

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 5, 2000

IN RE:

**UNIVERSAL SERVICE GENERIC
CONTESTED CASE**

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DOCKET NO. 97-00888

ORDER ON PETITION FOR CLARIFICATION

This matter came before the Tennessee Regulatory Authority (the "Authority") at the October 26, 1999 Authority Conference upon the filing of a petition by United Telephone-Southeast, Inc. ("UTSE") requesting that the Authority clarify its Interim Order on Phase II of Universal Service ("Interim Order") filed on September 16, 1999. UTSE requests that the Authority clarify its decisions on Issue 16(s), depreciation, and Issue 16(p), vendor discounts. Specifically, UTSE asks the Authority to clarify which depreciation rates the Authority intended UTSE to use in UTSE's revised cost studies and how UTSE is to adjust the BCPM effective discounts.

At the October 26, 1999 Authority Conference, the Directors granted UTSE's petition as to Issue 16(s), depreciation. The Directors unanimously found that it was the intent of the Authority in the Interim Order for UTSE to use the 1995 Federal Communications Commission and Tennessee Public Service Commission depreciation rates in its cost studies.

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The Directors denied UTSE's request for clarification as to Issue 16(p), vendor discounts. The Directors determined that the actual issue raised by the petition was whether there was sufficient evidence to support the Directors' decision in the Interim Order that: "BST [Telecommunications, Inc.] and UTSE should adjust the BCPM by adjusting the 'effective discounts' used in the BCPM's Switching Module to reflect vendor discounts on switching equipment equal to those ordered by the Authority in Issue 14 of Phase I of Docket 97-01262."¹

During this proceeding, the parties presented three options relating to vendor discounts: actual switch vendor discounts, assumed vendor discounts² and effective discounts.³ By a unanimous vote, the Directors found: 1) UTSE has had sufficient opportunity to present its arguments with respect to vendor discounts and 2) based on UTSE's petition, the Interim Order, relevant authority, and the evidentiary record, there is sufficient evidence to support the Authority's determination in the Interim Order that UTSE should use its effective discounts along with the ordered adjustments.

IT IS THEREFORE ORDERED THAT:

1. The petition for clarification is granted as to the Issue 16(s), depreciation. United Telephone-Southeast, Inc. shall use the 1995 Federal Communications Commission and Tennessee Public Service Commission depreciation rates in its cost studies;

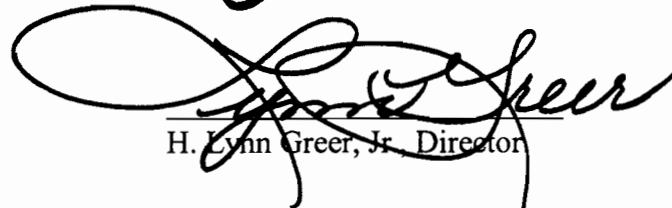
¹ *In re: Universal Service Proceeding*, Docket No. 97-00888, Interim Order at 38-39 (Tenn. Reg. Auth. Sept. 16, 1999).

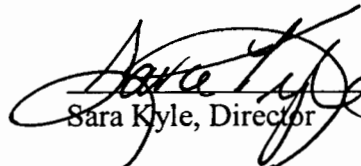
² The Switching and Interoffice Module of the HAI proposed by AT&T Communications of the South Central States, Inc. and MCI Telecommunications Corp. relies on estimates of switching cost factors which account for assumed vendor discounts.

³ The BCPM's Switching Module proposed by BST Telecommunications, Inc. and UTSE relies on effective discounts produced by company-specific vendor discount factors.

2. The petition for clarification is denied as to Issue 16(p), vendor discounts; and
3. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.



Melvin L. Malone, Chairman

H. Lynn Greer, Jr., Director

Sara Kyle, Director

ATTEST:



K. David Waddell, Executive Secretary