



James B. Wright
Senior Attorney

May 15, 1997

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

EXECUTIVE SECRETARY

OFFICIAL FILE

PLEASE

DO NOT REMOVE

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

RE: Docket No. 96-01423 (UTSE Annual Price Cap Adjustment)
Proposed Charges of Law

Dear Mr. Waddell:

Pursuant to the Request of the Authority, enclosed for filing in the above case are the original and fourteen copies of United Telephone-Southeast, Inc.'s Proposed Charges of Law.

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

Sincerely yours,

James B. Wright

James B. Wright

JBW:mhh

Enclosures

CC: Steve Parrott (with enclosure)
Ed Phillips (with enclosure and disc)
Counsel of Record (with enclosure)
Bob Wallace (with enclosure)

#10648

CERTIFICATE OF SERVICE
(UTSE Annual Price Cap Adjustment)

The undersigned hereby certifies that United Telephone-Southeast, Inc.'s Proposed Charges of Law has served upon the following counsel of record in Docket No. 96-01423 this 15th day of May, 1997, by FAX, by air express, by hand delivery or by placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

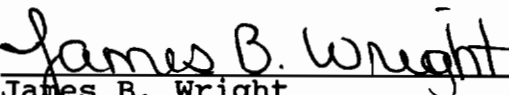
H. Edward Phillips
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505
FAX 615-741-2336

L. Vincent Williams
Office of the Attorney General
Consumer Advocate Division
426 Fifth Avenue North, 2nd Fl.
Nashville, TN 37243-0500
FAX 615-741-8724

Richard M. Tettelbaum
Citizens Telecommunications Company
of Tennessee, L.L.C.
Suite 500, 1400 16th Street, N.W.
Washington, DC 20036
FAX 202-483-9277

Guy M. Hicks
BellSouth Telecommunications, Inc.
333 Commerce St., Suite 2101
Nashville, TN 37201-3300
FAX 615-214-7406

Val Sanford
230 Fourth Avenue, North, 3rd Floor
P. O. Box 198888
Nashville, TN 37219-8888
FAX 615-256-6339


James B. Wright

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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

DOCKET NO. 96-01423

UNITED TELEPHONE-SOUTHEAST, INC.'S
PROPOSED CHARGES OF LAW

United Telephone-Southeast, Inc. submits the following as its proposed charges of law under T.C.A. Section 4-5-301(b) as requested by the Tennessee Regulatory Authority at its May 13, 1997 agenda conference.

GENERAL

The Directors of the Tennessee Regulatory Authority have the exclusive authority to make findings of fact and conclusions of law in this matter [T.C.A. 65-5-210(a) and 4-5-314(c)].

The Directors must make findings of fact based solely on the evidence of record in this case which consists of the testimony of witnesses admitted into the record, facts stipulated, documents admitted into evidence and matters officially noticed [T.C.A. 4-5-314(d)]. No other factual information or evidence should be considered in the determination of this case. The Directors make their own determination of the weight to be given testimony, except for the evidence allowed on the condition it be given minimal weight. The Directors may use their experience, technical competence and specialized knowledge in their evaluation of the evidence [T.C.A. 65-2-109(2) and (4)].

The Directors may not consider any offer of evidence that was rejected or that was ordered stricken. Such matters must be treated as though they were not offered for consideration.

The Directors may not consider as evidence any statements of counsel made during this case, except for any stipulations by counsel and as to those facts and matters the Directors may regard as being conclusively proved.

ANNUAL PRICE ADJUSTMENT METHODOLOGY

All the parties to this proceeding signed a Stipulation dated January 27, 1997, regarding the methodology to be used in determining the maximum annual price adjustments permitted United under T.C.A. Section 65-5-209(e). The Stipulation was filed with the Authority, and on motion made and accepted at the March 11, 1997 hearing, all the parties asked the Authority to approve the Stipulation as filed. The Directors may accept as facts the matters stipulated to in the Stipulation. The Directors may approve the methodology set forth in the Stipulation, provided the Directors find the methodology is in compliance with T.C.A. Section 65-5-209(e). If the Directors approve the methodology set forth therein as being in compliance with the law, the Directors are then bound to apply this methodology to the issues.

BASIC OR NON-BASIC SERVICE

In order to determine if a rate for a service can be increased, the Directors must first determine whether a service is a Basic service or a Non-basic service, based on the

definitions contained in T.C.A. Section 65-5-208(a), which reads as follows:

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

"(2) 'Non-Basic services' are telecommunications services which are not defined as basic local exchange services..."
(Emphasis Added)

If a service is Basic, the rates for that service may not be increased until October 15, 1999 in view of the four year price increase restriction imposed by T.C.A. 65-5-209(f) for United, whose price regulation election was effective October 15, 1995.

If a service is Non-basic, the Company may set the rate at any level the Company deems appropriate as permitted by T.C.A. Section 65-5-209(h), subject to the aggregate revenue and other conditions set forth therein, determined by using the methodology approved by the Authority.

The parties, in Attachment A to the Stipulation, listed all the services United offered on June 30, 1996, and agreed to their categorization as either Basic or Non-Basic services, except the parties contested the categorization of the following services: ABC intercom lines and features, directory assistance, access to emergency 911 services, and educational discounts.

If the Directors believe the classification of a service is clear from the evidence of record and by reading the definitions for Basic and Non-basic service contained in T.C.A. Section 65-5-208(a), then the Directors should make their determination based on their reading and interpretation of that statute.

If the Directors believe there is uncertainty or ambiguity in the statute as to whether a service is Basic or Non-basic, the Directors may identify, officially notice and consider the statute's legislative history.

After the Directors have determined the appropriate category for each service, the revenues for all the services in each category must be aggregated, and the appropriate dollar amount of the maximum annual increase for each category can then be determined. Based on Attachment B to the Stipulation, the maximum increase would be 100.4% of the aggregate revenues for this annual adjustment period. (There can be no increase in Basic services for four years from entry). Since United proposes an increase in directory assistance calls and a decrease in certain access service charges (Carrier Common Line Charge and Transport Interconnection Charge), the Directors must further determine that the net or combined effects of these proposed changes does not exceed the maximum annual increase for Non-Basic services permitted by T.C.A. 65-5-208(e).

PREVIOUSLY APPROVED TARIFFS

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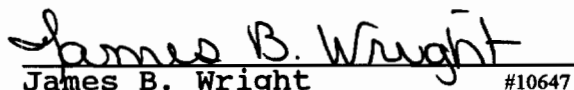
An issue has been raised questioning the validity of provisions in two tariffs previously considered and approved by the Authority or by its predecessor. The tariffs at issue are (a) the "six lines and above" tariff approved on October 25, 1995 and (b) the ABC and Centrex tariff approved on January 22, 1997. The tariffs were approved after United entered price regulation.

The Directors must initially determine if the consideration of these tariffs in this proceeding is proper in view of the notice and scope of this proceeding. If proper for consideration in this proceeding, the Directors must then determine whether the provision complained of (a) deals with rates for Basic Services, in which case the four year cap provision applies; (b) deals with issues other than rates (terms and conditions), in which case the Authority must apply the standards of TCA 65-5-201; or (c) deals with Non-basic Services, in which case United has the pricing flexibility set forth in TCA 65-5-209(h).

FINAL ORDER

After making the determinations set forth above, the Authority must render a final order which contains a statement of the findings of fact and conclusions of law for each issue decided (TCA 65-2-112 and 4-5-314).

Respectfully Submitted,
UNITED TELEPHONE-SOUTHEAST, INC.


James B. Wright #10647