



James B. Wright
Senior Attorney

February 21, 1997

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

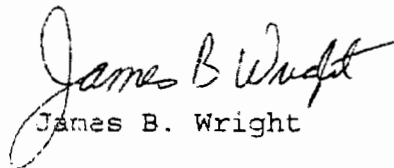
RE: Docket No. 96-01423
Rebuttal Testimony

Dear Mr. Waddell:

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

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

Very truly yours,


James B. Wright

JBW:mhh

Enclosures

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

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CERTIFICATE OF SERVICE
(UTSE Annual Price Cap Adjustment)

The undersigned hereby certifies that the prefiled rebuttal testimony of Steve Parrott has been served upon the following counsel of record in Docket No. 96-01423 this 21st day of February, 1997, by FAX, by hand delivery, by air express or by placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

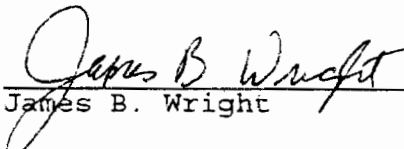
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James B. Wright

REBUTTAL TESTIMONY
OF
CHARLES S. (STEVE) PARROTT

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

ON BEHALF OF
UNITED TELEPHONE-SOUTHEAST, INC.

DOCKET NO. 96-01423

FEBRUARY 21, 1997

REBUTTAL TESTIMONY
OF
CHARLES S. (STEVE) PARROTT
ON BEHALF OF
UNITED TELEPHONE-SOUTHEAST, INC.
DOCKET NO. 96-01423

1 Q. Please state your name and business address.

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

4

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

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

9

10 Q. Are you the same Steve Parrott who has previously filed testimony in this
11 proceeding?

12 A. Yes, I am.

13

14 Q. What is the purpose of your rebuttal testimony?

15 A. The purpose of my rebuttal testimony is to comment on certain of the statements
16 contained in the direct testimony of the Office of the Attorney General's Consumer

1 Advocate Division (CA) witness, Archie Hickerson and AT&T Communications of
2 the South Central State, Inc.'s (AT&T) witness, Michael Harper. Although United
3 Telephone-Southeast, Inc. (United) filed Motions to Strike all or certain sections of
4 these testimonies on February 20, 1997, the ruling on these Motions is not
5 anticipated until the next scheduled Tennessee Regulatory Authority (TRA)
6 Conference on March 4, 1997. Therefore, I have chosen to rebut these testimonies
7 in full, pending the ruling by the TRA on striking these testimonies from the record.

8
9 **CONSUMER ADVOCATE**

10 Q. Please identify the areas of Mr. Hickerson's testimony on which you will comment.

11 A. On page 12 of his testimony, Mr. Hickerson indicates that there are five (5) major
12 points of disagreement between the CA and United. I will primarily address each of
13 the five points, but will also comment on other areas of Mr. Hickerson's testimony.

14
15 **DIRECTORY ASSISTANCE SERVICE**

16 Q. Mr. Parrott, do you agree with Mr. Hickerson that Directory Assistance is a basic
17 service?

18 A. No, I do not. As I stated in my direct testimony on pages 5 and 6, Directory
19 Assistance is a non-basic service. It is clear from the Tennessee Code Annotated
20 Section (TCA §) 65-5-208 (a) (1) and 65-4-124 (c) that Directory Assistance was
21 not intended to be a basic service. TCA § 65-5-208 does not include Directory

1 Assistance in its definition and TCA § 65-4-128 does not set forth a requirement for
2 providers of basic local exchange service to provide Directory Assistance service.

3 Since Directory Assistance service is not a basic service, it is by definition in
4 TCA § 65-5-208 a non-basic service. United's proposal to implement Directory
5 Assistance charges does not violate TCA § 65-5-208. Mr. Hickerson attempts to
6 persuade the TRA that implementation of a charge for Directory Assistance would
7 result in a customer not receiving the same level of quality as on June 6, 1995. First
8 of all, if a price change were to be judged as a change in the level of quality offered
9 by the Company, Tennessee law would not allow for any price changes. However,
10 this is contrary to Tennessee law. TCA § 65-5-209 specifically permits and
11 describes how price adjustments can be made for both basic and non-basic services.
12 The foundation for Mr. Hickerson's argument is in conflict with the law established
13 by the Tennessee Legislature. Second, even if Mr. Hickerson's assertion for basic
14 services were correct, Directory Assistance is a non-basic service under the law and
15 TCA § 65-5-208 does not set forth a comparison of the level of quality provided on
16 June 6, 1995 for non-basic services.

17
18 Q. On page 14, lines 8-12, Mr. Hickerson states that other Local Exchange Carriers
19 operating in Tennessee provide directory assistance usage without any additional
20 charge. Is this a true statement?

1 A. No, it is not. As I state in my direct testimony on page 7, lines 12-14, and illustrate
2 in Exhibit CSP4 to my direct testimony, five Telephone Cooperatives in Tennessee
3 have Directory Assistance charges in excess of those proposed by United in this
4 case.

5
6 Q. On page 18 of his testimony, Mr. Hickerson estimates the number of listings that
7 would be missing from directories at the time of publication. Do you agree with the
8 foundation of his calculations?

9 A. No, I do not. At the request of our customers, not all telephone numbers issued by
10 United are listed. In addition to those customers who request non-published or non-
11 listed numbers, residential customers requesting a second line may prefer that their
12 second telephone number not be listed. Also, business customers may have
13 numerous lines with only one telephone number listed in the directory. A prime
14 example of this is Eastman Chemical Company. While Eastman has only 33
15 listings in the Kingsport directory, they have a significantly greater number of lines
16 to their premises. Each time Eastman adds a trunk or line, a directory listing is not
17 required. Therefore, Mr. Hickerson has overstated the number of listings that he
18 alleges are "missing" from a directory.

19
20 Q. On page 19, Mr. Hickerson discusses the fact that United's proposed tariff would
21 also apply to requested numbers outside the customer's local calling area. Do

1 United's directories provide customers access to numbers outside their local calling
2 area without the need for Directory Assistance?

3 A. Yes, they do. The Bristol, Elizabethton, Johnson City and Kingsport directories
4 include business listings for Bluff City, Blountville, Bristol, Butler, Church Hill-
5 Mount Carmel, Elizabethton, Fall Branch, Gray, Hampton, Jonesborough, Johnson
6 City, Kingsport, Limestone, Mountain City, Roan Mountain, Sullivan Gardens,
7 Stoney Creek and certain Virginia exchanges. Also, United provides additional
8 directories to its customers free of charge upon request. This allows customers to
9 receive directories for communities within or outside their local calling area.

10

11 **911 EMERGENCY SERVICE**

12 Q. Is United requesting the TRA to "reclassify" 911 Emergency Services as a non-basic
13 service as stated by Mr. Hickerson on page 24, line 21 of his testimony?

14 A. No. United's classification of 911 Emergency Services provided to an Emergency
15 Service District as non-basic is consistent with state law. To explain, I refer again to
16 TCA § 65-5-208 (a) (1) which defines basic local exchange telephone services as:

17 "...telecommunications services which are comprised of an access line, dial
18 tone, touch-tone and usage provided to the premises for the provision of
19 two-way switched voice or data transmission over voice grade facilities of
20 residential customers or business customers within a local calling area,
21 Lifeline, Link-Up Tennessee, 911 Emergency Services and educational
22 discounts existing on the effective date of this act or other services required
23 by state or federal statute. These services shall, at a minimum, be provided at
24 the same level of quality as is being provided on June 6, 1995. Rates for
25 these services shall include both recurring and nonrecurring charges."
26 (emphasis added)

1 Basic services are telecommunications services which are comprised of an access
2 line, dial tone, touch-tone and usage. The rest of the first sentence is a descriptor for
3 the use of these four elements. Lifeline services are comprised of an access line,
4 dial tone, usage and, if the customer subscribes, touch-tone. Link-Up Tennessee is
5 the nonrecurring charge associated with an access line, dial tone, usage and touch-
6 tone provided to qualifying customers. The provision of 911 Emergency Services
7 relates only to an access line, dial tone, touch-tone and usage, i.e. trunk or business
8 individual line service. United has appropriately included these 911 Emergency
9 Service elements as basic in accordance with the statutory definition. However, 911
10 Emergency Service elements such as Automatic Number Identification (ANI),
11 Automatic Location Identification (ALI) and Selective Routing (SR) which are
12 clearly not related to an access line, dial tone, touch-tone or usage have been
13 categorized as non-basic.

14
15 United has used this same approach in classifying educational discount services.
16 United's filing includes the educational discounted private line services as non-
17 basic, while the educational discounts for In-Classroom Computer Access Service
18 (access line, dial tone, usage and touch-tone) have been included in the basic
19 category. The CA has not raised an objection to this non-basic categorization of
20 educational discounts by United. Mr. Hickerson's arguments are inconsistent and in
21 conflict with the statutory definitions for basic and non-basic services.

ADVANCED BUSINESS CONNECTION (ABC) SERVICE

Q. Mr. Hickerson argues that all ABC Access Lines should be classified as basic services. Do you agree with his position?

A. No, I do not. In accordance with the definition in TCA § 65-5-208, as quoted above, basic service is comprised of an access line, dial tone, usage, and touch-tone. Mr. Hickerson fails to mention in making his argument that an ABC Access Line and a Network Access Register (NAR) are required for access to dial tone, usage and central office-based touch-tone functionality. The NAR provides the functionality for the ABC Access Line to draw dial tone from United's central office similar to that of a business trunk. Since the ABC Access Line has on-premises intercom capability much like the premises wiring behind a business customer's Private Branch Exchange (PBX) equipment, the dial tone that the line receives when off hook is an intercom dial tone similar to the dial tone received by each of the PBX stations. Again similar to the PBX scenario, in order to get the dial tone and usage of the public switched network, a NAR is required much like a trunk is required for a PBX to have dial tone and usage of the public network. Also, without a NAR, the touch-tone capability is limited to internal communications, not to the public switched network. It is the NAR functionality that allows the ABC Access Line to access the dial tone, usage and touch-tone for the local calling area, consistent with the definition in TCA § 65-5-208. United has appropriately classified the NAR as a basic service and assigned a single ABC Access Line for

1 each NAR as basic service with the remainder of the ABC Access Lines classified as
2 non-basic services.

3

4 **OTHER COMMENTS**

5 Q. Do you have additional comments regarding Mr. Hickerson's testimony?

6 A. Yes, I do. While Mr. Hickerson has categorized the disagreements between the CA
7 and United in five main areas, he has expanded issue 4) and 5) to include matters
8 that should have been raised at the time the tariff revisions were filed.

9

10 Specifically referencing issue 4), Mr. Hickerson objects to the pricing for Centrex
11 service approved by the TRA on December 17, 1996 and their Order dated January
12 22, 1997. The tariff to which Mr. Hickerson objects was filed in response to the
13 TRA's Order in Docket No. 96-00462. This Order directed United to file a tariff
14 ".....consistent with this Order and all applicable law, including, but not limited to,
15 those provisions governing the rates applicable to basic local exchange telephone
16 service...". The Centrex tariff was filed, considered by the TRA and approved.
17 United provided a copy of the tariff filing to the Consumer Advocate at the time of
18 initial filing, which for this tariff was on September 13, 1996. The CA did not
19 intervene in the tariff filing or raise any objection to the TRA ruling or Order. Per
20 Uniform Administrative Procedures, a party has ten (10) days after the Order date to
21 Petition for Reconsideration of the Order. The ten (10) day period in this case

1 expired February 6, 1997, just eight (8) days before Mr. Hickerson's testimony
2 questioning the legality of the Centrex tariff was filed. This issue is inappropriately
3 raised in this docket.

4
5 On issue 5), Mr. Hickerson is referring to a tariff filed by United in September,
6 1995. The tariff clarifies the application of business and residence rates by
7 ".....simplifying the procedure for making the distinction between residential and
8 business lines" (as stated in Mr. Hickerson's testimony on page 41, lines 7-8).

9 While this tariff limits the number of residential lines terminating in a household to
10 five (5), United only had two (2) lines in any household at the time of the tariff
11 filing and therefore, no customers were impacted. Mr. Hickerson is now asking for
12 the TRA to rule whether this was a legal filing. Again, United provided a copy to
13 the CA at the time of filing, September 22, 1995. The tariff was approved on
14 October 25, 1995, a few days after United's price regulation plan was effective. If
15 at anytime parties should have been sensitized to the legal parameters of price
16 regulation, it would have been during the plan approval process for United, which
17 was just a few months following the enactment of the Tennessee Code that allows
18 for price regulation. However, the CA once again did not file to intervene in this
19 filing, but is now asking the TRA to reverse the approval of this tariff nearly a year
20 and a half later.

1 Q. Mr. Parrott, within Mr. Hickerson's testimony he mentions meetings held with the
2 parties and revisions made to United's filings. Please explain the purpose of these
3 meetings and the reasons for the revisions.

4 A. Prior to the first ever price regulation filing in Tennessee, United invited the TRA
5 Staff and Consumer Advocate Staff to participate in a meeting on September 3, 1996
6 to overview the information to be filed by United on September 13, 1996. Mr.
7 Hickerson correctly described the content of the meeting.

8
9 After the filing of the price regulation methodology and tariff on September 13,
10 1996, the TRA Staff and the Consumer Advocate Staff issued data requests.
11 Subsequent to these requests, United discovered that certain data supporting the
12 Directory Assistance filing had been duplicated in the production of summary
13 reports. Therefore, on December 6, 1996, United corrected its original filing to
14 reflect the correct level of Directory Assistance calls.

15
16 As described by Mr. Hickerson, additional discovery was issued by the parties in
17 early January with responses due on January 14, 1997. In responding to several of
18 the requests, United determined that a revenue neutral tariff filing approved and
19 effective in June 1996, while revenue neutral overall, was not revenue neutral by
20 service category, but reduced basic service revenue and increased non-basic service
21 revenue. United initiated a meeting with the parties on January 14, 1997 to discuss

1 this and to hand deliver the data request responses that were due to be filed on that
2 day.

3
4 The revenue neutral tariff filing referenced above was made in May 1996 before
5 United had developed the price regulation methodology filed in this docket. United
6 has taken two actions in response to the increase in non-basic revenues in June
7 1996. First, revised tariffs and supporting price regulation calculations were filed
8 with the TRA on January 28, 1997 in this docket. Second, as a separate filing,
9 United has filed tariffs to reduce non-basic revenues by \$324,715.

10

11 The January 28, 1997 filing also insured that the price regulation filing and revised
12 tariffs were fully in compliance with the methodology discussed by the parties on
13 December 13 and 17, 1996 and January 14, 1997 and with the parties' stipulated
14 agreement filed on January 27, 1997.

15

16 AT&T

17 Q. Mr. Parrott, what comments do you wish to make regarding the direct testimony of
18 AT&T witness Michael Harper?

19 A. On page 2 of his testimony, Mr. Harper states the purpose of his direct testimony in
20 this proceeding. It is clear from reading the four stated purposes that Mr. Harper is
21 attempting to transform United's annual price cap filing into the broader areas of

1 access reform and universal service. I will comment on the merits of the TRA
2 deferring action on the AT&T recommendations until appropriate access reform and
3 universal service proceedings are concluded before the Federal Communications
4 Commission (FCC) and the TRA.

5
6 Q. What direction has the Telecommunications Act of 1996 (the Act) and the FCC
7 given to telecommunications carriers regarding the pricing of access services for
8 interexchange carriers?

9 A. In support of fostering local exchange competition, the Act requires incumbent local
10 exchange carriers to provide interconnection and unbundled network elements to
11 telecommunications carriers at rates based upon the cost of providing the
12 interconnection or network element. While the Act specifies timeframes for
13 negotiating interconnection agreements with requesting telecommunications carriers,
14 it is silent on the timeframe for transitioning current intrastate and interstate access
15 charges for interexchange carriers to cost and the Act does not specify the
16 appropriate cost methodology to be used in developing interconnection rates.
17 Within 6 months after the enactment of the Act, the FCC was required to establish
18 regulations to implement the requirements for interconnection (Section 251).
19 Section 254 of the Act also requires that the FCC institute a Federal-State Joint
20 Board to make recommendations regarding changes to FCC regulations in order to
21 implement Sections 214 (e) and 254 of the Act pertaining to universal service and

1 for the FCC to complete a rulemaking on the recommendations within 15 months
2 after the enactment of the Act.

3
4 Q. Mr. Parrott, what action has the FCC taken to comply with the directives of the Act?

5 A. On August 8, 1996, the FCC released its First Report and Order (the Interconnection
6 Order) in CC Docket No. 96-98 to set forth rules for implementing Section 251 of
7 the Act. In the Interconnection Order, the FCC addressed in paragraphs 5 and 6 that
8 the Act recognizes "... that universal service cannot be maintained without reform
9 of the current subsidy system" and "The rules that we adopt to implement the local
10 competition provisions of the 1996 Act represent only one part of a trilogy." The
11 second and third parts of the trilogy are universal service and access reform,
12 respectively. The FCC has opened separate dockets to address universal service
13 (CC Docket No. 96-45) and access reform (CC Docket No. 96-262).

14
15 The FCC's recognition that access reform should not be considered under their
16 Interconnection Order was made perfectly clear in paragraph 30 which states:

17 **Nothing in this Report and Order alters the collection of access charges**
18 **paid by an interexchange carrier under Part 69 of the Commission's**
19 **rules, when the incumbent LEC provides exchange access service to**
20 **an interexchange carrier, either directly or through service resale.**
21 **Because access charges are not included in the cost-based prices for**

1 unbundled network elements, and because portions of access charges
2 currently support the provision of universal service, until the access
3 charge reform and universal service proceedings have been completed,
4 the Commission continues to provide for a certain portion of access
5 charge recovery with respect to use of an incumbent LEC's unbundled
6 switching element, for a defined period of time.

7
8 Q. Mr. Parrott, does the TRA have any other open dockets that address the pricing
9 issues raised in Mr. Harper's testimony?

10 A. Yes. The TRA also has pending a separate universal service proceeding (Docket
11 No. 95-02499) which provides a forum for AT&T and other telecommunications
12 carriers to present their views regarding the transition from implicit universal service
13 funding via access charges (as well as other incumbent LEC services) to explicit
14 funding via a universal service fund.

15
16 Q. On page 8 of his testimony, Mr. Harper disagrees with recent changes implemented
17 or proposed by United to the Company's access service tariffs. Do you wish to
18 comment on Mr. Harper's assertions?

19 A. Yes, I do. It is apparent from Mr. Harper's testimony that AT&T is attempting to
20 transform United's price cap proceeding into a reconsideration of access charges

1 authorized by the Tennessee Public Service Commission (TPSC) or the TRA in
2 prior dockets in which AT&T was a party or in which AT&T had notice and could
3 have been a party of record. The actions taken by United, as set forth in items 2 and
4 3 on page 8 of Mr. Harper's testimony, were procedural in nature to comply with
5 either an Order from the TPSC or a request from the TRA Staff. Item 1 is the only
6 action initiated by United to revise its rates and the result, as Mr. Harper points out,
7 is an estimated decrease of \$762,600 annually in AT&T's access costs.

8
9 Q. Mr. Parrott, do you believe that the AT&T proposals stated in Mr. Harper's
10 testimony comply with the statutory guidelines for a price cap filing?

11 A. No, I do not. TCA § 65-5-209 (g) addresses the pricing parameters for
12 interconnection services under a price regulation plan. The code section specifically
13 states that:

14 each new rate must comply with the requirements of Section 65-5-208
15 and the non-discrimination provisions of this title. Upon filing by a
16 competing telecommunications service provider of a complaint, such
17 rate adjustment shall become subject to authority review of the
18 adjustment's compliance with the provisions of this section and rules
19 promulgated under this section.

20 United's proposed price reductions for its Carrier Common Line Charge and
21 Residual Interconnection Charge comply with the statutory requirements. Also,

1 AT&T has not filed a formal complaint regarding United's pricing proposals. Even
2 if a formal complaint had been filed by AT&T, state law limits the TRA's review to
3 whether the price adjustment complies with the provisions of TCA § 65-5-208 and
4 the rules promulgated under this section. No TRA review of whether the proposed
5 interconnection prices are based upon Total Element Long Run Incremental Cost
6 (TELRIC) studies is required by state law and no review of United's rate design for
7 non-impacted services is warranted.

8

9 Q. Does this conclude your rebuttal testimony?

10 A. Yes, it does.