

M E M O R A N D U M

May 16, 1997

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER)

RE: DOCKET NO. 920260-TL -- BELLSOUTH TELECOMMUNICATIONS, INC.
AUDIT REPORT - EARNINGS REVIEW - 12 MONTHS ENDED DECEMBER 31, 1995
AUDIT CONTROL NO. 96-211-1-1

DN by RLR

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are confidential working papers/confidential portions of the audit report associated with this audit.

Please forward a complete copy of the audit report including the confidential portions, to:

BellSouth Telecommunications, Inc.
A.M. Lombardo
150 S. Monroe Street, Suite 400
Tallahassee, FL 32301-1556

DNV/sp

Attachment w/o Confidential Portions of Audit Report

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Kiesling
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/ Wright/
File Folder)
Division of Communiations (D'Haeseleer)
Tallahassee District Office (Hicks)

Research and Regulatory Review (Harvey)
Office of Public Counsel

Tom Lohman
BellSouth Telecommunications, Inc.
150 W. Flagler Street
Miami, FL 33130

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and delivered to
Mr. Lombardo (picked
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DOCUMENT NUMBER-DATE

04918 MAY 16 97

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED DECEMBER 31, 1995

Field Work Completed

MAY 15, 1997

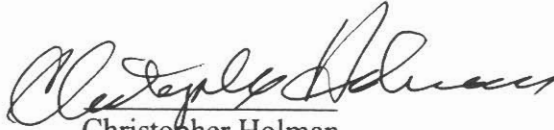
BELLSOUTH TELECOMMUNICATIONS INC.

FLORIDA

Surveillance Audit

Docket No. 920260-TL

Audit Control No. 96-211-1-1



Christopher Holman
Audit Manager

Audit Staff

Minority Opinion

Robert Moore

Yes---No *RTM*

Michael Buckley

Yes---No *MB*

Demetrius Lockwood

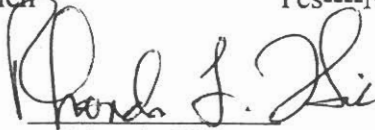
Yes---No *DML*

Ruth Young

Yes---No *RY*

Kathy Welch

Yes---No *KW*



Rhonda Hicks
District Audit Supervisor

DOCUMENT NUMBER-DATE

04918 MAY 16 97

FPSC-RECORDS/REPORTING

Tallahassee

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FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Page 1

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

RATE BASE(000)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Total Company Columns (2 + 3)	Interstate Toll	Total Intrastate Columns (4 + 7)	Intrastate Toll Columns (5 + 6)	IntraToll		Local
					Inter- territory	Intra- territory	
AVERAGE RATE BASE							
1. General Support	\$1,262,879	\$270,286	\$992,593	\$156,768	\$72,513	\$84,255	\$835,825
2. Central Office	3,717,983	860,284	2,857,699	434,896	200,220	234,676	2,422,803
3. Information Orig/Term	165,171	41,573	123,598	12,653	7,766	4,887	110,945
4. Cable and Wire Facilities	4,887,009	1,244,086	3,642,923	429,702	236,328	193,374	3,213,221
5. Amortizable Assets	18,502	3,950	14,552	2,298	1,064	1,234	12,254
6. Plant in Service	\$10,051,544	\$2,420,179	\$7,631,365	\$1,036,317	\$517,891	\$518,426	\$6,595,048
7. Accumulated Depreciation and Amortization	4,653,052	1,126,693	\$3,526,359	476,772	239,352	237,420	3,049,587
8. Net Plant in Service	\$5,398,492	\$1,293,486	\$4,105,006	\$559,545	\$278,539	\$281,006	\$3,545,461
9. Property Held for Future Use	25	6	19	2	1	1	17
10. TPUC (No IDC)	25,802	7,579	18,223	3,260	1,622	1,638	14,963
11. Acquisition Adjustments	0	0	0	0	0	0	0
12. Working Capital Allowance	(172,843)	(29,566)	(143,277)	(20,204)	(9,795)	(10,409)	(123,073)
13. Per Book Average Rate Base	<u>\$5,251,476</u>	<u>\$1,271,505</u>	<u>\$3,979,971</u>	<u>\$542,603</u>	<u>\$270,367</u>	<u>\$272,236</u>	<u>\$3,437,368</u>
14. % Distribution	100%	24.21%	75.79%	10.33%	5.15%	5.18%	65.46%

ADJUSTMENTS TO AVERAGE RATE BASE

15. Adjustments for Achieved Rate Base	\$19,871
16. Adjusted Achieved Rate Base	<u>\$3,999,842</u>

ADJUSTED ANNUALIZED/PRO FORMA YEAR END RATE BASE

17. Year End Rate Base per Books	3,954,646
18. Adjustments for Year End Rate Base	15,044
19. Adjusted Year End Rate Base	<u>\$3,969,690</u>

RATES OF RETURN

20. Average Per Book	<u>8.35%</u>	10.80%	7.56%	28.68%	32.74%	24.64%	4.23%
21. Average Adjusted Achieved			<u>8.35%</u>				
22. Adjusted Year End			<u>6.77%</u>				

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Page 1A

Company : BellSouth Telecommunications, Inc. - Florida

12 Months Ended : December 31, 1995

ADJUSTMENTS TO RATE BASE (000)	(1) Plant In Service	(2) Accumulated Depreciation and Amortization	(3) Property Held for Future Use	(4) ST Plant Under Construction	(5) Acquisition Adjustment	(6) Working Capital Allowance	(7) Per Book Average Rate Base
1. Intrastate Rate Base per Books	\$7,631,365	\$3,526,359	\$19	\$18,223	\$0	(\$143,277)	\$3,979,971

INTRASTATE ACHIEVED ADJUSTMENTS

2. Excess Plug-in Units	(33,553)	\$0	\$0	\$0	\$0	\$0	(\$33,553)
3. WECO Tax Credits	32,722	23,539	0	0	0	0	9,183
4. BELLCORE Investment	5,122	0	0	0	0	0	5,122
5. CWC Adj to remove sharing accruals		0	0	0	0	34,173	34,173
5. a. CWC Adj for sharing						0	0
6. Other Rate Base Adjustments	371	870	0	(110)	0	5,555	4,946
7. Total Accounting Adjustments, Intrastate Achieved	\$4,662	\$24,409	\$0	(\$110)	\$0	\$39,728	\$19,871
8. Achieved Intrastate Rate Base	\$7,636,027	\$3,550,768	\$19	\$18,113	\$0	(\$103,549)	\$3,999,842

9. Intrastate Year End Rate Base per Books	\$7,756,035	\$3,684,220	\$0	\$28,305	\$0	(\$145,474)	\$3,954,646
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INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS

FPSC ADJUSTMENTS:

10. Excess Plug-in Units	(\$33,553)	\$0	\$0	\$0	\$0	\$0	(\$33,553)
11. WECO Tax Credits	33,257	23,924	0	0	0	0	9,333
12. BELLCORE Investment	5,091	0	0	0	0	0	5,091
13. CWC Adj to remove sharing accruals						34,173	34,173
14. Other Rate Base Adjustments	0	0	0	0	0	0	0

ANNUALIZING ADJUSTMENTS:

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PRO FORMA ADJUSTMENTS:

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22. Total Accounting Adjustments, Intrastate Annualized	\$4,795	\$23,924	\$0	\$0	\$0	\$34,173	\$15,044
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23. Intrastate Annualized/Pro Forma Year End Rate Base	\$7,760,830	\$3,708,144	\$0	\$28,305	\$0	(\$111,301)	\$3,969,690
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FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Page 2

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

	(1) Total Company Columns (2 + 3)	(2) Interstate Toll * Toll *	(3) Total Intrastate Columns (4 + 7) #	(4) Intrastate Toll Columns (5 + 6)	(5) IntraToll Inter- territory	(6) Intra- territory	(7) Local
NET OPERATING INCOME (000)							
BOOKED REVENUE							
1. Basic Local Service Revenue	\$1,639,212 ✓	\$231	\$1,638,981	\$0	\$0	\$0	\$1,638,981
2. Network Access Revenue	1,083,145	798,813	284,332	284,332	277,193	7,139	0
3. Long Distance Revenue	291,996	540	291,456	291,456	0	291,456	0
4. Miscellaneous Revenue	356,979	28,444	328,535	18,363	13,529	4,834	310,172
5. Uncollectible Revenues	47,906	3,634	44,272	8,299	831	7,468	35,973
6. Net Booked Revenue	<u>\$3,323,426</u>	<u>\$824,394</u>	<u>\$2,499,032</u>	<u>\$585,852</u>	<u>\$289,891</u>	<u>\$295,961</u>	<u>\$1,913,180</u>
OPERATING EXPENSES							
7. Plant Specific Operation Expense	640,919	152,651	488,268	66,378	33,256	33,122	421,890
8. Plant Non-Specific Operations Exp	261,548	61,332	200,216	35,206	12,681	22,525	165,010
9. Depreciation and Amortization	694,541	171,802	522,739	74,775	36,050	38,725	447,964
10. Customer Operations Expense	489,048	91,622	397,426	85,765	36,114	49,651	311,661
11. Corporate Operations Expense	436,214	107,306	328,908	54,440	25,236	29,204	274,468
12. Other Income and Expense	(99)	257	(356)	(10)	(5)	(5)	(346)
13. Total Operating Expense	<u>\$2,522,171</u>	<u>\$584,970</u>	<u>\$1,937,201</u>	<u>\$316,554</u>	<u>\$143,332</u>	<u>\$173,222</u>	<u>\$1,620,647</u>
14. % Distribution	<u>100%</u>	<u>23.19%</u>	<u>76.81%</u>	<u>12.55%</u>	<u>5.68%</u>	<u>6.87%</u>	<u>64.26%</u>
OPERATING TAXES							
15. Federal Income Tax	135,371	50,913	\$84,458	\$71,937	41,750	30,187	12,521
16. State Income Tax	40,731	15,382	25,349	18,902	8,909	9,993	6,447
17. Other Taxes	186,815	35,856	150,959	22,865	7,389	15,476	128,094
18. Total Operating Taxes	<u>\$362,917</u>	<u>\$102,151</u>	<u>\$260,766</u>	<u>\$113,704</u>	<u>\$58,048</u>	<u>\$55,656</u>	<u>\$147,062</u>
NET OPERATING INCOME							
19. Per Book NOI	<u>\$438,338</u>	<u>\$137,273</u>	<u>\$301,065</u>	<u>\$155,594</u>	<u>\$88,511</u>	<u>\$67,083</u>	<u>\$145,471</u>
20. NOI Effect of Adjustments(Achieved)			<u>32,785</u>				
21. Adjusted Achieved NOI			<u>\$333,850</u>				
22. NOI Effect of Adjustments(Annual/Pro Forma)			<u>(65,145)</u>				
23. Annualized/Pro Forma NOI			<u>\$268,705</u>				
* Includes \$ 16,054,888 for Universal Service Fund							
# Above expenses include regulatory and legislative liaison expenses of \$ 1,217,000. See the Lobbying Expense and Other Regulatory Adjustments proformas for the legislative and liaison expenses excluded for rate-making purposes.							

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE REVENUE (000)	(1) Basic Local Service Revenue	(2) Inter- Territory Revenues	(3) Intra- Territory Revenue	(4) Misc Revenue	(5) Uncollectible Revenues	(6) Net Booked Revenue
1. Total Intrastate Revenue per Books	\$1,638,981	\$290,722	\$303,429	\$310,172	\$44,272	\$2,499,032

INTRASTATE ACHIEVED ADJUSTMENTS

OUT OF PERIOD ADJUSTMENTS:

2. Rev & Sett (Ind Co)	(43)	(31)	(151)	(25)		(\$250)
3. Expenses						0
4. MR & FR Taxes						0
5. Other Out of Period Revenue	8,210	4,372	1,272	1,066	0	14,920
6. Remove sharing accruals booked				16,000		16,000
7. Sharing Computation				0		0
8. Bond Refinancing 1995						0
9. SFAS 116						0
10. Bond Refinancing 1992						0
11. Other Reg/Nonreg Adjustments				67		67
12. Yellow Page Profits				0	0	0
13. Gains on Sales of Property	44				0	44
14. Income Related to Temp Cash Inv	281					281
15. Interest Reconciliation						0
16. Interest Imputation						0
17.						0
18. Lobbying Expense						0
19. Corporate Advertising Expense						0
20. Abandoned Projects						0
21. Bellcore Dividends	615					615
22.						0
23. Other Regulatory Adjustments						0
24. Total Accounting Adjustments, Intrastate Achieved	\$9,107	\$4,341	\$1,121	\$17,108	\$0	\$31,677
25. Total Achieved Intrastate Revenue	\$1,648,088	\$295,063	\$304,550	\$327,280	\$44,272	\$2,530,799

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : BellSouth Telecommunications, Inc. - Florida
 12 Months Ended : December 31, 1995

ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE REVENUE (000)	(1) Basic Local Service Revenue	(2) Inter- Territory Revenues	(3) Intra- Territory Revenue	(4) Misc Revenue	(5) Uncollectible Revenues	(6) Net Booked Revenue #
25. Total Achieved Intrastate Revenue	\$1,648,088	\$295,063	\$304,550	\$327,280	\$44,272	\$2,530,709

INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS

ANNUALIZING ADJUSTMENTS:

- 26.
- 27.

FPSC ADJUSTMENTS (PRO FORMA):

- 28.
- 29.

PRO-FORMA ADJUSTMENTS:

- 30.
- 31.
- 32.
- 33.
- 34.
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- 36.
- 37.

38. Rate Red Eff 10/96 Per Imp Order	(12,250)	(8,750)			(368)	(20,632)
39. High Cost Universal Service Fund						0
40. Rate Red Eff 10/95 Per Imp Order	(18,750)	(41,250)			(1,050)	(58,950)
41. Rate Red Eff 9/95 - Intralata Toll			(24,074)		(422)	(23,652)
42. Total Accounting Adjustments, Intrastate Annualized	<u>(\$31,000)</u>	<u>(\$50,000)</u>	<u>(\$24,074)</u>	<u>\$0</u>	<u>(\$1,840)</u>	<u>(\$103,234)</u>
43. Total Annualized Intrastate Revenue	<u>\$1,617,088</u>	<u>\$245,063</u>	<u>\$280,476</u>	<u>\$327,280</u>	<u>\$42,432</u>	<u>\$2,427,475</u>

These revenues include accruals for sharing of earnings.

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE EXPENSE (000)	(1) Plant Specific Operations Expense	(2) Other Non-Plant Specific Oper. Exp.	(3) Depreciation and Amortization	(4) Customer Operations Expense	(5) Corporate Operations Expenses	(6) Other Income and Expenses	(7) Total Operating Expense
1. Total Intrastate Expense per Books	\$488,268	\$200,216	\$522,739	\$397,426	\$328,908	(\$356)	\$1,937,201

INTRASTATE ACHIEVED ADJUSTMENTS

OUT OF PERIOD ADJUSTMENTS:

2. Rev & Sett (Ind Co)							\$0
3. Expenses	202	0	(2,938)	824	(1,299)	0	(3,211)
4. MR & FR Taxes							0
5. Other Out of Period Revenue							0
6. Remove sharing accruals booked							0
7. Sharing Computation							0
8. Bond Refinancing 1995						212	212
9. SFAS 116					(38)		(38)
10. Bond Refinancing 1992						176	176
11. Other Reg/Nonreg Adjustments	48	30	68	30	(261)	0	(85)
12. Yellow Page Profits							0
13. Gains on Sales of Property						(27)	(27)
14. Income Related to Temp Cash Inv							0
15. Interest Reconciliation							0
16. Interest Imputation							0
17.							0
18. Lobbying Expense					(347)		(347)
19. Corporate Advertising Expense					(119)		(119)
20. Abandoned Projects						550	550
21. Bellcore Dividends							0
22.							0
23. Other Regulatory Adjustments						(4,271)	(4,271)
24. Total Accounting Adjustments, Intrastate Achieved	\$250	\$30	(\$2,870)	\$854	(\$2,064)	(\$3,360)	(\$7,160)
25. Total Achieved Intrastate Expense	\$488,518	\$200,246	\$519,869	\$398,280	\$326,844	(\$3,716)	\$1,930,041

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : BellSouth Telecommunications, Inc. - Florida
 12 Months Ended : December 31, 1995

ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE EXPENSE (000)	(1) Plant Specific Operations Expense	(2) Other Non-Plant Specific Oper. Exp.	(3) Depreciation and Amortization	(4) Customer Operations Expense	(5) Corporate Operations Expenses	(6) Other Income and Expenses	(7) Total Operating Expense
25. Total Achieved Intrastate Expenses	\$488,518	\$200,246	\$519,869	\$398,280	\$326,844	(\$3,716)	\$1,930,041

INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS

ANNUALIZING ADJUSTMENTS:

26.

27.

FPSC ADJUSTMENTS (PRO FORMA):

28.

29.

PRO FORMA ADJUSTMENTS:

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38. Rate Red Eff 10/96 Per Imp Order 0

39. High Cost Universal
 Service Fund 4,218 4,218

40. Rate Red Eff 10/95 Per Sett Order 0

41. Rate Red Eff 9/95 - Intralata Toll 0

42. Total Accounting Adjustments,
 Intrastate Annualized \$0 \$0 \$0 \$0 \$4,218 \$0 \$4,218

43. Total Annualized Intrastate Expenses \$488,518 \$200,246 \$519,869 \$398,280 \$331,062 (\$3,716) \$1,934,259

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

ADJUSTMENTS TO NET OPERATING INCOME INTRASTATE TAXES (000)	(1) Federal Income Tax	(2) State Income Tax	(3) Other Taxes	(4) Total Operating Taxes	(5) NOI
1. Total Intradate Taxes per Books	\$84,458	\$25,349	\$150,959	\$260,766	\$301,065

INTRASTATE ACHIEVED ADJUSTMENTS

OUT OF PERIOD ADJUSTMENTS:

2. Rev & Sett (Ind Co)	(82)	(13)	(3)	(\$98)	(\$152)
3. Expenses	1,062	177		1,239	1,972
4. MR & FR Taxes	9,404	(1,849)	(10,630)	(3,075)	3,075
5. Other Out of Period Revenue	4,869	810	198	5,877	9,043
6. Remove sharing accruals booked	5,524	216		5,740	10,260
7. Sharing Computation	0	0		0	0
8. Bond Refinancing 1995	(70)	(12)		(82)	(130)
9. SFAS 116	8	16		24	14
10. Bond Refinancing 1992	(57)	(10)	(2)	(69)	(107)
11. Other Reg/Non-reg Adjustments	(5,824)	(3,186)	12	(8,998)	9,150
12. Yellow Page Profits	0	0	0	0	0
13. Gains on Sales of Property	23	4	1	28	43
14. Income Related to Temp Cash Inv	92	15	4	111	170
15. Interest Reconciliation	3,811	634		4,445	(4,445)
16. Interest Imputation	(666)	(111)		(777)	777
17.					
18. Lobbying Expense	115	19		134	213
19. Corporate Advertising Expense	39	7		46	73
20. Abandoned Projects	(182)	(30)		(212)	(338)
21. Bellcore Dividends	61	10		71	544
22.					
23. Other Regulatory Adjustments	1,413	235		1,648	2,623
24. Total Accounting Adjustments, Intradate Achieved	\$19,540	(\$3,068)	(\$10,420)	\$6,052	\$32,785
25. Total Achieved Intradate Taxes	\$103,998	\$22,281	\$140,539	\$266,818	\$333,850

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

	(1)	(2)	(3)	(4)	(5)
ADJUSTMENTS TO NET OPERATING INCOME				Total	
INTRASTATE OPERATING TAXES	Federal	State		Operating	
(000)	Income Tax	Income Tax	Other Taxes	Taxes	NOI
25. Total Achieved Intrastate Taxes	\$103,998	\$22,281	\$140,539	\$266,818	\$333,850

INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS

ANNUALIZING ADJUSTMENTS:

26.

27.

FPSC ADJUSTMENTS (PRO FORMA):

28.

29.

PRO FORMA ADJUSTMENTS:

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38. Rate Red Eff 10/96 Per Imp Order	(6,732)	(1,119)	(279)	(8,130)	(12,502)
39. High Cost Universal					
Service Fund	(1,395)	(232)	0	(1,627)	(2,591)
40. Rate Red Eff 10/95 Per Imp Order	(19,234)	(3,198)	(798)	(23,230)	(35,720)
41. Rate Red Eff 9/95 - Intralata Toll	(7,717)	(1,283)	(320)	(9,320)	(14,332)
42. Total Accounting Adjustments, Intrastate Annualized	<u>(\$35,078)</u>	<u>(\$5,832)</u>	<u>(\$1,397)</u>	<u>(\$42,307)</u>	<u>(\$65,145)</u>
43. Total Annualized Intrastate Taxes	<u>\$68,920</u>	<u>\$16,449</u>	<u>\$139,142</u>	<u>\$224,511</u>	<u>\$268,705</u>

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

AVERAGE CAPITAL(INTRASTATE) (000)	(1)	(2)	(3) #	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Average Per Books	Specific Adjustments	Pro Rata Adjustments	Adjusted Amount	% of Total	Sharing *	Cost Rate Actual	Ceiling	Sharing *	Weighted Cost Rate Actual	Ceiling
1. Long Term Debt	1,146,681		(9,313)	\$1,137,368	28.44%	7.35%	7.35%		2.09%	2.09%	
2. Short Term Debt	167,999		(1,365)	166,634	4.17%	5.93%	5.93%		0.25%	0.25%	
3. Preferred Stock	0		0	0	0.00%	0.00%	0.00%		0.00%	0.00%	
4. Customer Deposits	22,973		(187)	22,786	0.57%	6.03%	6.03%		0.03%	0.03%	
5. Common Equity	1,967,565	23,130	(16,168)	1,974,527	49.36%	12.50%	11.72%	14.50%	6.17%	5.79%	7.16%
6. Investment Tax Credits	75,435		(613)	74,822	1.87%	10.63%	10.13%	11.89%	0.20%	0.19%	0.22%
7. Cost Free Capital	602,603	26,209	(5,107)	623,705	15.59%	0.00%	0.00%		0.00%	0.00%	
8. Total Capital	\$3,983,256	\$49,339	(\$32,753)	\$3,999,842	100.00%				8.74%	8.35%	9.75%

INTERNAL FUNDS

9. % Internal funds to construction expenditures after dividends (Total Company) - YTD	67.56%
10. Times interest earned (NI+Interest+Income Tax)/Interest (Total Company)	3.97
11. Long Term Debt / Capital (Intrastate)	34.69%
12. Short Term Debt / Capital (Intrastate)	5.08%
13. Average adjusted achieved return on equity (Intrastate)	11.72%
14. Adjusted year end return on equity (Intrastate)	8.60%

See Attachment A to Page 3 for signature.

See Page 6 for details.

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

Attachment A
to Page 3

I am aware that Section 837.06, Florida Statutes, provides:
Whoever knowingly makes a false statement in writing with
the intent to mislead a public servant in the performance of
his official duty shall be guilty of a misdemeanor of the
second degree punishable as provided in s. 775.082,
s. 775.083, or s 775.084.

T. F. Lohman - Assistant Chief Accountant
(Name and Title of
Chief Financial Officer)



(Signature)

April 18, 1996

(Date)

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Page 3A

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ADJUSTMENTS TO AVERAGE CAPITAL (000)	LONG TERM DEBT	SHORT TERM DEBT	PREFERRED STOCK	CUSTOMER DEPOSITS	COMMON EQUITY	INVESTMENT TAX CREDITS	COST FREE CAPITAL	TOTAL CAPITAL

1. Total Capital Per Books	1,517,840	222,378	0	22,973	2,604,426	100,514	762,460	\$5,230,591
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DESCRIPTION OF ADJUSTMENTS TO SPECIFIC SOURCES

2. Accrued Dividends					30,617			30,617
3. WECO Tax Credits							32,257	32,257
4. Accrual for Florida Refund								0
5.								
6. Sub-total of Specific Adjustments to Sources	\$0	\$0	\$0	\$0	\$30,617	\$0	\$32,257	\$62,874
7. Adjusted Total Capital	\$1,517,840	\$222,378	\$0	\$22,973	\$2,635,043	\$100,514	\$794,717	\$5,293,465

DESCRIPTION OF PRO RATA ADJUSTMENTS

8. Various Diff From Rate Base #	(7,874)	(1,154)	0	(119)	(13,671)	(521)	(4,123)	(\$27,462)
9.								
10.								
11.								
12. Sub-total of Pro Rata Adjustments to Sources	(\$7,874)	(\$1,154)	\$0	(\$119)	(\$13,671)	(\$521)	(\$4,123)	(\$27,462)
13. Subtotal, Pro Rata Adjusted Total Capital	\$1,509,966	\$221,224	\$0	\$22,854	\$2,621,372	\$99,993	\$790,594	\$5,266,003
14. Interstate Separation Factor	\$372,598	\$54,590	\$0	\$68	\$646,845	\$25,171	\$166,889	\$1,266,161
15. Adjusted Jurisdictional Capital	\$1,137,368	\$166,634	\$0	\$22,786	\$1,974,527	\$74,822	\$623,705	\$3,999,842

See Page 6 for details.

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Page 4

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

CUSTOMER BILLING (000)	(1)	(2)	(3)
	Intrastate Toll Columns (2 + 3)	Intratoll	
		Inter- territory	Intra- territory
ACCESS CHARGES :			
1. End User Charges	\$0	\$0	\$0
2. Capacity Charges (a)	1,907	1,907	0
3. MOU Charges To DxC's (b)	267,406	260,267	7,139
4. Special Access Charges (c)	11,636	11,636	0
5. Other (d)	45	45	0
6. Total Access Charges	<u>\$280,994</u>	<u>\$273,855</u>	<u>\$7,139</u>
OTHER CHARGES TO DxC's :			
7. Operator Services (D.A.)	\$4,612	4,612	0
8. Billing and Collecting	7,756	7,756	0
9. Interexchange Lease	30	0	30
10. Total Other Charges to DxC's	<u>\$12,398</u>	<u>\$12,368</u>	<u>\$30</u>
CUSTOMER CHARGES (e) :			
11. MTS	\$195,461	0	195,461
12. WATS	43,864	0	43,864
13. Private Line-FX	52,078	0	52,078
14. Local Exchange	0	0	0
15. Miscellaneous	0	0	0
16. Total Customer Charges	<u>\$291,403</u>	<u>\$0</u>	<u>\$291,403</u>
17. Total Billing	<u>\$584,794</u>	<u>\$286,223</u>	<u>\$298,571</u>
18. Joint Transport Receipts (Payments)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
19. Subsidy Fund Receipts (Payments)	<u>(\$1,604)</u>	<u>(\$1,273)</u>	<u>(\$331)</u>
20. Out-of-Period Billings	<u>\$368</u>	<u>\$32</u>	<u>\$336</u>
21. Access Expense			<u>(\$2,970)</u> *
22. Other Settlements	<u>(\$1,212)</u>	<u>(1,273)</u>	<u>54</u>

NOTE: The amounts on this schedule reflect, among other things, all payments from DxC's on a composite basis. However, LEC's are expected to maintain individual side records by DxC in the same level of detail found on this schedule.

(a) Busy Hour minutes of Capacity Charge.

(b) Includes Local Switching, Local Transport, Line Termination and Carrier Common Line.

(c) For Intrastate-Interterritory Station Terminals.

(d) Includes testing, ordering, labor, etc.

(e) For Lines 11 through 15, include only charges billed to customer and retained by company, not charges billed on behalf of DxC's.

* MABC Revenues were \$ 7,139 and MABC expenses were \$ 10,109 for twelve months ending December 31, 1995.

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Page 5

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

	(1) Total Company Columns (2 + 3)	(2) Interstate Toll	(3) Total Intrastate Columns (4 + 7)	(4) Intrastate Toll Columns (5 + 6)	(5) — IntraToll — Inter- territory	(6) Intra- territory	(7) Local
NET OPERATING INCOME							
FOR THE MONTH ENDED (000) December 31, 1995							
BOOKED REVENUE							
1. Basic Local Service Revenue	\$137,417	20	\$137,397	\$0	\$0	\$0	\$137,397
2. Network Access Revenue	95,694	78,728	16,966	16,966	16,314	652	0
3. Long Distance Revenue	23,703	30	23,673	23,673	0	23,673	0
4. Miscellaneous Revenue	33,738	2,624	31,114	1,514	1,128	386	29,600
5. Uncollectible Revenues	4,820	337	4,483	817	55	762	3,666
6. Net Booked Revenue	<u>\$285,732</u>	<u>\$81,065</u>	<u>\$204,667</u>	<u>\$41,336</u>	<u>\$17,387</u>	<u>\$23,949</u>	<u>\$163,331</u>
OPERATING EXPENSES							
7. Plant Specific Operation Expense	58,402	14,048	44,354	6,119	3,021	3,098	38,235
8. Plant Non-Specific Operations Exp	21,164	5,032	16,132	2,789	1,013	1,776	13,343
9. Depreciation and Amortization	59,411	14,842	44,569	6,325	3,056	3,269	38,244
10. Customer Operations Expense	48,587	10,012	38,575	8,411	3,478	4,933	30,164
11. Corporate Operations Expense	52,780	12,810	39,970	6,680	3,037	3,643	33,290
12. Other Income and Expense	(2)	(1)	(1)	0	0	0	(1)
13. Total Operating Expense	<u>\$240,342</u>	<u>\$56,743</u>	<u>\$183,599</u>	<u>\$30,324</u>	<u>\$13,605</u>	<u>\$16,719</u>	<u>\$153,275</u>
14. % Distribution	<u>100%</u>	<u>23.61%</u>	<u>76.39%</u>	<u>12.62%</u>	<u>5.66%</u>	<u>6.96%</u>	<u>63.77%</u>
OPERATING TAXES							
15. Federal Income Tax	13,176	5,779	7,397	1,892	658	1,234	5,505
16. State Income Tax	4,699	3,134	1,565	2,140	554	1,586	(575)
17. Other Taxes	15,361	2,606	12,755	1,940	605	1,335	10,815
18. Total Operating Taxes	<u>\$33,236</u>	<u>\$11,519</u>	<u>\$21,717</u>	<u>\$5,972</u>	<u>\$1,817</u>	<u>\$4,155</u>	<u>\$15,745</u>
NET OPERATING INCOME							
19. Per Book NOI for the Month	<u>\$12,154</u>	<u>\$12,803</u>	<u>(\$649)</u>	<u>\$5,040</u>	<u>\$1,965</u>	<u>\$3,075</u>	<u>(\$5,682)</u>

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

Page 6

Company : BellSouth Telecommunications, Inc. - Florida
12 Months Ended : December 31, 1995

RECONCILIATION OF CAPITAL TO RATE BASE
(000)

<u>DESCRIPTION</u>	<u>COMBINED</u>	<u>INTRASTATE</u>
1. Long Term Plant Under Construction	(\$8,088)	(\$7,531)
2. Investments in and Advances to Affiliated Companies	(\$62,494)	(\$47,212)
3. Miscellaneous Physical Property	(\$7,109)	(\$5,371)
4. Other	\$47,983	\$16,673
5. Rate Base Adjustments		
A. Excess Plug-in Units	(43,653)	(33,553)
B. Bellcore Investment	6,781	5,122
C. Net Sharing Adjustment	34,173	34,173
D. Out of Period Items	4,946	4,946
E. Total Rate Base Adjustments	2,247	10,688
6. Total	(27,461)	(32,753)

Company : BellSouth Telecommunications, Inc. - Florida
 12 Months Ended : December 31, 1995

RATE STABILIZATION ORDER
 REPORT OF RATE CHANGES/EXOGENOUS FACTORS/DEBT CHANGES/TECHNOLOGICAL CHANGES

Intrastate Amounts
 (000's)

	Annual Revenue Requirement Impact	YTD Effective Portion for 1995	Cumulative Effect
All Price Changes, Exogenous Factors > \$ 3 Million, Debt Refinancings and Major Technological Changes			
I. RATE CHANGES			
A. Rate Increases	\$17,070	\$8,604	\$8,605
B. Rate Decreases	(40,979)	(13,686)	(13,697)
Net	(\$23,909)	(\$5,082)	(\$5,092)
II. EXOGENOUS FACTORS			
A.			
B.			
C.			
D.			
E.			
F.			
Net	\$0	\$0	\$0
III. DEBT REFINANCING			
IV. MAJOR TECHNOLOGICAL CHANGES			
NONE			
Grand Net	<u>(\$23,909)</u>	<u>(\$5,082)</u>	<u>(\$5,092)</u>

Per FPSC Order No. PSC-94-1072-FOF-TL approving the Stipulation and Implementation Agreement, this schedule was returned to zero at December 31, 1993.

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

Company : BellSouth Telecommunications, Inc. - Florida
 12 Months Ended : December 31, 1995

RATE STABILIZATION ORDER
 REPORT OF RATE CHANGES/EXOGENOUS FACTORS/DEBT CHANGES/TECHNOLOGICAL CHANGES
 ADDITIONAL DESCRIPTION OF ITEMS
 (000's)

All Price Changes, Exogenous Factors > \$ 3 Million, Debt Refinancings and Major Technological Changes	Annual Impact	YTD Effective Portion for 1995	Cumulative Effect
I.A. Rate increases (by service)			
1. Equipment for the Disabled, GSST Tariff A-30, Eff. 11/15/94	\$7	\$7	\$8
2. Obsolete Caller ID Multi-Line/Offer Caller ID on Flat Rate Basis, Eff. 6/5/95	\$13,131	\$7,660	\$7,660
3. Directory Publishers Database Service (DPDS) Restructure, Eff. 8/27/95	\$437	\$146	\$146
4. Operator Dialed Surcharge (Part of IntraLATA Toll Rate decrease), Eff. 9/9/95	\$2,559	\$782	\$782
5. MSP Interconnection, Increase DADACC rate, Eff. 11/14/95	\$68	\$9	\$9
6. MSP Interconnection restructure per Order 95-1247, Dkt 940235, Eff. 12/31/95	\$868	\$0	\$0
	\$17,070	\$8,604	\$8,605
I.B. Rate decreases (by service)			
1. Eliminate charges for CLUB Billing Service, GSST Tariff A-13, Eff. 5/2/94	(\$16)	(\$16)	(\$27)
2. PulseLink PPSN Restructure, Eff. 2/27/95	(\$191)	(\$159)	(\$159)
3. Common Block Rate Reduction, Eff. 6/27/95	(\$6)	(\$3)	(\$3)
4. NonLEC PTAS - Flat Rate Business Service, Eff. 7/1/95	(\$1,916)	(\$958)	(\$958)
5. Saver Service and WatsSaver Service Restructure, Eff. 8/2/95	(\$5,900)	(\$2,458)	(\$2,458)
6. WATS/800 Service Restructure, Eff. 9/1/95	(\$847)	(\$282)	(\$282)
7. Eliminate Lifeline Secondary Service Order Charge, Eff. 9/8/95	(\$180)	(\$55)	(\$55)
8. IntraLATA Toll Rates, Remote Call Forwarding, Business Saver Discounts, Eff. 9/9/95	(\$31,923)	(\$9,755)	(\$9,755)
	(\$40,979)	(\$13,686)	(\$13,697)

II.A.

II.B.

III.A.

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

Company : BellSouth Telecommunications, Inc. - Florida
 12 Months Ended : December 31, 1995

RATE STABILIZATION ORDER
 REPORT OF NEW SERVICES
 Intrastate Amounts (000's)

New Services	Effective Date	Estimated Annual Revenue Impact		
		Year 1	Year 2	Year 3
1. SmartLine Service for Non-LEC PAT Providers	01/01/94	\$255	\$0	\$0
2. ISDN Individual Services	01/02/94	1,512		
3. Daily enhancement to CCAS	04/09/94	465		
4. Answer Supervision for PTAS	04/24/94	0		
5. Mobile Services Interconnection - 2A-CCS7 Trunks	07/01/94	0		
6. Native Mode LAN Interconnection (NMLI) Service	08/13/94	260		
7. New Central Office Data Set for Dial Access	09/30/94	4		
8. Directory Assistance/Directory Assistance Call Completion (DA/DACC)	10/18/94	2,160		
9. Operator Services Interconnection to MSP Tariff	10/31/94	15		
10. Back-up Line Service	11/22/94	1,109		
11. Application Testing	11/22/94	78		
12. Area Number Calling Service	12/04/94	424		
13. Coin Refund and Repair Referral Service	12/20/94	149		
14. SMARTPath Service (Private Line and Access Rariffs)	02/01/95	143		
15. 500 Access Service	05/12/95	11		
16. Directory Assistance Call Completion (Local and Toll)	05/14/95	58		
17. SMARTRing (R) Service	05/30/95	892		
18. New Designer Listing Options, GSST	06/26/95	67		
19. ZipCONNECT SERVICE - New Features, GSST	08/22/95	62		
20. Central Office Blocking with Operator Screening	09/05/95	0		
21. CrisisLink(sm), GSST	09/26/95	2,519		
22. Equipment for Disabled Customers - four new items	10/16/95	0		
23. Frame Relay, A40	10/27/95	1,041		
24. Connectionless Data Service, A40	10/27/95	781		
25. Broadband Exchange Line Service, A40	10/27/95	1,171		
26. Exchange Access Frame Relay, E21	10/27/95	33		
27. Exchange Access Connectionless Data Service, E21	10/27/95	26		
28. OPTTALK Service, A35	11/14/95	47		
29. OPTTALK Service, A35 - additional features	12/30/95	388		
30.				
31.				
32.				
33.				
34.				
35.				
36.				
37.				
38.				
39.				
Totals		\$13,670	\$0	\$0

SOUTHERN BELL - FLORIDA OPERATIONS
 CALCULATION OF ANNUAL IDC RATE - DECEMBER 31, 1995 DATA

Cost of Capital (000)

	<u>Amount</u>	<u>% of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1. Long Term Debt	\$1,137,368	28.44%	6.74%	1.92%
2. Short Term Debt	166,634	4.17%	5.93%	0.25%
3. Equity	1,974,527	49.36%	13.20%	6.52%
4. Customer Deposits	22,787	0.57%	6.03%	0.03%
5. Cost Free Capital	623,705	15.59%	0.00%	0.00%
6. Job Dev. Inv. Credit	74,822	1.87%	0.00%	0.00%
7. Total Capital	\$3,999,842	100.00%		8.72%

Annual Percentage Rate Currently Used by Southern Bell 8.59%

Annual Rate per Calculation 12/31/95 8.72%

SOUTHERN BELL - FLORIDA OPERATIONS
 CALCULATION OF ADJUSTED CAPITAL STRUCTURE
 (\$000)

Capital Structure

	Unadjusted Amount	Reconciling Adjustment	Adjusted Capital Structure
1. Long Term Debt	\$1,146,681	(\$9,313)	1,137,368
2. Short Term Debt	167,999	(1,365)	166,634
3. Equity	1,990,695	(16,168)	1,974,527
4. Customer Deposits	22,973	(187)	22,786
5. Cost Free Capital	628,812	(5,107)	623,705
6. Job Dev. Inv. Credit	<u>75,435</u>	<u>(613)</u>	<u>74,822</u>
7. Total	\$4,032,595	(\$32,753)	\$3,999,842
Average Rate Base per Books	\$3,979,971		
Accounting Adjustments	<u>19,871</u>		
Average Adjusted Rate Base	3,999,842		