS - TELEPHONE COMPANIES

	Item (a)	Amount For The Month Combined (b)	Amount For The Month Interstate (c)	Amount For The Month Intrastate (d)	Year - To - Date Combined (e)	Year - To - Date Interstate (f)	Year - To - Date Intrastate (g)	12 Months-To-Date Combined (h)	12 Months-To-Date Interstate (i)	12 Months-To-Date Intrastate (j)
	Operating Revenues									
1	Local Revenues (5000 to 5069)	71,595	0	71,595	745,867	0	745,867	801,247	0	801,247
2	Access Revenues (5080 to 5084)	372,830	128,935	243,895	2,679,999	1,091,928	1,588,071	3,192,784	1,175,981	2,016,803
3	Long Distance Revenues (5100 to 5169)	83	0	83	2,299	0	2,299	2,766	0	2,766
4	Miscellaneous Revenues (5200 to 5270)	3,373	2,996	378	(80,360)	44,711	(125,071)	(85,792)	50,747	(136,539)
5	Uncollectible Revenues (5300 to 5302)	310	0	310	3,398	0	3,398	3,698	0	3,698
6	**Total Operating Revenues (L1 to L4 less L5)**	**447,571**	**131,931**	**315,640**	**3,344,407**	**1,136,639**	**2,207,768**	**3,907,307**	**1,226,728**	**2,680,579**
	Operating Expenses									
7	Plant Specific Expenses (6110 to 6441)	37,278	6,669	30,609	337,337	60,348	276,989	360,706	64,529	296,177
8	Plant NonSpecific Expenses (6510 to 6540)	48,710	8,571	40,139	560,743	98,669	462,074	612,763	107,823	504,940
9	Depreciation & Amortization (6560 to 6565)	44,731	7,871	36,860	465,169	81,852	383,317	503,928	88,672	415,256
10	Customer Operations Expense (6610 to 6623)	58,079	10,460	47,619	718,859	129,466	589,393	791,984	142,636	649,348
11	Corporate Operations Expense (6710 to 6790)	66,253	13,979	52,274	545,597	115,120	430,477	584,931	123,419	461,512
12	Other Operating Taxes (7230 & 7240)	20,883	3,736	17,147	141,536	25,320	116,216	167,544	29,973	137,571
13	Federal Income Taxes (7210, 7220 and 7250)	60,516	14,778	45,738	202,988	49,569	153,419	314,036	76,687	237,349
14	**Total Operating Expenses (L7 to L13)**	**336,450**	**66,064**	**270,386**	**2,972,228**	**560,344**	**2,411,884**	**3,335,893**	**633,739**	**2,702,154**
15	**Net Operating Income (L6 minus L14)**	**111,121**	**65,867**	**45,254**	**372,178**	**576,295**	**(204,116)**	**571,414**	**592,989**	**(21,575)**
16	Nonoperating Inc (7310 to 7370)-(7410 to 7450)	515	95	420	22,254	4,094	18,160	26,025	4,788	21,237
17	Interest Expense (7510 to 7540)	41	7	34	1,022	182	840	1,154	206	948
18	Extraordinary Items (7610 to 7640)	0	0	0	0	0	0	0	0	0
19	Nonregulated Income Items	(3,653)	(672)	(2,981)	(47,094)	(8,664)	(38,430)	(49,627)	(9,130)	(40,497)
20	**Net Income**	**107,943**	**65,283**	**42,660**	**346,316**	**571,543**	**(225,226)**	**546,658**	**588,441**	**(41,783)**

	Selected Balance Sheet Items	Balance End of Month Combined (k)	Balance End of Month Interstate (l)	Balance End of Month Intrastate (m)	Average 12 M-T-D Combined (n)	Average 12 M-T-D Interstate (o)	Average 12 M-T-D Intrastste (p)
21	Plant in Service (2110 to 2690)	9,928,425	1,783,145	8,145,280	9,670,683	1,736,855	7,933,828
22	Property Held For Future Use (2002)	0	0	0	0	0	0
23	Plant Under Construction (2003 to 2004)	1,400,641	251,555	1,149,086	884,802	158,911	725,892
24	Plant Acquisition Adjustment (2005)	0	0	0	0	0	0
25	Materials & Supplies (1220)	424,942	83,331	341,611	240,215	47,106	193,109
26	Depreciation Reserve (3100 to 3600 less 3300)	4,220,583	758,861	3,461,722	4,010,148	666,861	3,042,045
27	Unamortized Investment Tax Credit (4320)	2,558	460	2,098	3,240	583	2,658
28	Accumulated Deferred Income Taxes (4340)	477,769	85,903	391,866	473,786	85,187	388,599
29	Preferred Stock (4510)	0	XXXXXX	XXXXXX	0	XXXXXX	XXXXXX
30	Common Stock (4510)	135,000	XXXXXX	XXXXXX	135,000	XXXXXX	XXXXXX
31	Additional Paid In Capital (4520)	0	XXXXXX	XXXXXX	0	XXXXXX	XXXXXX
32	Retained Earnings (4550)	6,240,260	XXXXXX	XXXXXX	6,008,095	XXXXXX	XXXXXX
33	Long Term Debt (4210 to 4270)	9,797	XXXXXX	XXXXXX	12,977	XXXXXX	XXXXXX

SUPPLEMENTAL FINANCIAL DATA TO PSC 3.01
FOR THE MONTH ENDED November 30, 2001

Line #		Average Monthly Balance	Average Y-T-D Balance	Average for 12 M-T-D
	Additions:			
1	Plant In Service	$9,921,236	$9,708,497	$9,670,683
2	Plant Under Construction	1,368,577	910,610	884,802
3	Property Held For Future Use	0	0	0
4	Materials & Supplies	430,023	256,105	240,215
	Other Additions (Itemize):			
5	Working Capital	210,321	(73,608)	195,865
6				
7				
8	**Total Additions**	$11,930,157	$10,801,604	$10,991,566
	Deductions:			
9	Accumulated Depreciation	4,198,218	4,027,838	4,010,148
10	Accumulated Deferred Income Taxes	476,999	473,922	473,786
11	Unamortized Investment Credit - Pre 1971	2,614	3,176	3,240
12	Customer Deposits	7,000	7,742	7,669
	Other Deductions (Itemize):			
13	Deferred Revenue-TPSC ordered	0	0	0
14				
15				
16	**Total Deductions**	$4,684,831	$4,512,678	$4,494,843
17	**Rate Base**	$7,245,326	$6,288,926	$6,496,723
18	Net Operating Income (NOI)	111,121	372,178	571,414
	Adjustments to NOI (Itemize):			
19				
20	Less: Interest on Customer Deposits	22	388	423
21	Add: Inside Wiring (NOI)	(72)	3,406	3,651
22	Add: Parent Tax Savings	12,916	123,322	138,978
23	Less: Interstate B&C Net Income	(7,318)	(60,181)	(63,474)
24	**Adjusted Net Operating Income**	$131,262	$558,699	$777,094
25	**Rate Of Return (L24/L17)**	21.74%	9.69%	11.96%

All amounts should be calculated in a manner consistent with the last Rate Order issued by the Commission for this company.

CONTINUING SURVEILLANCE CONSIDERATIONS. Estimate the effect on net operating income of very significant known changes occurring within the period covered by the report which are not fully reflected in the revenue and expense amounts shown in the report.

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