

## WHN CONSULTING

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19 Morning Arbor Place  
The Woodlands, TX 77381

May 19, 2006

Mr. Ron Jones, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Filed Electronically in Docket Office on 05/22/06

**RE: *Application of Bristol Tennessee Essential Services for a Certificate of Public Convenience & Necessity to provide Telecommunications Services.***  
**Docket Number 05-00251**

Dear Chairman Jones:

Please find attached the Agreed Upon Procedures for Bristol Tennessee Essential Service's audit of their Cost Allocation Manual as described on page 2 in the Company's Settlement Agreement and referenced in the TRA Order of March 21, 2006.

Bristol Tennessee Essential Services has engaged WHN Consulting to be the independent auditor for the Agreed Upon Procedures. We plan to begin the audit process within the next two weeks.

If you have any questions or need additional information, please call me at 713-298-1760.

Sincerely,



William H. Novak

Attachment

cc: Edward Phillips  
Guy Hicks  
Charles B. Welch, Jr.

**WORK PLAN  
BRISTOL TENNESSEE ESSENTIAL SERVICES  
AUDIT OF COST ALLOCATION MANUAL**

**Client Assistance List**

The following information should be provided to the auditors at the beginning of their examination. Copies should be provided for inclusion in the Workpapers unless otherwise noted.

Financial, organizational and contractual information:

- A. Cost Allocation Manual pertaining to all divisions of BTES, including the Telephone business unit
- B. TRA Order in Docket 05-00251 approving application of BTES for a certificate of public convenience and necessity to provide telecommunications services
- C. Settlement Agreement between the parties in TRA Docket 05-00251

**COMPLIANCE REQUIREMENTS**

Compliance requirements are outlined in the following State laws and TRA orders:

- A. Tennessee Code Annotated §§7-52-401, 403, 404, 405 406 and statutes referenced therein
- B. TRA's March 21, 2006 Order approving BTES's certificate of public convenience and necessity to provide telecommunications services

Applicable FCC Rules are as follows:

- A. Federal Communication Commission affiliate transaction rules, 47 Code of Federal Regulations § 32.27; and
- B. Federal Communication Commission cost allocation rules, 47 Code of Federal Regulations §§ 64.901 through 64.904.

**WORK PLAN  
BRISTOL TENNESSEE ESSENTIAL SERVICES  
AUDIT OF COST ALLOCATION MANUAL**

**ENGAGEMENT PLAN**

I. Conditions of the Engagement

A. The independent auditor selected is:

Hal Novak  
WHN Consulting  
19 Morning Arbor Place  
The Woodlands, TX 77381  
Phone: 713-298-1760  
Fax: 615-301-3962  
Email: halnovak@whnconsulting.com

B. Services to be provided by the independent auditor:

The independent auditor will provide an audit of the Company's Cost Allocation Manual. The purpose of this audit is to determine if the methods used to allocate costs to the appropriate business units are sufficient so that the operating results of each business unit present fairly, in all material respects, the financial position and results of operations of each business unit; to determine if the Cost Allocation Manual produces fair and reasonable results; and to minimize the time and expense necessary to record and audit transactions from the Cost Allocation Manual.

This independent auditor will not be providing an opinion on whether the financial statements taken as a whole are fairly presented in all material respects, but whether the Cost Allocation Manual itself was developed in a way that will produce fair and reasonable results. In addition, the independent auditor will not include an examination to determine whether the Company is in compliance with the Cost Allocation Manual, but will instead only examine the development of the Cost Allocation Manual itself.

C. Independent auditors shall be independent as defined in the Statement on Standards for Attestation Engagements as set forth by the AICPA and in compliance with the GAO independence standards.

D. In addition, to the extent the independent auditor determines procedures included in this plan cannot be performed, the independent auditor will modify the agreed upon procedures.

**WORK PLAN  
BRISTOL TENNESSEE ESSENTIAL SERVICES  
AUDIT OF COST ALLOCATION MANUAL**

II. Engagement Process

This work plan will be presented to the TRA representatives for their review. The representatives will meet to discuss the overall plan and will agree upon the procedures to be performed.

III. Report Structure

The independent auditor shall present the results of performing the procedures in the form of an agreed upon procedures report consistent with AICPA standards.

**WORK PLAN  
BRISTOL TENNESSEE ESSENTIAL SERVICES  
AUDIT OF COST ALLOCATION MANUAL**

**OBJECTIVE 1.** Determine if the methods used to allocate costs to the appropriate business units are sufficient so that the operating results of each business unit present fairly, in all material respects, the financial position and results of operations of each business unit.

**PROCEDURES**

1. Obtain a copy of the Workpapers from BTES relating to the development of the Cost Allocation Manual.
2. Obtain copies of relevant FCC Rules, TCA Statutes, TRA Orders and other source documents on cost allocation procedures between regulated and non-regulated entities.
3. Determine if the individual results of the Cost Allocation Manual meet the appropriate compliance requirements.

**WORK PLAN  
BRISTOL TENNESSEE ESSENTIAL SERVICES  
AUDIT OF COST ALLOCATION MANUAL**

**OBJECTIVE 2.** Determine if the Cost Allocation Manual produces fair and reasonable results.

**PROCEDURES**

1. Obtain copies of relevant FCC Rules, TCA Statutes, TRA Orders and other source documents on requirements for fair and reasonable cost allocation procedures between regulated and non-regulated entities.
2. Investigate the BTES' CAM compliance with fair and reasonable cost allocation procedures.
3. Determine if the individual results of the Cost Allocation Manual meet the appropriate compliance requirements.

**WORK PLAN  
BRISTOL TENNESSEE ESSENTIAL SERVICES  
AUDIT OF COST ALLOCATION MANUAL**

**OBJECTIVE 3.** To the extent consistent with the purposes of Objectives 1 and 2, minimize the time and expense necessary to record and audit the transactions.

**PROCEDURES**

1. Interview appropriate personnel at BTES to determine the incremental effort in time and cost required by each individual component of the Cost Allocation Manual.
2. Identify any individual allocators that are proving to be difficult for internal personnel to implement, if any.
3. Identify alternatives to any existing allocators that are proving to be difficult to implement on a continuing basis.