



Carolina Telephone  
Cenel-North Carolina  
Cenel-Virginia  
United Telephone-Southeast

James B. Wright  
Senior Attorney

December 20, 1996

VIA FAX

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

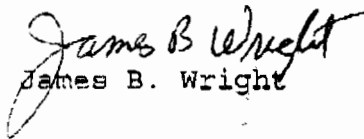
RE: Docket No. 96-01423; Prehearing Conference Order

Dear Mr. Waddell:

Enclosed is a proposed Order for the prehearing conferences held December 10, 1996 and December 17, 1996 before Chairman Greer who presided as the hearing officer. A copy is being furnished to counsel of record.

Please call me if you have any questions.

Very truly yours,

  
James B. Wright

JBW:mhh

Enclosure

CC: Chairman Lynn Greer (with enclosure)  
Dianne Neal (with enclosure)  
Counsel of Record (with enclosure)  
C. Steve Parrott (with enclosure)

#9354

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE  
DECEMBER \_\_\_\_, 1996

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

DOCKET NO. 96-01423

ORDER

Prehearing Conferences were held in the above-captioned matter on Tuesday, December 10, 1996, and Tuesday, December 17, 1996 in Nashville, Tennessee before Chairman Lynn Greer acting as Hearing Officer pursuant to the Tennessee Regulatory Authority's Order and Notice dated December 5, 1996. The following appearances were entered:

APPEARANCES:

JAMES B. WRIGHT, Senior Attorney, United Telephone-Southeast, Inc. ("United"), 14111 Capital Boulevard, Wake Forest, North Carolina 27587-5900, appearing on behalf of United.

L. VINCENT WILLIAMS, Consumer Advocate, 426 Fifth Avenue N., 2nd Floor, Cordell Hull Building, Nashville, Tennessee 37243-0500, appearing on behalf of the Consumer Advocate Division, Office of the Attorney General.

GUY M. HICKS, General Counsel-Tennessee, BellSouth Telecommunications, Inc., ("BellSouth"), 333 Commerce Street, Suite 2101, Nashville, Tennessee 37201-3300, appearing on behalf of BellSouth.

RICHARD M. TETTEBAUM, Associate General Counsel, Citizens Telecommunications Company of Tennessee, L.L.C., ("Citizens"),

Suite 500, 1400 16th Street, N.W., Washington, DC 20036, participating by telephone, appearing on behalf of Citizens.

JOHN KNOX WALKUP, Gullett, Sanford, Robinson & Martin, 230 Fourth Avenue North, 3rd Floor, Nashville, TN 37219-8888, appearing on behalf of AT&T Communications of the South Central States, Inc. ("AT&T"), the first appearance being December 17, 1996.

Also at the meetings from the TRA Staff were Dianne Neal and Dr. Chris Klein.

The purpose of the hearings was to consider scheduling, simplification of issues and such other matters properly brought before the Hearing Officer in accordance with T.C.A. 4-5-306.

#### PROTECTIVE ORDER

The first matter was United's Motion for a Protective Order. The parties agreed that a Protective Order basically identical to the Order issued in the Avoided Cost Proceeding (Docket No. 96-01331) was appropriate for use in this proceeding. Counsel for United prepared and submitted a proposed Protective Order to the parties for approval as to form and to the TRA for approval and entry, which Order was approved by the TRA at the December 17, 1996 Agenda Conference.

#### BELL INTERVENTION

In discussing Bell's Petition to Intervene, United stated that it had no objection to the grant of such Petition based on the following agreement it had reached with Bell. United understood Bell's principal interest in this proceeding concerned the policy and legal issues which may be raised regarding the

annual adjustment under T.C.A. 65-5-209(e), rather than the need to review any proprietary data United may provide in support of its tariffs. Consequently Bell agreed that United need only provide copies of all of United's nonproprietary responses to discovery requests, and that United need not provide its responses to discovery requests which contained proprietary information. At United's request, Counsel for Citizens agreed for the same reasons, that the same procedure would apply to Citizens. All parties agreed to this procedure and Chairman Greer stated that Bell's Petition for Intervention was granted with that understanding.

#### AT&T INTERVENTION

On December 17, 1996, AT&T's Petition to Intervene was taken up by the Chairman. None of the parties had any objection to allowing the intervention and that being the case the Hearing Officer approved the Petition subject to applicable law.

#### ISSUES

Each of the parties stated what they believed were the key issues to be decided. This resulted in the identification of the following issues:

- Issue 1. Methodology: How is the maximum annual adjustment that is permitted under TCA 65-5-209(e) calculated?
- Issue 2. What is the TRA's authority regarding amendment of the terms and conditions of basic local service?
- Issue 3. Is Directory Assistance a non-basic service whose rates may be increased by a company under price regulation,

or is it a basic service which may not be increased for four years by reason of TCA 65-5-209(f)?

Issue 4. Access Services Tariff

Issue 5. DA Stimulation/Destimulation. When a rate is proposed for a service previously provided at no charge, is it appropriate to consider the destimulation effect the separate rate may have on demand and revenues?

#### RESOLUTION OF ISSUE 1

In discussion of Issue 1, Methodology, the parties expressed a willingness to meet informally to determine if agreement could be reached, with the time and place to be arranged between the parties following the December 10, 1996 prehearing conference. At the Consumer Advocate's request, it was agreed Dr. Klein of the Staff would act in a consultative role in an effort to facilitate possible resolution of this issue. The Chairman stated another prehearing conference would be held Tuesday, December 17, 1996, for the purpose of receiving a report from the parties on the progress of resolving the methodology issue.

At the December 17, 1996 prehearing conference, Dr. Klein reported that the parties had met and that all the parties had agreed in concept to a price index methodology. Dr. Klein stated that United's proposed methodology was acceptable except that the parties agreed to conform the calculation methodology for the Service Price Index ("SPI") to the SPI calculation methodology contained in the final draft of the local competition rules considered by the Tennessee Public Service Commission in December

1995. This modification to the SPI calculation methodology required a related change in the new service language.

The Chairman polled each party as to their acceptance of Dr. Klein's statements. All parties agreed with the methodology as presented by Dr. Klein. United was asked to revise its proposal to incorporate the above changes. The Company committed to resubmit the methodology on Friday, December 20.

The Consumer Advocate had raised concerns as to whether or not the statute requires the TRA to approve adjustments, how are new services to be treated, and toll and usage sensitive issues. The Consumer Advocate indicated these issues in part depended on the actual fact situation of United, and that continued analysis was needed prior to this determination.

#### SCHEDULE

The parties agreed to the following schedule:

January 3, 1997 - All discovery must be served by 4:30 p.m.

January 14, 1997 - All responses to discovery must be  
completed

January 17, 1997 - Direct Testimony must be filed by noon

January 24, 1997 - Rebuttal Testimony must be filed by noon

January 29, 1997 - Surrebuttal Testimony must be filed by noon

February 11, 1997 - Hearing (date subject to change)

#### PROCEDURES

The parties agreed that service of all documents may be by FAX. Service was to occur by noon, central standard time, on the due date, except that service of discovery requests could occur at 4:30 p.m.

The prehearing conference was adjourned until further notice.

Hearing Officer \_\_\_\_\_

#9334

CERTIFICATE OF SERVICE  
(UTSE Annual Price Cap Adjustment)

The undersigned hereby certifies that the foregoing proposed Order of Hearing Officer has been served upon the following counsel of record in Docket No. 96-01423 this 20th day of December, 1996, by FAX, by hand delivery or by placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

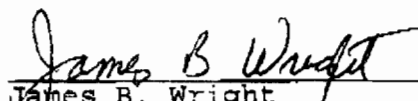
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