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September 7, 2012

VIA ELECTRONIC AND OVERNIGHT MAIL

Mark W. Smith, Esquire
Miller and Martin, PLLC
832 Georgia Avenue, Suite 1000
Chattanooga, TN 37402

Re: Application of Bristol Tennessee Essential Services for Expanding
Certificate of Public Convenience and Necessity to Provide
Competing Telecommunications Services Statewide
Docket No. 12-00060

Dear Mr. Smith:

In accordance with the Procedural Schedule in the above-referenced matter, attached please find the First Set of Interrogatories and Request for Production of Documents propounded by United Telephone Southeast LLC d/b/a CenturyLink, CenturyTel of Adamsville, Inc. d/b/a CenturyLink Adamsville, CenturyTel of Claiborne, Inc. d/b/a CenturyLink Claiborne, and CenturyTel of Ooltewah-Collegedale, Inc. d/b/a CenturyLink Ooltewah-Collegedale (collectively "CenturyLink").

If you have any questions, please do not hesitate to contact Misty Smith Kelley at (423) 209-4148 or me (717-245-6346).

Sincerely,

A handwritten signature in blue ink, appearing to read "Sue Benedek", written over a horizontal line.

Sue Benedek, Esquire

ZEB/jrh

cc: Sharla Dillion, Docket Manager
Misty Smith Kelley, Esquire
All Parties on the attached Certificate of Service

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re:)	
Application of Bristol Tennessee Essential Services)	Docket No. 12-00060
To Expand Its Certificate of Convenience and)	
Necessity to Provide Competing)	
Telecommunications Services Statewide)	

CERTIFICATE OF SERVICE

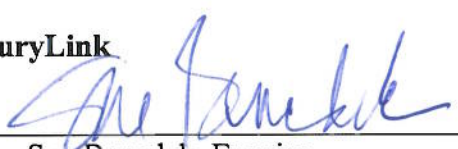
I hereby certify that the foregoing was served via electronic and overnight mail upon the following person(s) on this 7th day of September 2012.

Charles B. Welch, Jr.
Farris, Mathews, Bobango, PLC
Historic Castner-Knott Building
618 Church Street, Suite 300
Nashville, TN 37219
(on behalf of TCTA)

Mark W. Smith, Esquire
Miller and Martin, PLLC
832 Georgia Avenue, Suite 1000
Chattanooga, TN 37402
(on behalf of BTES)

CenturyLink

By: _____


Sue Benedek, Esquire

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re:)	
Application of Bristol Tennessee Essential Services)	Docket No. 12-00060
To Expand Its Certificate of Convenience and)	
Necessity to Provide Competing)	
Telecommunications Services Statewide)	

**CENTURYLINK'S FIRST SET OF INTERROGATORIES AND REQUEST FOR
PRODUCTION OF DOCUMENTS TO
BRISTOL TENNESSEE ESSENTIAL SERVICES**

Pursuant to Authority Rule 1220-1-2-.11, United Telephone Southeast LLC d/b/a CenturyLink, CenturyTel of Adamsville, Inc. d/b/a CenturyLink Adamsville, CenturyTel of Claiborne, Inc. d/b/a CenturyLink Claiborne, and CenturyTel of Ooltewah-Collegedale, Inc. d/b/a CenturyLink Ooltewah-Collegedale (collectively "CenturyLink") submit these Interrogatories and Requests for Production of Documents to Bristol Tennessee Essential Services ("BTES"). Service of complete and responsive answers shall be made in person or by or email to:

Misty Smith Kelley
Baker, Donelson, Bearman, Caldwell and Berkowitz, PC
1800 Republic Centre
633 Chestnut Street
Chattanooga, Tennessee 37450
Phone: (423) 209-4148
Fax: (423) 209-4148
Email: mkelley@bakerdonelson.com

DEFINITIONS

"You," "your" or "BTES" refers to Bristol Tennessee Essential Services and any parent, affiliate, or subsidiary thereof, and the persons, employees, agents, representatives, and consultants of Bristol Tennessee Essential Services or any parent, affiliate, or subsidiary thereof.

“Person” and “persons” include individuals, firms, partnerships, associations, joint ventures, corporations, government entities, or other groups, however organized.

“Document” or “documents” or “documentation” means any medium upon which intelligence or information can be recorded or retrieved, and includes, without limitation, the original and each copy, regardless of origin and location, of any book, pamphlet, periodical, letter, memorandum (including any memorandum or reporting of a meeting or conversation), invoice, bills, order, form receipt, financial statement, accounting entry, accounting entry, diary, calendar, telex, telegram, e-mail, facsimile (“fax”), cable, report, recording, contract, agreement, study, handwritten note, drawing, sketch, graph, index, list, tape, photograph, microfilm, data sheet or data processing tape, disk, CD, file stored on computer, or any other written, recorded, transcript, punched tape, filmed or graphic matter, however produced or reproduced, which is in your possession, custody, control or otherwise accessible to you.

“Possession, custody or control” includes actual and constructive possession. Any document which is not in your immediate physical possession, but to which you have or had a right to compel or secure product from a third person or which is otherwise subject to your control, shall be obtained and produced as directed.

“And” and “or” shall be construed both conjunctively and disjunctively, and each shall include the other whenever such construction will serve to bring within the scope of these interrogatories anything that would not otherwise be brought within their scope.

“Concerning” shall mean comprising, describing, evidencing, referring to, responding to, quoting, relating, or pertaining in any way to any part of a specified subject matter and/or to the contents or subject matter of any documents including the specified subject matter.

“Authority” or “TRA” refers to the Tennessee Regulatory Authority.

“CenturyLink” refers to the following: United Telephone Southeast LLC d/b/a CenturyLink, CenturyTel of Adamsville, Inc. d/b/a CenturyLink Adamsville, CenturyTel of Claiborne, Inc. d/b/a CenturyLink Claiborne, and CenturyTel of Ooltewah-Collegedale, Inc. d/b/a CenturyLink Ooltewah-Collegedale.

INSTRUCTIONS

These Interrogatories and Requests for Production of Documents are to be answered with reference to all information in your possession, custody or control or reasonably available to you. When the information requested by an Interrogatory varies over time, state as such in the response and identify the varying time periods. If you cannot completely answer an Interrogatory or Document Request after exercising due diligence, please describe in your response your efforts to obtain the information requested. If you object to any part of the Interrogatory or Document Request, answer and respond to the parts of the question to which you do not object. As to each part of the question to which you do object, separately set forth the specific basis for each objection.

These Interrogatories and Requests for Production of Documents are continuing in nature. Thus, in the event that you obtain additional information with respect to any interrogatory after it has been answered, you are required promptly to supplement your response.

In the event you assert that any information requested herein is privileged, you should identify the information and any supporting documents in your written response. Also, provide a general description of its content. Please identify all persons who participated in the preparation of alleged privileged document/information and all persons, inside or outside of BTES, who received a copy of it or examined it. Finally, you should describe with particularity the grounds upon which privilege is claimed.

In the event that you assert that any requested information is not available in the form requested, in your written response, please disclose the following:

- a. The form in which the requested information currently exists (identify documents by title or description).
- b. The earliest dates, the time period, and the location where representatives of CenturyLink may inspect your files, records, or documents in which the information currently exists.

For each Interrogatory and Request for Production, provide the name of the person or persons answering, the title of such person(s), and the name of the witness or witnesses who will be prepared to testify concerning the matters contained in each response. If you do not intend to call or present a witness who is prepared to testify concerning the matters contained in any response or answer, please state and explain why in the response.

INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

1. Is BTES also a municipal electric company in Tennessee?

Response:

2. Regarding Exhibit B, the Financial Report for year ended June 30, 2011, provide:

- a) Any correspondence between BTES and the auditors.
- b) Documents provided by BTES to the auditors.
- c) All auditor workpapers.

Response:

3. Reference Exhibit B of the Application (BTES 2011 Annual Report).

- a) Provide an Excel spreadsheet of general ledger account detail supporting the business unit financials contained on pages 40 through 43.
- b) Provide BTES's Chart of Accounts with account titles and descriptions.
- c) Provide a general description of BTES's allocation methodology as contained in paragraph 19 on page 39. For each expense shown in the chart of accounts, provide an Excel spreadsheet detailing the total pool of cost, the method used to allocate the costs in 2011, and the total amounts allocated to each BTES business unit.
- d) Provide a copy of BTES's cost allocation manual (CAM) that was the basis of any cost allocations undertaken in this document.
- e) Provide the results of any audit performed on the 2011 allocations that tested BTES's compliance with its CAM. Include any and all documents and correspondence between BTES and the auditor(s), documents regarding procedures, and all supporting workpapers.

Response:

4. Reference BTES's Financial Reports and 2007, 2008, 2009 and 2010 as filed at TRA Docket No. 05-00251. Provide a copy of BTES's cost allocation manual (CAM) that was the basis of any cost allocations undertaken for these financial reports and highlight any changes in the allocation methodology between the years. Provide an explanation for any changes in the allocation methodology between years.

Response:

5. Reference BTES's Financial Reports for years 2007, 2008, 2009 and 2010 as filed at TRA Docket No. 05-00251. Provide the results of any audit performed on the allocations that tested BTES's compliance with its CAM for these years. Include any and all documents and correspondence between BTES and the auditor(s), documents regarding procedures, and all supporting workpapers.

Response:

6. Reference BTES's Financial Reports for years 2007, 2008, 2009 and 2010 as filed at TRA Docket No. 05-00251.
 - a) Was 2010 the last report filed by BTES with the TRA?
 - b) If not, provide the last report(s) filed by BTES with the TRA.
 - c) Provide the bases and rationale relied upon by BTES when it decided to stop filing Financial Reports with the TRA and include all documents relied upon by BTES when making the determination to stop submitting Financial Reports to the TRA.

Response:

7. Reference the BTES Application at page 4, paragraph 1 under Proposed Services. BTES states that it utilizes capacity "on its own Passive Optical network (PON)."
 - a) List all services provided by BTES utilizing the PON.
 - b) Identify each BTES-affiliated entity and any other entity that also utilizes the PON.
 - c) Provide all documents and agreements that address arrangements within BTES or between BTES and any other entity regarding how capacity is utilized on PON.

Response:

8. Explain in detail how BTES assigns the costs of its fiber optic facilities and infrastructure between and among its business units. Explain in detail how BTES plans to allocate the costs of its proposed network expansion statewide. Provide a copy of all documents and agreements addressing how BTES plans to assign costs, including all assumptions used in the allocation process, if statewide certification is granted.

Response:

9. Describe in detail, and provide account descriptions of how BTES allocates expenses between and among BTES and its business segments. Does BTES plan to change how it allocates expenses if statewide certification is granted? If so, explain how.

Response:

10. Provide a copy of all documents and agreements addressing how BTES books revenues and expenses associated with providing telephone service versus any and all other services or products provided by BTES in Tennessee.

Response:

11. Provide a copy of any and all documents addressing how BTES, and any parent, affiliate or subsidiary of BTES, will ensure that the revenues and expenses earned in conjunction with the non-telephone operations of by BTES do not subsidize or provide support to the telephone operations of BTES.

Response:

12. Identify all BTES personnel whose job responsibilities relate *solely* to the provisioning of telecommunications, cable, or internet services. Confirm that, for these BTES employees, 100% of the employee's wages and benefits are allocated to the telephone or cable business segment. If for any reason 100% of the employee's wages and benefits are not allocated to the telephone or cable business segment, explain in detail why and provide supporting documents relied upon.

Response:

13. Regarding the Organizational Chart at page xiv of the 2011 Fiscal Report attached to the Application. Explain in detail how the wages and benefits for the persons listed therein are allocated or assigned to the telephone and cable business units of BTES. Identify all portions of the CAM or other documents relied upon by BTES to allocate or assign costs for job functions related to the provisioning of telecommunications and cable services.

Response:

14. Regarding the Organizational Chart at page xiv of the 2011 Fiscal Report attached to the Application. Provide a current organizational chart of all affiliates and subsidiaries of BTES.

Response:

15. Reference Exhibit A of the Application (list of Applicant's principal company officers). Identify the employer (include subsidiary or management company, if applicable) for each individual listed therein. Do any of these listed individuals allocate time or undertake work: (a) for any entity or affiliate of BTES? (b) for functions unrelated to the provisioning of telephone service by BTES? If answering yes to either (a) or (b) immediately above, explain in detail and provide any agreements or documents addressing the allocation of work performed by these BTES employee time.

Response:

16. Reference the Application at page 2 wherein BTES states that it now "seeks expanded authority to provide telecommunications services on a statewide basis." List and explain the specific telecommunications services to be provided on a statewide basis.

Response:

17. Reference the Application at page 2 wherein BTES states that it now "seeks expanded authority to provide telecommunications services on a statewide basis." Explain in detail how BTES proposes to finance the expansion of its telecommunications services on a statewide basis. Provide the business case supporting BTES's plans to provide telecommunications services on a statewide basis.

Response:

18. Reference the Application at page 2 wherein BTES states that it now “seeks expanded authority to provide telecommunications services on a statewide basis.” Provide a copy of any and all board presentations and other documents addressing the financing of BTES’ business plans to implement any statewide authority potentially granted as a result of the instant BTES Application.

Response:

19. Reference the Application at page 2 wherein BTES states that it now “seeks expanded authority to provide telecommunications services on a statewide basis.” Explain in detail if BTES has funding from the Tennessee Valley Authority (“TVA”) or plans to obtain funding from the TVA regarding BTES’s financing of the expansion of its telecommunications services on a statewide basis. Provide all documents relied upon by BTES regarding any TVA-related financing of its proposed statewide certification.

Response:

20. Will BTES rely upon other entities, both affiliated and unaffiliated with BTES, to provision services or products if statewide certification is granted? Explain in detail any plans or possible plans BTES may have regarding these other entities and possible BTES statewide certification.

Response:

21. Reference the Application at page 2 wherein BTES states that it now “seeks expanded authority to provide telecommunications services on a statewide basis.” Provide all documents, including presentations and reports, which the BTES board or its officers relied on in making a decision to seek statewide certification.

Response:

22. Identify and explain the benefits which BTES has identified from statewide certification. Provide any and all documents quantifying any of the benefits deemed by BTES to exist from statewide certification.

Response:

23. Identify and explain the risks which BTES has identified from statewide certification. Provide any and all documents quantifying any of the risks deemed by BTES to exist from statewide certification.

Response:

24. Was there a decision, an approval (or approvals) or a vote (or votes) undertaken to seek expansion of BTES's certificate? If not, why not? If yes, explain in detail the process and identify the people involved in the decision, approval or vote to seek statewide certification. Did any person object or dissent? If yes, identify who and the reasons for objecting/dissenting. Finally, provide all documents of any decision, approval or vote, including board meeting presentations and minutes, regarding BTES's statewide certification request.

Response:

25. Was the decision to expand BTES service area and to seek statewide certification approved in a referendum or vote by the citizens of Bristol, Tennessee? If not, why not.

Response:

26. Reference Exhibit A, Principal Company Officers. Provide all documents provided to or from Mr. R. Michael Browder regarding any existing or potential services or products (regulated by the TRA or unregulated by the TRA) if BTES is awarded a statewide certificate.

Response:

27. Reference Exhibit A, Principal Company Officers. Provide all documents provided to or from Mr. Clayton Dowell regarding any existing or potential services or products (regulated by the TRA or unregulated by the TRA) if BTES is awarded a statewide certificate.

Response:

28. Reference the Application at page 4, paragraph 3 under Proposed Services. Has BTES contacted any municipality or local government to date? If yes, which municipalities or local governments. Provide all documents provided to, or from, any such municipality or local government.

Response:

29. Provide all documents (other than financial statements) provided by BTES to the State of Tennessee Comptroller in years 2007, 2008, 2009, 2010, 2011, and 2012 to present.

Response:

30. Provide all documents sent or provided to BTES by the State of Tennessee Comptroller in years 2007, 2008, 2009, 2010, 2011, and 2012 to present.

Response:

31. Please reference BTES's June 23, 2006 letter to the TRA filed in response to Embarq's June 9, 2006 letter (*see attached*). In this letter, BTES states that "additional fiber optic plant installed by BTES was purchased for the benefit and use of the electric business unit and its customers." BTES goes on to state that it "recognized that the fiber-optic network could also be used to provide high quality telephone, cable television, and Internet access services and that revenues from those services could substantially offset the costs of installing and maintaining the fiber optic system."

- a) Explain in detail how BTES allocated the initial investment in fiber optic between the electric, telephone, and cable business segments. Provide all workpapers and other documents that show how the allocation was made.
- b) Did the decision to provide telephone, cable television, and Internet services require a change or upgrade in the fiber facilities initially purchased? If yes, please explain.
- c) Has BTES purchased additional fiber facilities, over and above what was needed for the benefit and use of the electric business unit, to accommodate the needs of the telephone and cable business units? If yes, please explain. Also explain how BTES allocated the cost of the investment of the additional fiber facilities between the electric, telephone, and cable business segments.

- d) How much was the “sufficient revenue” that BTES estimated the telephone and cable units would contribute to pay for the cost of installing and maintaining the fiber optic system? Provide all documents that support this response.

Response:

32. Through June 30, 2012, identify by year the amount of financing that the electric business unit lent to the telephone unit of BTES and as to the cable business unit of BTES.

Response:

33. Has the electric business unit of BTES implemented any rate increases for its electric customers since January 1, 2005? If yes, explain the reasons for the rate increase and to the extent applicable provide docket number(s) and identify the total amount of each rate increase.

Response:

34. Please provide copies of all responses to data requests served on BTES by any other parties in this proceeding.

Response:



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Henry Walker
(615) 252-2363
Fax: (615) 252-6363
Email: hwalker@boultcummings.com

June 23, 2006

Ron Jones, Chairman
Tennessee Regulatory Authority
460 James Robertson Pkwy
Nashville, TN 37243-0505

Re: *Application of Bristol Tennessee Essential Services for a Certificate of Convenience and Necessity to Provide Competing Telecommunications Services*
Docket number: 05-00251

Dear Chairman Jones:

Bristol Tennessee Essential Services ("BTES") submits this response to the letter filed June 9, 2006 by Mr. Edward Phillips on behalf of United Telephone Southeast ("UTSE"). Mr. Phillips' letter addresses an audit, now underway, of BTES' Cost Allocation Manual ("CAM").

The audit is being conducted by an independent, outside auditor, Mr. William H. Novak of WHN Consulting. As required by the Settlement Agreement,¹ Mr. Novak has filed his proposed audit procedures with the Authority for review by the agency's staff. The staff has raised no objections to those procedures. Similarly, Mr. Phillips states in his June 9 letter that UTSE "has no objection to the language of the audit scope" submitted by Mr. Novak. Letter, at 2.

Although UTSE does not object to Mr. Novak's proposed methodology, the June 9 letter appears intended to persuade the TRA staff, even before the auditor completes his work, that "BTES is unfairly allocating the cost of its fiber-optic system to its electric business unit." *Id.* In making that argument, the letter also appears to be trying to influence how Mr. Novak should conduct the audit and the conclusions he should draw.

While BTES believes that it is premature for the parties to make filings debating the CAM while the audit is still under way, UTSE's statements in the letter indicate a misconception of the cost allocation process.

As BTES explained in unchallenged testimony to the TRA, the additional fiber optic plant installed by BTES was purchased for the benefit and use of the electric business unit and its customers. The system will provide a number of benefits for electric customers and will also allow the company to better manage its system, identify outages more accurately and read meters

¹ BTES agreed to the CAM audit as part of a Settlement Agreement with UTSE. The Agreement was later ratified by the Authority and incorporated into the Authority's Final Order granting BTES a certificate of convenience and necessity to offer telecommunications services in Tennessee.

June 23, 2006

Page 2

remotely. For those reasons, the Board of BTES approved the addition of the new fiber-optic plant as part of the utility's electric system.

At the same time, BTES recognized that the fiber-optic network could also be used to provide high quality telephone, cable television, and Internet access services and that revenues from those services could substantially offset the costs of installing and maintaining the fiber optic system. As noted in the CAM, BTES expects to sell more than 16,000 cable, Internet, or telephone services. BTES conservatively estimates that revenue from these new services will not only cover the annual costs of operating the telephone, cable, and Internet business units but will also contribute sufficient additional revenue to pay the cost of the capital investment in the entire fiber-optic plant. Based, in part, on the anticipated contributions, both TVA and the State Comptroller approved BTES' decision to capitalize the non-electric business units with an inter-divisional loan from the electric unit.

As required by the TRA, BTES has adopted allocation procedures to reasonably assign the costs of the new system among the company's electric and non-electric business units. In accordance with the FCC's rules for separating regulated from nonregulated costs, 47 C.F.R. §64.901, and the agency's orders interpreting those rules, BTES has allocated these costs directly, where possible, and indirectly based, in part, on the numbers of customers using, or benefiting by, these services. See 47 C.F.R. §64.901(b)(4). TVA has reviewed and approved these cost allocation procedures.

UTSE, however, does not apparently believe that costs should be allocated based on relative usage but argues that costs should be apportioned according to "revenue increases and/or operating cost decreases." *Id.* UTSE contends, for example, that since BTES allocates approximately 56% of the jointly used plant to the utility's electric operations, BTES must demonstrate that the new system will increase electric system revenue and/or reduce electric system expenses by a total of 56%. Otherwise, according to UTSE, the outside auditor should find that the 56% allocation factor is invalid.

UTSE's argument that jointly used plant should be allocated based on revenues produced or savings generated rather than on relative usage is not consistent with the FCC's rules on cost allocation. The new fiber optic system, for example, will give BTES more control over electric usage, reduce peak demand, and help restore service after an outage. These capabilities cannot be translated directly into either "savings" or "increased revenue" for the electric business unit but they will directly benefit the company's electric customers. Likewise, the installation of the new system will generate additional revenue from subscribers to cable, telephone, and Internet access services. But that does not mean that the costs of the jointly used plant should be allocated based on how much customers are expected to pay for these non-electric services. Those decisions will be based on market conditions and have no bearing on the cost allocation process.

June 23, 2006

Page 3

The FCC has recognized that outside plant investment costs jointly used by both regulated and nonregulated services may be allocated in a variety of ways, such as by estimating the number of customers who use a particular service. But no reasonable allocation method would assign jointly used plant based on how much revenue is generated, or how much savings are produced, by the various services which use the plant.

For those reasons, BTES believes that the arguments raised by UTSE are not only premature but flawed. BTES looks forward to the imminent completion of the CAM audit and further discussion with the staff on these issues.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker

HW/djc

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