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February 14, 1997

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

Re: Tariff Filing By United Telephone-Southeast Inc To Request Annual Price Cap
Adjustment (Tariff No. 96-201)
Docket No. 96-01423

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Dear Mr. Waddell:

I have enclosed an original and ten copies of Direct Testimony of Archie R. Hickerson, Director of the Consumer Advocate Division, in the above referenced matter. Copies are being furnished to counsel of record for interested parties.

The proprietary information pages 18 and 43 are included in a sealed envelope marked proprietary with the case number on the envelope.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Vincent Williams".

L. Vincent Williams
Consumer Advocate

Before the

REC'D TN
REGULATORY AUTH.

'97 FEB 14 AM 11 56

TENNESSEE REGULATORY AUTHORITY

OFFICE OF THE
EXECUTIVE SECRETARY

In Re: Tariff Filing by United Telephone-Southeast, Inc. To Reflect Annual Price
Cap Adjustment (Tariff No. 96-201)

Docket No. 96-01423

DIRECT TESTIMONY
of
ARCHIE R. HICKERSON

February 14, 1997

1 Q. What is your name, by whom are you employed, and what is your address?

2 A. My name is Archie Hickerson and I am the Director of the Consumer Advocate
3 Division Staff in the Office of the Attorney General for the State of Tennessee. My
4 business address is 2nd Floor, Cordell Hull Building, 425 5th Ave. N, Nashville
5 Tennessee, 37243-0500.

6 Q. What is your educational background, and what licenses and professional
7 memberships do you hold?

8 A. I have a bachelor of science degree from Austin Peay State University with
9 majors in mathematics and accounting. I am a licensed Certified Public Accountant in
10 the State of Tennessee and I am a member of the American Institute of Certified Public
11 Accountants (AICPA).

12 Q. In order to maintain your license as a Certified Public Accountant, are you
13 required to meet certain continuing professional education requirements?

14 A. Yes. In addition I have attended various seminars and workshops regarding
15 utilities and law.

1 Q. What is your work experience concerning the regulation of utilities?

2 A. For 18 years I worked for the Tennessee Public Service Commission. In 1976, I
3 began as a financial analyst in the Commission's Accounting Division. As an analyst I
4 audited utilities' books and records, analyzed public utilities' cost of providing service,
5 developed financial exhibits, and entered testimony sponsoring these exhibits in rate
6 proceedings before the Commission. I was promoted to Assistant Director of the
7 Accounting Division, and became the Deputy Director of the Utility Rate Division after
8 the Accounting and the Utility Rate Divisions were combined. As the Assistant Director
9 and later the Deputy Director, I supervised the employees who conducted compliance
10 audits of utilities, made earning and rate investigations, reviewed tariff filings,
11 supervised management audits, and supervised investigations as requested by the
12 Commission. I directly participated in rate proceedings, worked in the development of
13 Commission administrative rules and regulations, and prepared and filed comments in
14 proceedings before the Federal Communications Commission (FCC), and the Internal
15 Revenue Service. I also reviewed depreciation studies submitted by the regulated
16 utilities, and along with the Director of Telecommunications, negotiated depreciation
17 rates with the representatives of the utilities and the FCC. As part of my duties with the
18 Commission, I served as a member of the National Association of Regulatory Utility
19 Commissioners' (NARUC) Staff Subcommittee on Communications, the NARUC
20 Subcommittee on Accounts, and the Southern Accounting Task Force.

1 When the Legislature created the Consumer Advocate Division within the
2 Attorney General's Office effective July 1, 1994, I became the Director of the Consumer
3 Advocate Staff. My duties and responsibilities in the Consumer Advocate Division are
4 basically the same as when I was employed by the Commission.

5 Q. Have you reviewed United Telephone-Southeast, Inc.'s filing in this docket and
6 formed an opinion concerning the filing in this docket?

7 A. Yes. Even prior to United Telephone-Southeast's filing, I along with members of
8 the Tennessee Regulatory Authority's Staff met with the Company's representatives on
9 September 3, 1996 to discuss the pending filing. Since all parties at the meeting
10 recognized that the filing would likely lead to a contested case proceeding, we did not
11 discuss issues, but restricted the discussions to the type of information that the company
12 was expected to provide with such a filing.

13 On September 12, 1996, the Company filed tariff sheets purporting to implement
14 annual rate adjustments in accordance with the provisions in Tenn. Code Ann. § 65-5-
15 209. Other members of the Consumer Advocate Division Staff and I reviewed the
16 supporting information that United Telephone-Southeast provided with the proposed
17 tariffs. Since September 12, 1996, United Telephone-Southeast has made revisions and
18 has twice superdeded its original filing. My opinion in this matter relates to the most
19 recent filing in this docket. That was the filing made by United Telephone-Southeast,

1 Inc. on January 28, 1997.

2 Q. What is your opinion?

3 A. The filing does not comply with the requirements of Tenn. Code Ann. § 65-5-209.
4 In this filing the United Telephone-Southeast, Inc. has proposed to increase rates for
5 basic local exchange services, and has proposed to reclassify basic local exchange service
6 as non-basic. This proposed reclassification is in violation of Tenn. Code Ann. § 65-5-
7 208.

8 Q. What corrections should be made in your opinion?

9 A. Directory assistance should be correctly classified as part of basic service. The
10 proposed directory assistance charge should be eliminated. E-911 Service should be
11 correctly classified as basic service. All ABC Access Lines should be properly classified
12 as basic service. Lines in excess of six (6) terminating at a household should be restored
13 to residential status for billing purposes.

14 Q. Let's turn to some of the things you did to assure that you had enough information
15 to form an opinion. Did the Consumer Advocate, members of the Tennessee Regulatory
16 Authority Staff, and other parties in this proceeding prepare and issue discovery requests
17 concerning United Telephone-Southeast's filing in this docket?

1 A. Yes. The Consumer Advocate, the Tennessee Regulatory Authority Staff, and
2 AT&T Telephone of the South Central States have each issued discovery requests for
3 information that was not supplied with the Company's filings in this docket. October 3,
4 1996, Mr. Mike Gaines, Telecommunications Manager for the Tennessee Regulatory
5 Authority, issued a discovery request in the form of a letter to Mr. Steve Parrot (See
6 Attachment A). The Consumer Advocate's initial discovery request was issued on
7 November 18, 1996. Subsequent to the issuance of these requests, the Company alleged
8 that it discovered errors in the data used to develop its filing. As a result, the Company
9 submitted a new filing on December 6, 1996. This filing was materially different from
10 the initial September 12, 1996 filing.

11 Q. How was the December 6, 1996 filing different from the initial filing?

12 A. Initially, the company proposed to impose a \$.50 charge on each call made to
13 directory assistance in excess of 5 calls per residential line per month and in excess of 3
14 calls per business line per month. The Company also proposed to reduce access charges
15 billed to interexchange carriers such as Sprint, AT&T, and MCI by \$1.9 million.

16 In the December 6, 1996 filing, United Telephone-Southeast proposed that
17 residential customers be allowed only 3 non-billable directory assistance calls per line
18 per month instead of the allowance of 5 that was proposed in the September 12, 1996
19 filing. The Company also proposed different rates for access charges billed to the

1 interexchange carriers. As a result the proposed access charge reduction in the December
2 6, 1996 filing was only \$0.8 million in contrast to the \$1.9 million reduction that was
3 proposed in the initial September 12, 1996 filing.

4 Q. Did the filing on December 6, 1996 have any impact on your opinion?

5 A. The filing didn't really have an impact on my opinion. The magnitude of the
6 errors identified by the Company made me somewhat skeptical of the documentation that
7 had been supplied by the Company.

8 Q. Were their additional discovery requests issued after the December 6, 1996, tariff
9 filing?

10 A. Yes. On January 3, 1997, AT&T Telecommunications of the South Central States
11 issued its first discovery request and the Consumer Advocate issued his second discovery
12 request in this docket.

13 Q. Has United Telephone-Southeast, Inc. made any modification to the tariffs that
14 were filed on December 6, 1996?

15 A. Yes. After AT&T issued its discovery request and the Consumer Advocate

1 issued his second request in this docket, the parties met. At that meeting United
2 Telephone-Southeast's representatives informed the other parties that additional errors
3 had been discovered and adjustments were required. On January 28, 1997, United
4 Telephone-Southeast, Inc. again revised its filing to reflect corrections of the additional
5 errors and to reflect the methodology for computing the amount of the allowed annual
6 increase in aggregate revenue that had been agreed to by United Telephone-Southeast,
7 Inc., BellSouth Telecommunications, Inc., Citizens Telecommunications Company of
8 Tennessee, L.L.C., AT&T Telecommunications of the South Central States, Inc., and the
9 Consumer Advocate.

10 On February 2, 1997, the Consumer Advocate issued a third discovery request in
11 this docket.

12 Q. How did the filing made on January 28, 1997 differ from the filing made on
13 December 6, 1996?

14 A. In the December 6, 1996 filing, United had proposed a \$.50 charge for directory
15 assistance calls. In the January 28, 1997 filing, the proposed charge is \$.29. As I
16 previously explained, the December 6, 1996 filing proposed a \$0.8 million access charge
17 reduction. Under the January 28, 1997 filing the Company proposes to reduce the
18 access charges billed to the interexchange carriers by \$1.1 million. The proposal also
19 calls for rates for other non-basic services to be reduced to produce a \$324,664 revenue

1 impact. The Company did not identify the services that will be affected by this proposed
2 reduction, nor did it propose the specific rate changes that will be made to produce the
3 \$324,664 reduction in revenues¹. The Company proposes to file such rate changes in a
4 separate proceeding.

5 In addition to the rate changes proposed in the January 28, 1997 filing, the
6 Company also included the impact of rate changes that occurred between October 13,
7 1995 and June 1996. In order to determine if the Company's rates do comply with the
8 statute, these adjustments must be considered. The prior adjustments resulted in a
9 \$579,760 increase in Non-Basic Local revenues, a \$37,336 reduction in Switched Access-
10 Ded. Revenue, a \$14,214 increase in Special Access revenues, and a \$135,741 reduction
11 in Non-Basic Service Connection Charges. These adjustments had not been recognized
12 in the previous filing. The different filings are:

	September 12, 1997 Filing	December 6, 1996 Filing	January 27, 1997 Filing
13 Directory Assistance Charge	\$.50	\$.50	\$.29
14 Directory Assistance Call			
15 Allowance			
16 Residence	5	3	3
17 Business	3	3	3
18 Rate Increases			
19 Directory Assistance			
20 Charge	\$2,090,190	\$1,006,089	\$1,167,053

¹United Telephone-Southeast, Inc. filed tariff pages to reduce rates for One-Way and Two-Way Mobile Service on February 4, 1997.

1	Local Non-Basic *			\$579,760
2	Special Access *			\$14,214
3	Rate Reductions			
4	Switched Access-Ded *			(\$37,336)
5	Non-Basic Service			(\$135,741)
6	Connections *			
7	Switched Access RIC	(\$725,004)	(\$34,375)	(\$296,253)
8	Carrier Common Line	(\$1,197,010)	(\$803,660)	(\$803,660)
9	Other Non-Basic Revenue			
10	Adjustments **			(\$324,664)
11	Basic Service Conn			
12	Charge/NRC			(\$324,664)

13
14 * **Impact of Rate Changes that occurred between October 13, 1995 and**
15 **June 1996.**

16 **** No Specific rate adjustments were proposed in the January 28, 1997**
17 **filing. On February 4, 1997, United Telephone-Southeast, Inc. made a**
18 **tariff filing to reduce charges relative to One-Way and Two-Way**
19 **Mobile Services.**

20 Q. Did you change your opinion based on the January 28, 1997 filing?

21 A. Yes. In both the September 12, 1996 and the December 6, 1997 filings, United
22 Telephone-Southeast, Inc. used the rates in effect in June 1996 as the initial rates. In its
23 January 28, 1997, filing the Company recognized its initial rates are those that were in
24 effect when it began operating under price regulation. In the case of United Telephone-
25 Southeast, Inc., the initial rates are the rates that were in effect on June 6, 1995. In using

1 the June 6, 1995 rates the Company recognized the impact of rate changes that have
2 occurred since its began operating under price regulation. Making this change alleviated
3 one of my major concerns with the two previous filings. The reclassification of some of
4 the basic service to non-basic and the proposal to increase basic service rates remain a
5 problem.

6 Q. Did the Tennessee Public Service Commission find that United Telephone-
7 Southeast, Inc.'s rates in effect on June 6, 1995 were the Company's initial rates?

8 A. Yes. In its October 13, 1995 Order in Docket 95-02615, (Application of United
9 Telephone-Southeast, Inc., for Approval to Implement Price Regulation) the Tennessee
10 Public Service Commission ordered:

11 The **rates in effect as of June 6, 1995** for all Basic Local
12 Exchange Telephone Services (Basic Service) and Non-
13 Basic Services as defined in Section 65-5-208 are
14 affordable and, **for these initial rates**, price regulation is
15 effective for the purposes of upon entry of this Order;
16 (Emphasis added.)

17 Q. Have you reviewed the supporting workpapers and documents supplied by United
18 Telephone-Southeast, Inc. along with its responses to the discovery request?

19 A. Yes.

1
2 Q. In your opinion, does the methodology or formula for computing the percentage
3 of the overall aggregate revenue increase that was agreed to by the parties in this
4 proceeding comply with the requirements of Tenn. Code Ann. §65-5-209?

5 A. Yes.

6 Q. If there is agreement concerning the overall methodology or formula, what are
7 the issues that remain to be addressed in the hearing in this proceeding?

8 A. While the parties agree with the methodology used to compute the allowed
9 aggregate revenue increase and the methodology used to test the proposed rates to
10 determine if they are equal to or less than the maximum allowed by law, we do not all
11 agree that United Telephone-Southeast, Inc. has properly accounted for the components
12 in applied the methodology in this proceeding, or that the Company's proposed rates are
13 in compliance with Tennessee law.

14 Q. What are the major points of disagreement between the Consumer Advocate
15 Division and United Telephone-Southeast, Inc. in this proceeding?

16
17 A. There are five major points on which the Consumer Advocate Division and

1 United Telephone-Southeast disagree:

2 (1.) Is directory assistance (DA) usage included in basic service?

3 (2.) Does United Telephone-Southeast's proposal to implement a
4 charge for directory assistance (DA) violate Tenn. Code Ann. § 65-5-208?

5 (3.) Is E-911 Emergency Service a basic service as defined in Tenn.
6 Code Ann. § 65-5-208?

7 (4.) Are all ABC (Centrex) access lines included in the definition of
8 basic service in Tenn. Code Ann. § 65-5-208?

9 (5.) Did Tenn. Code Ann. § 65-5-208 prohibit United Telephone-
10 Southeast, Inc. from increasing the rates for residential basic service
11 access lines where there are more than five access lines terminating at a
12 household location?

13
14 Q. Please state if your training to become a Certified Public Accountant, (C.P.A.)
15 included the study of law and the application of the law to certain facts that would be
16 encountered while engaging in the activities undertaken by a C.P.A.

17
18 A. In order to obtain a major in Accounting, I was required to successfully complete
19 business law courses. To qualify for the C.P.A. designation and to be licensed to practice
20 as a C.P.A. I was required to pass all parts of the multi-part C.P.A. examination. One of
21 the five parts of that exam is a test on law. I do not, however, have a law degree and do

1 not claim to be an attorney.

2
3 Q. How does Tennessee law define basic local exchange telephone service?

4
5 A. Basic local telephone service is defined in Tenn. Code Ann. § 65-5-208(a)(1):

6 "Basic local exchange telephone services" are telecommunications
7 services which are comprised of an access line, dial tone,
8 touch-tone and usage provided to the premises for the provision of
9 two-way switched voice or data transmission over voice grade
10 facilities of residential customers or business customers within a
11 local calling area, Lifeline, Link-Up Tennessee, 911 Emergency
12 Services and educational discounts existing on June 6, 1995, or
13 other services required by state or federal statute. These services
14 shall, at a minimum, be provided at the same level of quality as is
15 being provided on June 6, 1995. Rates for these services shall
16 include both recurring and nonrecurring charges.
17

18
19 Q. On June 6, 1995, were residential and business customers who purchased "Basic
20 Local Exchange Service"² under United Telephone - Southeast, Inc.'s General
21 Subscriber Service Tariffs provided usage of directory assistance services at no
22 additional charge?

23
24 A. Yes. Usage of directory assistance was included when a customer subscribed to
25 either residential or business service and paid the "Basic Local Exchange Service" rate as

² Section U3. of United Telephone-Southeast, Inc. Tennessee Tariffs is entitled "Basic Local Exchange Service." This section of the Company's tariffs prescribes the rates charged for both single line business and residential flat and measured rate service.

1 provide under the Company's tariffs approved by the Tennessee Public Service
2 Commission. This was not only applicable to customers of United Telephone-Southeast,
3 Inc. The customers of all Local Exchange Companies in Tennessee were provided
4 directory assistance usage whenever they purchased local access line service. Even the
5 Interexchange Carriers (IXC) such as AT&T, MCI, and Sprint provided customers
6 intrastate directory assistance usage at no additional charge.

7
8 Q. Do other Local Exchange Carriers and Interexchange carriers operating in
9 Tennessee provide intrastate directory assistance usage without any additional charge
10 today?

11
12 A. Yes.

13
14 Q. If customers who purchase residential and business access lines are required to
15 pay an additional amount for directory assistance usage, are they receiving the same level
16 of service that was being provided on June 6, 1995?

17
18 A. Definitely not. At June 6, 1995, directory assistance usage was automatically
19 included when a customer purchased basic residential or business access line service.
20 This usage is an integral part of service that was provided at that time. If the company
21 now charges for directory assistance on a usage-sensitive basis, the customer is no longer

1 receiving the level of service that was being provided when the customer paid the basic
2 rate charge on or before June 6, 1995.

3
4 Q. Is the level of service that companies such as United Telephone-Southeast, Inc.
5 provide addressed by Tennessee statute?

6
7 A. Yes. Tenn. Code Ann. § 65-5-208, which addresses the provision of basic
8 exchange service, states: “ These services shall, at a minimum, be provided at the **same**
9 **level of quality** as is being provided on June 6, 1995.”(Emphasis added.)

10 Usage of directory assistance is a quality of telephone service matter in
11 Tennessee. Since usage of directory assistance was included when a subscriber
12 purchased a local access line on June 6, 1995, to exclude directory assistance usage from
13 basic service at this time results in a customer having to pay the same price for a lower
14 quality of service.

15
16 Q. Could you illustrate how United Telephone-Southeast, Inc.’s proposal would
17 affect a customer’s bills?

18
19 A. Assume a customer in Bristol, Tennessee subscribed to residential Flat Rate
20 Basic Local Exchange Service and used directory assistance 6 times during a month.
21 That customer’s bill for June 1995 would have been \$12.01. Under United Telephone-

Southeast's proposed tariffs the customer would now be billed \$12.79 (Flat rate charge \$12.01 + 3 DA calls in excess of the allowance of 3 @ \$.29 each). This is a 6.5% increase. If you make the same assumption for a residential customer in Elizabethton, the bill for June 1995 would have been \$10.70. Under the Company's proposal, the bill would increase 7.3% to \$11.48. (\$10.70+ 3 DA calls in excess of the allowance of 3 @ \$.29 each.)

Exchange	Residence Flat Rate	Number of DA Calls	Billable DA Calls (over 3 per month)	Price per DA Call	Total DA Charges	Total Bill	% Increase
Bristol	\$12.01	6	3	\$.26	\$.78	\$12.79	6.5%
Elizabethton	\$10.70	6	3	\$.26	\$.78	\$11.48	7.3%

The lower the rate for flat rate service the greater the percentage increase.

Q. Does United Telephone-Southeast, Inc. provide its customers directories at no charge?

A. Yes.

Q. Do you know why a customer would need to call directory assistance instead of simply finding the number in the directory?

A. The customer may need to call directory assistance because the number isn't listed

1 in the directory or because the number is listed incorrectly in the directory.

2
3 Q. Why wouldn't a number be listed in a directory?

4
5 A. The number may be for a new customer whose number has been assigned since
6 the last directory was compiled.

7 In responding to a Consumer Advocate's discovery request, United Telephone-
8 Southeast, Inc. reported that there is a two to three months³ lag time between the time
9 that the directory listings are finalized and the date that telephone directories are delivered
10 to the subscribers. Since the telephone numbers issued to new customers added during
11 that 2 to 3 month period would not be listed in the directory, a directory is two to three
12 months out of date when it is first provided to the customer.

13 Since the Company is continually adding new customers, the directories become
14 progressively more out of date. By the time the customer has had a directory a year,
15 thousands of numbers that have been assigned during the previous fourteen to fifteen
16 months are missing.

17
18 Q. How frequently does United Telephone-Southeast, Inc. issue new directories?

19
20 A. New directories are prepared annually.

³ Response to Consumer Advocate Discover Request of November 18, 1996, Item 10.

1 Q. How many new telephone numbers are issued by United Telephone-Southeast
2 each month?
3

4 **Proprietary Information** (These numbers are proprietary per the company.)

5 A. In response to a discovery request the United Telephone-Southeast estimated
6 that on average, it issues , ⁴new residential numbers and 389 new business number
7 per month. Based on this average, , to , newly issued numbers are not in the
8 directory at the time they are first issued to the customers. By the time the directories
9 are replaced there are , to , missing numbers.

10
11
12 **Proprietary Information** (These numbers are proprietary per the company.)

13 Q. What is the number of listings in United Telephone-Southeast, Inc.'s white
14 page directories?
15

16 A. In 1996 there were approximately 190,900⁵ white page listings, Based on this
17 number and the average new numbers issued each month % to % of the Company's
18 numbers may be missing from the directories by the time a new directory is issued. ([
19 , / (, + ,)] ≈ % , [, / (, + ,)] ≈ %)

⁴ Response to Consumer Advocates November 18, 1996 discovery request, Item 11.

⁵ Response to Consumer Advocates January 3, 1997 discovery request, Item 12.

1
2 Q. Under United Telephone-Southeast's proposed tariff, will there be a directory
3 assistance charge when a customer's inquiry is for a new telephone number that is not in
4 a published directory?

5
6 A. Yes. If the customer uses directory assistance over 3 times per month, the
7 customer will be charged even if all of the numbers are missing from the directory.

8
9 Q. Under the proposed tariff, does the charge apply only when the customer requests
10 a number in his or her local calling area, or is the customer charged when the requested
11 number would not be in the directory because the requested number is for an individual
12 or a business located in an area outside the customer's local calling area?

13
14 A. The charge would always apply if the customer makes more than three (3)
15 directory assistance call per month. It doesn't matter if the number is outside the
16 customers local calling area.

17
18 Q. Does the proposed charge apply to all individuals or are some individuals exempt
19 from being billed?

20
21 A. Residence customers who are unable to use a telephone directory because of a

1 visual or physical disability, which can be confirmed by a physician, appropriate group or
2 agency, are exempt from the directory assistance usage charge. Calls made from pay
3 telephones are also exempt.
4

5 Q. Does this exemption apply to individuals who cannot use the directory because a
6 reading disability or illiteracy?
7

8 A. No. The Company does not consider illiteracy a disability. From the Company's
9 responses, it appears that only physical disabilities are considered.
10

11 Q. Does the exemption apply when an individual who is unable to use a telephone
12 directory because of a visual or physical disability use directory assistance while at his or
13 her place of employment?
14

15 A. No. The business will be charged for the directory assistance usage if the usage
16 for the particular business line is greater than 3 times per month.
17

18 Q. Does the charge apply even if the employee's disability has been confirmed by a
19 physician, appropriate group or agency, and the employee is required to make calls in the
20 normal course of their employment?
21

1 A. The charge will still apply. The company has taken the position:

2 The costs of ensuring that disabled employees can perform
3 their job functions should be borne by the businesses that
4 employ disabled individuals. United should not have to
5 bear the costs of providing services to other businesses and
6 in effect subsidize the rate for products and services
7 produced by such businesses simply because United is
8 responsible for providing telephone service to the business.⁶
9

10
11 Q. Is it your opinion that the imposition of a charge for directory assistance usage on
12 businesses that employ visually or physically disabled employees, could have an impact
13 on such individual's employment opportunities?
14

15 A. Yes.
16

17 Q. Does United Telephone-Southeast, Inc. bear the cost of providing directory
18 assistance to the disabled or are the costs included in the Company's rates?
19

20 A. The rates that were in effect on June 6, 1995 were developed to allow the
21 Company to recover the costs of all the services that it provides customers. This includes
22 the cost of directory assistance usage.
23

24 Q. Is the Company's position relative to the provision of services to businesses that

⁶United Telephone Southeast, Inc.'s response to Item 7 of the Consumer Advocate's January 3, 1997
Discovery Request.

1 have employees with disabilities consistent with its position relative to the provision of
2 Dual Party Relay Service for the speech and hearing impaired?

3
4 A. It appears that United Telephone-Southeast, Inc.'s position is inconsistent. The
5 Dual Party Relay Service allows hearing impaired or speech impaired individuals to
6 communicate by telephone with non-hearing impaired individuals. To use this service,
7 the hearing impaired or speech impaired individual types the conversation into a TTY, a
8 TDD, a computer, or other similar device and transmits it to a translator who then reads
9 the messages aloud to the non-hearing impaired party. The non-hearing impaired
10 individual communicates vocally with the translator, who in turn types the conversation
11 and transmits it in text form to the hearing impaired party. Neither the calling nor the
12 called party is billed for the services of the translator, or the cost of providing the
13 facilities used by the translator.⁷ It doesn't matter if the call is made from a residence or
14 from the business. There is no charge for the service.

15 United Telephone-Southeast, Inc. has adopted a different standard for the hearing
16 and speech impaired than for those individuals with a visual or other disability that
17 prevents them from using a printed directory. While the Company apparently agrees that
18 it should bear the cost of providing relay service to businesses that employ individuals
19 with hearing and speech disabilities, it is opposed to providing similar service to the

⁷ October 17, 1990 order of the Tennessee Public Service Commission in docket 89-03796. Proceeding to Establish a Dual Party Relay System (DPRS) to Provide Telecommunications Access for the Hearing and Communications Impaired,

1 businesses that employ individuals who must rely on directory assistance.

2
3 Q. How does the proposed directory assistance tariff affect the revenues to be
4 collected from the residential and business customers in United Telephone-Southeast,
5 Inc.'s service area?
6

7 A. Page 1 of Attachment A to the Company's January 28, 1997 filing shows that
8 proposed directory assistance charge will result in business and residential customers
9 paying the Company an additional \$1,167,063 per year. Also on this same page, the
10 Company shows that at while this tariff filing will increase the charges to its basic service
11 customers, it will reduce the amount charged AT&T, MCI, its affiliate Sprint Long
12 Distance, and other interexchange carriers by \$1,099,913. While this is classified as an
13 annual price cap filing, in reality it is simply a proposal to shift charges away from the
14 interexchange carriers and to increase the charges for basic service customers.
15

16 Q. Has the Company proposed to reduce any basic rates for residential and business
17 customers to offset any part of the \$1,167,063 proposed increase for directory assistance
18 usage?
19

20 A. No. The Company has filed no offsetting basic service rate reductions for
21 residential and business customers.

1 Q. If the Company modified its proposal to not charge for numbers that are not
2 available in the printed directories; to not charge for business whose employees could not
3 use a directory; or not charge customers who could not use the directory because of
4 illiteracy or a reading disability; and proposes offsetting basis rate adjustments, would the
5 directory assistance charge comply with the statute?
6

7 A. No. If the Company imposes such a directory assistance charge, it would reflect
8 degradation of local basic service. Tenn. Code Ann. § 65-5-208 requires basic service to
9 continue to be provided at the same level of quality as at June 6, 1995.
10

11 Q. In your opinion should directory assistance charges be allowed or disallowed?
12

13 A. The proposed directory assistance charges should be disallowed.
14

15 Q. You have stated that an issue in this proceeding is the classification of 911
16 Emergency Services as a basic or non-basic service. Has United Telephone-Southeast
17 proposed to increase rates for 911 service?
18

19 A. No. However, in this filing the company has submitted a listing of service to be
20 considered basic and the services to be considered non-basic. While the Company does
21 not, at this time, propose to increase the rates, the proposed reclassification of this service

1 as non-basic means that it could increase E- 911 service rates and has the potential of
2 adversely affecting the provision of such service in the future.

3
4 Q. Why is the classification of a service as basic or non-basic important?

5
6 A. Under the statute, basic services are treated differently than non-basic services.

7 Tenn. Code Ann. § 65-5-209 (f) provides:

8 (f) Notwithstanding the annual adjustments permitted in
9 subsection (e), the initial **basic local exchange telephone**
10 **service rates** of an incumbent local exchange telephone
11 company subject to price regulation **shall not increase for**
12 **a period of four (4) years** from the date the incumbent
13 local exchange telephone company becomes subject to such
14 regulation. At the expiration of the four-year period, an
15 incumbent local exchange telephone company is permitted
16 to adjust annually its rates for basic local exchange
17 telephone services in accordance with the method set forth
18 in subsection (e) provided that in no event shall the rate for
19 residential basic local exchange telephone service be
20 increased in any one (1) year by more than the percentage
21 change in inflation for the United States using the gross
22 domestic product-price index (GDP-PI) from the preceding
23 year as the measure of inflation. (Emphasis added.)
24

25 While Tenn. Code Ann. § 65-5-209(h) provides:

26
27 (h) Incumbent local exchange telephone companies subject
28 to price regulation **may set rates for non-basic services as**
29 **the company deems appropriate**, subject to the
30 limitations set forth in subsections (e) and (g), the
31 non-discrimination provisions of this title, any rules or
32 orders issued by the authority pursuant to §65-5-208(c) and
33 upon prior notice to affected customers. Rates for call
34 waiting service provided by an incumbent local exchange
35 telephone company subject to price regulation shall not

1 exceed, for a period of four (4) years from the date the
2 company becomes subject to such regulation, the maximum
3 rate in effect in the state for such service on June 6, 1995.
4 (Emphasis added.)
5

6 While the General Assembly found it to be in the public interest to prohibit any
7 price increases for basic services during the first four years that an incumbent local
8 exchange carrier operates under price regulation, companies are allowed to increase the
9 rates for non-basic services.

10 Although non-basic rate increases are limited in the aggregate, rates for some
11 individual services may be increased while rates for other services may be reduced. For
12 example, the company could increase the price of 3-way calling and reduce the rate for
13 call forwarding. Such adjustments, however, cannot produce an annual increase in
14 aggregate revenue to exceed the lesser of the 1/2 the rate of inflation of the rate of
15 inflation less 2%.

16 If E-911 Emergency Services are classified as non-basic, the company could
17 increase the rates it charges the emergency services districts, and reduce the access
18 charges it bills AT&T, MCI, its affiliate Sprint Long Distance, and other interexchange
19 carriers, or any other services as it sees fit. On the other hand, the classification of such
20 service as a basic service, results in the rates being capped at the current rate for four
21 years.

22
23 Q. Are 911 Emergency Services classified as basic services by law?
24

1 A. Yes. Tenn. Code Ann. § 65-5-208 specifically includes such 911 Emergency
2 services in the basic category.

3 **65-5-208. Classification of services - Exempt services - Price**
4 **floor - Maximum rates for non-basic services.**

5
6 (a) Services of **incumbent local exchange telephone companies**
7 who apply for price regulation under § 65-5-209 are classified as
8 follows:

9 (1) "Basic local exchange telephone services" are
10 telecommunications services which are comprised of an
11 access line, dial tone, touch-tone and usage provided to the
12 premises for the provision of two-way switched voice or
13 data transmission over voice grade facilities of residential
14 customers or business customers within a local calling area,
15 Lifeline, Link-Up Tennessee, **911 Emergency Services** and
16 educational discounts existing on June 6, 1995, or other
17 services required by state or federal statute. These services
18 shall, at a minimum, be provided at the same level of
19 quality as is being provided on June 6, 1995. Rates for
20 these services shall include both recurring and nonrecurring
21 charges. (Emphasis added.)
22

23 There is no question that 911 Emergency Services are classified as a basic local
24 exchange telephone service by law.
25

26 Q. Does this statute classify the services provided to the emergency services districts
27 as basic services, or does it simply classify the access to such services as a basic service?
28

29 A. The statute simply provides that 911 Emergency Services be classified as a basic
30 service. There are no qualifications and no limitations. If the Legislature had intended to
31 exclude the services provided to 911 Emergency Service Districts and to allow the

1 incumbent telephone companies to increase the rates for services, the law would have
2 been worded in that manner.

3 The General Assembly specifically identified the access line, dial tone, touch-tone
4 and usage provided to the premises for the provision of two-way switched voice or data
5 transmission over voice grade facilities of residential customers or business customers
6 within a local calling area as basic service. It specifically identified Lifeline service as a
7 basic service. It specifically identified Link-Up Tennessee as a basic service. It
8 specifically identified 911 Emergency Services as basic service.

9 There is no provision in the statute that would indicate that any part of the 911
10 Emergency Services are to be considered as non-basic service. The adoption of this law,
11 supersedes any prior Public Service Commission rule, order, policy, or any statute in
12 place at June 5, 1995.

13
14 Q. Does a telephone company actually provide 911 Emergency Services to the
15 residential and business customers?

16
17 A. While the residential and business customers reach the emergency service
18 dispatcher by dialing 911, the personnel who answer the telephones and dispatch the
19 appropriate emergency response teams are not telephone company employees. These are
20 city, county, or emergency district employees. The telephone company does not provide
21 emergency service to its customers. As far as the business and residential customer is

concerned, the telephone company simply completes a telephone call that connects the customer with the emergency dispatcher that provides the emergency response. The only 911 Emergency Services that the telephone company provides are those provided to the cities, the counties, and the emergency service districts. These services that the telephone companies provide the cities, counties and emergency districts are basic service addressed in Tenn. Code Ann. §65-5-208. The rates for these services cannot be increased for 4 years from the date the incumbent local exchange telephone company becomes subject to price regulation.

Q. How would an increase in the amounts charged the emergency services districts affect those districts?

A. Unless I know what service prices are to increase, how much those specific prices will increase, and specific information concerning the services purchased by an emergency district, I cannot address how a specific district would be affected. However, if a telephone service provider does raise the prices for services provided to such districts, the districts could be put in a financial squeeze. Tenn. Code Ann. § 7-86-108 limits the amount that emergency district can charge to residential and business telephone service users. Under United Telephone-Southeast, Inc.'s approach, the price of services provided to a district by the telephone company could exceed the amount that the district is allowed to bill the subscribers. It does not appear logical that the General Assembly

1 would have enacted legislation that could put these districts in such a position and permit
2 United Telephone-Southeast to increase its rates for those services at will.

3
4 Q. Tenn. Code Ann. §65-4-124 (c) required the Tennessee Public Service
5 Commission to adopt rules that ensure that all telecommunications services providers
6 who provide basic local exchange telephone service or its equivalent provide each
7 customer access to 911 emergency services. Please state whether or not the language
8 changes your opinion.

9
10 A. No. The language of this Tenn. Code Ann. §65-4-124 (c) does not cause me to
11 change my opinion. This statute required the Commission to ensure that customers of all
12 telephone service providers, both **new competitive providers** and **incumbent local**
13 **exchange carriers**, have the ability to access 911 emergency services. This statute does
14 not address the clarification of a service as basic or non-basic. On the other hand Tenn.
15 Code Ann. § 65-5-208 does define the services of **incumbent local exchange companies**
16 as either basic or non-basic. It does not define the services for new competitive carriers.

17
18 Q. You stated previously that the classification of ABC Access Lines as basic or non-
19 basic is an issue in this proceeding. What is your opinion about the classification of ABC
20 lines in the proceeding?

1 A. ABC Access Lines should be classified as basic service.

2
3 Q. What is an ABC Service?

4
5 A. At June 6, 1995, ABC Service was United Telephone-Southeast's version of
6 Centrex service⁸. This central office-based service provides many of the features and
7 functions traditionally provide by Private Branch Exchange (PBX) equipment located the
8 customers' premises.

9
10 Q. How does United Telephone-Southeast's Tariff describe ABC Service?

11
12 A. United Telephone-Southeast's Tariffs that were in effect on June 6, 1995 included
13 the following:

14 U13.18.1 General

15
16 Advanced Business Connections (ABC) Service is a
17 central office communications system arrangement
18 provided **in connections with individual business**
19 **lines** from digital central office equipment located
20 on Telephone Company premises.⁹ (Emphasis

⁸ United Telephone-Southeast, Inc. Tennessee now considers the ABC tariff as obsolete and is available only to customers with ABC Service installed or ordered on or before 12/31/96. On or prior to 10/15/96, ABC month-to-month customers must either convert their entire ABC Service account to Centrex Service or subscribe to an alternative service. United Telephone-Southeast, Inc. Tennessee, General Subscriber Service Tariff, Section U100 Obsolete Service Offerings, Original Page 9, Issued September, 13, 1996, Effective January 1, 1997.

⁹ United Telephone-Southeast, Inc. Tennessee Tariff, Section U 13, Miscellaneous Service Arrangements, Sixth Revised Page 26, Issued September 11, 1992, Effective October 12, 1992. These tariff provision were moved to Section U100 Obsolete Service Offerings, Original Page 9,

added.)

Q. What comprises an ABC system?

A. As stated in the Company's tariff, Section U13.18.1 D.

An ABC system may comprise the following components:

- Network Access Registers (NARS)
- ABC Access Lines
- Features
- Attendant Console Support Equipment
- Attendant Console(s)
- Station Sets

Q. Is the term ABC Access Lines, as used here, the same as the individual business lines referenced in the Company's description of the service?

A. Yes.

Q. Can these ABC Access Lines be used to make and receive two-way voice and data calls consistent with the basic local exchange service described in Tenn. Code § 65-5-208?

A. Yes.

Issued September 13, 1996, Effective January 1, 1997. (Tennessee Regulatory Authority Tariff Filing # 96-203.)

1 Q. Is there any difference between a regular business line and an ABC line?

2
3 A. Not really. As stated in the Company's general description ABC service is a
4 service provided in connection with **individual business lines**. There are additional
5 functions and features that are provided by the central office. Otherwise the line is the
6 same as a regular business line. A subscriber can make and receive calls over these lines
7 just as they can over a business line. The company can, through software, limit the
8 number of simultaneous calls that can be completed by a customer. For example, a
9 customer with six ABC lines may have the company restrict the line usages such that at
10 any one time there can be only one outside call in progress while the remaining five lines
11 could be used for internal communications between individuals within the business. By
12 implementing such a restriction, the customer reduces the amount that must be paid to the
13 telephone company. In such an instance, the Customer would have only one Network
14 Access Register (NAR)¹⁰.

15 The customer could limit calling such that there can be only two simultaneous
16 calls to outside parties at any one time with the remaining lines being free for internal
17 communications between individuals within the business. In that instance, the customer
18 would have two NARs, and the customer would pay more than the customer that restricts
19 the calling capability to only one outside call at a time. The more simultaneous calls that

¹⁰ United Telephone-Southeast, Inc., Tennessee, General Subscriber Service Tariff, Section U13, Fifth Revised Page 26.1 Issued July 22, 1994, Effective August 26, 1994. This tariff provision was moved to Section U100 Obsolete Service Offerings, Original Page 10, Issued September 13, 1996, Effective January 1, 1997. (Tennessee Regulatory Authority Tariff Filing # 96-203.)

1 can be made, the more the customer will have to pay.

2
3 Q. In the example where the subscriber has six ABC Access Lines and only one
4 NAR, state whether or not the NAR is associated with one specific line.

5
6 A. The NAR is not associated with any one specific line. Any of the lines can be
7 used to make or receive outside calls. The limitation is on the number of simultaneous
8 calls.

9
10 Q. On the list of Basic and Non-Basic Services as of 6/30/96, (Attachment A to the
11 document entitled Price Cap Annual Filing Methodology January 23, 1997, United
12 Telephone-Southeast, Inc. Tennessee), the Company included under the Non-Basic
13 Services "ABC **Intercom** Lines & Features (less one line per NAR)." (Emphasis added.)

14 How does the Company's tariff describe an ABC intercom line?

15
16 A. I have reviewed United Telephone-Southeast, Inc.'s tariffs that were effective on
17 June 6, 1995, and its current tariffs. I have not been able to find a description for an ABC
18 intercom line.

19
20 Q. Is there a tariffed rate for ABC intercom lines?

1 A. I have been unable to find **any rate** for or **any reference** to an ABC intercom line
2 in United Telephone-Southeast, Inc.'s current tariffs or its tariffs that were in effect on
3 June 6, 1995.

4
5 Q. How does the absence of a description of an ABC intercom line and the absence
6 of a tariffed rate for ABC intercom lines affect your opinion?

7
8 A. The absence of a description of an ABC intercom line and the absence of a
9 tariffed rate is evidence that there is no difference in ABC intercom lines and ABC
10 Access Lines.

11
12 Q. How does it appear the company determined the revenues for ABC Lines to be
13 included in the "Basic Revenue" category, and the amount of revenue from ABC
14 intercom lines to be included in the "Non-Basic" category on Page 1 Attachment A, to
15 Mr. Parrott's January 28, 1997 letter to Dr. Klein?

16
17 A. The revenue was mathematically computed using the average charge per ABC
18 Access Lines as follows:

19
20 Step One: The monthly rate for an ABC Access Line is dependent on distance
21 from the central office, as well as the length of the subscribers contract.

1 To compute the total revenue from ABC Access lines, the number of
2 Access Lines of each length as listed the Company tariffs was multiplied
3 by the applicable tariffed rate and totaled. This was the total ABC Access
4 Line revenue.

5
6 Step Two: This total revenue was then divided by the total number of ABC
7 Access Lines in service, to determine the average rate per ABC Access
8 Line.

9
10 Step Three: The average rate per ABC Access Line was then multiplied by the
11 number of NARs in service in June 1996 to compute the amount of ABC
12 Access Line revenue United Telephone-Southeast, Inc. classified as Basic
13 Service revenue from ABC Access Lines.

14
15 Step Four: This amount was then deducted from the total ABC Access Line
16 revenue computed in Step one. The amount remaining was identified by
17 the Company as Revenue from ABC intercom lines and classified as Non-
18 Basic revenue.

19
20 Q. Does the Company make any distinction in the rate charged for each ABC Access
21 Line and rate charged for each ABC intercom line?

1 A. No. According to United Telephone-Southeast, Inc.'s computations, the price for
2 ABC Access Lines that it has classified as a Non-Basic Service intercom line is the same
3 as the price for ABC Access Lines that it has classified as a Basic Service.
4

5 Q. Do you agree that there is no distinction?
6

7 A. Yes. As I have previously explained, there is no distinction because there is no
8 difference. As set out in the Company's tariffs, all of these lines are ABC Access Lines.
9 There is no basis for identifying a portion of these lines as ABC Access Lines and a
10 portion as ABC intercom lines. There is no basic justification for classifying some of the
11 revenue from ABC Access Lines as "Basic Revenue" and classifying a portion of the
12 ABC Access Line revenue as "Non-Basic." In my opinion, all of the ABC Access Lines
13 and the related revenue should be classified as Basic Service.
14

15 Q. You stated earlier that there may be additional functions and features provided to
16 ABC customers. Are any of these features considered part of basic service?
17

18 A. Generally, the added functions and features are not part of basic service. I do note
19 that the ABC lines have Touch Tone capabilities and that Touch-Tone service is
20 considered part of basic service. While Call Waiting, which is a feature available on
21 ABC lines, is not classified as a basic service, the price for this service shall not exceed

1 the maximum rate in effect in the state for such service on June 6, 1995 for a period of
2 four (4) years from the date the incumbent local exchange company becomes subject to
3 price regulation.
4

5 Q. Has United Telephone-Southeast, Inc. increased the rate for any basic services
6 since it became subject to price regulation on October 13, 1995?
7

8 A. Yes. The Company increased the rate for certain residential access lines contrary
9 to the specific legal directives regarding price regulation.
10

11 Q. What residential access line rates were increased?
12

13 A. The rate for the sixth (6) residential access line and all greater number of such
14 lines were increased on October 25, 1995. United Telephone-Southeast, Inc.'s tariffs in
15 effect on June 6, 1995 included the provision for determining if residential or business
16 rates apply to service provided by the Company and did not limit the number of access
17 lines terminating at a single location that could be classified as residential. On October
18 25, 1995, the Company modified its tariffs to limit the number of residential lines
19 terminating at a household location to five. As a result, the rate for the lines in excess of
20 five terminating at a household location was increased from the residential rate to the
21 applicable exchange's business rate.

Q. How would the price for a residence with six or more access lines be impacted under the Company's revised tariffs?

A. The price for residential access lines in excess of five would increase materially. The price for lines in excess of five terminating at one household would increase for the Company's exchanges as follows:

<u>Exchange</u>	<u>Rate Group</u>	<u>Monthly Rate per Line June 6, 1995¹¹</u>	<u>Under the Current Tariff the Monthly Rate per Line¹² increases to:</u>
Blountville	15	\$13.09	\$34.93
Limestone	14	\$12.77	\$34.09
Church Hill	13	\$12.44	\$33.13
Kingsport	13	\$12.44	\$33.13
Fall Branch	13	\$12.44	\$33.13
Midway (Sullivan County)	13	\$12.44	\$33.13
Midway (Washington County)	13	\$12.44	\$33.13
Sullivan Gardens	13	\$12.44	\$33.13
Bluff City	12	\$12.01	\$32.12
Bristol	12	\$12.01	\$32.12
Johnson City	12	\$12.01	\$32.12

¹¹United Telephone-Southeast, Inc. Tennessee Tariffs U3.31 Flat Rate Residential Service rates.

¹²United Telephone-Southeast, Inc. Tennessee Tariffs U3.31 Flat Rate Business Service rates.

1	Jonesborough	12	\$12.01	\$32.12
2	Baileyton	10	\$11.21	\$29.63
3	Greeneville	10	\$11.21	\$29.63
4	Mosheim	10	\$11.21	\$29.63
5	Butler	9	\$10.70	\$28.42
6	Elizabethton	9	\$10.70	\$28.42
7	Hampton	9	\$10.70	\$28.42
8	Roan Mountain	9	\$10.70	\$28.42
9	Stoney Creek	9	\$10.70	\$28.42
10	Erwin	4	\$8.91	\$23.19
11 12	Mountain City	3	\$8.58	\$22.43

13
14
15 Q. Were there other changes in the tariff that could change the classification of an
16 access line from residential to business?

17
18 A. Yes. There is one other tariff change that could impermissibly result in such a
19 reclassification and rate increase. The tariff is somewhat ambiguous concerning the
20 treatment of secretarial line terminations of residence main service terminating as
21 extension lines on the premise of a telephone answering bureau. Tariffs in effect on June
22 6, 1995 provided in U2.3.5 c (6) that the residence rates would be applied to:

23 Secretarial line terminations of residence main
24 service terminating as extension lines on the
25 premise of a telephone answering bureau.
26
27

1 The tariff pages placed into effect on October 25, 1995 do not address such lines.
2 As a result, it is not clear if such lines are to be treated as residential or as business lines
3 under the current tariffs. In my opinion, the secretarial line termination should be at the
4 rate and classification which existed on June 6, 1995. The residence rate should apply to
5 secretarial line terminations of residence main service terminating as extension lines on
6 the premise of a telephone answering bureau.

7 In general, the revised tariff pages appear to simplify the procedure for making
8 the distinction between residential and business lines. For comparative purposes, the
9 initial and the revised tariff wording is provided as Attachment B.

10
11 Q. Have there been any other tariff filings that result in an increase in the rate for a
12 basic service?

13
14 A. Yes. I have previously discussed the treatment of ABC Access Line as basic or as
15 non-basic service. Since I was dealing with another issue, I did not address the tariff
16 change effective January 1, 1997 that classified ABC Service as an obsolete service and
17 substituted new Centrex tariffs.

18 In United Telephone-Southeast, Inc.'s tariff, the description of ABC Service is
19 the same as the description for Centrex service and the current customers, who subscribe
20 to ABC Service, will be forced to take service under the Centrex service tariffs effective
21 10/15/99. Centrex is not a new service, but is simply the new name and a new way of

1 bundling and pricing the service provided under the ABC Service tariffs. The impact of
 2 the new bundling results in both rate increases and rate reductions as illustrated:

		<u>Rate Per Month at June 6, 1995</u>		<u>Rate Per Month at January 1, 1997</u>	
		Additional Features Included In Basic Centrex Line ¹³		Total at June 6, 1995	Access Line Rate Including Basic Features
Distance from Central Office	Access Line Rate				
1/4 Mile	\$5.00	\$6.00		\$11.00	\$14.00
1/2 Mile	6.00	6.00		12.00	14.00
3/4 Mile	7.00	6.00		13.00	14.00
1 Mile	8.00	6.00		14.00	14.00
1 1/2 Mile	9.00	6.00		15.00	14.00
2 Mile	12.00	6.00		18.00	14.00
2 1/2 Miles	15.00	6.00		21.00	14.00
3 Miles	18.00	6.00		24.00	14.00
3 1/2 Miles	21.00	6.00		27.00	14.00
4 Miles	24.00	6.00		30.00	14.00
4 1/2 Miles	27.00	6.00		33.00	14.00
5 Miles	30.00	6.00		36.00	14.00

21 Q. In the 1/4 mile to 3/4 mile categories have you been able to determine the dollar

¹³ United Telephone-Southeast, Inc. Tennessee General Subscriber Service Tariff, Section U13.27.5 Page 71.

1 amount attributed to the access lines?

2
3
4 **Proprietary Information**

5 A. Yes the total annual access line revenue from ABC lines less than 3/4 mile,
6 under the tariffs in effect on June 6, 1995, is \$, and represents approximately %
7 of the ABC access line revenue. This is classified as proprietary by the company.
8
9

10
11 Q. What features have you included in the price-out of the access lines at June 6,
12 1995?

13
14 A. I have included Call Forward, Call Park, Call Pickup, Call Transfer with Three-
15 Way Conference, Last Number Redial, Ring Again, and Speed Call Short (10). Under
16 the ABC tariff these were optional services. Customers were not required to purchase
17 these services which are now required to be purchased under the Centrex tariff.
18

19 Q. Under the current tariff, is a customer required to take these services that were
20 optional under the tariffs that were in effect on June 6, 1995?

21
22 A. Yes.

1 Q. Assuming that the customers wished to purchase these optional functions, it
2 appears that the rate for new customers located within a half mile of the central office are
3 required to pay the greatest rate increase. What percentage of such customers are located
4 within one half-mile of the central office?

5
6 A. Based on the supporting documents filed by United Telephone-Southeast, Inc. in
7 this docket, historically over 55% of such customers are located within one-half mile of
8 the central office.

9
10 Q. Does Tenn. Code Ann. § 65-5-209 prohibit the Company from increasing the rate
11 for such basic access lines?

12
13 A. Yes.

14
15 Q. What is your opinion regarding the proper treatment of directory assistance?

16
17 A. Directory assistance is included in basic local exchange service?

18
19 Q. In your opinion, is United Telephone-Southeast's proposal to implement a charge
20 for directory assistance (DA) consistent with Tenn. Code Ann. § 65-5-208 and Tenn.
21 Code Ann. § 65-5-209?

1 A. No. Directory assistance is part of basic service that customers were receiving on
2 June 5, 1996 when they purchased the usage of either a residence or business access line.
3 As a result, the Company's proposal to classify directory assistance usage as a non-basic
4 service and to institute a charge for directory assistance usage, violates the law.

5
6 Q. What is your opinion regarding the proper treatment of E-911 Emergency
7 Services and why?

8
9 A. In my opinion, E-911 Emergency Service should be treated as a basic service.
10 Tenn. Code Ann. §65-5-208 specifically identifies 911 Emergency Services as basic
11 service.

12
13 Q. What is your opinion regarding the proper treatment of ABC (Centrex) intercom
14 lines and why?

15
16 A. ABC intercom lines are in fact access lines that should be classified as basic
17 service because the definition of basic service in Tenn. Code Ann. § 65-5-208. The
18 Company's tariff does not include any reference to ABC intercom lines. The tariff
19 includes ABC Access Lines. In this filing the Company has attempted to classify a
20 portion of these access lines as basic service while classifying the remainder as non-basic.
21 Since these lines cannot be distinguished, there is no basis for making such an arbitrary

1 categorization.

2
3 Q. What is your opinion regarding the proper rate for 6 or more residence lines, and
4 why?

5
6 A. The proper rate for six (6) or more residential lines should be the same rates
7 existing on June 6, 1995, and not the October 25, 1995 rates. This change in the tariff
8 results in a rate increase for residential lines in excess of five terminating at a household
9 location. Since Tenn. Code Ann. § 65-5-209 prohibits any increase in basic service rates
10 during the first four years that an incumbent local exchange company operates under
11 price regulation, this increase is prohibited.

12
13 Q. Aside from the issues concerning the treatment of directory assistance, E-911
14 Service, ABC(Centrex) lines, and the classification of residence lines in excess of five
15 terminating at a household location, do the filed tariffs in your opinion comply with the
16 agreed methodology and the law?

17
18 A. The proposed directory assistance charge, is an increase in basic service rates.
19 Since Tenn. Code Ann. §65-5-209 prohibits increases in basic service rates at this time, it
20 should not be considered.

21 The remaining and proposed adjustments to non-basic service result in a \$679,015

1 reduction in non-basic service aggregate revenue. This does not include the \$324,715
2 reduction in One-Way and Two-Way Mobile Service rate changes filed on February 4,
3 1997. When the February 4, 1997 filing is included, the Company's proposed rates will
4 result in a \$1,003,680 reduction in aggregate revenue from non-basic service.

5 Since the Company's documentation supports a .4%¹⁴ increase in aggregate
6 revenues from non-basic services, the proposed non-basic rate changes do comply with
7 the statute.

8
9 Q. Does this conclude your testimony?

10
11 A. Yes.

¹⁴ Attachment B page 1 of Price Cap Annual Filing Methodology, January 23, 1997, United Telephone-Southeast, Inc. Tennessee.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

IN RE: TARIFF FILING BY UNITED
TELEPHONE-SOUTHEAST, INC. TO
REFLECT ANNUAL PRICE CAP
ADJUSTMENT (TARIFF NO. 96-201)

)
)
)
) DOCKET NO. 96-01423
)
)
)

AFFIDAVIT

I, Archie R. Hickerson, Director of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above referenced case and the opinion of the Consumer Advocate Division.



Sworn to and subscribed before me
this 14th day of February 1997.



NOTARY PUBLIC

My commission expires on: 1/20/99

Certificate of Service

I hereby certify that a true and correct copy of the foregoing Direct Testimony of Archie R. Hickerson was served on parties of record via U.S. Mail, postage prepaid, this 17th day of February, 1997.

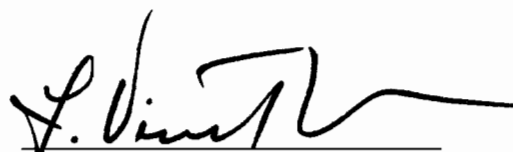
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BellSouth Telecommunications, Inc.
333 Commerce St., Suite 2101
Nashville, TN 37201-3300


L. Vincent Williams

Before the

TENNESSEE REGULATORY AUTHORITY

In Re: Tariff Filing by United Telephone-Southeast, Inc. To Reflect Annual Price
Cap Adjustment (Tariff No. 96-201)

Docket No. 96-01423

EXHIBITS

February 14, 1997

TENNESSEE REGULATORY AUTHORITY

Lynn Greer, Chairman
Sara Kyle, Director
Melvin Malone, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

October 3, 1996

Mr. Steve Parrott
Director - State Regulatory Affairs
Sprint Mid-Atlantic
14111 Capital Boulevard
Wake Forest, NC 27587-5900

Dear Mr. Parrott:

In order for the Staff to further evaluate United's tariff regarding the annual price cap adjustment (96-201), the following information is requested:

1. Two price-outs (include volumes, rates and revenues) by SAE codes for basic and non-basic service categories. For the first price-out, use rates in effect at June 30, 1995 with June 1996 volumes annualized. For the second price-out, use June 30, 1996 rates with June 1996 volumes annualized.
2. The number of directory assistance calls and access lines in each of the other four Sprint Mid-Atlantic states prior to the establishment of a directory assistance (DA) charge, as well as the number of calls and access lines in each state after the implementation of a DA charge (separate into residence and business). Also, provide any further documentation available that supports the proposed 50% suppression rate.
3. An explanation of why mobile service providers being charged \$0.30 per DA request and other end users being charged \$0.50 per request does not constitute price discrimination.
4. Copies of the customer notices issued for the proposed DA charges.

We request this information be provided no later than October 9, 1996. If there is need for clarification regarding this matter, contact David Foster at (615) 741-6757.

Sincerely,

Mike Gaines
Telecom

Manager
(615) 741-29

2-8359, Facsimile (615)

GENERAL SUBSCRIBER SERVICES TARIFF

UNITED TELEPHONE-SOUTHEAST, INC.
TENNESSEE

Fifth Revised Page 7
Cancels Fourth Revised Page 7

(T)

ISSUED: October 19, 1992
BY: Vice President
Bristol, Tennessee

EFFECTIVE: October 21, 1992

U2. GENERAL REGULATIONS

U2.3 ESTABLISHMENT AND FURNISHING OF SERVICE (Cont'd)

U2.3.4 APPLICATION FOR SERVICE (Cont'd)

- c. If telephone service is established and it is subsequently determined that either condition in b. above exists, the Company may suspend or disconnect such service until satisfactory arrangements have been made for the payment of the prior indebtedness.
- d. When application for service and facilities or requests for additions, rearrangements, relocations or modifications of service and equipment are cancelled in whole or in part prior to completion of the service involved, the applicant is required to reimburse the Company for all expense incurred in handling the request before notice of cancellation is received, including the disposition of material or equipment that cannot be used for another customer and the removal of that material or equipment after notice of cancellation by the customer.
- e. When equipment has been ordered for the specific needs of a subscriber and the installation thereof is unduly delayed by or at the request of the subscriber, appropriate charges apply for such equipment for the period of the delay.
- f. When a subscriber requests a change in location of all or a part of the facilities covered by his application for service or requests for additions, rearrangements or modifications of his existing service prior to completion of the work involved, he is required to pay the difference between the total costs and expenses incurred by the Company in completing the work involved and that which would have been incurred had the final location of facilities been specified initially.
- g. The Company shall design its network to provide a P.01 grade of service. In order to maintain this standard, subscribers of inward service, such as DID (Direct Inward Dialing), which consist of a trunk ended device where digits are outpulsed from the central office to the customer, must design their facilities to permit performance without injurious effect upon any services rendered by the Company in the Switching Network. The subscribers should design their facilities to maintain a P.01 grade of service consistent with the Company's network design. Unassigned numbers in a block of numbers purchased by the customer must be intercepted by recorded announcement or attendant at the customer location.

U2.3.5 APPLICATION OF RATES FOR BUSINESS AND RESIDENCE SERVICE

- a. Although, in general, business rates apply at business locations and residence rates apply at residence locations, the determination as to whether subscriber service should be classified as business or residence is based on the character of use to be made of the service.
- b. Business rates apply whenever the use of the service is primarily or substantially of a business, professional, institutional or otherwise occupational nature or where the listing required is such as to indicate business use. Business rates apply for:

GENERAL SUBSCRIBER SERVICES TARIFF

UNITED TELEPHONE-SOUTHEAST, INC.
TENNESSEE

Second Revised Page 8
Cancel First Revised Page 8

(T)

ISSUED: October 19, 1992
BY: Vice President
Bristol, Tennessee

EFFECTIVE: October 21, 1992

U2. GENERAL REGULATIONS

U2.3 ESTABLISHMENT AND FURNISHING OF SERVICE (Cont'd)

U2.3.5 APPLICATION OF RATES FOR BUSINESS AND RESIDENCE SERVICE (Cont'd)

b. (Cont'd)

- (1) Offices, stores, factories, mines and all other places of a strictly business nature.
- (2) Boarding houses (see Definition of Terms, U1), except as modified under U2.3.5.c.(2); offices of hotels and apartment houses, colleges, quarters occupied by clubs and fraternal societies, except as modified under U2.3.5.c.(5); public, private or parochial schools, hospitals, nursing homes, libraries and other institutions and churches.
- (3) Residence locations, where the place of residence is adjacent to a place of business and is connected thereto, and it is not evident that the service located in the residence is to be employed primarily for domestic use.
- (4) Residence locations, where an extension station or extension bell is located in any place where business rates would apply under the provisions of this tariff.
- (5) Service terminating solely on the secretarial facilities of a secretarial answering firm will carry business rates.
- (6) Any location where a business designation is provided or when any title indicating a trade or profession is listed, except as modified under U2.3.5.c.(3).
- (7) All other locations where the subscriber's primary use of the service is for business purposes.

c. Residence rates apply when the use of the service is of a domestic nature and provided that service is not used substantially for occupational purposes. Residence rates apply for:

- (1) Private residences on service not employing business listings.

GENERAL SUBSCRIBER SERVICES TARIFF

UNITED TELEPHONE-SOUTHEAST, INC.
TENNESSEE

Second Revised Page 9
Cancels First Revised Page 9

(T)

ISSUED: October 19, 1992
BY: Vice President
Bristol, Tennessee

EFFECTIVE: October 21, 1992

U2. GENERAL REGULATIONS

U2.3 ESTABLISHMENT AND FURNISHING OF SERVICE (Cont'd)

U2.3.5 APPLICATION OF RATES FOR BUSINESS AND RESIDENCE SERVICE (Cont'd)

c. (Cont'd)

- (2) Private apartments in hotels, clubs and boarding houses where service is confined to the domestic use of the subscriber and business listings are not employed.
- (3) The place of residence of a clergyman, physician, registered or practical nurse, dentist, veterinary surgeon, or other medical practitioner or Christian Science practitioner, provided the service is not installed in that portion of the subscriber's residence which is used as an office, but is located in the subscriber's domestic establishment, and provided no business designation is employed. Titles such as "Dr.", "Rev.", "Judge", "Professor" are not considered business designations.
- (4) Private stable or garage when strictly a part of the subscriber's domestic establishment.
- (5) College fraternity houses where members of the fraternity lodge within the house.
- (6) Secretarial line terminations of residence main service terminating as extension lines on the premises of a telephone answering bureau.
- (7) Lines which are terminated in facilities or equipment of an amateur radio licensee and used for control of amateur radio communications repeaters and for no purpose which would otherwise cause the service to be classified as business.

- d. Changes from business service to residence service are made only in the event of a change in the subscriber's arrangements which would entitle him to a residence classification of his service, as specified in "c." above.

The business telephone number may be continued for the residence service only if all the facts indicate that the service is no longer to be used substantially for business purposes.

- e. Changes from residence to business service may be made without change in telephone number, if the subscriber so desires. Service connection charges, which apply for such changes, are quoted in Section U4 of this tariff.

U2.3.6 TRANSFER OF SERVICE BETWEEN SUBSCRIBERS

- a. Service previously furnished one subscriber may be assumed by a new subscriber upon due notice of cancellation, or in case of abandonment, provided there is no lapse in the rendition of service. Such transfers are subject to service connection charge regulations and may be arranged for in either of two ways:

ISSUED: September 22, 1995
BY: **Director Regulatory Affairs TN/VA**
Wake Forest, North Carolina

EFFECTIVE: October 25, 1995

(T)
(T)

U2. GENERAL REGULATIONS

U2.3 ESTABLISHMENT AND FURNISHING OF SERVICE (Cont'd)

U2.3.4 APPLICATION FOR SERVICE (Cont'd)

- c. If telephone service is established and it is subsequently determined that either condition in b. above exists, the Company may suspend or disconnect such service until satisfactory arrangements have been made for the payment of the prior indebtedness.
- d. When application for service and facilities or requests for additions, rearrangements, relocations or modifications of service and equipment are cancelled in whole or in part prior to completion of the service involved, the applicant is required to reimburse the Company for all expense incurred in handling the request before notice of cancellation is received, including the disposition of material or equipment that cannot be used for another customer and the removal of that material or equipment after notice of cancellation by the customer.
- e. When equipment has been ordered for the specific needs of a subscriber and the installation thereof is unduly delayed by or at the request of the subscriber, appropriate charges apply for such equipment for the period of the delay.
- f. When a subscriber requests a change in location of all or a part of the facilities covered by his application for service or requests for additions, rearrangements or modifications of his existing service prior to completion of the work involved, he is required to pay the difference between the total costs and expenses incurred by the Company in completing the work involved and that which would have been incurred had the final location of facilities been specified initially.
- g. The Company shall design its network to provide a P.01 grade of service. In order to maintain this standard, subscribers of inward service, such as DID (Direct Inward Dialing), which consist of a trunk ended device where digits are outpulsed from the central office to the customer, must design their facilities to permit performance without injurious effect upon any services rendered by the Company in the Switching Network. The subscribers should design their facilities to maintain a P.01 grade of service consistent with the Company's network design. Unassigned numbers in a block of numbers purchased by the customer must be intercepted by recorded announcement or attendant at the customer location.

U2.3.5 APPLICATION OF RATES FOR BUSINESS AND RESIDENCE SERVICE

- a. *The determination of whether customer service is furnished at Business or Residence rates is based on consideration of the directory listing used for the service and the location of the service.*
- b. *Service is classified and charged at business rates where the directory listing indicates business use or where it is determined that the location is used primarily as a business, professional, trade or occupational location.*
- c. *Service is classified and charged at residence rates where the directory listing does not indicate business use and where the telephone service is furnished at a location used primarily as a residence or place of dwelling.*

(C)
|
(C)

ISSUED: September 22, 1995
BY: **Director Regulatory Affairs TN/VA**
Wake Forest, North Carolina

EFFECTIVE: October 25, 1995

(T)
(T)

U2. GENERAL REGULATIONS

U2.3 ESTABLISHMENT AND FURNISHING OF SERVICE (Cont'd)

U2.3.5 APPLICATION OF RATES FOR BUSINESS AND RESIDENCE SERVICE (Cont'd)

- d. Individuals practicing a profession or operating a business and having no office other than their residence may choose either business service or residence service depending upon the type of directory listing requested.*
- e. Business or residential services are not installed on premises of a public or semi-public character in a location where the service would be accessible for use by the patrons of the customer or by the public in general.*
- f. Residence service may not be a part of a hunting sequence that contains business lines.*
- g. No more than five (5) residential lines terminating at a household location are eligible for residence rates.*
- h. Changes from business service to residence service are made only in the event of a change in the subscriber's arrangements which would entitle him to a residence classification of his service, as shown in "c." or "d." above.*
- i. The business telephone number may be continued for the residence service only if all the facts indicate that the service can no longer be classified as "Business Service" as indicated in "b." above. Service connection charges, which apply for these changes, are shown in Section 4 of this tariff.*
- j. Changes from residence to business service may be made without change in telephone number, if the subscriber so desires. Service connection charges, which apply for these charges, are shown in Section 4 of this tariff.*

(C)

(C)

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee

October 13, 1995

IN RE: APPLICATION OF UNITED TELEPHONE-SOUTHEAST, INC.,
FOR APPROVAL TO IMPLEMENT PRICE REGULATION

DOCKET NO. 95-02615

RECEIVED

OCT 16 1995

**STATE ATTORNEY GENERAL
CONSUMER ADVOCATE DIVISION**

ORDER

By Order of September 20, 1995, the Commission allowed United Telephone-Southeast, Inc. (United) ten days in which to file a written request for a contested evidentiary proceeding to set initial rates in accord with T.C.A. 65-5-209 (c). On September 27, this Commission received notice from United that they declined the opportunity afforded to them by law for their initial rates under price regulation to be set by contested proceeding.

Currently, pending in this Docket is a Motion of AT&T Communications asking the Commission to convene a hearing for the purpose of construing several provisions of Title 65, as amended by Chapter 408 of the Public Acts of 1995, (the .Act.) and by Chapter 305 of the Public Acts of 1995. Based on its review, the Commission finds that the pleading, on its face, can be substantially addressed by this Commission's Order. AT&T's request for a review of each rate prior to implementation of price regulation is not warranted by any provision of Title 65, as amended by Chapter 408 of the Public Acts of 1995, or by Chapter 305 of the Public Acts of 1995. There being no authority for the Commission under the provisions of the law to make any further finding with regard to rates except as set out in this Order and United having waived any opportunity to have rates set in a contested proceeding before the Commission

IT IS THEREFORE ORDERED THAT:

1. The rates in effect as of June 6, 1995 for all Basic Local Exchange Telephone Services (Basic Services) and Non-Basic Services as defined in Section 65-5-208 are affordable and, for these initial rates, price regulation is effective for these purposes upon entry of this Order;
2. United shall charge and collect for Basic and Non-Basic Services only such rates less than or equal to the maximum permitted by T.C.A., Title 65, Chapter 5 (the "Act");
3. Effective January 1, 1996, United shall adhere to a price floor for its competitive services subject to such determination as the Commission shall make pursuant to T.C.A. 65-5-207;
4. United shall adhere to the safeguards set forth in T.C.A. 65-5-208 (c) and (d) and all non-discrimination provisions of Title 65;
5. United shall comply with all Competitive and Administrative Rules and such Orders as are issued by the Commission regarding support of universal service and such additional rules issued by the Commission under Title 65, Chapter 5, including interconnection, resale, interLATA equal access, unbundling, number portability and packaging of Basic Services;

Notwithstanding the above adjustments permitted in T.C.A. 65-5-209 (e) the initial Basic Service rates shall not increase for a period of four years from the date of this Order. At

the end of this four-year period, United shall only be permitted to adjust annually its rates for Basic Services in accordance with the method set forth in T.C.A. 65-5-209(e) provided that the limitations and safeguards set forth in the Act. are followed with regard to any increase in rates;

7. United's rates for Non-Basic Services shall be set as the company deems appropriate, subject to the limitations set forth in T.C.A. 65-5-209(e) and (g), the non-discrimination provisions of this Title, any rules or orders issued by the Commission pursuant to Section 65-5-208(c) and upon requisite prior notice to all affected customers;

8. United shall maintain its commitment to the FYI Tennessee Master Plan to the completion of the funded requirements. Any adjustments to the plan to be approved by the Commission;

9. United shall comply with their business participation plan submitted on August 4, 1995.

IT IS FURTHER ORDERED THAT:

1. The requests of AT&T's Motion not subsumed by the terms of this Order are hereby denied as being in excess of the authority with which we have been empowered.


CHAIRMAN


COMMISSIONER


COMMISSIONER

ATTEST:


EXECUTIVE DIRECTOR

United Telephone-Southeast, Inc.
Summary of Company Filing Made in Docket 96-01423

	September 12, 1997 Filing a/			December 6, 1996 Filing b/			January 28, 1997 Filing c/		
	Annual Base Revenues June 1996 Rates	Proposed Annual Revenues	Rate Increases (Rate Reductions)	Annual Base Revenues June 1996 Rates	Proposed Annual Revenues	Rate Increases (Rate Reductions)	Annual Base Revenues June 1996 Rates	Proposed Annual Revenues	Rate Increases (Rate Reductions)
Basic Service									
Local**	\$45,496,243.20	\$45,496,243.20	\$ -	\$45,496,243.20	\$45,496,243.20	\$ -	\$45,680,367.48	\$45,680,367.48	\$ -
Basic Service Conn Charge/NRC**	1,890,569.96	1,890,569.96	-	1,890,569.96	1,890,569.96	-	1,951,256.52	1,626,592.69	(324,663.83)
Measured Service/OCC	1,053,816.00	1,053,816.00	-	1,053,816.00	1,053,816.00	-	1,053,816.00	1,053,816.00	-
Total Basic Service	\$48,440,629.16	\$48,440,629.16	\$ -	\$48,440,629.16	\$48,440,629.16	\$ -	\$48,685,440.00	\$48,360,776.17	\$(324,663.83)
Non-Basic Services									
Local**	\$17,456,508.00	\$17,456,508.00	\$ -	\$17,456,508.00	\$17,456,508.00	\$ -	\$16,681,668.00	\$17,261,427.96	\$579,759.96
Measured Toll***	5,805,444.00	5,805,444.00	-	5,805,444.00	5,805,444.00	-	5,805,444.00	5,805,444.00	-
Switched Access-Ded	269,270.52	269,270.52	-	269,270.52	269,270.52	-	306,571.43	269,235.47	(37,335.96)
Switched Access	6,509,576.75	6,509,576.75	-	6,509,576.75	6,509,576.75	-	6,509,576.75	6,509,576.75	-
Special Access	204,968.64	204,968.64	-	204,968.64	204,968.64	-	190,754.40	204,968.64	14,214.24
Opportunity 800	113,400.00	113,400.00	-	113,400.00	113,400.00	-	113,400.00	113,400.00	-
WATS****	3,297.00	3,297.00	-	3,297.00	3,297.00	-	3,297.00	3,297.00	-
Non-Basic Service Conn Charges/NRCs**	766,242.04	766,242.04	-	766,242.04	766,242.04	-	800,160.36	664,419.19	(135,741.17)
Billing and Collections	712,549.32	712,549.32	-	712,549.32	712,549.32	-	712,549.32	712,549.32	-
Public & Semi-Public Phone Revenue*****	1,028,664.00	1,028,664.00	-	1,028,664.00	1,028,664.00	-	1,028,664.00	1,028,664.00	-
Cellular Interconnection	1,410,084.00	1,410,084.00	-	1,410,084.00	1,410,084.00	-	1,410,084.00	1,410,084.00	-
Directory Compensation	3,591,060.00	3,591,060.00	-	3,591,060.00	3,591,060.00	-	3,591,060.00	3,591,060.00	-
Miscellaneous*****	4,160,438.20	4,160,438.20	-	4,160,438.20	4,160,438.20	-	4,160,438.20	4,160,438.20	-
Non-Basic Revenue Adjustment			-			-			-
Directory Assistance	2,090,190.00	2,090,190.00	-	2,090,190.00	2,090,190.00	-			-
Switched Access R/C	(725,004.00)	(725,004.00)	-	(725,004.00)	(725,004.00)	-			-
Carrier Common Line	(1,197,010.32)	(1,197,010.32)	-	(1,197,010.32)	(1,197,010.32)	-			-
TOTAL BASIC and NON-BASIC	\$42,031,502.47	\$42,199,678.15	\$168,175.68	\$42,031,502.47	\$42,199,556.53	\$168,054.06	\$41,313,667.46	\$41,477,050.78	\$163,383.32

PR/SPI COMPARISON

PR/SPI Comparison	September 12, 1997 Filing a/			December 6, 1996 Filing b/			January 28, 1997 Filing c/		
	Basic SPI	Proposed Revenue	Rate Increases (Rate Reductions)	Basic SPI	Proposed Revenue	Rate Increases (Rate Reductions)	Basic SPI	Proposed Revenue	Rate Increases (Rate Reductions)
Basic SPI		\$48,440,629.16			\$48,440,629.16			\$48,360,776.17	
Base Revenue		\$48,440,629.16			\$48,440,629.16			\$48,685,440.00	
Pro. Rev/Base Rev		1.0000			1.0000			0.9933	
X100		100			100			99.33	
Non-Basic SPI		\$42,199,678.15			\$42,199,556.53			\$41,477,050.78	
Base Revenue		\$42,031,502.47			\$42,031,502.47			\$41,313,667.46	
Pro. Rev/Base Rev		1.0040			1.0040			1.0040	
X100		100.40			100.40			100.40	
Current Year PRI		100.4			100.4			100.4	

* Basic-Local and Non-Basic-Local includes an adjustment from ABC/NAR Workpaper, January 28, 1997 Filing only.
 ** Basic-Local + Non-Basic-Local + Non-Basic Cellular Interconnection = Total to consider for Serv Conn/NRC allocation.
 *** Includes Region Call adjustment and Deny All Knowledge (DAK) charges.
 **** Includes MOU elements. Monthly Recurring is included in Non-Basic Local.
 ***** Includes coins collected revenue. Monthly Recurring is included in Non-Basic Local.
 ***** Includes pole attachments, floor space, returned check, E911 fees, etc. Intrastate allocation factor as of 5/96 were used.

a/ September 12, 1996 Filing Attachment A
 b/ December 6, 1996 Filing Attachment A
 c/ January 28, 1997 Filing Attachment A

Attachment D, Page 1 of 4

**Total Revenues by Category for Basic and Non-Basic Services
Reflecting 1996 Proposed Price Changes and PRI/SPI Comparisons**

			<u>Base Revenues</u>		<u>Proposed Revenues</u>	
<u>Source of Revenues</u>			<u>June 1996</u>	<u>June 1996 Annualized</u>	<u>Monthly</u>	<u>Annual</u>
<u>Basic Services</u>						
	Local	Billing Reports	3,791,353.60	45,496,243.20	3,791,353.60	45,496,243.20
	Basic Service Connection Charges/NRCs*	General Ledger	157,547.50	1,890,569.96	157,547.50	1,890,569.96
	Measured Service/OCC	General Ledger	87,818.00	1,053,816.00	87,818.00	1,053,816.00
	Total Basic Services		4,036,719.10	48,440,629.16	4,036,719.10	48,440,629.16
<u>Non-Basic Services</u>						
	Local	Billing Reports	1,454,709.00	17,456,508.00	1,454,709.00	17,456,508.00
	Message Toll**	Billing Reports	483,787.00	5,805,444.00	483,787.00	5,805,444.00
	Switched Access - Ded	Billing Reports	22,439.21	269,270.52	22,439.21	269,270.52
	Switched Access	Billing Reports	542,464.73	6,509,576.75	542,464.73	6,509,576.75
	Special Access	Billing Reports	17,080.72	204,968.64	17,080.72	204,968.64
	Opportunity 800	General Ledger	9,450.00	113,400.00	9,450.00	113,400.00
	WATS***	Billing Reports	274.75	3,297.00	274.75	3,297.00
	Non-Basic Service Connection Charges/NRCs*	General Ledger	63,853.50	766,242.04	63,853.50	766,242.04
	Billing and Collection	General Ledger	59,379.11	712,549.32	59,379.11	712,549.32
	Public and Semi-Public Phone Revenue****	General Ledger	85,722.00	1,028,664.00	85,722.00	1,028,664.00
	Cellular Interconnections	General Ledger	117,507.00	1,410,084.00	117,507.00	1,410,084.00
	Directory Compensation	General Ledger	299,255.00	3,591,060.00	299,255.00	3,591,060.00
	Miscellaneous*****	General Ledger	346,703.18	4,160,438.20	346,703.18	4,160,438.20
	Directory Assistance	Attachment D, Page 2			174,182.50	2,090,190.00
	Switched Access RIC	Attachment D, Page 3			-60,417.00	-725,004.00
	Carrier Common Line	Attachment D, Page 4			-99,750.86	-1,197,010.32
	Total Non-Basic Services		3,502,625.21	42,031,502.47	3,516,639.85	42,199,678.16
TOTAL BASIC and NON-BASIC			7,539,344.30	90,472,131.64	7,553,358.94	90,640,307.32

PRI/SPI COMPARISON	Basic SPI Calculation	Proposed Revenues	4,036,719.10	48,440,629.16
		Base Revenues	4,036,719.10	48,440,629.16
		Result	1.0000	1.0000
		X Previous Year's SPI	100.00	100.00
	Non-Basic SPI Calculation	Proposed Revenues	3,516,639.85	42,199,678.16
		Base Revenues	3,502,625.21	42,031,502.47
		Result	1.0040	1.0040
		X Previous Year's SPI	100.40	100.40
Current Year PRI		100.40	100.40	

* Basic-Local + Basic-Measured + Non-Basic-Local + Non-Basic Cellular Interconnection Total to consider for Serv Conn/NRC allocation

** Includes Region Call adjustment and Deny All Knowledge (DAK) charges.

*** Includes MOU element. Monthly Recurring is included in Non-Basic Local

**** Includes coins collected revenue. Monthly Recurring is included in Non-Basic Local

***** Includes pole attachments, floor-space, returned check, E911 surcharge, etc. Intrastate location factors as of 5/96 were used

Revision
Attachment D, Page 1 of 4

Total Revenues by Category for Basic and Non-Basic Services
Reflecting 1996 Proposed Price Changes and PRI/SPI Comparisons

			<u>Base Revenues</u>		<u>Proposed Revenues</u>	
	<u>Source of Revenues</u>		<u>June 1996</u>	<u>June 1996 Annualized</u>	<u>Monthly</u>	<u>Annual</u>
Basic Services						
	Local	Billing Reports	3,791,353.60	45,496,243.20	3,791,353.60	45,496,243.20
	Basic Service Connection Charges/NRCs*	General Ledger	157,547.50	1,890,569.96	157,547.50	1,890,569.96
	Measured Service/OCC	General Ledger	87,818.00	1,053,816.00	87,818.00	1,053,816.00
	Total Basic Services		4,036,719.10	48,440,629.16	4,036,719.10	48,440,629.16
Non-Basic Services						
	Local	Billing Reports	1,454,709.00	17,456,508.00	1,454,709.00	17,456,508.00
	Message Toll**	Billing Reports	483,787.00	5,805,444.00	483,787.00	5,805,444.00
	Switched Access - Ded	Billing Reports	22,439.21	269,270.52	22,439.21	269,270.52
	Switched Access	Billing Reports	542,464.73	6,509,576.75	542,464.73	6,509,576.75
	Special Access	Billing Reports	17,080.72	204,968.64	17,080.72	204,968.64
	Opportunity 800	General Ledger	9,450.00	113,400.00	9,450.00	113,400.00
	WATS***	Billing Reports	274.75	3,297.00	274.75	3,297.00
	Non-Basic Service Connection Charges/NRCs*	General Ledger	63,853.50	766,242.04	63,853.50	766,242.04
	Billing and Collection	General Ledger	59,379.11	712,549.32	59,379.11	712,549.32
	Public and Semi-Public Phone Revenue****	General Ledger	85,722.00	1,028,664.00	85,722.00	1,028,664.00
	Cellular Interconnections	General Ledger	117,507.00	1,410,084.00	117,507.00	1,410,084.00
	Directory Compensation	General Ledger	299,255.00	3,591,060.00	299,255.00	3,591,060.00
	Miscellaneous*****	General Ledger	346,703.18	4,160,438.20	346,703.18	4,160,438.20
	Directory Assistance	Attachment D, Page 2			83,840.75	1,006,089.00
	Switched Access RIC	Attachment D, Page 3			-2,864.62	-34,375.41
	Carrier Common Line	Attachment D, Page 4			-66,971.63	-803,659.53
	Total Non-Basic Services		3,502,625.21	42,031,502.47	3,516,629.71	42,199,556.54
TOTAL BASIC and NON-BASIC			7,539,344.30	90,472,131.64	7,553,348.81	90,640,185.70

PRI/SPI COMPARISON	Basic SPI Calculation	Proposed Revenues	4,036,719.10	48,440,629.16
		Base Revenues	4,036,719.10	48,440,629.16
		Result	1.0000	1.0000
		X Previous Year's SPI	100.00	100.00
	Non-Basic SPI Calculation	Proposed Revenues	3,516,629.71	42,199,556.54
		Base Revenues	3,502,625.21	42,031,502.47
		Result	1.0040	1.0040
		X Previous Year's SPI	100.40	100.40
Current Year PRI		100.40	100.40	

* Basic-Local + Basic-Metro
 ** Includes Region Call
 *** Includes MOU element
 **** Includes coins collected
 ***** Includes pole attachment
 Non-Local + Non-Basic Cellular Interconnection = Total to consider for Serv Conn/NRC allocation
 * All Knowledge (DAK) charges
 ** is included in Non-Basic Local
 *** Recurring is included in Non-Basic Local
 **** formed check, E911 surcharge, etc. Intrastate allocation factors as of 5/96 were used

Service Price Index (SPI) Calculation
Total Revenues by Category for Basic and Non-Basic Services

		<u>Base Revenues</u>		<u>Proposed Revenues</u>	
		June 1995 Rates June 1996 Volumes	June Annualized	June 1996 Rates June 1996 Volumes	June Annualized
<u>Basic Services</u>					
Local*	Billing Reports	3,806,697.29	45,680,367.48	3,806,697.29	45,680,367.48
Basic Service Conn Charges/NRCs**	General Ledger	162,604.71	1,951,256.52	135,549.39	1,626,592.69
Measured Service/OCC	General Ledger	87,818.00	1,053,816.00	87,818.00	1,053,816.00
Total Basic Services		4,057,120.00	48,685,440.00	4,030,064.68	48,360,776.17
<u>Non-Basic Services</u>					
Local*	Billing Reports	1,390,139.00	16,681,668.00	1,438,452.33	17,261,427.96
Message Toll***	Billing Reports	483,787.00	5,805,444.00	483,787.00	5,805,444.00
Switched Access - Ded	Billing Reports	25,547.62	306,571.43	22,436.29	269,235.47
Switched Access	Billing Reports	542,464.73	6,509,576.75	542,464.73	6,509,576.75
Special Access	Billing Reports	15,896.20	190,754.40	17,080.72	204,968.64
Opportunity 800	Billing Reports	9,450.00	113,400.00	9,450.00	113,400.00
WATS****	Billing Reports	274.75	3,297.00	274.75	3,297.00
Non-Basic Service Conn Charges/NRCs**	General Ledger	66,680.03	800,160.36	55,368.27	664,419.19
Billing and Collection	Billing Reports	59,379.11	712,549.32	59,379.11	712,549.32
Public & Semi-Public Phone Revenue*****	General Ledger	85,722.00	1,028,664.00	85,722.00	1,028,664.00
Cellular Interconnections	General Ledger	117,507.00	1,410,084.00	117,507.00	1,410,084.00
Directory Compensation	General Ledger	299,255.00	3,591,060.00	299,255.00	3,591,060.00
Miscellaneous*****	General Ledger	346,703.18	4,160,438.20	346,703.18	4,160,438.20
Non-Basic Revenue Adjustment	Attachment A, page 2 of 5			(27,055.33)	(324,663.96)
Directory Assistance	Attachment A, page 3 of 5			97,255.27	1,167,063.24
Switched Access RIC	Attachment A, Page 4 of 5			(24,687.79)	(296,253.50)
Carrier Common Line	Attachment A, Page 5 of 5			(66,971.63)	(803,659.53)
Total Non-Basic Services		3,442,805.62	41,313,667.46	3,456,420.90	41,477,050.80
TOTAL BASIC and NON-BASIC		7,499,925.62	89,999,107.46	7,486,485.58	89,837,826.97

PRI/SPI COMPARISON	Basic SPI Calculation	Proposed Revenues	4,030,064.68	48,360,776.17
		Base Revenues	4,057,120.00	48,685,440.00
		Result	0.9933	0.9933
		X 100	99.33	99.33
	Non-Basic SPI Calculation		Proposed Revenues	3,456,420.90
			Base Revenues	3,442,805.62
			Result	1.0040
			X 100	100.40
	Current Year PRI (Attachment B)		100.40	100.40

* Basic-Local and Non-Basic-Local include an adjustment from ABC/NAR Workpaper.

** Basic-Local + Basic-Measured + Non-Basic-Local + Non-Basic Cellular Interconnection = Total to consider for Serv Conn/NRC allocation

*** Includes Region Call adjustment and Deny All Knowledge (DAK) charges.

**** Includes MOU element. Monthly Recurring is included in Non-Basic Local.

***** Includes cons collected revenue. Monthly Recurring is included in Non-Basic Local.

***** Includes pole attachments, floor space, returned check, E911 billing fees, etc. Intra-state allocation factors as of 5/96 were used