

TENNESSEE REGULATORY AUTHORITY



Lynn Greer, Chairman
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G. J. HINE
EXECUTIVE SECRETARY

November 7, 1997

Mr. Carlos C. Smith, Esq.
Attorney for Electric Power Board of Chattanooga
400 Krystal Building
One Union Square
Chattanooga, TN 37402

IN RE: Application of Electric Power Board of Chattanooga for a Certificate of
Public Convenience and Necessity to Provide Intrastate Telecommunications
Services. Docket No. 97-07488

Dear Mr. Smith:

The staff of the Tennessee Regulatory Authority is analyzing the application of Electric Power Board of Chattanooga (EPB) for a certificate to serve as a competing telecommunications service provider. In order to complete our analysis, we would appreciate a detailed response to the following questions:

1. On page 3 of its petition, EPB states that it "has constructed a fiber optics network for its own electric system uses in and around downtown Chattanooga, Tennessee, which network has excess capacity that is usable for telecommunications services." Since this fiber optics network has been funded by EPB's power customers to provide monopoly electric service, does EPB plan to reimburse these customers for using this network in a competitive telecommunications service?
2. How does EPB plan to obtain the necessary capital financing to fund construction for a telecommunications service? Does EPB plan to use funds generated through the sale of power services to fund the necessary telecommunications infrastructure?
3. Does EPB plan to fully allocate all of its common costs between power and telecommunications so that no cross-subsidization will occur? If so, please explain how these costs will be allocated. If not, explain EPB's rationale for allowing power customers to subsidize EPB's venture into telecommunications service.

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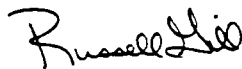
4. In paragraph VIII, EPB states that it plans to keep its books in accordance with Generally Accepted Accounting Principles ("GAAP"). Please explain how EPB will segregate its common costs and functions between Power and Telecommunications services in order to comply with GAAP.

5. Are there any prohibitions that EPB knows of that would limit its ability to make intercompany loans from the power operations to the telecommunications operations?

6. Please expound on the arrangement with an "independent telecommunications consulting firm" referenced in paragraph IV. Will this contractor be responsible for providing customer services such as installation and repair?

Your attention to this matter is appreciated. A response by November 21 would be most helpful. If you have any questions, please contact me at 615-741-7489, ext. 164.

Sincerely,



Russell D. Gill
Telecommunications Division