

STATE OF TENNESSEE

Office of the Attorney General

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February 26, 1997

OFFICIAL FILE

PLEASE

DO NOT REMOVE

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
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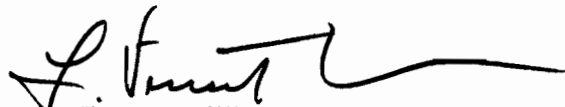
Re: Tariff Filing By United Telephone-Southeast, Inc. To Reflect Annual Price Cap
Adjustment (Tariff No. 96-201)
Docket No. 96-01423

Dear Mr. Waddell:

I have enclosed an original and ten copies of Surrebuttal 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 is included in a sealed envelope marked proprietary with the case number on the envelope.

Sincerely,


L. Vincent Williams
Consumer Advocate

c: Counsel of record

#108860

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

SURREBUTTAL TESTIMONY
of
ARCHIE R. HICKERSON

February 26, 1997

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

2
3 A. My name is Archie Hickerson and I am the Director of the Consumer Advocate
4 Division Staff in the Office of the Attorney General for the State of Tennessee. My
5 business address is, 2nd Floor, Cordell Hull Building, 425 5th Ave. No., Nashville
6 Tennessee, 37243-0500.

7
8 Q. Have you previously filed testimony in this docket?

9
10 A. Yes. I filed direct testimony in this docket on February 14, 1997, and rebuttal
11 testimony on February 21, 1997.

12
13 Q. What is the purpose of your surrebuttal testimony?

14
15 A. I have been asked to provide my opinion on certain comments contained in the
16 rebuttal testimony of Mr. Steve Parrot on behalf of United Telephone-Southeast, Inc.

17
18 Q. On page 3 of his rebuttal testimony Mr. Parrott is asked:

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

23
24 He responds:

1 No, it is not. As I state in my direct testimony on page 7, lines 12-
2 14, and illustrate in Exhibit CSP4 to my direct testimony, five
3 Telephone Cooperatives in Tennessee have Directory Assistance
4 charges in excess of those proposed by United in this case.
5

6 Do you have any comments?
7
8

9 A. Yes. It is my opinion that all regulated local exchange carriers in Tennessee
10 provide directory assistance usage without any additional charge. In my direct testimony,
11 I should have answered that all **regulated** local exchange carriers provide directory
12 assistance usage without any additional charge. The Telephone Cooperatives identified
13 by Mr. Parrott are not public utilities as defined by Tenn. Code Ann. § 65-4-101, but are
14 nonprofit, subscriber owned entities that are not regulated by the Tennessee Regulatory
15 Authority (TRA). Since these Cooperatives are not required to file tariffs with the TRA,
16 I have not reviewed their rate structures in this docket.
17

18 Q. On page 4 of his testimony, Mr. Parrott addresses your estimate of the number of
19 listings that would be missing from directories when the directories are first provided to
20 the customers. He explains that some telephone numbers issued by United are not listed
21 at the customers request. Would a customer's request that his or her number not be listed,
22 cause you to over estimate the amount of the listings that would be missing from the
23 directory when it is published?
24

25 A. No. It doesn't matter why the listing is missing. If the listing is excluded at the

request of customer, because of an error, or because the number was assigned after the directory was compiled, the number will be missing from the directory when it is provided to the customers. As a result, basic telephone service subscribers would not be able to obtain the number from the printed directory and could be charged for calling directory assistance

Q. He also addresses the situation where a customer might have more lines than listings. He cites Eastman Chemical as an example. Based on this, he concludes that your estimate of the numbers missing from the directory is overstated. Have you materially overstated the number of listings missing from the directory when published?

Proprietary Information

A. I don't believe that I have overestimated the missing numbers when the directories are provided to subscribers. The Company reported that in 1996 it has 190,000 listings. On the TPSC 3.01 Report for November 1996 the Company reported that it had a total of 232,476 access lines. If you go to the **extreme** and **assume** that the entire 42,476 difference between the number of listings and the number of access lines is due to customers like Eastman that has more lines than listings, it would indicate that at least 82% of all new numbers should be in the directory. ($190,000 / 232,476 \approx 82\%$). Based on the Company's estimate of , new numbers being issued each month, , numbers that should be included in the directories will not be included. (, $\times 82\% =$,) Again based on the two to three-month lag between the time that the numbers are compiled and the date that the directory is first provided to the customers, there would be between , and , (, $\times 2 =$, , and , $\times 3 =$,) numbers missing when the directory is first provided the customer.

1 Since, it is not reasonable to assume that all of the numbers missing from the 1996
2 directories are for customers who have more lines than listings, I believe that at the time the
3 directories are first provided to customers the number of missing listings that should be in
4 directories is greater.

6 **Proprietary Information**

7 Simply comparing the number of access lines at November 30, 1996 and the
8 number of listings in the 1996 directories appears to indicate that my estimate of
9 between , and , missing numbers by the time that the directories are due to be
10 replaced, may have been **understated**. Based on the TPSC 3.01 report and United
11 Telephone-Southeast, Inc.'s response to the Consumer Advocate's Discovery Request,
12 there were more than 42,000 or 18% of the telephone numbers missing from the
13 directories as of November 1996. In my direct testimony I estimated that between %
14 and % would be missing by the time that new directories are provided to the
15 telephone company's customers.

16
17
18
19 Q. On page 6, Mr. Parrott discusses E-911 services and compares its treatment to the
20 treatment of In-Classroom Computer Access Service. He states:

21 United has used the same approach in classifying
22 educational discount service. **United's filing**
23 **includes the educational discounted private line**
24 **service as non-basic**, while the educational

1 discounts for In-Classroom Computer Access
2 Service (access line, dial tone, usage and touch-
3 tone) have been included in the basic category.
4 (Emphasis added.)
5

6 On Attachment A to the document entitled *Price Cap Annual Filing*
7 *Methodology, January 23, 1997, United Telephone-Southeast, Inc. Tennessee*, the
8 Company included a listing of services which it considers to be basic services, and a
9 listing of services which it considers to be non-basic Services. How did the company
10 classify the educational discounted private line services on this attachment?
11

12 A. Educational discounted private line service is not identified on this attachment as
13 either a basic or a non-basic service. The only educational item listed is in the **basic**
14 category and is identified as **In-classroom Compute Access**. Since Mr. Parrott revealed
15 in his rebuttal testimony that the private line service provided at a discount for
16 educational purposes is not included as part of the In-classroom Computer Access, it
17 appears that United Telephone-Southeast, Inc. has concealed this service in one of the
18 non-basic listings. (A copy of the Company's schedule that classifies services as either
19 basic or non-basic is attached as Surrebuttal Exhibit ARH-1.)

20 Considering the language of Tenn. Code Ann. § 65-5-208, I do not understand
21 why United Telephone-Southeast, Inc. would attempt to classify any service that was
22 being discounted for educational purposes on June 6, 1995 as a non-basic service. If I
23 had realized that the Company had obscured the fact that it considered educational
24 discounted private line service a non-basic service, I would have raised the issue in my

1 direct testimony. Since Mr. Parrott filed his rebuttal testimony, I have again reviewed the
2 workpapers provided to support United Telephone-Southeast, Inc.'s computation of
3 aggregate basic revenue and the aggregate non-basic revenue under initial rates and under
4 proposed rates. In these workpapers that were included the document entitled by the
5 Company as *United Telephone-Southeast, Inc. Tennessee, Proprietary Information in*
6 *Support of the Price Cap Annual Filing*, the Company identified the various service
7 elements, the volume in services, the price per element, and the resulting monthly
8 revenue for more than 600 individual tariff elements. In reviewing these workpapers, I
9 found no description that indicates that any of the tariff elements relate to educational
10 discounted private line service. I do not understand, how the Company would expect
11 anyone to recognize that it is attempting to treat a portion of the discounted educational
12 services as non-basic services.

13 Mr. Parrott is wrong. My arguments are consistent. United Telephone-
14 Southeast, Inc.'s position is inconsistent with the statutory definition of basic and non-
15 basic service. There is nothing in Tenn. Code Ann. § 65-5-208 to remotely indicate that
16 any educational discounts were to be considered as part of non-basic service. Similarly,
17 there is nothing in the statute to indicate that any E-911 service provided by United
18 Telephone-Southeast, Inc. is to be considered non-basic service.

19 **Tenn. Code Ann. § 65-5-208. Classification of services - Exempt**
20 **services - Price floor - Maximum rates for non-basic services.**
21

22 (a) Services of incumbent local exchange telephone
23 companies who apply for price regulation under § 65-5-209
24 are classified as follows:

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

20 (2) "Non-basic services" are
21 telecommunications services which are not
22 defined as basic local exchange telephone
23 services and are not exempted under
24 subsection (b). Rates for these services shall
25 include both recurring and nonrecurring
26 charges.
27

28 (b) The authority, after notice and opportunity for hearing,
29 may find that the public interest and the policies set forth
30 herein are served by exempting a service or group of
31 services from all or a portion of the requirements of this
32 part. Upon making such a finding, the authority may
33 exempt telecommunications service providers from such
34 requirements as appropriate. The authority shall in any
35 event exempt a telecommunications service for which
36 existing and potential competition is an effective regulator
37 of the price of those services.
38

39
40 Q. On page 7 line 6, Mr. Parrott states: " Mr. Hickerson fails to mention in making

1 his argument that an ABC Access Line and a Network Access Register (NAR) are
2 required for access to **dial tone**, usage and central office-based touch-tone functionality.”
3 (Emphasis added.) Later at line 10 he says: “ Since the ABC Access Line has on-
4 premises intercom capability much like the premise wiring behind a business customer’s
5 Private Branch Exchange (PBX) equipment, the **dial tone** that the line receives when off
6 hook is an intercom **dial tone** similar to the **dial tone** received by each of the PBX
7 stations.” (Emphasis added.) When you pick up a telephone connected to a ABC or
8 Centrex Access Line, do you hear a dial tone?
9

10 A. Yes. As Mr. Parrott explained, you have a dial tone when you pick up an ABC or
11 Centrex Access Line. The Access Line connects the telephone to the central office, and
12 you can use the telephone to talk to others, or to transmit data. As I explained in my
13 direct testimony, a customer who subscribes to ABC or Centrex service can restrict the
14 number of simultaneous call that can be made to other subscribers. The fewer
15 simultaneous calls that can be made, the less the subscriber must pay for local service.
16 However, each ABC or Centrex Access Line does have dial tone as indicated by Mr.
17 Parrott, and each such line can be used to call other subscribers or other access lines
18 assigned to the same subscriber. To assume that an ABC or Centrex Line is useless
19 unless a Network Access Register is available is wrong. For example, both the Tennessee
20 Regulatory Authority (TRA) and the Office of the Attorney General are served by
21 Centrex Access Lines. Since both the TRA’s and our telephones belong to one

1 subscriber, a NAR is not necessary when the Directors or the TRA Staff calls any of us in
2 the Attorney General's Office. Obviously an ABC or Centrex line can be used without a
3 NAR.

4
5 Q. In a Price Cap Annual Filing such as this, is it appropriate to evaluate the impact
6 of all tariff filings made during the preceding year?

7
8 A. Yes. As Mr. Parrott explained on pages 10 and 11 of his rebuttal testimony, one of
9 the revisions that the Company made in this docket was to correct for the impact of a
10 tariff filing that the Company made in May 1996.

11
12 Q. Has Mr. Parrott provided any information either in his direct or in his rebuttal
13 testimony that would cause you to change the opinions expressed in either your direct or
14 your rebuttal testimony concerning United Telephone-Southeast, Inc.'s January 28, 1997
15 filing in this docket?

16
17 A. Only his revelation that the Company classifies private line service provided for
18 educational purposes as non-basic service. I did not raise this issue in my direct
19 testimony. Had I realized how the Company was treating this service, I would have
20 expressed my opinion that such a classification does not comply with the requirements of
21 Tennessee law. It is still my opinion that:

(1) directory assistance is part of basic service that customers were receiving on June 5, 1996 when they purchased the usage of either a residence or business access line;

(2) the proposal to exclude directory assistance usage from the service provided when a customer purchases either a residential or business access line results in a deterioration of the quality of basic service that was being provided on June 6, 1995 and as a result is a violation of Tenn. Code Ann. § 65-5-208 which prohibited any decline in the quality level of basic service;

(3) the proposed implementation of a separate additional charge for directory assistance usage is a rate increase for basic residential and basic business service and is a violation of Tenn. Code Ann. § 65-5-209 which prohibited any increase in basic service for four years;

(4) E-911 Emergency services that United Telephone-Southeast, Inc. provides to cities, counties, and emergency service districts are included in the definition of basic service under Tenn. Code Ann. § 65-5-208;

(5) ABC intercom lines are in fact access lines that should be classified as basic service because the definition of basic service in Tenn. Code Ann. § 65-5-

1 208. The Company's tariff does not include any reference to ABC intercom lines.
2 The tariff includes ABC Access Lines. In this filing the Company has attempted
3 to classify a portion of these access lines as basic service while arbitrarily
4 classifying the remainder as non-basic. Since these lines cannot be distinguished,
5 there is no basis for making such an arbitrary categorization. All ABC access
6 lines should be classified as basic service offerings; and
7

8 (6) the proper rate for six (6) or more residential lines terminating at a
9 household are the applicable rates existing on June 6, 1995, and not the October
10 25, 1995 rates. The change in the tariff, that arbitrarily reclassified the residential
11 access lines as business access lines for billing purposes, results in a rate increase
12 for residential lines in excess of five terminating at a household location. Since
13 Tenn. Code Ann. § 65-5-209(f) prohibits any increase in basic service rates during
14 the first four years that an incumbent local exchange company operates under
15 price regulation, this increase is prohibited.
16

17 Q. Does this conclude your testimony?
18

19 A. Yes.
20
21


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)

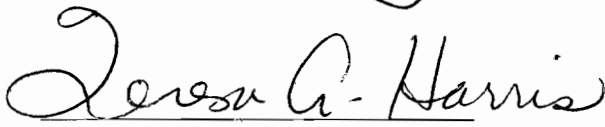
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AFFIDAVIT

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



Sworn to and subscribed before me
this 26th day of February, 1997.



NOTARY PUBLIC

My commission expires on: 1/20/99

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 26, 1997

Attachment A

List of Basic and Non-Basic Services as of 6/30/96

Basic Services	Tariff	Section	Revenue Category
ABC Network Access Registers (NARS) (plus one line per NAR)	GSST	13.18.7 B	Local
Exchange Access and Usage (including Key/PBX trunks)	GSST	3	Local and Measured
In-classroom Computer Access	GSST	3.12.3	Local
Lifeline Service	GSST	3.10.3	Local
Link-up Tennessee	GSST	4.11	Local
Shared Tenant Service	GSST	3	Local
Touch Tone	GSST	13.7.2	Local
* Other Services required by State and Federal Statutes			
Non-Basic Services	Tariff	Section	Revenue Category
ABC Intercom Lines & Features (less one line per NAR)	GSST	13.18.7	Local
ABC Medical Community	GSST	13.18.8	Local
Analog Private Lines	GSST	22.2.1	Local
Billing and Collection	Access	8	Billing and Collection
Coin Telephone Service - Pub and Joint Oper	GSST	7	Public and Semi-Public Phone
Custom Calling Services and Packages	GSST	13.9	Local
DID Service	GSST	13.14.2	Local
Directory Assistance	Not in tariff		Local
Directory Compensation	Contract		Directory Compensation
Directory Listings (Foreign, Add'l, etc)	GSST	6	Local
E-911	GSST	21	Local
Enterprise Service (Special Reverse Toll)	GSST	13.8	Local
Express Touch Services	GSST	13.20	Local
Extension Service	GSST	13.1	Local
Frame Relay Service	New Service		Local
FX Service	GSST	9.1.2	Local
Interconnection of Mobile Service	GSST	16.10	Cellular Interconnections
ISDN BRI and PRI	GSST	12	Local
Maintenance of Service Charge	GSST	15.4	Local
MessageLine	GSST	13.24	Local
MTS	IMTS		Message Toll
Miscellaneous	Contract		Miscellaneous
N11 Service	GSST	10	Local
Operator Service	GSST	3,18	Local
Optional Calling Plans	GSST	20	Local
PBX Night, Sunday, etc. Arrangements	GSST	11.3.2	Local
Public Announcement Service	GSST	13.12	Local
Restriction Services	GSST	13.17	Local
Station Message Desk Interface (SMDI)	GSST	13.22	Local
Switched and Special Access	Access	6,7	Switched Access-Ded Switched Access Special Access
Telecommunications Service Priority System	GSST	13.21	Local
Telephone Answering Service	GSST	8.2	Local
Tie Service	GSST	13.3	Local
United DigiLink/Translink	GSST	22.4 & 22.5	Local
United Flexlink	GSST	22.6	Local
United Lightlink	GSST	22.7	Local
United Switchlink	GSST	13.23	Local
WATS	GSST	19.4	Local, WATS, Opportunity 800

* Categorization as Basic or Non-Basic is an issue to be determined in this proceeding.

JBW

Certificate of Service

I hereby certify that a true and correct copy of the foregoing Surrebuttal Testimony of Archie R. Hickerson was served on parties of record via U.S. Mail, postage prepaid, this 26th day of February, 1997.

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