



Laura A. Sykora  
Manager Regulatory Affairs - VA/TN

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Sprint Corporation  
NCVYKFR0303  
4111 Capital Boulevard  
Wake Forest, NC 27587-5900  
Voice 919-554-7323  
Fax 919-554-5955  
laura.sykora@mail.sprint.com

October 15, 2004

Chairman Pat Miller  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

DOCKET NO.

04-00355

Dear Chairman Miller:

Enclosed for the Tennessee Regulatory Authority's review and approval are the original and thirteen (13) copies of United Telephone-Southeast, Inc.'s 2004 Annual Price Regulation Filing. This information reflects the calculation of United's 2004 Price Regulation Index (PRI) and Service Price Index (SPI). No price changes are proposed in this filing.

Should you have questions regarding the attached information, please do not hesitate to call me at 919-554-7323.

Sincerely,

Laura A. Sykora

Enclosures

C: Kaye Odum  
Tom Sokol

# TENNESSEE 2004 PRICE INDEX FILING

| SERVICE PRICE INDEX (SPI)<br>CALCULATION BY CATEGORY  | June 1995 Rates<br>June 2004<br><u>Volumes</u> | June<br><u>Annualized</u> | Current Rates<br>June 2004<br><u>Volumes</u> | June<br><u>Annualized</u> |
|-------------------------------------------------------|------------------------------------------------|---------------------------|----------------------------------------------|---------------------------|
| <b><u>Basic Revenues</u></b>                          |                                                |                           |                                              |                           |
| General Subscriber Service Tariff                     | \$ 3,192,135 82                                | \$38,305,629 81           | \$ 3,173,580 47                              | \$ 38,082,965 66          |
| <b><i>November 30, 2001 Approved Rate Changes</i></b> |                                                |                           |                                              |                           |
| Property Tax Refund                                   |                                                |                           | \$ 62,221 01                                 | \$ 746,652 10             |
| <hr/>                                                 |                                                |                           |                                              |                           |
| Total Basic Services                                  | \$ 3,192,135 82                                | \$38,305,629 81           | \$ 3,235,801 48                              | \$ 38,829,617 76          |
| <br><b><u>Non - Basic Revenues</u></b>                |                                                |                           |                                              |                           |
| General Subscriber Service Tariff                     | \$ 4,060,373 49                                | \$ 48,724,481 93          | \$ 4,266,464 77                              | \$ 51,197,577 19          |
| Access Services Tariff                                | \$ 842,373 20                                  | \$ 10,108,478 34          | \$ 572,333 27                                | \$ 6,867,999 28           |
| Miscellaneous Revenues                                | \$ 709,511 79                                  | \$ 8,514,141 48           | \$ 709,511 79                                | \$ 8,514,141 48           |
| <b><i>November 30, 2001 Approved Rate Changes</i></b> |                                                |                           |                                              |                           |
| Property Tax Refund                                   |                                                |                           | \$ 18,237 24                                 | \$ 218,846 88             |
| Total Non-Basic Services                              | \$ 5,612,258 48                                | \$ 67,347,101 76          | \$ 5,566,547 07                              | \$ 66,798,564 84          |
| TOTAL BASIC & NON-BASIC                               | \$ 8,804,394 30                                | \$ 105,652,731 57         | \$ 8,802,348 55                              | \$ 105,628,182 59         |

|                           |                           |          |                  |
|---------------------------|---------------------------|----------|------------------|
| <b>PRI/SPI Comparison</b> | Basic SPI Calculation     | Current  | \$ 38,829,617 76 |
|                           |                           | Base     | \$ 38,305,629 81 |
|                           |                           | Result   | 1 0137           |
|                           |                           | X 100    | 101 3679         |
|                           |                           | 2004 PRI | 102 8192         |
|                           | Non-Basic SPI Calculation | Current  | \$ 66,798,564 84 |
|                           |                           | Base     | \$ 67,347,101 76 |
|                           |                           | Result   | 0 9919           |
|                           |                           | X 100    | 99 1855          |
|                           |                           | 2004 PRI | 102 7090         |

**TENNESSEE  
2004 PRICE REGULATION  
INDEX FILING**

| <b>2004 BASIC PRI CALCULATION</b>                                                                                                                                                                                                                                                                   |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p><b><u>Input:</u></b></p> <p>Inflation Rate <span style="float: right;">2.8</span><br/> First Qtr 2003 vs First Qtr 2004</p>                                                                                                                                                                      |  |
| <p><b><u>Calculation:</u></b></p>                                                                                                                                                                                                                                                                   |  |
| <p><b>Step 1:</b></p> <p>Base Rate of 100 <span style="float: right;">100</span></p>                                                                                                                                                                                                                |  |
| <p><b>Step 2.</b></p> <p>Plus The lesser of</p> <p>1/2 Inflation Rate <span style="float: right;">1.4</span><br/> or<br/> Inflation Rate - 2% <span style="float: right;">+ <span style="border: 1px solid black; padding: 0 10px;">0.8</span></span></p> <p style="text-align: right;">= 100.8</p> |  |
| <p><b>Step 3:</b></p> <p>Divided by 100 <span style="float: right;">1.008</span></p>                                                                                                                                                                                                                |  |
| <p><b>Step 4:</b></p> <p>Multiplied by 2003 PRI (102.0031872) <span style="float: right;"><span style="border: 1px solid black; padding: 0 10px;">102.8192</span></span></p>                                                                                                                        |  |

**TENNESSEE  
2004 PRICE REGULATION  
INDEX FILING**

**2004 NON- BASIC PRI CALCULATION**

**Input**

Inflation Rate 2.8  
First Qtr 2003 vs First Qtr 2004

**Calculation**

**Step 1:**

Base Rate of 100 100

**Step 2:**

Plus The lessor of

1/2 Inflation Rate 1.4

or

Inflation Rate - 2% + 0.8

= 100.8

**Step 3:**

Divided by 100 1.008

**Step 4**

Multiplied by 2003 PRI (101.8938516) 102.7090

**Table C.1. GDP and Other Major NIPA Aggregates—Continued**  
 (Quarterly estimates are seasonally adjusted at annual rates)

| Year and quarter | Billions of chained (2000) dollars |                                 |                        | Percent change from preceding period |                                 | Chain type price indexes [2000=100] |                          | Implicit price deflators [2000=100] |                        | Percent change from preceding period |                          |                          |                        |
|------------------|------------------------------------|---------------------------------|------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------|-------------------------------------|------------------------|--------------------------------------|--------------------------|--------------------------|------------------------|
|                  | Gross domestic product             | Final sales of domestic product | Gross national product | Gross domestic product               | Final sales of domestic product | Gross domestic product              | Gross domestic purchases | Gross domestic product              | Gross national product | Chain type price indexes             |                          | Implicit price deflators |                        |
|                  |                                    |                                 |                        |                                      |                                 |                                     |                          |                                     |                        | Gross domestic product               | Gross domestic purchases | Gross domestic product   | Gross national product |
| 1991 I           | 7,040.8                            | 7,071.5                         | 7,087.0                | -2.0                                 | -1.7                            | 83,662                              | 84,197                   | 83,626                              | 83,623                 | 4.8                                  | 3.2                      | 4.8                      | 4.8                    |
| 1991 II          | 7,086.5                            | 7,120.2                         | 7,119.1                | 2.6                                  | 2.8                             | 84,194                              | 84,533                   | 84,165                              | 84,164                 | 2.6                                  | 1.6                      | 2.6                      | 2.6                    |
| 1991 III         | 7,120.7                            | 7,134.6                         | 7,149.3                | 1.9                                  | 0.8                             | 84,772                              | 85,058                   | 84,762                              | 84,758                 | 2.8                                  | 2.5                      | 2.9                      | 2.9                    |
| 1991 IV          | 7,154.1                            | 7,133.8                         | 7,191.8                | 1.9                                  | 0.0                             | 85,200                              | 85,556                   | 85,206                              | 85,202                 | 2.0                                  | 2.4                      | 2.1                      | 2.1                    |
| 1992 I           | 7,228.2                            | 7,239.3                         | 7,265.5                | 4.2                                  | 6.0                             | 85,766                              | 86,093                   | 85,721                              | 85,710                 | 2.7                                  | 2.5                      | 2.4                      | 2.4                    |
| 1992 II          | 7,297.9                            | 7,284.3                         | 7,334.5                | 3.9                                  | 2.5                             | 86,212                              | 86,588                   | 86,190                              | 86,181                 | 2.1                                  | 2.3                      | 2.2                      | 2.2                    |
| 1992 III         | 7,369.5                            | 7,360.5                         | 7,402.6                | 4.0                                  | 4.2                             | 86,587                              | 87,098                   | 86,580                              | 86,567                 | 1.8                                  | 2.4                      | 1.8                      | 1.8                    |
| 1992 IV          | 7,450.7                            | 7,440.3                         | 7,485.0                | 4.5                                  | 4.4                             | 87,042                              | 87,531                   | 87,029                              | 87,019                 | 2.1                                  | 2.0                      | 2.1                      | 2.1                    |
| 1993 I           | 7,459.7                            | 7,431.2                         | 7,502.4                | 0.5                                  | -0.5                            | 87,729                              | 88,076                   | 87,707                              | 87,705                 | 3.2                                  | 2.5                      | 3.2                      | 3.2                    |
| 1993 II          | 7,497.5                            | 7,483.7                         | 7,532.8                | 2.0                                  | 2.9                             | 88,204                              | 88,595                   | 88,190                              | 88,189                 | 2.2                                  | 2.4                      | 2.2                      | 2.2                    |
| 1993 III         | 7,536.0                            | 7,540.6                         | 7,577.7                | 2.1                                  | 3.1                             | 88,599                              | 88,916                   | 88,570                              | 88,574                 | 1.8                                  | 1.5                      | 1.7                      | 1.8                    |
| 1993 IV          | 7,637.4                            | 7,633.7                         | 7,661.5                | 5.5                                  | 5.0                             | 89,030                              | 89,331                   | 89,038                              | 89,048                 | 2.0                                  | 1.9                      | 2.1                      | 2.2                    |
| 1994 I           | 7,715.1                            | 7,677.5                         | 7,747.2                | 4.1                                  | 2.3                             | 89,598                              | 89,800                   | 89,578                              | 89,583                 | 2.6                                  | 2.1                      | 2.4                      | 2.4                    |
| 1994 II          | 7,815.7                            | 7,737.2                         | 7,843.7                | 5.3                                  | 3.1                             | 89,980                              | 90,271                   | 89,954                              | 89,963                 | 1.7                                  | 2.1                      | 1.7                      | 1.7                    |
| 1994 III         | 7,859.5                            | 7,814.3                         | 7,886.8                | 2.3                                  | 4.0                             | 90,525                              | 90,821                   | 90,530                              | 90,527                 | 2.4                                  | 2.9                      | 2.6                      | 2.5                    |
| 1994 IV          | 7,951.6                            | 7,882.3                         | 7,979.2                | 4.8                                  | 3.5                             | 90,958                              | 91,340                   | 90,962                              | 90,953                 | 1.9                                  | 1.9                      | 1.9                      | 1.9                    |
| 1995 I           | 7,973.7                            | 7,918.7                         | 8,014.3                | 1.1                                  | 1.9                             | 91,554                              | 91,877                   | 91,530                              | 91,534                 | 2.6                                  | 2.4                      | 2.6                      | 2.6                    |
| 1995 II          | 7,988.0                            | 7,962.3                         | 8,032.0                | 0.7                                  | 2.2                             | 91,891                              | 92,329                   | 91,859                              | 91,868                 | 1.5                                  | 2.0                      | 1.4                      | 1.5                    |
| 1995 III         | 8,053.1                            | 8,055.0                         | 8,081.0                | 3.3                                  | 4.7                             | 92,281                              | 92,662                   | 92,289                              | 92,299                 | 1.7                                  | 1.5                      | 1.9                      | 1.9                    |
| 1995 IV          | 8,112.0                            | 8,104.8                         | 8,152.0                | 3.0                                  | 2.5                             | 92,734                              | 93,065                   | 92,733                              | 92,743                 | 2.0                                  | 1.8                      | 1.9                      | 1.9                    |
| 1996 I           | 8,169.2                            | 8,175.4                         | 8,213.3                | 2.9                                  | 3.5                             | 93,302                              | 93,602                   | 93,328                              | 93,338                 | 2.5                                  | 2.3                      | 2.6                      | 2.6                    |
| 1996 II          | 8,303.1                            | 8,285.8                         | 8,337.6                | 6.7                                  | 5.5                             | 93,615                              | 93,897                   | 93,659                              | 93,671                 | 1.3                                  | 1.3                      | 1.4                      | 1.4                    |
| 1996 III         | 8,372.7                            | 8,319.9                         | 8,402.7                | 3.4                                  | 1.7                             | 94,064                              | 94,286                   | 93,951                              | 93,962                 | 1.9                                  | 1.7                      | 1.3                      | 1.2                    |
| 1996 IV          | 8,470.6                            | 8,444.7                         | 8,507.6                | 4.8                                  | 6.1                             | 94,455                              | 94,796                   | 94,450                              | 94,458                 | 1.7                                  | 2.2                      | 2.1                      | 2.1                    |
| 1997 I           | 8,536.1                            | 8,507.3                         | 8,566.0                | 3.1                                  | 3.0                             | 94,963                              | 95,189                   | 95,054                              | 95,058                 | 2.2                                  | 1.7                      | 2.6                      | 2.6                    |
| 1997 II          | 8,665.8                            | 8,574.6                         | 8,707.0                | 6.2                                  | 3.2                             | 95,291                              | 95,296                   | 95,206                              | 95,212                 | 1.4                                  | 0.5                      | 0.6                      | 0.6                    |
| 1997 III         | 8,773.7                            | 8,705.7                         | 8,808.7                | 5.1                                  | 6.3                             | 95,541                              | 95,494                   | 95,534                              | 95,542                 | 1.1                                  | 0.8                      | 1.4                      | 1.4                    |
| 1997 IV          | 8,838.4                            | 8,758.6                         | 8,868.1                | 3.0                                  | 2.5                             | 95,864                              | 95,781                   | 95,846                              | 95,851                 | 1.4                                  | 1.2                      | 1.3                      | 1.3                    |
| 1998 I           | 8,936.2                            | 8,821.1                         | 8,965.5                | 4.5                                  | 2.9                             | 96,096                              | 95,773                   | 96,089                              | 96,091                 | 1.0                                  | 0.0                      | 1.0                      | 1.0                    |
| 1998 II          | 8,995.3                            | 8,948.7                         | 9,022.2                | 2.7                                  | 5.9                             | 96,284                              | 95,881                   | 96,249                              | 96,254                 | 0.8                                  | 0.5                      | 0.7                      | 0.7                    |
| 1998 III         | 9,098.9                            | 9,038.4                         | 9,112.2                | 4.7                                  | 4.1                             | 96,620                              | 96,141                   | 96,600                              | 96,604                 | 1.4                                  | 1.1                      | 1.5                      | 1.5                    |
| 1998 IV          | 9,237.1                            | 9,182.2                         | 9,255.2                | 6.2                                  | 6.5                             | 96,901                              | 96,444                   | 96,934                              | 96,932                 | 1.2                                  | 1.3                      | 1.4                      | 1.4                    |
| 1999 I           | 9,315.5                            | 9,239.7                         | 9,346.7                | 3.4                                  | 2.5                             | 97,274                              | 96,761                   | 97,328                              | 97,330                 | 1.5                                  | 1.3                      | 1.6                      | 1.7                    |
| 1999 II          | 9,392.6                            | 9,353.7                         | 9,429.1                | 3.4                                  | 5.0                             | 97,701                              | 97,317                   | 97,674                              | 97,675                 | 1.8                                  | 2.3                      | 1.4                      | 1.4                    |
| 1999 III         | 9,502.2                            | 9,453.5                         | 9,532.7                | 4.8                                  | 4.3                             | 98,022                              | 97,790                   | 98,013                              | 98,014                 | 1.3                                  | 2.0                      | 1.4                      | 1.4                    |
| 1999 IV          | 9,671.1                            | 9,569.3                         | 9,710.4                | 7.3                                  | 5.0                             | 98,475                              | 98,356                   | 98,432                              | 98,433                 | 1.9                                  | 2.3                      | 1.7                      | 1.7                    |
| 2000 I           | 9,695.6                            | 9,668.8                         | 9,729.0                | 1.0                                  | 4.2                             | 99,292                              | 99,275                   | 99,317                              | 99,311                 | 3.4                                  | 3.8                      | 3.6                      | 3.6                    |
| 2000 II          | 9,847.9                            | 9,748.4                         | 9,885.3                | 6.4                                  | 3.3                             | 99,780                              | 99,714                   | 99,745                              | 99,741                 | 2.0                                  | 1.8                      | 1.7                      | 1.7                    |
| 2000 III         | 9,836.6                            | 9,780.4                         | 9,867.8                | -0.5                                 | 1.3                             | 100,241                             | 100,283                  | 100,259                             | 100,262                | 1.9                                  | 2.3                      | 2.1                      | 2.1                    |
| 2000 IV          | 9,887.7                            | 9,844.3                         | 9,941.6                | 2.1                                  | 2.6                             | 100,687                             | 100,727                  | 100,666                             | 100,672                | 1.8                                  | 1.8                      | 1.6                      | 1.6                    |
| 2001 I           | 9,875.6                            | 9,883.2                         | 9,913.6                | -0.5                                 | 1.6                             | 101,507                             | 101,403                  | 101,478                             | 101,480                | 3.3                                  | 2.7                      | 3.3                      | 3.2                    |
| 2001 II          | 9,905.9                            | 9,908.7                         | 9,949.8                | 1.2                                  | 1.0                             | 102,290                             | 101,974                  | 102,252                             | 102,248                | 3.1                                  | 2.3                      | 3.1                      | 3.1                    |
| 2001 III         | 9,871.1                            | 9,899.9                         | 9,887.7                | -1.4                                 | -0.4                            | 102,690                             | 102,223                  | 102,675                             | 102,671                | 1.6                                  | 1.0                      | 1.7                      | 1.7                    |
| 2001 IV          | 9,910.0                            | 9,992.3                         | 9,983.1                | 1.6                                  | 3.8                             | 103,122                             | 102,378                  | 103,191                             | 103,183                | 1.7                                  | 0.6                      | 2.0                      | 2.0                    |
| 2002 I           | 9,993.5                            | 10,000.4                        | 10,017.2               | 3.4                                  | 0.3                             | 103,470                             | 102,673                  | 103,450                             | 103,439                | 1.4                                  | 1.2                      | 1.0                      | 1.0                    |
| 2002 II          | 10,052.6                           | 10,044.9                        | 10,068.9               | 2.4                                  | 1.8                             | 103,853                             | 103,298                  | 103,911                             | 103,901                | 1.5                                  | 2.5                      | 1.8                      | 1.8                    |
| 2002 III         | 10,117.3                           | 10,095.2                        | 10,142.4               | 2.6                                  | 2.0                             | 104,280                             | 103,747                  | 104,243                             | 104,232                | 1.7                                  | 1.8                      | 1.3                      | 1.3                    |
| 2002 IV          | 10,135.9                           | 10,112.5                        | 10,178.4               | 0.7                                  | 0.7                             | 104,786                             | 104,237                  | 104,752                             | 104,743                | 2.0                                  | 1.9                      | 2.0                      | 2.0                    |
| 2003 I           | 10,184.4                           | 10,173.3                        | 10,220.3               | 1.9                                  | 2.4                             | 105,490                             | 105,190                  | 105,500                             | 105,490                | 2.7                                  | 3.7                      | 2.9                      | 2.9                    |
| 2003 II          | 10,287.4                           | 10,302.5                        | 10,330.8               | 4.1                                  | 5.2                             | 105,780                             | 105,287                  | 105,799                             | 105,791                | 1.1                                  | 0.4                      | 1.1                      | 1.1                    |
| 2003 III         | 10,472.8                           | 10,473.9                        | 10,521.7               | 7.4                                  | 6.8                             | 106,158                             | 105,721                  | 106,148                             | 106,146                | 1.4                                  | 1.7                      | 1.3                      | 1.3                    |
| 2003 IV          | 10,580.7                           | 10,569.6                        | 10,663.3               | 4.2                                  | 3.7                             | 106,586                             | 106,086                  | 106,523                             | 106,516                | 1.6                                  | 1.4                      | 1.4                      | 1.4                    |
| 2004 I           | 10,697.5                           | 10,655.8                        | 10,766.7               | 4.5                                  | 3.3                             | 107,314                             | 106,980                  | 107,246                             | 107,240                | 2.8                                  | 3.4                      | 2.7                      | 2.7                    |
| 2004 II          | 10,771.4                           | 10,712.3                        | 10,803.0               | 2.8                                  | 2.1                             | 108,169                             | 107,909                  | 108,093                             | 108,087                | 3.2                                  | 3.5                      | 3.2                      | 3.2                    |