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October 9, 2008

VIA HAND DELIVERY

Hon. Tre Hargett, Chairman
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

filed electronically in docket office on 10/09/08

Re: *Petition for Regulatory Exemption Pursuant to T.C.A. § 65-5-108(b) to
Increase Regulatory Parity and Modernization*
Docket No. 08-00192

Dear Chairman Hargett:

Enclosed for filing in the referenced docket are the original and four copies of
AT&T Tennessee's *Petition for Regulatory Exemption Pursuant to T.C.A. § 65-5-
108(b) to Increase Regulatory Parity and Modernization*.

Very truly yours,

Guy M. Hicks

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

In Re: *Petition for Regulatory Exemption Pursuant to T.C.A. § 65-5-108(b) to Increase Regulatory Parity and Modernization*

Docket No. _____

PETITION FOR REGULATORY EXEMPTION
PURSUANT T.C.A. § 65-5-108(b) TO INCREASE
REGULATORY PARITY AND MODERNIZATION

BellSouth Telecommunications, Inc. dba AT&T Tennessee (AT&T) respectfully submits this *Petition for Regulatory Exemption Pursuant to T.C.A. § 65-5-108(b) to Increase Regulatory Parity and Modernization* ("Petition"), and seeks relief from the regulatory requirements contained in Tenn. Code Ann. Title 65, Chapter 5, Part I. AT&T respectfully shows the Tennessee Regulatory Authority (the "Authority" or "TRA") as follows:

I. INTRODUCTION

1. AT&T is a public utility providing telephone services and other services and products in Tennessee.

2. AT&T seeks exemption of services from regulation, as described more fully below, pursuant to Tenn. Code Ann. § 65-5-108(b).

3. Tenn. Code Ann. § 65-5-108(b) requires the Authority to exempt from regulation any telecommunications services for which existing and potential competition is an effective regulator of the price of those services. This same provision of Tennessee law empowers the TRA to exempt services from regulation

anytime that the TRA finds that the public interest or the policies of that part would be served by such exemption. Today, both the state of competition and public policy provide overwhelming support for the exemption sought in this petition.

4. The General Assembly has consistently indicated its preference for competition over regulation. While many aspects of historic regulation of the wire line telecommunications industry have been reduced in recent years, these reductions in regulation have not kept pace with the dramatic changes in the industry. Specifically, given the rise of inter-modal competition from cable competitors, wireless, and VoIP, the regulation of wire-line telecommunications is now out of balance and in need of modernization. Today, telecommunications companies using traditional wire line networks operate under regulatory requirements that are starkly out of parity with the regulation (if any) under which intermodal competitors operate. The cable industry is subject to no state regulation of its voice and data services. The wireless industry is subject to only limited state regulation, and competition has flourished. This lack of parity does not foster competition or innovation. Rather, this uneven regulation chills competition by burdening one sector of the market with obligations that are not imposed upon its most fierce competitors. Moreover, this lack of regulatory parity renders Tennessee less attractive to investment and innovation from providers unwilling to submit to an uneven playing field where providers competing for the same customers are forced to play under completely different rules.

The TRA should take particular notice of the competition that AT&T faces from large cable companies. The cable companies have grabbed a major share of the market with stand-alone voice services that are designed and marketed as close substitutes for AT&T's regulated basic voice services. Most of them also have established CLEC affiliates to gain the benefits of regulated interconnection with AT&T and other incumbents. In these circumstances, customers are harmed if AT&T continues to be burdened with regulation that handcuffs its ability to respond to cable competition. Moreover, continued asymmetric regulation of AT&T cannot be justified in a market environment where so many customers are now obtaining service from cable companies, which are outside the purview of the TRA's rules.

II. NATURE OF EXEMPTION SOUGHT

5. AT&T ***does not seek*** to alter the consumer safety net established by the TRA's regulatory activities in the areas of: Lifeline/Link Up; Tennessee Relay Service; 911; or the Do-Not-Call list.

6. Subject to the preservation of consumer safety-nets, as set forth above, AT&T requests the following relief:

Complete Exemption from TRA Regulation for All Currently-Regulated Services in AT&T's Intrastate Services Tariffs, including the General Subscriber Services Tariff ("GSST or A Tariff"), and Private Line Services Tariff ("B Tariff") in AT&T's Rate Groups 3, 4, and 5

7. AT&T Tennessee's Tariff (Section A3.2.1.A.1) establishes the definition of "rate groups", which defines the number of telephone users within a

local calling area. Each AT&T exchange is assigned to a specific rate group based on the number of telephone subscribers within the local calling area of that exchange. Therefore, all exchanges within a given rate group constitute geographic areas within the state in which the overall population, as well as the population density, is similar. Pricing and services may be different, under existing tariffs, for different rate groups. Distinction between rate groups has long been accepted by the TRA (through the approval of tariffs) and reflects the fact that higher-numbered rate groups are areas in which local calling is available to a larger number of lines due to the higher population amount and density and the lower-numbered rate groups reflect the areas in which population number and density is smaller and therefore the number of lines for which local calling is available is lower. The higher-numbered rate groups include more populated and often more urban areas, while the lower-numbered rate groups include less populated and often more rural areas. Rate groups 3, 4 and 5 include the most developed and populated areas in Tennessee as reflected on the attached map.

8. Competition in the telecommunications industry, including the provision of both traditional wire-line telecommunications products as well as competing products that utilize inter-modal technologies, has been established most rapidly in the most heavily and densely populated areas. Historically, new entrants have tended to focus on these areas, in which the number of potential customers is higher. While every rate group in Tennessee now experiences competition, rate

groups 3, 4 and 5 have experienced competition for the longest time and competition in these areas is especially thriving and growing.

9. Already, pursuant to state statutes, services offered in these areas pursuant to business contracts or bundles are subject to little or no TRA regulation. Removing all remaining TRA regulation that is established pursuant to Title 65, Chapter 5, Part 1 in these rate groups (other than the safety net regulation described above) would constitute no meaningful change for customers. That change in regulation would, however, provide wire-line carriers the freedom to operate under the same conditions that their most significant competitors, cable and wireless, operate under today. This parity between competitors will benefit customers, by promoting vigorous competition and enabling all competitors to spend their resources on running their business. Providers will be most likely to invest and most innovative when their focus is competition – not outmoded regulation. Moreover, this parity will make Tennessee more attractive for investment by establishing the state as a playing field where competitors are treated fairly and consistently.

Removal of All Bundles and Promotions State-Wide
from Price Regulation

10. AT&T seeks to exempt bundles and promotions from any price-regulation calculation. Pursuant to Tenn. Code Ann. § 65-35-107, *et seq*, bundles are already subject to little TRA jurisdiction. Pursuant to Tenn. Code Ann. § 65-5-101, tariffs for short-term promotions are valid one-day after filing. Consequently, these services are already treated uniquely as a result of explicit legislative

changes. In light of these changes, as well as the dramatic changes in the marketplace, it is no longer appropriate to include the revenue and pricing of these offerings in the price regulation calculation established by Tenn. Code Ann. § 65-5-109.

Elimination of All Regulatory Requirements Imposed Pursuant
to Title 65, Chapter 5, Part I for All Services Provided
to Business Customers State-Wide

11. The market for communication services provided to business customers is characterized by fierce competition from traditional wire-line providers and from inter-modal competitors alike. Moreover, business customers are often the most sophisticated consumers of communications services. Already, the General Assembly has removed regulatory tariffing requirements and price discrimination standards for any negotiated terms for services provided to business customers pursuant to individual contracts. There is no logical reason to retain regulatory requirements relating to these same customers when they choose to purchase services outside the context of business contracts.

Statement Regarding Rate Groups 1 and 2

12. As set forth above, AT&T's requests for exemption in this petition do not seek complete exemption in Rate Groups 1 and 2. Instead, at this time, AT&T has chosen to address only the services to business customers in Rate Groups 1 and 2. AT&T believes that competition exists in all rate groups in Tennessee and that Rate Groups 1 and 2 also merit the broader exemption being sought regarding Rates Groups 3, 4, and 5. However, AT&T has chosen to limit and focus the

scope of this petition on business services and on the most heavily and densely populated rate groups, where the evidence of competition is most obvious, in order to speed the resolution of this docket. AT&T fully expects to continue seeking appropriate regulatory modernization and parity in future petitions.

III. CONCLUSION

Tenn. Code Ann. § 65-5-208(b) requires the Authority to exempt from regulation the telecommunication services for which existing and potential competition is an effective regulator of the price of those services. As explained above and as will be demonstrated by the evidence in this docket, the services AT&T seeks to exempt are subject to overwhelming competition through both intermodal technologies and also through traditional telecommunications technology. As a result, Tennessee consumers have great leverage when shopping for these services. Within the context of this vigorously competitive environment, Tenn. Code Ann. § 65-5-208(b) requires the Authority to exempt these services from any remaining regulatory requirements contained in Tenn. Code Ann. Title 65, Chapter 5, Part I. Moreover, given the innovation that continues to occur among the unregulated competitors, public policy will be advanced and competition will be supported by modernizing Tennessee's regulatory requirement, removing outdated regulatory distinctions, and placing all carriers at regulatory parity. Providers will be most likely to invest and most innovative when their focus is competition – not regulation.

WHEREFORE, Petitioners respectfully petition the Authority to grant the relief sought herein. Petitioners further specifically ask that the Authority convene a contested case to consider the relief sought in this petition and set this matter on the first available Authority agenda conference in order to appoint a pre-hearing officer and adopt a procedural schedule.

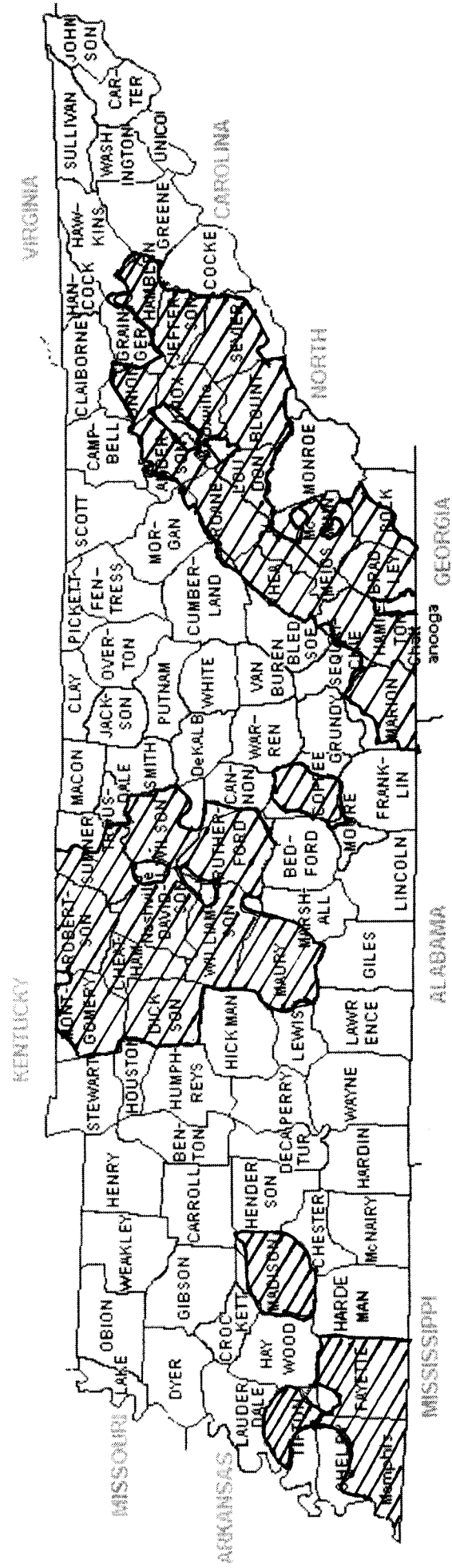
Respectfully submitted,

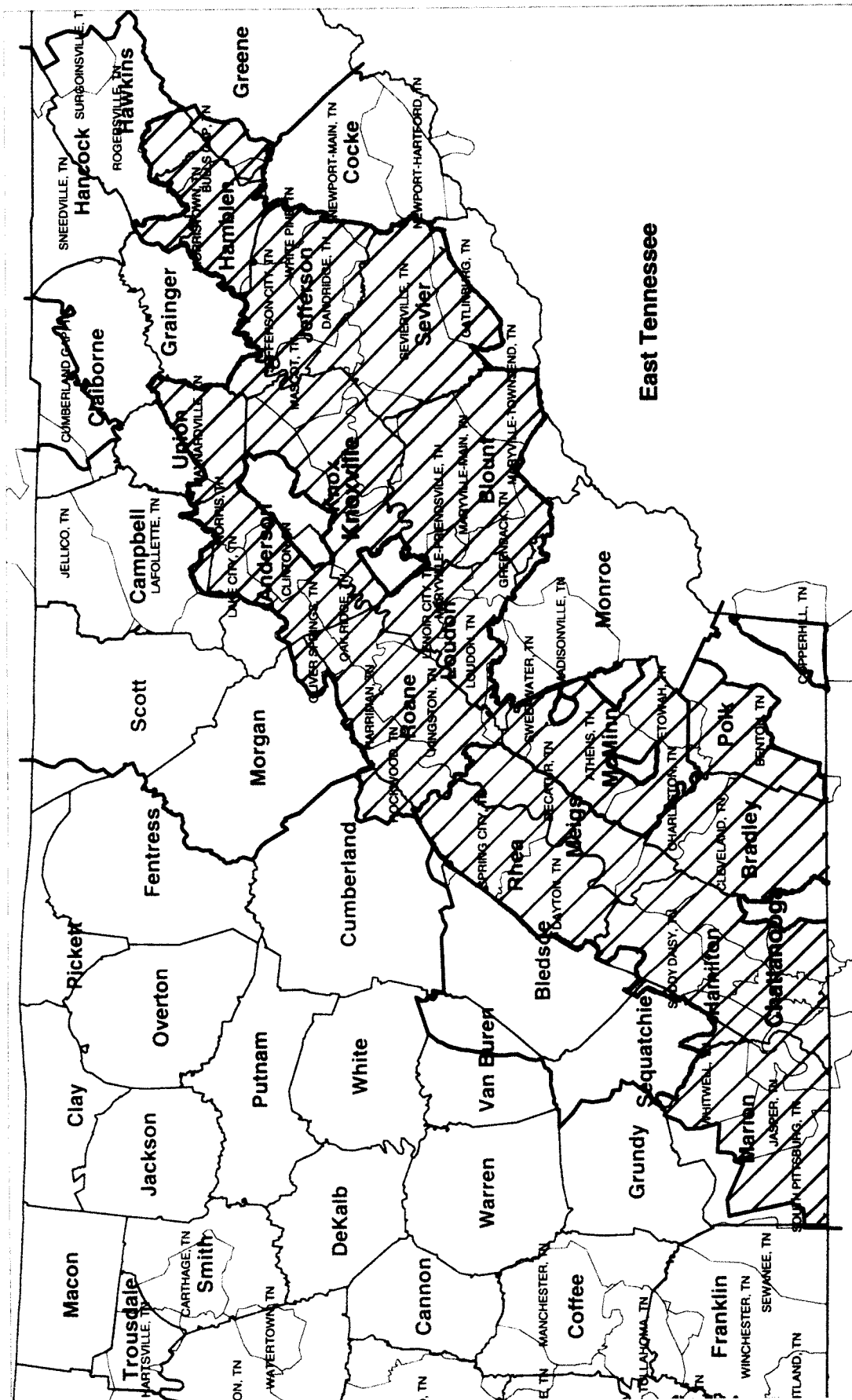
BELLSOUTH TELECOMMUNICATIONS, INC.
dba AT&T TENNESSEE

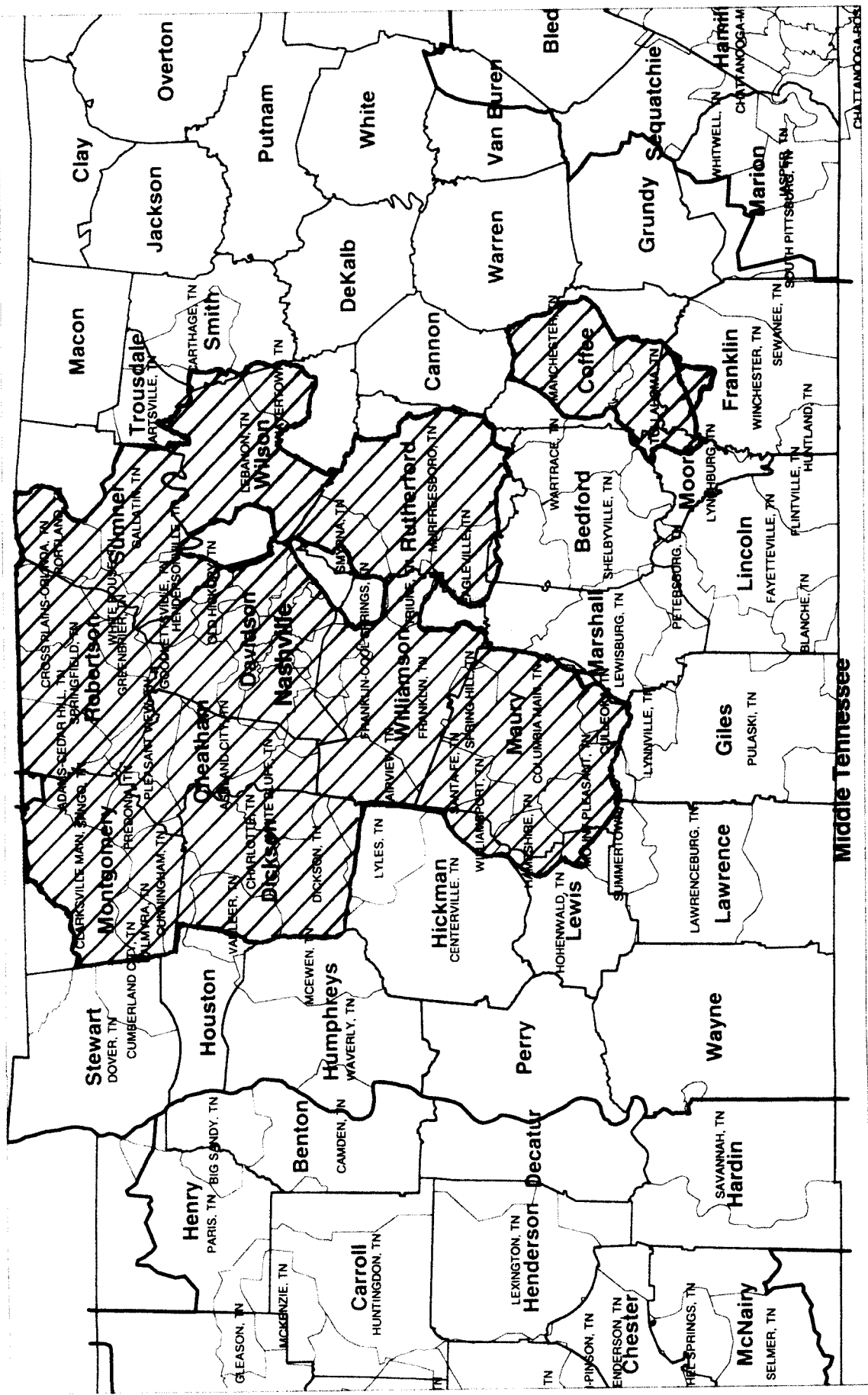
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