



James B. Wright
Senior Attorney

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EXECUTIVE SECRETARY
January 7, 1997

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

VIA FAX

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

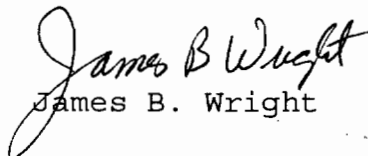
RE: Docket No. 96-01423

Dear Mr. Waddell:

Enclosed is an original and ten copies of United Telephone-Southeast, Inc.'s Response to Consumer Advocate's Objection to Proposed Order. 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)

#9491

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'S RESPONSE TO CONSUMER ADVOCATE'S
OBJECTION TO PROPOSED ORDER

The Consumer Advocate Division ("Division") has filed an objection to a portion of the proposed Order submitted by United Telephone-Southeast, Inc. ("United") in the above-captioned matter. Their objection relates to what United contends is agreement with respect to Issue 1. This issue deals with the methodology to be used in calculating the maximum annual adjustment under TCA 65-5-209(e).

The parties' agreement was presented by Dr. Klein at the Prehearing Conference held on Tuesday, December 17, 1996 in Nashville, Tennessee, before Chairman Lynn Greer acting as Hearing Officer. The Transcript of this hearing will, of course, speak for itself. For ease of reference, the relevant portions of the Transcript (pages 1-6) are attached.

The proposed Order was drafted using terms and concepts which were used by the parties during the informal discussions which lead to agreement on the issue, as well as at the hearing itself. The Division, in its objection, requests that the phrase "the price index methodology" used by United on pages 4 and 5 of the proposed Order be replaced by a new phrase: "the ultimate

calculation methodology used to compute the minimum[sic] annual adjustment".

The Division's phrase introduces language which is new and different from the language used by the parties during the negotiations and at the Prehearing conference (See Transcript). The Division expressly acknowledges that agreement on methodology was reached (Tr. p.5, ln. 9), yet its suggestion causes confusion and uncertainty since the very fact a change is proposed implies the existing words are somehow inaccurate. United believes its terminology is accurate and should be used. While it may only be a matter of semantics, rather than a retreat from what was agreed, United asks that its language be used in the Order.

The Division in its objection also asks that page 4 of the proposed Order delete the indication that "United's proposed methodology was acceptable" [except that the parties agreed to conform the SPI calculation per the Staff's local competition rule]. Since the whole purpose of the two informal meetings and the four hours of discussion among the parties was to reach agreement on methodology, and since United's proposed methodology was the only proposal and thus had to be the methodology agreed to among the parties (except for the SPI change), the Division's requested deletion appears contrary to the very purpose and result of the informal meetings. The agreement to use United's proposal (except for the SPI change), is clearly evident from Dr. Klein's presentation (Tr. pp. 4, 5) and from Mr. Walkup's statements (Tr. p.5, ln. 11-19). If the Division did not agree to United's methodology, we are at a loss to state what was agreed

to. For this reason United does object to this deletion proposed by the Division.

The Division also asks that the language in the proposed order on page 5 (dealing with the SPI) be amended so that the agreement only applies to changes "during the period". "Period" is defined by the Division in footnote 1 to mean the first year. This limitation was not mentioned during the discussions. Its practical effect is to make the parties apparent agreement so restricted as to be meaningless. Accordingly, United objects to this proposal by the Division as well.

Cumulatively, the Division asks for changes that negate the parties' representations that an agreement was reached. If the Division maintains its present position, United suggests that the Proposed Order be amended to reflect that all parties except for the Division reached agreement as to Issue 1.

Respectfully submitted,

UNITED TELEPHONE-SOUTHEAST, INC.

By James B. Wright
James B. Wright
Senior Attorney
14111 Capital Boulevard
Wake Forest, NC 27587-5900

DATED: January 7, 1997
#9454

BEFORE THE TENNESSEE REGULATORY AUTHORITY
PREHEARING CONFERENCE
Tuesday, December 17, 1996

UNITED TELEPHONE-SOUTHEAST, INC.)
TARIFF NO. 96-201 TO REFLECT ANNUAL) Docket No.
PRICE CAP ADJUSTMENT) 96-01423

BEFORE: CHAIRMAN LYNN GREER
HEARING OFFICER

COPY

APPEARANCES:

For Sprint Communications
Company, L.P.: Mr. James B. Wright

For BellSouth
Telecommunications Inc.: Mr. Guy M. Hicks

For AT&T: Mr. Knox Walkup

For Citizens
Telecommunications of TN:
(by telephone) Mr. Richard Tettelbaun

For Consumer Advocate: Mr. Vincent Williams
Mr. Archie Hickerson

General Counsel: Ms. Dianne Neal

For Staff: Dr. Chris Klein

Reported by:
Susan D. Delac



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1 (The aforementioned prehearing
2 conference came on to be heard on Tuesday,
3 December 17, 1996, beginning at approximately
4 3:20 p.m., before Lynn Greer, Hearing Officer, when
5 the following proceedings were had, to-wit:)

6
7 CHAIRMAN GREER: Good afternoon.
8 Thanks to everybody and I appreciate us working on a
9 flexible schedule to help everybody out.

10 The first item on the agenda is
11 AT&T's motion to intervene in the case. Is there any
12 objection from any of the parties that we allow AT&T
13 to intervene in the case?

14 (No verbal response.)

15 CHAIRMAN GREER: Without objection
16 then I will grant that motion. You now may officially
17 sit at the table, Mr. Walkup.

18 Mr. Walkup, why don't we go around
19 the room and let everybody introduce yourself. I've
20 got a sheet passing around, but I would like for the
21 record to get everybody.

22 MR. WALKUP: I'm Knox Walkup
23 representing AT&T.

24 MR. WILLIAMS: Vincent Williams
25 representing the Consumer Advocate Division. And with

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1 me is Archie Hickerson, Director of Staff of the
2 Consumer Advocate Division.

3 MR. WRIGHT: My name is Jim Wright
4 with Sprint-United. With me are Steve Parrott and
5 Kim Denton, subject matter experts.

6 MR. HICKS: I'm Guy Hicks
7 representing BellSouth Telecommunications.

8 CHAIRMAN GREER: And Mr. Tettelbaun.

9 MR. TETTELBAUN: Richard Tettelbaun
10 representing Citizens Telecom.

11 CHAIRMAN GREER: Thank you. To the
12 best of my knowledge, the second item on my agenda,
13 and we can take either one of these first. Basically
14 I've got two items on the agenda, discuss what we want
15 to do about the methodology issue and, secondly, the
16 order that was already submitted. I think it's
17 appropriate for us to review that and see if we have
18 an order.

19 So I was thinking we would take the
20 methodology issue. If everybody agrees with the order
21 or once we get through amending the order, Mr. Wright
22 can take this order and incorporate in his order the
23 meeting for today. So I thought I would just take
24 that item last and you can resubmit your order.

25 I understand Dr. Klein is going to

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1 pick up the ball and discuss Issue No. 1 as we had
2 identified it, the methodology.

3 DR. KLEIN: The parties have reached
4 an agreement in concept on the methodology question,
5 the main point of disagreement, I believe, and what
6 came down to the method of calculating the service
7 price index. The parties have agreed that we will use
8 the calculation which had previously been proposed to
9 the old Tennessee Public Service Commission in part of
10 its local telecommunications competition rules. This
11 part of the rule was not adopted, but it did have a
12 price cap methodology in it that's very similar to
13 what United proposed. And the parties have agreed to
14 adopt the calculation of the service price index which
15 was in that rule.

16 This also will require a couple of
17 other changes in United's proposal in order to be
18 consistent with that calculation. But we have all
19 agreed to those changes in concept. United has agreed
20 to draft some language which would amend their
21 original proposal and to submit that to the parties
22 for their review.

23 One issue was raised which we did not
24 address, and that is the issue of stimulation or
25 destimulation of the quantities that would be sold

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1 when there is a change in price of a product or
2 service especially as it relates to directory
3 assistance or any other service whose initial price
4 may be zero. The parties have not agreed on how to
5 treat that issue or those situations, so that will
6 remain an issue to be litigated at this point.

7 CHAIRMAN GREER: Does anyone disagree
8 with what Dr. Klein said?

9 MR. WILLIAMS: Consumer Advocate is
10 in agreement with Dr. Klein.

11 MR. WALKUP: Mr. Chairman, just to
12 get on the record since we are new to the proceeding,
13 to say that it's been represented to us that the
14 methodology that's been proposed by United is
15 consistent, that there's no material difference
16 between that methodology and the methodology and the
17 staff recommendation, PSC ruling. And to the extent
18 the drafts reflect that fact, it's not objectionable
19 to us.

20 CHAIRMAN GREER: Mr. Wright, is that
21 your understanding?

22 MR. WRIGHT: We are in agreement with
23 what Dr. Klein said, yes.

24 CHAIRMAN GREER: Mr. Hicks.

25 MR. HICKS: Yes. The only possible

1 clarification, and this may have been clear to
2 everyone but me, but the destimulation issue would be
3 litigated in the context of the tariff?

4 DR. KLEIN: Yes. That's my
5 understanding, unless anyone would disagree.

6 MR. HICKS: It's not a disagreement
7 at this point on Issue 1.

8 CHAIRMAN GREER: Do you understand
9 where they are, Mr. Tettelbaun?

10 MR. TETTELBAUN: I do, and we agree.

11 CHAIRMAN GREER: Then we have an
12 agreement on that issue. So we will simply substitute
13 Issue 1 for the stimulation/destimulation issue under
14 the DA tariff and have that as an issue that is to be
15 debated.

16 I guess, Mr. Wright, in drawing your
17 proposed order, probably you would leave the
18 methodology in there and now expand on where you are,
19 where the parties are on that order and that you-all
20 would file a stipulated agreement.

21 MR. WRIGHT: Yes, sir, I will do.

22 CHAIRMAN GREER: How soon do you
23 think that you can get your proposal amended to get it
24 in everybody's hands? I'm kind of looking at our
25 schedule. I know we've got plenty of time. But are

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CERTIFICATE OF SERVICE
(UTSE Annual Price Cap Adjustment)

The undersigned hereby certifies that the foregoing Response has been served upon the following counsel of record in Docket No. 96-01423 this 7th day of January, 1997, 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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