



**James B. Wright**  
Senior Attorney

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OFFICE OF THE  
EXECUTIVE SECRETARY  
February 28, 1997

Carolina Telephone  
Centel-North Carolina  
Centel-Virginia  
United Telephone-Southeast

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TN REGULATORY AUTHORITY  
UTILITY RATE DIVISION

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

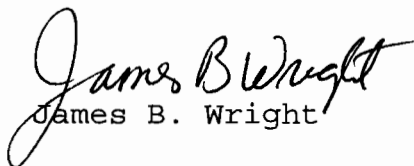
RE: Docket No. 96-01423  
Surrebuttal Testimony

Dear Mr. Waddell:

Enclosed for filing in the above case are the original and ten copies of the Surrebuttal 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)

#9896

CERTIFICATE OF SERVICE  
(UTSE Annual Price Cap Adjustment)

The undersigned hereby certifies that the prefiled Surrebuttal testimony of Steve Parrott has been served upon the following counsel of record in Docket No. 96-01423 this 28th 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

SURREBUTTAL TESTIMONY  
OF  
CHARLES S. (STEVE) PARROTT

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY

ON BEHALF OF  
UNITED TELEPHONE-SOUTHEAST, INC.

DOCKET NO. 96-01423

FEBRUARY 28, 1997

**SURREBUTTAL 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 surrebuttal testimony?

1 A. The purpose of my surrebuttal testimony is to comment on certain of the statements  
2 contained in the rebuttal testimony of the Office of the Attorney General's  
3 Consumer Advocate Division (CA) witness, Archie Hickerson.

4  
5 Q. On page 3, lines 5 - 13, Mr. Hickerson continues his assertion that Directory  
6 Assistance usage is a part of basic service and to impose a charge reduces the level  
7 of quality that was provided on June 6, 1995. Do you agree with this assertion?

8 A. No, I do not. Mr. Hickerson's interpretation of the Tennessee Code Annotated  
9 Section (TCA §) 65-5-208 and 65-5-209 is in error. If a mere change in price were  
10 to be judged as a change in the level of quality offered by the Company, Tennessee  
11 law would not allow for any price changes. However, this is contrary not only to  
12 Tennessee law, but to the very purpose of the statute which authorizes price  
13 regulation. TCA § 65-5-209 specifically permits and describes how price  
14 adjustments can be made for both basic and non-basic services. Clearly Mr.  
15 Hickerson's argument is in conflict with the law established by the Tennessee  
16 Legislature.

17  
18 Q. On page 6, lines 3-4, Mr. Hickerson states "Nothing has been filed in this docket to  
19 support a conclusion that any local service is being subsidized." Is this a true  
20 statement?

1 A. No, it is not. United has provided proprietary cost support in its original filing dated  
2 September 12, 1996, in response to Item 2 of the CA Data Request dated November  
3 18, 1996 and in response to Item 15 of the CA Data Request dated January 3, 1997.  
4 These documents clearly establish that at a zero rate, local and toll Directory  
5 Assistance service is being subsidized.

6  
7 Q. Is there any statutory basis for Mr. Hickerson's comment on page 9, lines 7-8, that  
8 "it is not appropriate to increase toll charges for calls in United Telephone-  
9 Southeast, Inc.'s service area."?

10 A. No, there is not. In fact, this is contrary to the statute. As a non-basic service, toll is  
11 governed by the provisions of TCA § 65-5-209 (h) which states,

12 "Incumbent local exchange telephone companies subject to price regulation  
13 may set rates for non-basic services **as the company deems appropriate,**  
14 subject to the limitations set forth in subsections (e) and (g), the non-  
15 discrimination provisions of this title, any rules or orders issued by the  
16 commission pursuant to § 65-5-208 (c) and upon prior notice to affected  
17 customers." (Emphasis added)

18 While TCA § 65-5-209 (f), (g) and (h) place price limitations on basic services and  
19 call waiting for the first four (4) years for companies under price regulation, and  
20 other restrictions on adjustments to residential basic local exchange service and to  
21 interconnection services, Tennessee law has no pricing restrictions specifically for

1 toll services. Therefore, as a non-basic service, toll rate adjustments are measured  
2 as part of the aggregate revenues for non-basic services as specifically permitted and  
3 described in TCA § 65-5-209 (e). Accordingly, there is no statutory support for Mr.  
4 Hickerson's objection to increasing toll charges.

5  
6 Q. On pages 12-14 of Mr. Hickerson's testimony, he offers rebuttal of Mr. Harper's  
7 testimony concerning the elimination of the terminating Carrier Common Line  
8 Charge (CCLC) credit and the change to the Dual Party Relay CCLC adjustment.  
9 Do you agree with Mr. Hickerson that these changes should be considered in  
10 determining rate compliance with TCA § 65-5-209 (e) and (g)?

11 A. No, I do not. Neither of these elements impact the "permanent approved rate" for  
12 CCLC of \$0.025110 approved by the TPSC effective January 1, 1996. United  
13 appropriately used the \$0.025110 rate in calculating the aggregate base revenues for  
14 non-basic services as shown in United's Revenue Backup Proprietary Information  
15 which accompanied United's September 12, 1996 and January 28, 1997 filings.

16  
17 Q. On page 12-13 of Mr. Hickerson's testimony, he states that the elimination of the  
18 access credit ordered by the Tennessee Public Service Commission in Docket 93-  
19 04818 is an increase in the interconnection rate subject to TCA § 65-5-209 (e) and  
20 (g). Do you agree with Mr. Hickerson?

1 A. No, I do not. The credit to which Mr. Hickerson refers was not a permanent  
2 approved rate. Its temporary nature was clearly set out in tariffs existing on June 6,  
3 1995. To explain the origin of the credit to which Mr. Hickerson objects, one has to  
4 refer to the TPSC order in Docket 93-04818, United's 1994-1996 earnings review.  
5 In that ruling, the TPSC required the issuance of checks to end user customers and a  
6 credit to IXC's for 1995 and 1996. The credit to the IXC's was their form of refund,  
7 analogous to the end user customers' checks. During the two (2) year credit period  
8 for the IXC's, the TPSC order states "Such credits are to be taken from the deferred  
9 revenue account." Therefore, United offset the credits by withdrawing from a  
10 Deferred Revenue Account, which is equivalent to a savings account. Beginning  
11 January 1, 1997, the Deferred Revenue Account (savings account) was exhausted  
12 and the credit was removed.

13  
14 The CCLC credit was not a permanent approved rate but was implemented only for  
15 a specific timeframe (January 1, 1995 - December 31, 1996). Promotional pricing is  
16 analogous to the credit in that both are for a specific time. To be consistent with the  
17 stipulated methodology for promotional pricing, United has used the permanent  
18 approved rate in calculating the base revenues for non-basic services.

19

1 Q. On page 14 of Mr. Hickerson's testimony, he indicates that the Dual Party Relay  
2 element of United's "Carrier Common Line Charge must be considered when  
3 evaluating the Company's proposed rates." Do you agree with Mr. Hickerson?

4 A. No, I do not. The Dual Party Relay element of United's Carrier Common Line  
5 Charge was implemented by the Tennessee Public Service Commission in their  
6 Docket 89-03796. This "adjustment", as it is termed in United's tariff, merely  
7 represents the billing, collection and remittance activity performed on behalf of the  
8 Telecommunications Relay Service administrator. The funds collected from this  
9 "adjustment" are not revenues, but are remitted to BellSouth as the plan  
10 administrator.

11  
12 United does not establish the "adjustment" amount for the Dual Party Relay. This is  
13 a statewide adjustment amount collected by the Local Exchange Carriers from the  
14 IXC's. The Dual Party Relay Adjustment is not subject to the price regulation plan  
15 because United has no control over the amount charged to the IXC's and the funds  
16 collected are not revenues to United. Accordingly, United has not included the Dual  
17 Party Relay adjustment amount of the CCLC in the calculation of base revenues for  
18 non-basic services, but has used the permanent approved rate of \$0.025110. (This  
19 calculation is included in United's Revenue Backup Proprietary Information as Item  
20 7.)

1 Q. Does this conclude your testimony?

2 A. Yes, it does.



James B. Wright  
Senior Attorney

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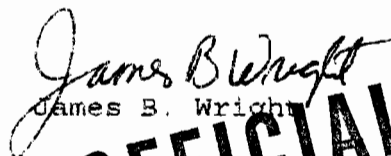
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