

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION  
NASHVILLE, TENNESSEE

IN RE: INVESTIGATION OF 1994 EARNINGS AND BALANCE IN THE DEFERRED  
REVENUE ACCOUNT FOR UNITED TELEPHONE - SOUTHEAST, INC.

DOCKET NO. 95-02577

SETTLEMENT AGREEMENT

This matter is before the Tennessee Public Service Commission upon its own motion to investigate and determine the balance in the deferred revenue account for United Telephone - Southeast, Inc., (UTSE) for calendar year 1994. This matter was set for settlement conference. On November 3, 1995, Administrative Judge Ralph B. Christian, II, convened the settlement conference at which the following appearances were entered:

Mr. James Wright  
Senior Attorney  
appearing on behalf of UTSE;

Mr. David Yates  
Associate Consumer Advocate  
appearing on behalf of Tennessee Consumers;

Ms. Jeanne Moran  
General Utility Counsel  
appearing on behalf of the Tennessee Public Service Commission;

Mr. Jim Jenkins  
appearing on behalf of AT&T Communications of the South Central States.

Upon conclusion of successful negotiations between the parties in this docket, the issue with regard to the balance for disposition by the Commission in the Deferred Revenue account of UTSE for 1994 was settled as provided for herein. The issue with regard as to what disposition to make of the agreed to fund balance is reserved for final decision by the Commission at a future Commission Conference.

BACKGROUND

In its December 30, 1994, Order in Dockets 93-04818, 94-00388, 94-00389; the Commission ordered UTSE to provide an accounting of the monies in the deferred revenue accounts of the company and to refund that amount to customers in March, 1995. A dispute arose over certain items, and only the undisputed balance in these accounts was refunded at that time. These disputed issues were reserved for decision at a later date. The Commission Staff was directed to investigate this dispute and to issue a report of its findings in the summer of 1995. The Staff issued its revised report, dated July 31, 1995. The Company filed comments in response to the Staff's conclusions on September 14, 1995. The Consumer Advocate and AT&T also filed comments in response to the Staff's report.

## ISSUES

The issues with regard to the outstanding balance in the company's deferred revenue accounts were as follows:

Whether the 1991-1993 incremental FYI revenues should be used to offset the incremental FYI expenditures incurred during the same time frame? (Approximately \$600,000)

Whether the Company should be allowed to recover from this account a cost overrun in the implementation of a new customer billing system, and for changes in its billing and collection contracts which were limited to an amount certain by the Commission's Order in Docket No. 90-07832? (Approximately \$125,000)

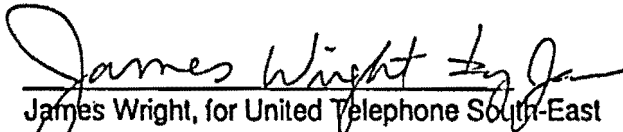
Whether the company overstated the amount available for negative sharing due to its failure to make its authorized rate of return? (Approximately \$600,000)


The Company's original position was that only approximately \$600,000 was available for disposition; the Commission Staff's position was that \$1.3 million was available for disposition; and the Consumer Advocate's position was that \$1.6 million was available. AT&T did not take a position on the amount available but reserved the right to submit a position on disposition of whatever amount is finally determined.


## AGREED AMOUNT


During negotiations each of the issues was addressed and the four parties agreed that the remaining amount in the deferred revenue account at the end of 1994 was \$1,140,000. No specific determinations were made on the individual items or issues. In addition, the parties agreed that if the Commission should order disposition of this amount by customer refund that it be done by billing adjustments as opposed to direct check issuance to customers. The parties also agreed, at the request of AT&T, that proposals for disposition of this amount should be submitted to the Commission for consideration, no later than seven days after the Commission approves this settlement agreement and before a final decision on disposition is rendered.

Approved by:

  
James Wright, for United Telephone South-East

  
David Yates, for the Consumer Advocate

  
Jeanne Moran, for the Tennessee Public Service Commission

  
Jim Jenkins, for AT&T Communications of the South Central States

Agreed to on this the 17th day of November, 1995.