

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 30, 2007

IN RE:)	
)	
UNITED TELEPHONE-SOUTHEAST, INC. D/B/A)	DOCKET NO.
EMBARQ 2006 ANNUAL PRICE REGULATION)	06-00207
FILING, INCLUDING THE REINITIALIZATION)	
OF ITS PRICE REGULATION INDICES)	

ORDER APPROVING PRICE REGULATION FILING

This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 20, 2006 for consideration of the 2006 Annual Price Regulation Filing (the “Filing”) filed by United Telephone-Southeast, Inc. d/b/a Embarq (“Embarq” or the “Company”).

Embarq’s Filing

On August 14, 2006, Embarq submitted its 2006 filing for a revision of its existing price regulation plan to reinitialize its price regulation indices for approval by the Authority. On September 13, 2006, Embarq submitted a revised filing stating that the revised filing would replace the August 14, 2006 filing in its entirety. On October 12, 2006, Embarq again amended its filing to include calculations of its 2006 Price Regulation Index (“PRI”) and Service Price Index (“SPI”) pursuant to Tenn. Code Ann. § 65-5-109 (2004), Embarq’s price regulation plan,¹

¹ UTSE elected to become a price regulated company pursuant to Tenn. Code Ann. § 65-5-209 on June 16, 1995. UTSE submitted a price regulation plan, which the Authority approved on September 20, 1995. (Tenn. Code Ann. § 65-5-209 is now cited as Tenn. Code Ann. § 65-5-109 (2004)).

and the price cap methodology approved by the Authority.² Embarq's filing demonstrates that its overall current prices and revenues are less than the maximum prices allowed under Tenn. Code Ann. § 65-5-109 (2004). The Company is not proposing any rate increases in this filing. Additionally, Embarq's Filing seeks to reinitialize the SPI and PRI in a manner that maintains the current ratio between the two indexes. The reinitialization of these indexes simplifies the filing and review of Embarq's price regulation plan. On November 9, 2006, Embarq filed the pre-filed Direct Testimony of Laura Sykora concerning Embarq's price regulation plan.

November 20, 2006 Authority Conference

Pursuant to Tenn. Code Ann. § 65-4-204 (2004), public notice of the Hearing in this matter was issued by the Hearing Officer on November 9, 2006. No persons sought intervention prior to or during the Hearing. At the regularly scheduled Authority Conference on November 20, 2006, a hearing was conducted in this matter. During the Hearing, Ms. Laura Sykora, Regulatory Affairs Manager for Tennessee and Virginia, presented testimony and was subject to examination by the panel. Edward Phillips, Esq., Embarq Corporation, 14111 Capital Boulevard, Wake Forest, North Carolina 27587-5900, conducted the examination on behalf of Embarq. Ms. Sykora's pre-filed testimony, which was entered into the record, stated that the reinitialization resets the base-year prices after the implementation of expanded local calling for United Telephone-Southeast, Inc. in December 2005 and the same proportional relationship was maintained between the PRI and the SPI. The relationship between the inflation and the aggregate prices for United Telephone-Southeast, Inc. have been maintained since it entered into

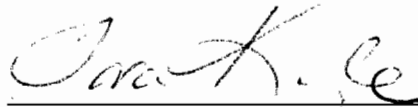
² In Authority Docket No. 96-01423, at the Authority's request, UTSE and the Consumer Advocate Division of the Office of the Attorney General filed a joint stipulation on January 27, 1997 in which they agreed to a methodology and formula for use in calculating the amount of any price increases by UTSE under its price regulation plan. The stipulation was signed by representatives of the Consumer Advocate and UTSE as well as Citizens Telecommunications of Tennessee, Inc., BellSouth Telecommunications, Inc., and AT&T of the South Central States, Inc. In its Final Order in Docket No. 96-01423, entered on September 4, 1997, the Authority approved the joint stipulation.

price regulation in 1995 and the reinitialization and the 2006 annual filing are in accord with the annual filing methodology and Tenn. Code. Ann. § 65-5-109.


Upon Embarq's conclusion of the presentation of its proof, the panel found that Embarq's filing complies with Tenn. Code Ann. § 65-5-109 (2004) and a majority found that the filing complied with the approved methodology. The panel found that the resetting of the SPI will keep the same ratio for the price regulation that is currently in place and it will simplify the filing and review of its existing price regulation plan. Additionally, the panel noted that there was no headroom created by the change and there is no proposed rate increase at this time. Therefore, at the November 20, 2006 Authority Conference, the panel voted unanimously to approve Embarq's Filing.

IT IS THEREFORE ORDERED THAT:

The 2006 Annual Price Regulation Filing of United Telephone-Southeast, Inc. d/b/a Embarq, as amended, is approved.


Sara Kyle, Chairman


Eddie Roberson, Director


Ron Jones, Director

³ Director Jones signs this order to reflect his agreement with the decision to approve the 2006 Annual Price Regulation Filing filed on October 12, 2006. As a result of his opinions expressed during the deliberations, Director Jones filed a separate concurring opinion in which he explains his analysis of the issue of whether to permit Embarq to reinitialize the Service Price Index and the Price Regulation Index.