



James B. Wright
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Carolina Telephone
Centel-North Carolina
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United Telephone-Southeast
EXECUTIVE SECRETARY

February 13, 1997

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

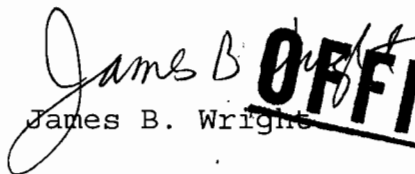
RE: Docket No. 96-01423
Prefiled Testimony

Dear Mr. Waddell:

Pursuant to the Agreed Schedule set forth in the Initial Order of Hearing Officer, enclosed for filing in the above case are the original and ten copies of the direct testimony of Mr. Steve Parrott, who will be testifying on behalf of United Telephone-Southeast, Inc.

A copy of the testimony is being furnished to counsel of record.

Very truly yours,


James B. Wright

Enclosures

CC: Steve Parrott
Counsel of Record (with enclosure)
Bob Wallace (with enclosure)

*#9829

OFFICIAL FILE
PLEASE
DO NOT REMOVE

CERTIFICATE OF SERVICE
(UTSE Annual Price Cap Adjustment)

The undersigned hereby certifies that the prefiled testimony of Steve Parrott has been served upon the following counsel of record in Docket No. 96-01423 this 13th day of February, 1997, by FAX, by hand delivery or by placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

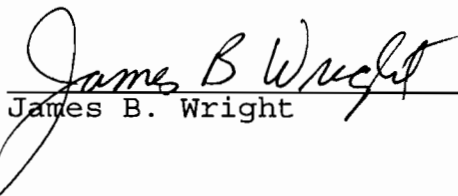
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James B. Wright

DIRECT TESTIMONY
OF
CHARLES S. (STEVE) PARROTT

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

ON BEHALF OF
UNITED TELEPHONE-SOUTHEAST, INC.

DOCKET NO. 96-01423

FEBRUARY 14, 1997

REC'D TN
FEBRUARY 14, 1997
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EXECUTIVE SECRETARY

DIRECT TESTIMONY
OF
CHARLES S. (STEVE) PARROTT
ON BEHALF OF
UNITED TELEPHONE-SOUTHEAST, INC.
DOCKET 96-01423

1 Q. Please state your name and business address.

2 A. My name is Charles S. (Steve) Parrott and my business address is 14111 Capital
3 Boulevard, Wake Forest, North Carolina, 27587-5900.

4

5 Q. By whom are you employed and what is your position?

6 A. I am employed by Sprint's Mid-Atlantic Operations as Director - State Regulatory
7 Affairs and I am testifying in this proceeding on behalf of United Telephone -
8 Southeast, Inc..

9

10 Q. Please briefly outline your education, training and experience in the telephone
11 industry.

12 A. I hold a Bachelor of Science Degree in Business Administration (Accounting Major)
13 from the University of Tennessee at Knoxville and I have nineteen years of
14 telephony experience with Sprint Corporation. After my employment with Sprint's
15 regional local exchange company in Bristol, Tennessee in July, 1977 as a staff
16 accountant, I have held numerous staff and management positions in the areas of

1 finance/accounting, information management services, and regulatory affairs.

2 Management positions include General Accounting Manager, Director - Local

3 Revenues, Director - Rate Planning and Rate Case Matters, Director - Revenues and

4 Regulatory Matters, and Director - Regulatory Affairs TN/VA. In November, 1995,

5 I was appointed to my present position of Director - State Regulatory Affairs.

6
7 Q. What are your responsibilities as Director - State Regulatory Affairs?

8 A. I am directly responsible for all state regulatory matters affecting Sprint's incumbent

9 local telephone operations in North Carolina, South Carolina, Tennessee and

10 Virginia. In this capacity, I direct the preparation and administration of all General

11 Subscriber Service and Intrastate Access Service Tariffs, the coordination of all state

12 regulatory matters, and I oversee external relations/contract administration with

13 other local exchange companies.

14
15 Q. Have you previously testified before regulatory agencies?

16 A. Yes, I have testified before the Tennessee Regulatory Authority (previously the

17 Tennessee Public Service Commission), the Virginia State Corporation Commission,

18 the South Carolina Public Service Commission and the North Carolina Utilities

19 Commission in addressing the areas of finance/accounting, rate design, regulatory

20 policy, price regulation plans, rules for local exchange competition, universal

21 service issues and resale.

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to support the tariff filing made by United on
3 January 28, 1997 to increase charges for Directory Assistance (DA) service and to
4 reduce the Company's Carrier Common Line Charge (CCLC) and Switched
5 Transport Interconnection Charge (TIC). In supporting this tariff filing, I will
6 address the following issues set forth in the Initial Order of the Hearing Officer
7 issued by the Tennessee Regulatory Authority (TRA) on January 27, 1997 :

8 Issue 2. What is the TRA's authority regarding amendment of the terms
9 and conditions of basic local service?

10
11 Issue 3. Is Directory Assistance a non-basic service whose rates may be
12 increased by a company under price regulation, or is it a basic service
13 which may not be increased for four years by reason of TCA 65-5-209
14 (f)?

15
16 Issue 4. Access Services Tariff

17
18 Issue 5 of the Initial Order is stated as "DA Stimulation/Destimulation. When a rate
19 is proposed for a service previously provided at no charge, is it appropriate to
20 consider the destimulation effect the separate rate may have on demand and
21 revenues?" In its January 28, 1997 tariff filing, United did not reflect any
22 stimulation or destimulation of the current customer demand for services affected by
23 the proposed rate changes.

24
25 Q. What is the TRA's authority regarding amendment of the terms and conditions of
26 basic local service?

1 A. For incumbent local exchange telephone companies participating in price regulation,

2 TCA Section 65-5-209 (f) states:

3 “(f) Notwithstanding the annual adjustments permitted in subsection (e), the
4 initial basic local exchange telephone service rates of an incumbent local
5 exchange telephone company subject to price regulation shall not increase for
6 a period of four (4) years from the date the incumbent local exchange
7 telephone company becomes subject to such regulation. At the expiration of
8 the four-year period, an incumbent local exchange telephone company is
9 permitted to adjust annually its rates for basic local exchange telephone
10 services in accordance with the method set forth in subsection (e) provided
11 that in no event shall the rate for residential basic local exchange telephone
12 service be increased in any one (1) year by more than the percentage change
13 in inflation for the United States using the gross domestic product price index
14 (GDP-PI) from the preceding year as a measure of inflation.”
15

16 After the fourth year, incumbent local exchange telephone companies participating
17 in price regulation must follow the pricing parameters in TCA Section 65-5-209 (e),
18 which states:

19 “(e) A price regulation plan shall maintain affordable basic and non-basic
20 rates by permitting a maximum annual adjustment that is capped at the lesser
21 of one-half (1/2) the percentage change in inflation for the United States
22 using the gross domestic product-price index (GDP-PI) from the preceding
23 year as the measure of inflation, or the GDP-PI from the preceding year
24 minus two (2) percentage points. An incumbent local exchange telephone
25 company may adjust its rates for basic local exchange telephone services or
26 non-basic services only so long as its aggregate revenues for basic local
27 exchange telephone service or non-basic service generated by such changes
28 do not exceed the aggregate revenues generated by the maximum rates
29 permitted by the price regulation plan.”
30

31 The TRA’s authority is to insure that a price regulated company’s tariff revisions to
32 the rates for basic local exchange telephone service comply with these statutory
33 parameters.
34

1 Q. Mr. Parrott, is Directory Assistance a basic local exchange telephone service?

2 A. No. Again referring to the Tennessee Code, it is clear that Directory Assistance is
3 not a basic local exchange telephone service. TCA Section 65-5-208 (a) (1) defines
4 basic local exchange telephone services as:

5 "...telecommunications services which are comprised of an access line, dial
6 tone, touch-tone and usage provided to the premises for the provision of two-
7 way switched voice or data transmission over voice grade facilities of
8 residential customers or business customers within a local call area, Lifeline,
9 Link-Up Tennessee, 911 Emergency Services and educational discounts
10 existing on the effective date of this act or other services required by state or
11 federal statute. These services shall, at a minimum, be provided at the same
12 level of quality as is being provided on June 6, 1995. Rates for these services
13 shall include both recurring and nonrecurring charges."

14
15 This definition does not include Directory Assistance. Additionally, TCA Section
16 65-4-124 (c), in addressing the rules to be promulgated by the Tennessee Public
17 Service Commission, states:

18 "(c) These rules shall also ensure that all telecommunications services
19 providers who provide basic local exchange telephone service or its
20 equivalent provide each customer a basic White Pages directory listing,
21 provide access to 911 emergency services, provide free blocking service for
22 900/976 type services, provide access to telecommunications relay service,
23 provide Lifeline and Link-Up Tennessee services to qualifying citizens of the
24 state and provide educational discounts existing on June 6, 1995."

25
26 This section does not set forth a requirement on a provider of basic local exchange
27 services to provide Directory Assistance. Thus, Directory Assistance is not
28 considered a basic service under Tennessee law.

29
30 Q. Is Directory Assistance a non-basic service whose rates may be increased by a
31 company under price regulation?

1 A. Yes, TCA Section 65-5-208 (a) (2) states, “Non-basic services are
2 telecommunications services which are not defined as basic local exchange
3 telephone services...”. Since Directory Assistance is not defined as a basic service,
4 it is therefore a non-basic service. As a non-basic service, Directory Assistance
5 charges may be increased in accordance with the parameters of TCA Section 65-5-
6 209 (e) as quoted above, which applies to all services in the non-basic category of
7 services.

8
9 Q. Please explain United’s proposed Directory Assistance tariff.

10 A. United’s proposed Directory Assistance tariff (Exhibit CSP1) provides customers
11 assistance in determining telephone numbers. By dialing 1-411, a United customer
12 can request the telephone number for any customer within United’s Northeast
13 Tennessee service territory under the provisions outlined in the proposed tariff. If
14 the telephone number requested is non-published, the information is not provided to
15 the requesting customer. However, if the number requested is non-listed, this
16 information will be provided to the requester.

17
18 United’s proposed tariff provides for three (3) free inquiries (with up to two
19 numbers per inquiry) per monthly billing period for residential and business
20 customers. After the first three inquiries, a charge of \$0.29 will be applied per
21 inquiry. Residence customers unable to use the telephone directory due to a visual
22 or physical disability that has been confirmed by a physician, appropriate group or

1 agency and inquiries made from pay telephone service locations are exempt from
2 Directory Assistance charges. United's proposed tariff does not change or impact in
3 any way the current tariff for Directory Assistance service provided to Mobile
4 Service Providers.

5
6 Q. Are charges for Directory Assistance common in the telecommunications industry?

7 A. Yes, as shown in Exhibit CSP2, the indicated Interexchange Carriers' interstate
8 charges range from \$0.75 to \$0.85 per inquiry with no initial allowances. Also,
9 incumbent local exchange telephone companies in all other 49 states have Directory
10 Assistance charges. Exhibit CSP3 provides a list of Local Exchange Company
11 Directory Assistance charges and allowances in the other states and the District of
12 Columbia. Also, several Tennessee telephone cooperatives charge their customers
13 for Directory Assistance. Exhibit CSP4 summarizes information received from
14 these cooperatives.

15
16 Q. Mr. Parrott, please explain proposed changes to United's Access Services Tariff.

17 A. United's proposed tariff reduces the Carrier Common Line Charge (CCLC)
18 terminating rate and the Switched Transport Interconnection Charge (TIC) as
19 follows:

	Current	Proposed	Reduction	Annual Impact
CCLC	\$0.025110	\$0.01857	\$0.00654	\$803,660
TIC	\$0.00348	\$0.002058	\$0.001422	\$296,252

1 The CCLC reduction of \$803,660 and the TIC reduction of \$296,252 offset a
2 portion of the increase resulting from the proposed change in Directory Assistance
3 of \$1,167,063, resulting in a net overall increase in United's non-basic revenues of
4 \$67,151 annually.

5
6 Q. Do United's proposed Directory Assistance, Carrier Common Line Charge and
7 Switched Transport Interconnection Charge tariffs meet the parameters of TCA
8 Section 65-5-209 (e)?

9 A. Yes, they do. The price regulation methodology agreed to by the parties in this
10 docket is in compliance with this TCA section and United has properly applied that
11 methodology to the proposed price changes reflected in the Company's tariffs for
12 non-basic services.

13
14 Q. Does this conclude your testimony?

15 A. Yes, it does.

GENERAL SUBSCRIBER SERVICES TARIFF

UNITED TELEPHONE-SOUTHEAST, INC.
TENNESSEE

Fourth Revised
Cancels Third Revised

Page 1
Page 1

ISSUED: January 28, 1997
BY: Director **State** Regulatory Affairs
Wake Forest, North Carolina

EFFECTIVE: May 15, 1997

(T)

U17. DIRECTORY ASSISTANCE SERVICE

(T)

U17.1 GENERAL

(N)

- A. *The Company furnishes Directory Assistance Service whereby customers may obtain assistance in determining telephone numbers.*
- B. *The charging application and rates set forth in U17.3 following apply to subscriber requests for Directory Assistance Service in determining, or attempting to determine, the telephone number of any customer served by or thought to be served by the Company throughout northeast Tennessee.*
- C. *Directory Assistance does not provide the telephone number for a non-published listing but does provide the telephone number for a non-listed listing. Requests for telephone numbers which are non-published are considered inquiries as defined below.*
- D. *The availability and rates for Directory Assistance for Mobile Service Providers are set forth in U16.10.1 (J) preceding.*

U17.2 APPLICATION OF CHARGES AND ALLOWANCES

- A. *A charge is applicable for each inquiry for directory assistance except as noted below; each number requested constitutes an inquiry except that the first two numbers requested on any one call constitutes only one inquiry.*
- B. *Charges for Directory Assistance are not applicable to:*
 - 1) *Calls made by residence customers who are unable to use a telephone directory because of a visual or physical disability which can be confirmed by a physician, appropriate group or agency.*
 - 2) *Calls made from pay telephone service locations.*
- C. *An allowance of three (3) inquiries per residence customer and three (3) inquiries per business customer, per billing period, per access line shall apply. The allowance is not transferable between separate accounts, even for the same customer. An unused allowance will not be credited to the customer's account in any other billing period in which service is rendered.*

U17.3 RATES AND CHARGES

Rate

- A. *Directory Assistance Service, each inquiry, .29*
Residence and Business

(N)

<u>COMPANY NAME</u>	<u>INTERSTATE DIRECTORY ASSISTANCE CHARGE</u>
AT&T	\$ 0.85
LDDS	\$ 0.75
MCI	\$ 0.85
Sprint	\$ 0.85

DIRECTORY ASSISTANCE CHARGES BY STATE

State	Local Exchange Company	Local or MTS	Directory Assistance Rate	Allowances	
				Based on:	Line
Alabama	BellSouth Telecommunications	Local MTS	\$0.60 \$0.60	Res-1 None	Line N/A
Alaska	Anchorage Telephone Utility	Local	\$0.50	2	Line
Arizona	US West	Local MTS	\$0.35 \$0.50	1 1	Line Line
Arkansas	Southwestern Bell	Local	\$0.30	2	Line
California	Pacific Bell	Local/MTS	\$0.25	Res-5;Bus-2	Line
Colorado	US West	Local/MTS	\$0.40	1	Line
Connecticut	New England Tel & Tel	Local	\$0.50	Res-2	Line
Delaware	Bell Atlantic	Local/MTS	\$0.35	Res-2	Line
District of Columbia	Bell Atlantic	Local	\$0.36	Res-5	Line
Florida	BellSouth	Local MTS	\$0.25 \$0.25	3 0	Line N/A
Georgia	BellSouth	Local MTS	\$0.30 \$0.50	3 0	Line N/A
Hawaii	GTE Hawaii	Local	\$0.20	10	Line
Idaho	US West	Northern Local/MTS Southern Local/MTS	\$0.35 \$0.60	1 Res-1	Line Line
Illinois	Illinois Bell	Local	\$0.30	0	N/A
Indiana	Indiana Bell	Local/MTS	\$0.40	0	N/A
Iowa	US West	Local/MTS	\$0.60	2	Line
Kansas	Southwestern Bell	Local/MTS	\$0.35	3	Line

DIRECTORY ASSISTANCE CHARGES BY STATE

State	Local Exchange Company	Local or MTS	Directory Assistance Rate	Allowances	Allowances Based on:
Kentucky	South Central Bell (BellSouth)	Local MTS	\$0.30 \$0.30	Res-1 0	Line N/A
Louisiana	Bell South	Local MTS	\$0.31 \$0.50	1 0	Line N/A
Maine	New England Tel & Tel	Local/MTS	\$0.40	Res-3	Line
Maryland	Bell Atlantic	Local/MTS	Res-\$.25/Bus-\$.40	Res-6	Line
Massachusetts	New England Tel & Tel	Local/MTS	\$0.34	10	Line
Michigan	Michigan Bell	Local	\$0.45	5	Line
Minnesota	US West	Local/MTS	\$0.50	1	Line
Mississippi	BellSouth	Local/MTS	\$0.35	0	N/A
Missouri	Southwestern Bell	Local/MTS	\$0.45	Res-30; Bus-10	Line
Montana	US West	Local/MTS	\$0.40	3	Line
Nebraska	US West	Local/MTS	\$0.60	Res-1	Line
Nevada	Nevada Bell	Local MTS	\$0.50 \$0.50	Res-3 0	Line N/A
New Hampshire	New England Tel & Tel	Local/MTS	\$0.40	5	Line
New Jersey	Bell Atlantic	Local/MTS	Res-\$.20/Bus-\$.35	Res-6	Line
New Mexico	US West	Local/MTS	\$0.60	0	N/A
New York	New York Telephone	Local/MTS	\$0.45	0	N/A
North Carolina	BellSouth	Local/MTS	\$0.50	5	Line

DIRECTORY ASSISTANCE CHARGES BY STATE

State	Local Exchange Company	Local or MTS	Directory Assistance Rate	Allowances	Allowances Based on:
North Dakota	US West	Local/MTS	\$0.26	5	Line
Ohio	Ohio Bell	Local/MTS	Res-\$.30/Other-\$.60	0	N/A
Oklahoma	Southwestern Bell	Local/MTS	\$0.25	5	Line
Oregon	US West	Local/MTS	\$0.50	2	Line
Pennsylvania	Bell Tel of Pennsylvania	Local/MTS	\$0.40	Res-2	Line
Rhode Island	New England Tel & Tel	Local/MTS	\$0.31	5	Line
South Carolina	BellSouth	Local MTS	\$0.40 \$0.45	Res-3 0	Line N/A
South Dakota	US West	Local/MTS	\$0.40	1	Line
Texas	Southwestern Bell	Local/MTS Local/MTS	\$0.30 \$0.30	Single Line-3 Multi-Line-5	Line Line
Utah	US West	Local/MTS	\$0.45	0	N/A
Vermont	New England Tel & Tel	Local/MTS	\$0.64	Res-3	Line
Virginia	Bell Atlantic	Local/MTS	\$0.29	3	Line
Washington	US West	Local/MTS	\$0.35	2	Line
West Virginia	Bell Atlantic	Local/MTS	\$0.50	Res-3	Line
Wisconsin	Wisconsin Bell	Local/MTS	\$0.50	0	N/A
Wyoming	US West	Local/MTS	\$0.60	1	Line

COMPANY NAME	INTRASTATE DIRECTORY ASSISTANCE CHARGE
Ben Lomand Rural Telephone Cooperative, Inc. Residence - 5 free inquiries per account per month Business - 25 free inquiries per account per month	\$ 0.35
Bledsoe Telephone Cooperative 2 free DA inquiries per month	\$ 0.35
Dekalb Telephone Cooperative, Inc. 2 free DA inquiries per month	\$ 0.65
North Central Telephone Cooperative, Inc. No call allowances	\$ 0.30
West Kentucky Telephone Cooperative Corporation, Inc. No call allowances	\$ 0.30