

LAW OFFICES

GULLETT, SANFORD, ROBINSON & MARTIN, PLLC

230 FOURTH AVENUE, NORTH, 3RD FLOOR
POST OFFICE BOX 198888
NASHVILLE, TENNESSEE 37219-8888

TELEPHONE (615) 244-4994
FACSIMILE (615) 256-6339

RECEIVED
DEC 10 1999
EXECUTIVE

GARETH S. ADEN
LAWRENCE R. AHERN III
G. RHEA BUCY
GEORGE V. CRAWFORD, JR.
GEORGE M. CRAWFORD III
A. SCOTT DERRICK
THOMAS H. FORRESTER
M. TAYLOR HARRIS, JR.
DAN HASKELL
LINDA W. KNIGHT
JOEL M. LEEMAN
ALLEN D. LENTZ
JOSEPH MARTIN, JR.
JEFFREY MOBLEY

KATHRYN H. PENNINGTON
WM. ROBERT POPE, JR.
WAYNE L. ROBBINS, JR.
JACK W. ROBINSON, JR.
JACK W. ROBINSON, SR.
VALERIUS SANFORD
MARTY S. TURNER
WESLEY D. TURNER
PHILLIP W. WELTY
JOHN D. LENTZ
OF COUNSEL
B. B. GULLETT
1905-1992

December 10, 1999

VIA HAND DELIVERY

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37201

In Re: *Petition of AT&T Communications of the South Central States, Inc.
for the Convening of a Contested Case concerning the Regulation of
the Rates of "the TEC Companies," Crockett Telephone Company,
Inc., Peoples Telephone Company, Inc. and West Tennessee
Telephone Company, Inc.*

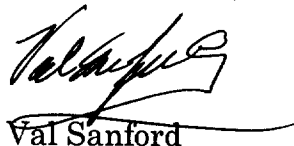
Docket No. 99-00456

Dear Mr. Waddell:

Enclosed for filing are the original and thirteen copies of the Petition of AT&T Communications of the South Central States, Inc. for the convening of a contested case concerning the regulation of the rates of the TEC Companies, Crockett Telephone Company, Inc., Peoples Telephone Company, Inc. and West Tennessee Telephone Company, Inc. Copies are being served on the Consumer Advocate Division and on the TEC Companies and their representatives.

Also enclosed is our check in the amount of \$25.00 for the filing fee.

Yours very truly,


Val Sanford

VS/ghc
Enclosures
127623.1

*Paid
\$25.00*

CK# 038422

David Waddell
December 10, 1999
Page 2

cc: Crockett Telephone Company, Inc.
Peoples Telephone Company, Inc.
West Tennessee Telephone Company, Inc.
Gregory Eubanks, Telephone Electronics Corporation
Vince Williams
T. G. Pappas and R. Dale Grimes
James P. Lamoureux
Garry Sharp

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE: *Petition of AT&T Communications of the South Central States, Inc. for the Convening of a Contested Case concerning the Regulation of the Rates of "the TEC Companies," Crockett Telephone Company, Inc., Peoples Telephone Company, Inc. and West Tennessee Telephone Company, Inc.*

Docket No. 99-00956

**PETITION OF AT&T COMMUNICATIONS OF THE SOUTH
CENTRAL STATES, INC.**

AT&T Communications of the South Central States, Inc. files this petition seeking the convening of a contested case concerning the regulation of the rates of "the TEC Companies," Crockett Telephone Company, Inc., Peoples Telephone Company, Inc. and West Tennessee Telephone Company, Inc. and for grounds states that:

THE PARTIES

1. AT&T Communications of the South Central States, Inc. ("AT&T") is a Delaware corporation, authorized to do business in Tennessee, and doing business as an interexchange carrier in Tennessee intrastate commerce pursuant to a Certificate of Convenience and Necessity issued by the Tennessee Public Service Commission.

2. Crockett Telephone Company, Inc. ("Crockett") is a Tennessee corporation, doing business as a public utility and as an incumbent local exchange telephone company, subject to regulation as such by the Tennessee Regulatory Authority ("TRA").

3. Peoples Telephone Company, Inc. ("Peoples") is a Tennessee corporation, doing business as a public utility and as an incumbent local exchange telephone company, subject to regulation as such by the TRA.

4. West Tennessee Telephone Company, Inc. ("West Tennessee") is a Tennessee corporation, doing business as a public utility and as an incumbent local exchange telephone company, subject to regulation as by the TRA.

5. Telephone Electronics Corporation ("TEC") is a corporation organized and existing under the laws of the State of Mississippi, which AT&T is informed and believes, and therefore alleges, is not authorized to do business in Tennessee; but which is the parent of Crockett, Peoples, and West Tennessee, its wholly owned subsidiaries.

6. Crockett, Peoples, and West Tennessee are collectively referred to herein as "the TEC Companies."

7. The Consumer Advocate Division of the office of the Attorney General and Reporter, created pursuant to T.C.A. §65-4-118, has the duty to represent the interests of Tennessee Consumers of public utility services, including the services of the TEC Companies, and as such should be made a party to the contested case which AT&T seeks to have convened.

JURISDICTION

8. The TRA has jurisdiction over the rates, charges and practices of the TEC Companies pursuant to Chapters 4 and 5 of Title 65, Tennessee Code Annotated, and has the power to grant the relief sought by AT&T pursuant to those chapters and particularly pursuant to T.C.A. §65-5-201.

9. The rights and duties of the parties can properly be determined only after a hearing, and, therefore, after a contested case as defined in T.C.A. §4-5-102(3), under the procedures for contested cases specified in Part 3 of Chapter 5, Title 4, Tennessee Code Annotated, and Chapter 2 of Title 65, Tennessee Code Annotated.

THE FACTS

10. Crockett serves a large part of Crockett County, with exchanges located at Alamo, Friendship and Maury City (including Frog Jump and Dog Hill). According to Crockett's August 31, 1999 3.01 Report, it served 3,572 residence and 963 business customers for a total of 4,535.

11. Peoples serves a large part of Houston County, with exchanges located at Erin and Tennessee Ridge. Peoples also has an exchange located at Henry in Henry County. According to Peoples' August 31, 1999 3.01 Report, it served 4,014 residence and 876 business customers for a total of 4,890.

12. West Tennessee serves parts of Carroll and Gibson counties, with exchanges located at Atwood and Trezvant in Carroll County and at Bradford and Rutherford in Gibson County. West Tennessee's exchange service areas are contiguous. According to West Tennessee's August 31, 1999 3.01 Report, West Tennessee served 4,004 residence and 649 business customers for a total of 4,653.

13. Crockett, Peoples and West Tennessee each files its own separate tariffs, including tariffs covering access charges and the Megacom adjustments. However, all filings appear to be made by TEC.

14. The present authorized fair rate of return of the TEC Companies, the extent of their projected overearnings for the years 1996, 1997 and 1998, and the corresponding rate reductions were determined as if the TEC Companies were a single entity.

15. During 1995, the staff of the Tennessee Public Service Commission conducted a compliance audit of TEC and its local telephone companies in Tennessee for the twelve (12) months ending December 31, 1994. The resulting audit report found that

the Companies' earnings appeared to be excessive and recommended that the Commission open a proceeding to determine if rate reductions were necessary. The staff's audit report was accepted by the Commission at its April 30, 1996 conference in Docket No. 96-00773.

16. Following the adoption of the Compliance Audit Report, the Commission granted the motion of the Consumer Advocate Division to convene a contested case to determine if rates should be reduced, Docket No. 96-00774. The Consumer Advocate Division and the TEC Companies prepared a forecast of earnings for the TEC Companies for the years 1996, 1997 and 1998 and agreed that the actual and projected overearnings for the three year period amounted to \$4.95 million.

17. On February 28, 1997, the TEC Companies and the Consumer Advocate Division filed a joint motion for approval and implementation of the settlement whereby the earnings of the TEC Companies would be reduced by \$4.95 million for the years 1996, 1997 and 1998. In calculating the overearnings, TEC and the Consumer Advocate Division agreed that a fair rate of return would be 11.474%. The parties further agreed to reduce earnings by eliminating certain rates, reducing certain rates, granting one-time and recurring monthly credits, and accelerating technology service improvements.

18. On April 1, 1997, in Docket No. 96-00774, the TRA granted the joint petition of the TEC Companies and the Consumer Advocate Division for the approval and implementation of that settlement agreement.

19. As the 3.01 Reports of the TEC Companies show, the TEC Companies have continued to earn far in excess of their authorized fair rate of return of 11.474%.

20. Crockett's 3.01 Reports for years ending December 31, 1996, December 31, 1997 and December 31, 1998 show:

Crockett Tel. Co.			
	Rate Base	Adjusted Net Operating Income	Rate of Return
12/31/96	\$2,004,905	\$541,041	26.99%
12/31/97	\$2,099,311	\$640,444	30.51%
12/31/98	\$2,169,382	\$588,872	27.14%

21. Peoples' 3.01 Reports for years ending December 31, 1996, December 31, 1997 and December 31, 1998 show:

Peoples Tel. Co.			
	Rate Base	Adjusted Net Operating Income	Rate of Return
12/31/96	\$3,669,209	\$524,915	14.31%
12/31/97	\$4,023,555	\$761,038	18.91%
12/31/98	\$4,529,646	\$927,383	20.47%

22. West Tennessee's 3.01 Reports for years ending December 31, 1996, December 31, 1997 and December 31, 1998 show:

West Tenn. Tel. Co.			
	Rate Base	Adjusted Net Operating Income	Rate of Return
12/31/96	\$3,312,915	\$718,073	21.67%
12/31/97	\$3,606,972	\$825,622	22.89%
12/31/98	\$4,456,881	\$859,343	19.28%

23. AT&T is informed and believes, and therefore alleges, that the TRA staff has been in the process of conducting a compliance audit of the TEC Companies.

24. AT&T is further informed and believes and therefore alleges, that the Consumer Advocate Division and representatives of the TEC Companies have reached a tentative agreement for the TEC Companies to reduce earnings equivalent to a total of \$5.7 million in revenues for the calendar years 1999, 2000 and 2001, with \$720,000 of that amount to effect the result of the delay in development of projected plant improvements.

25. AT&T has paid, and continues to pay, access charges to each of the TEC companies. The TEC Companies have filed proposed Megacom adjustments for the year 2000. As a result of those adjustments, AT&T would pay access charges to each of the TEC Companies during 2000, as follows:

Crockett Telephone Company		
	<u>Element</u>	<u>Rate</u>
1	Local Transport	0.000984
2	Residual Interconnection	0.015055
3	Local Switching	0.040400
4	Information Surcharge	0.000198
5	CCL	0.023175
6	Total, One End of Access	0.079812
7	Dual Party Relay (DPR)	0.002240
8	Two ends of Access (2 x L6 + L7)	0.161864

Peoples Telephone Company		
	<u>Element</u>	<u>Rate</u>
1	Local Transport	0.001408
2	Residual Interconnection	0.015055
3	Local Switching	0.040400
4	Information Surcharge	0.000198
5	CCL	0.021085
6	Total, One End of Access	0.078146
7	Dual Party Relay (DPR)	0.002240
8	Two ends of Access (2 x L6 + L7)	0.158532

West Tennessee Telephone Company		
	<u>Element</u>	<u>Rate</u>
1	Local Transport	0.0014790
2	Residual Interconnection	0.0150550
3	Local Switching	0.0404000
4	Information Surcharge	0.0001980
5	CCL	0.0176540
6	Total, One End of Access	0.0747860
7	Dual Party Relay (DPR)	0.0022400
8	Two ends of Access (2 x L6 + L7)	0.1518120

26. The existing and proposed access charges of the TEC Companies are not just and reasonable, but are greatly in excess of the cost of providing such services and are not necessary or appropriate for any purposes but merely constitute a subsidy to TEC.

THE RELIEF SOUGHT

27. The amount of the overearnings of the TEC Companies, the design of the rates of the TEC Companies to compensate for such overearnings and the determination of any just and reasonable rates of the TEC Companies should only be done in a contested case proceeding in which all interested parties, including AT&T, would have a full and fair opportunity to participate.

28. The TRA should, therefore, convene a contested case proceeding to consider the amount of the overearnings of the TEC Companies, the design of the rates of the TEC Companies to compensate for such overearnings and the determination of any just and reasonable rates of the TEC Companies.

Wherefore, AT&T Communications of the South Central States, Inc. on the basis of the foregoing premises, prays that:

1. The TRA convene a contested case proceeding to consider the amount of the overearnings of the TEC Companies, the design of the rates of the TEC Companies to compensate for such overearnings and the determination of any just and reasonable rates of the TEC Companies; and

2. It have such further and general relief as the justice of its cause may entitle it to receive.



Val Sanford, #3316
GULLETT, SANFORD, ROBINSON & MARTIN, PLLC
230 Fourth Avenue North, 3rd Floor
P.O. Box 198888
Nashville, TN 37219-8888
(615) 244-4994

James P. Lamoureux, Esq.
AT&T
Room 4068
1200 Peachtree Street N.E.
Atlanta, GA 30309
(404) 810-4196

Attorneys for AT&T Communications of the
South Central States, Inc.

CERTIFICATE OF SERVICE

I, Val Sanford, hereby certify that a copy of the foregoing Petition of AT&T Communications of the South Central States, Inc. was served on the following via First Class Mail or Hand-Delivery, this 10th day of December, 1999.



Val Sanford

Crockett Telephone Company, Inc.
P. O. Box 7
Friendship, TN 38034

Peoples Telephone Company, Inc.
P. O. Box 310
Erin, TN 37061

West Tennessee Telephone Company, Inc.
P. O. Box 10
244 E. Main Street
Bradford, TN 38316

Gregory Eubanks, Director Accounting
Telephone Electronics Corporation
P. O. Box 22923
Jackson, MS 39225

Vince Williams
Consumer Advocate Division
425 5th Avenue, North
Nashville, TN 37243

T. G. Pappas
R. Dale Grimes
Bass, Berry & Sims
2700 First American Center
313 Deaderick Street
Nashville, TN 37238-2700