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97 Guy M. Hicks PM 4 03
General Counsel

EXECUTIVE SECRETARY

January 13, 1997

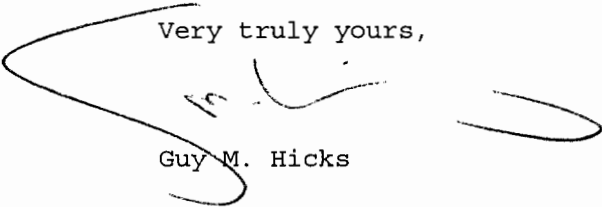
David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: United Telephone-Southeast, Inc. Tariff No. 96-201 To
Reflect Annual Price Cap Adjustment
Docket No. 96-01423

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth Telecommunications, Inc.'s Response to Consumer Advocate's Objection to Proposed Order in the above referenced matter. A copy has been provided to opposing counsel.

Very truly yours,


Guy M. Hicks

GMH:ch

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

07 JAN 13 PM 4 03

In Re: *United Telephone-Southeast, Inc. Tariff No. 96-201* **SECRETARY**
Reflect Annual Price Cap Adjustment

Docket No. 96-01423

**BELLSOUTH TELECOMMUNICATIONS, INC.'S RESPONSE TO
CONSUMER ADVOCATE'S OBJECTION TO PROPOSED ORDER**

The Consumer Advocate Division ("CAD") has filed objections to a portion of the proposed Order submitted by United Telephone-Southeast, Inc. ("United") in the above-captioned matter. The CAD's objections deal directly with matters previously agreed to by the parties, including the CAD, with respect to Issue 1. Issue 1 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 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 negotiation discussions which lead to agreement on this issue, as well as at the hearing itself. The CAD, 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 CAD's proposed 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 CAD expressly acknowledges that agreement on methodology was reached (Tr. p. 5, ln. 9). Its later suggestion to use new and different terminology in the Order causes uncertainty, and BellSouth believes the terminology used by United is accurate, consistent with that used during the negotiations, and should be adopted.

The CAD 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]. This proposed revision should also be rejected because the very purpose of the two informal meetings and the hours of discussion among the parties was to reach agreement on methodology. Since United's proposed methodology was the only proposal and thus had to be the methodology agreed to among the parties, the CAD's requested deletion appears contrary to the purpose and result of the informal meetings and Prehearing Conference. 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 AT&T's statements (Tr. P. 5, ln 11-19). If the CAD did not agree to United's methodology, BellSouth does not understand what was agreed to by the CAD on December 17. Based on the foregoing, BellSouth objects to this deletion proposed by the CAD.

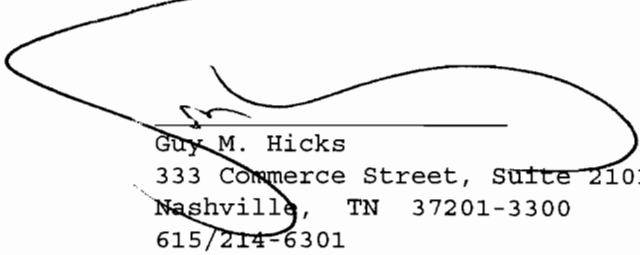
The CAD also asks that the language in the proposed Order on page 5 (dealing with the SPI) be amended so that the agreement only applies to changes "during the period." "Period" is defined by the CAD in footnote 1 to mean the first year. This limitation was not mentioned during the meetings or during the hearing. The practical effect of the

CAD's proposed change is to make the parties' agreement so restricted as to be meaningless. Accordingly, BellSouth objects to this proposal by the CAD as well.

In summary, the CAD asks for changes that undermine the very essence of the agreement reached by the parties (including the CAD) and reported to the Authority on December 17, 1996. If the CAD maintains its present position, BellSouth requests that the Proposed Order be amended to reflect that all parties including the CAD reached agreement as to Issue 1 and that the CAD's post-agreement arguments are rejected.

Respectfully submitted,

BellSouth Telecommunications, Inc.



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CERTIFICATE OF SERVICE

I hereby certify that on January 13, 1997, a copy of the foregoing document was served on the parties of record, via facsimile addressed as follows:

Dianne Neal, Esquire
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Vincent Williams, Esquire
Consumer Advocate Division
426 Fifth Ave., N., 2nd Fl.
Nashville, TN 37243-0500

Richard M. Tettlebaum, Esquire
Citizens Telecommunications
1400 16th. St., NW, #500
Washington, DC 20036

Knox Walkup, Esquire
Gullett, Sanford, et al.
P. O. Box 198888
Nashville, TN 37219-8888

James B. Wright, Esquire
United Telephone-SE
14111 Capital Blvd.
Wake Forest, NC 27587-5900

A handwritten signature in black ink, appearing to be 'J. B. Wright', written in a cursive style with a large loop at the end.

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: Mr. Richard Tettelbaun
(by telephone)
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

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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:

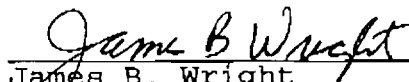
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