

TENNESSEE REGULATORY AUTHORITY



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460 James Robertson Parkway
Nashville, Tennessee 37243-0505

T.R.A. DOCKET ROOM

July 19, 2009

Kelly Paul
XO Communications
1111 Sunset Hills Road
Reston, VA 20190

RE: DOCKET NO. 09-00106

According to the State Comptroller's Office your company was sent a tax equity payment in June 2009 resulting from Tennessee Code Annotated § 67-6-222. While this legislation entitles your company to receive such payments, it also requires that your company flow through the savings in the form of price reductions to business and/or interconnection customers. Specifically Tenn. Code Ann. § 67-6-222 (c) states in pertinent part:

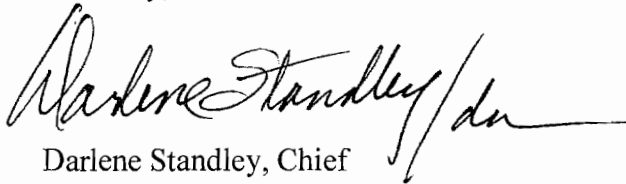
To the extent that a person engaged in the business of providing telecommunications services subject to tax under title 67, chapter 6 experiences a net tax savings solely as a result of receiving a payment under subsection (b), such net tax savings shall inure to the benefit of business customers of such person through an adjustment in the price of telecommunications services provided by such person, including business interconnection services....Subsequent price adjustments shall be effective as of October 1, 2003, and as of October 1 of each year thereafter, based on the actual payment received by each company under subsection (b) with respect to the immediately preceding June 30 payment date taking into account the cumulative amount of price adjustments previously implemented.

In essence, this statutory provision requires your company to reduce rates for business and/or interconnection services by the net amount of the tax equity payment received from the State Comptroller's Office in June. Since these annual rate adjustments are required to become effective October 1, 2009 please file appropriate tariffs reflecting such annual price reductions with the Tennessee Regulatory Authority no later than August 19, 2009. The reductions can be in the form of promotions, waived recurring charges, rate reductions, etc., but must be made during the period of October 1, 2009 through September 30, 2010. If the reductions (promotions, waived charges, reduced rates ...) placed into effect for last year's tax equity payments are still in place, then continuing those reductions may satisfy the revenue reductions required for the period October 1, 2009 thru September 30, 2010.

These filings should also include a detailed price-out (units * prices) of the calculations used in determining the flow-through amount of the tax equity payment received. Again the tariffs are required by statute to become effective October 1, 2009. It is requested that this information be provided no later than 2:00 P.M. on August 19, 2009 and reference Docket No. 09-00106 on the response. In accordance with TRA rules, submit either thirteen (13) written copies of your response or four (4) written copies and an electronic version.

If you have any questions concerning this matter, contact Roger Knight at (615) 741-2904 extension 166 or Pasty Fulton at extension 193.

Sincerely,

A handwritten signature in cursive script, reading "Darlene Standley/dn", with a horizontal line extending from the end of the signature.

Darlene Standley, Chief
Utilities Division

C: Docket File