STATE OF FLORIDA

BEFORE THE

PUBLIC SERVICE COMMISSION

Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone & Telegraph Company	)	Docket No. 920260-TL

FILE COPY

DIRECT TESTIMONY

OF

RANDY M. ALLEN

ON REVENUE REQUIREMENT ISSUES

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ON BEHALF OF THE

OFFICE OF PUBLIC COUNSEL

AND FLORIDA CITIZENS

NOVEMBER 16, 1992

EXETER
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Introduction and Scope

Q. Please provide your name and business affiliation.

A. My name is Randy M. Allen and I am a Senior Regulatory Accountant with Exeter Associates, Inc. at 10801 Lockwood Drive, Suite 350, Silver Spring, Maryland, 20901. Exeter is a firm of consulting economists and accountants specializing in issues pertaining to public utilities.

Q. On whose behalf are you appearing?

A. I am appearing on behalf of the Office of Public Counsel which represents Florida Citizens (OPC or Citizens).

Q. What is the purpose of your testimony in this proceeding?

A. Exeter Associates was retained by OPC to assist Florida Citizens in reviewing the proposed revenue requirements and rate stabilization plan filed by BellSouth Telecommunications - Florida (BST-FL or Company). My testimony provides the summary result of OPC's review of BST-FL's filing and specifically addresses the traditional cost of service items. In developing the overall revenue requirement, I have incorporated the testimony of other OPC witnesses in this case.

Q. Please provide a summary of your educational background and public utility regulatory experience.

A. I have over 13 years of direct public utility accounting and ratemaking experience and have testified or presented reports in approximately 70 gas, electric, telephone, water or wastewater cases before the Federal Energy Regulatory Commission and regulatory agencies in Georgia, Louisiana, Nevada, New Jersey, New York, Pennsylvania, Texas, Utah, Virginia and West Virginia. I have also testified before legislative committees, district courts and various municipalities in Texas. This experience has included employment with a major electric utility, a state regulatory commission, consulting firms representing municipal utilities and intervenors, and a state public advocate's office. I received a Bachelor of Science Degree in Accounting from Bentley College in Waltham, Massachusetts in June 1979. I am a Certified Public Accountant licensed in the States of Texas and Maryland, and I am a member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. I served as the Chairman of the National Association of State Utility Consumer Advocates (NASUCA) Accounting and Tax Committee for two years (1988-1990) and was an observation member of the National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Accounts (1988-1990). I frequently speak before state and national professional associations and societies on utility ratemaking issues.

Q. Would you please provide a summary that describes your specific job responsibilities over your regulatory career?

A. From June 1979 to August 1983, I was employed by Dallas Power & Light Company as an accountant. For approximately two years my duties included various general accounting functions and the preparation of rate filing schedules and the review of written testimony for rate increase applications brought before the Public Utility Commission of Texas. During my last two and one-half years, I served as Supervisor of Corporate Taxation where I was responsible for federal tax research and accounting and all state and local tax reporting and accounting.

In September 1983, I joined the Public Utility Commission of Texas and obtained the position of Manager of Electric Accounting as a Chief Accountant III. In this position, I was responsible for supervising the electric accounting staff, assisting in the development of ratemaking procedures and policies, and testifying on cost of service and invested capital issues in rate cases brought before the Commission.

In June 1985, I joined the engineering and consulting firm of R.W. Beck and Associates as a Supervising Analyst. In this position, I was responsible for supervising the day-to-day accounting activities associated with rate increase analyses of gas and electric investor-owned utilities and presenting testimony and/or reports before municipal and state jurisdictional agencies. In July 1986, I was employed by Parnell Kerr Forster, an international certified public accounting and consulting firm, as a Managing Supervisor. In this position, my responsibilities included the examination, review and analysis of rates and rate increase applications of municipal, and investor-owned electric, gas, telephone, water and wastewater utilities and testifying on accounting matters. Following a merger between Parnell Kerr Forster and a local accounting firm in Dallas, my department was disbanded. For approximately six months, I worked as an Executive Consultant for Resource Management International, Inc., performing municipal rate studies and forecasting results of operations for municipal revenue bond financing.

I joined the Texas Office of Public Utility Counsel as the Director of Regulatory Accounting in December 1987. In this position, I was responsible for managing and formulating expert testimony regarding electric and telephone utility regulatory accounting issues, assisting Public Counsel in developing policies and negotiating positions, and presenting policies and negotiating settlements on behalf of the Public Counsel. I also provided outside independent consulting services regarding gas and water utility matters when my schedule permitted. In October 1990, I joined Exeter Associates, Inc. as a Senior Regulatory Accountant.

Q. Please provide a summary of instances in which you have presented testimony or reports before regulatory agencies.

A. A listing of testimony, reports and projects in which I have been involved is provided on Appendix A.

Q. In connection with this present case (Docket No. 920260-TL), have you performed an examination and review of the Company's filing?

A. Yes. In addition, I have reviewed BST-FL's testimony and responses to accounting interrogatories and production of documents.

Q. Did you prepare Exhibits RMA-1 AND RMA-2 that accompany your testimony?

A. Yes. These schedules were prepared by me or under my direct supervision.

Q. Would you please explain what is presented on Exhibit RMA-1?

A. Exhibit RMA-1 presents the revenue requirement model which I have used to develop OPC's position on the level of BST-FL's revenue requirement. This Exhibit contains three schedules that incorporate the adjustments I am sponsoring, along with adjustments sponsored by other OPC witnesses. Schedule 1 presents a summary of operating income (page 1) and the determination of the required revenue decrease (page 2). Page 1 begins with the Company's test year net operating income at present rates and reflects my adjustments to the Company's requested level. These adjustments include the level of revenues calculated on page 2 which are required to generate the overall rate of return recommended by Mr. Jim Rothschild. Schedule 2 presents a summary of adjustments to net operating income. Page 1 presents the detail by category of net operating income of the adjustments that are presented and source referenced on page 2. Schedule 3 presents a summary of rate base including both BST-FL's requested and the OPC's recommended level (page 1) and the specific adjustments with source references (page 2).

Q. Would you please explain Exhibit RMA-2?

A. Exhibit RMA-2, which consists of 23 schedules, presents the specific quantifiable revenue requirement adjustments I am sponsoring on behalf of the Citizens.

Q. Would you please explain Exhibit RMA-3?

A. Exhibit RMA-3 provides a copy of the various interrogatory responses and production of documents referenced in my testimony and schedules.

<u>Summary</u>

Q. Would you please summarize the results of your review and analyses of BST-FL's revenue requirement?

A. Exhibit RMA-1 summarizes my findings on behalf of OPC and the Citizens. As reflected, I have determined that the Company's current rates should be decreased by $232,739,000. This is the amount by which revenues at present rates exceed the amount of revenue necessary to generate an overall rate of return of 8.15 percent, as recommended by Mr. Rothschild, after accounting for the test year and attrition adjustments to rate base and operating income. The elimination of this revenue surplus will result in an 10.5 percent reduction in BST-FL's operating revenues. These figures do not include any change in depreciation expense, which is being reviewed separately in Docket No. 920385-TL.

Q. What was the time period used in BST-FL's rate filing?

A. The Company began with average historical data for the 12 months ended December 31, 1991. It then applied a number of test year and attrition adjustments to move the average test year forward to the average 12 months ended December 31, 1993.

Q. What time period have you utilized in making your determination of BST-FL's revenue deficiency?

A. I have used the same time period and approach used by BST-FL.

Q. How did you proceed with your analyses?

A. My analytical work on this case consisted of both critical analysis of the theoretical validity of the Company's claims and the verification of data submitted by the Company where possible. I was guided by the goal to ensure that the record evidence in this case correctly and fairly reflects the Company's results of operations, appropriately adjusted to reflect conditions that can reasonably be expected to occur when the proposed rates are in effect, and stated in accord with proper ratemaking principles.

Q. How is the remainder of your testimony organized?

A. The remainder of this testimony addresses the individual adjustments which I am sponsoring and which will be presented in the order identified in the index to this testimony.

Software Costs

Q. What was the purpose of your reviewing BST-FL's treatment of software costs?

A. In keeping with sound ratemaking principles, I attempted to determine whether the Company was properly matching the cost of software over the period that ratepayers would benefit from such software.

Q. Did you find that the Company's treatment is appropriate?

A. No. Even though it is generally recognized that general purpose software is used on average between three and five years in the utility industry, BST-FL has proposed to treat its software additions as a period expense to be recovered from ratepayers over one year. To the extent this software benefits ratepayers over more than one year, and the Company receives revenue associated with such software, expense treatment is inconsistent with the regulatory matching principle.

Q. Did the Company provide the expected useful life for its 1991 software additions?

A. No. In response to Citizens' 8th Interrogatory, Question No. 181, the Company basically claimed that such information was not available.

Q. Is there any current trend in the utility industry regarding software costs?

A. Yes. Over recent years, there has been a move toward capitalization. For example, the American Institute of CPAs has publicly stated that "The cost of computer software developed by others purchased for use in activities other than research and development should be capitalized and depreciated over its estimated useful life in accordance with ARB No. 43, chapter 9, Depreciation, paragraph 11."

Further, the National Association of Accountants has concluded that

> "If software purchased or created for non-R&D activity is expected to be used for twelve months or more, it should be capitalized and reflected in the asset section of the balance sheet, along with other resources that are expected to have future economic benefit. The costs incurred in purchasing or creating such software should be matched against the expected period of benefit, just as the costs of obtaining computer hardware are matched with the expected economic life of the hardware. In today's environment where information systems are becoming more complex and sophisticated, the costs of developing these systems are increasing in significance, and it is clear that companies undertaking the development of these systems are doing so in anticipation of obtaining future benefits."

Q. How have you treated the Company's software additions?

A. The Company has stated that it included $22,493,520 of software expense in cost of service associated with its central offices. Additional software expenses may exist but have not been provided by the Company. While this software may include some modifications to existing software, the basic underlying software and modifications will most likely provide benefits for many years to come. Since BST-FL did not provide the average useful life for these specific purpose additions, I have used a five-year life, consistent with the average life of general purpose additions as previously mentioned. As presented on Exhibit RMA-2, Schedule 1, this results in a $17,995,000 reduction to software expense and a $11,223,000 increase to net operating income.

Q. Does your capitalization treatment prevent BST-FL from fully recovering its actual costs for software additions?

A. No. As seen on Schedule 1, I have also provided for rate base inclusion of the average unamortized balance of the capitalized software. Under this approach, BST-FL will be fully compensated for these additions.

<u>Promotional Activities</u>

Q. Would you please address your adjustment to remove promotional activities from cost of service?

A. Promotional activities are geared toward increasing sales over current levels. As a result of such increased sales, the utility enjoys increased revenues and shareholder returns improve. Since such shareholder benefits are often the primary purpose of promotional activities, it is appropriate to require shareholders to fund such promotional activities.

Q. Is there any other reason why promotional activities are generally considered disallowable for ratemaking purposes?

A. Yes. Such activities usually involve a shift of services provided by competitive sources. By providing ratepayer funding for promotional activities, a utility can actually receive an unfair advantage over its competitors. Sound regulatory policy dictates that competition should be based upon efficient and productive management, superiority of service, technological advancements and economies of costs rather than aggressive promotional activities funded by ratepayers.

Q. Is there anything BST-FL could show to justify the inclusion of promotional activities in rates?

A. Yes. BST-FL must affirmatively show that the incremental revenues directly derived from the promotional activities exceed the cost of such activities and the related costs of the services or products promoted. In addition, they must show that ratepayers will receive the benefit. In other words, BST-FL must justify inclusion on a "cost-based" approach rather than a "profit-minded" approach. However, the Company has not attempted to show this. The Company and Commission should not place priority on profit, where all expenses, whether or not reasonable and necessary, are deemed to be recoverable from ratepayers.

Q. If an expenditure leads toward increased profit, does that necessarily mean that such expenditure is cost justified?

A. Absolutely not. A cost benefit analysis compares the cost of an expenditure to the incremental benefit received from the expenditure as opposed to the net profit resulting from the transaction. For example, let us assume the utility expends $1 million in promotional expense and quantifies an increase in revenues directly related to that promotional expense of $600,000. Further, let us assume that the $1 million of promotional expense is also included in rates. From a cost benefit analysis standpoint, the $1 million of expenditure would be compared to the $600,000 of incremental benefit to result in a conclusion that such an expenditure is not cost justified ($600,000 - $1,000,000 = $400,000 loss). From a profit analysis standpoint, however, the $1 million expenditure would be compared to the $1,600,000 of revenues (i.e., $1 million to cover the expense plus $600,000 of additional revenues) to yield a net profit of $600,000 ($1,600,000 - $1,000,000 = $600,000 profit). Under this approach, the inclusion of the $1 million expenditure in rates in order to receive $600,000 of additional revenue is inappropriate because ratepayers lost $400,000 in the deal, just so investors could earn $600,000. This is not an appropriate means for determining whether an expense is reasonable and necessary. The fact remains that this expenditure is not cost justified.

Q. Are there any further issues which must be considered?

A. Yes. The discussion above was based on a more traditional form of cost-based rate regulation. While this form of regulation still exists today, the Company's rates are also regulated under an incentive regulation plan. Under this plan, ratepayers' rates have remained consistent while costs fluctuate based on management decisions. Since the Company's earnings have remained with in the dead band, no sharing has been provided to ratepayers.

Q. How does this relate to promotional activities?

A. As I previously explained, it is important that promotional expenditures yield revenues greater than the related expense and that ratepayers receive the net benefit. If ratepayers do not receive the benefit, there is no reason to perform the promotional activities in the first place. Under a continued incentive regulation plan, ratepayers will only receive a benefit if the promotional activities result in the earned return exceeding the dead band. Even then, the benefit would be limited and ratepayers will not receive a net benefit because they paid the full cost and received only a fraction of the revenue.

Q. Would you please summarize your adjustments?

A. As presented on Exhibit RMA-2, Schedule 2, I have reduced promotional advertising by $11,834,000 and have increased net operating income by $7,381,000, in order to remove promotional advertising. In addition, as presented on Schedule 3, I have reduced promotional subscriptions by $627,000 and increased net operating income by $391,000. According to the Company, promotional subscriptions "Includes costs for voluntary payments made by the Company to or on behalf of trade, technical, professional and other non-company organizations that have as their purpose the betterment of the commercial and business interests of the community from which the company may reasonably expect to benefit."

<u>Voluntary Enhanced Early Retirement (VEER) Program</u>

Q. Would you please explain the VEER program?

A. During 1991, BST-FL initiated a one-time early retirement program aimed at reducing the total level of employees and related costs. The Company has apparently accounted for the prospective reduction in related costs associated with the VEER in its adjustment to recognize the effects of the reorganization (Reid testimony, page 30).

Q. Would you please explain your adjustment to eliminate veer expenses?

A. Yes. There are two cost effects of the Company's VEER program. First, there are savings in the ongoing costs related to the reduction in employees that will be experienced in 1992 and beyond. This has apparently been accounted for as discussed above. Second, there are the one-time, non-recurring program costs to implement the early retirements incurred during 1991. These costs have not been removed by BST-FL. Therefore, in order to prevent the Company from over-recovering these costs multiple times, they must be removed from cost of service. In other words, these costs must be removed since they will not be incurred during the period rates will be in effect and have already been recovered from ratepayers. As presented on Exhibit RMA-2, Schedule 4, I have reduced VEER expenses by $13,674,000 and increased net operating income by $8,528,000.

Q. How do you know that the Company actually recovered the VEER expenses during 1991?

A. In late 1988, the Company implemented the incentive regulation plan that has been extended through 1992. The general purpose of this plan was to provide a financial incentive to the Company for productively and efficiently operating its business. Throughout the term of the plan, the Company's rates remain constant as the Company makes its operating decisions and incurs costs. To the extent the Company has been earning a return within the dead band set out in the plan, one can only assume that the Company has been recovering its reasonable and necessary costs of service including all costs incurred for the VEER program.

Incentive Bonus Expense

Q. Would you please explain your adjustment to remove incentive bonus expense from cost of service?

A. As presented on Exhibit RMA-2, Schedule 5, I have reduced incentive bonus expense by $18,043,000 and increased net operating income by $11,253,000.

Q. Would you please explain why bonus payments should be removed from cost of service?

A. There are several reasons why such bonus payments should be excluded from cost of service. First, it is not currently known whether the eligible employees will meet the plan standards necessary to receive bonus payments during the period rates will be in effect, and therefore, such expenses are not known and measurable. While the requested dollar level is based on historical experience, the inclusion in cost of service is meant to cover the anticipated level to be incurred during the period new rates are in effect. Second, during the short-term (i.e., the period new rates will be in effect under an incentive regulation plan), meeting the plan goals will result in direct increased earnings to the Company and its shareholders, not reduced costs passed on to ratepayers. Therefore, any actual bonus payments should be funded from this increased return rather than by rate-payers. Finally, even the Company admits in response to Citizens' 8th Interrogatory, Question No. 122, that management has an obligation to maintain and improve productivity, regardless of any financial reward provided to shareholders and employees. According to BST-FL, "improving productivity is a prudent business practice for a regulated utility..." It does not seem reasonable to increase ratepayer costs to provide a bonus to employees in order to provide an incentive for the employees to simply perform their jobs.

Q. What are the bases of the Company's incentive bonus plans?

A. Each of the plans is based on financial and service goals set annually by management. According to the Company's response to Staff's 1st Interrogatory, Question No. 5, the financial goals have a 50 percent weighting, while the service goals only have a 25 percent weighting. There is no indication of what the remaining 25 percent represents. In any given year, the amount of awards provided under this plan may be based on either of the two criteria and are not necessarily limited if all criteria are not met. Each of the two criteria do not have a maximum equal to its percentage weighting. If service performance is not up to par and financial performance exceeds expectation, the entire incentive amount can be based upon financial performance. As reflected in the plans provided in response to Citizens' 12th POD, Item No. 113, for example, if 99 percent of the financial objectives are met and financial performance of 110.5 percent or better is achieved, the employees can achieve 225 percent of the standard award even though no service goals are met.

Q. How does this information relate to your concern regarding the inclusion of such bonuses in cost of service?

A. A significant portion of these bonuses relate to the maximization of return on equity (i.e., financial achievement). To the extent that such financial achievement benefits shareholders, it is not appropriate to require ratepayers to provide an incentive cost for employees to maximize shareholder profit. In other words, it does not seem to be cost beneficial for ratepayers to pay costs that provide an incentive for the Company to maximize revenues. This is especially true considering the effects of incentive regulation as previously discussed. Only the portion of bonus plans that can be attributed to a quantifiable net customer benefit should be considered for inclusion in rates. BST-FL has failed to quantify any benefits to customers resulting from such payments.

Q. Did the Company provide the percentage that incentive compensation bears to total salaries?

A. Yes. In response to Staff's 1st Interrogatory, Question No. 4, the Company indicated that in 1991 the percentages ranged from 37 to 61 percent for executives and 5.5 to 21 percent for other managers. Considering the state of the economy and employment situation experienced by BST-FL's ratepayers, these percentages appear very unreasonable.

<u>Employee Activities</u>

Q. What is Florida's basic treatment of employee activity costs?

A. It is my understanding the Commission addresses employee activity on a case-by-case basis based on whether ratepayers receive sufficient benefit to warrant their support of employee activity functions. (Peoples Gas Systems, Inc., 19 PUR 4th 252, 1990.) The following criteria are considered by the Commission:

(1) The costs incurred for employee activities were necessary to provide utility service;

(2) The costs were an essential part of the employees' overall compensation package;

(3) Morale was increased by employee activity functions; and

(4) A benefit actually accrued to ratepayers, if morale was actually increased.

Q. Did BST-FL incur any employee activity expense during 1991?

A. Yes. According to the response to Staff's 1st Interrogatory, Question No. 11, BST-FL incurred $1,343,634 of intrastate expense. These costs related to employee awards including non-cash sales or performance incentives, length of service, retirement, safety achievement, and other special awards, recognition and promotional items.

Q. Did the company indicate whether these amounts were included above- or below-the-line?

A. No. The Company listed the accounts charged as various and did not provide a note to assist in understanding how they were reflected in the MFR. Based on available information and previous experience, I concluded that these costs are reflected above-the-line.

Q. Is there any indication that these costs provide a benefit to ratepayers?

A. No. These costs do not appear to provide a benefit to ratepayers, especially a benefit equal to the cost. Such activities are not necessary to provide service and do not represent an essential part of overall compensation.

Finally, while these activities undoubtedly provide some boost in morale, I do not believe that the benefit to ratepayers justifies the $1.3 million annual expense.

Q. Would you please summarize your adjustment?

A. As presented on Exhibit RMA-2, Schedule 6, I have reduced employee activity expense by $1,344,000 and increased net operating income by $838,000 to exclude these costs which do not provide service or other benefits to ratepayers.

<u>Postretirement Benefits</u>

Q. Would you please explain SFAS No. 106?

A. In December 1990, the Financial Accounting Standards Board (FASB) issued SFAS No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions.* Generally, SFAS No. 106 requires that for financial reporting purposes, employers must recognize the cost of their postretirement benefit obligations to employees during the period employees provide the service that entitles them to the future benefits.

Prior to this requirement, such postretirement benefits were generally recognized for financial reporting purposes on a pay-as-you-go or cash method whereby the obligations and costs were not recognized until the time the future benefits are actually paid to retired employees. In some cases, utilities, such as BST-FL, were allowed to pre-collect and fund some level of expense. SFAS No. 106 is generally not effective until fiscal years beginning after December 15, 1992.

Q. Does SFAS No. 106 require regulators to switch for ratemaking purposes?

A. No. SFAS No. 106 specifically recognizes in paragraph No. 364 that under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, regulators may choose not to change the treatment of postretirement benefits for ratemaking purposes. Under such circumstances, paragraph 364 would then require the utility to adopt an accounting treatment which is consistent with the regulatory treatment. That is, the Company would reflect net expense equal to the cost calculated under the current approach and a regulatory asset for the difference between the current cost and SFAS No. 106 cost. If the Commission continues to use the current approach, there would be no change in the ongoing level of net expense for financial reporting purposes. The regulatory asset would then be amortized in future years as the postretirement benefits expenditures are actually incurred.

Q. What is the projected impact for BST-FL switching to the SFAS No. 106 approach for ratemaking purposes?

A. According to Mr. Reid's testimony (Schedule 4), the expense would increase by $5,820,000 compared to the current expense.

Q. How is the Company requesting to treat postretirement benefits?

A. Beginning in 1993, BST-FL plans to begin using the SFAS No. 106 method for accounting and is currently requesting that the Commission also use the same method for ratemaking purposes in this case.

Q. Should the Commission allow BST-FL to switch methods for ratemaking purposes?

A. No. The Company has not provided any reasonable regulatory justification for approving this switch for ratemaking purposes. Instead, the Company is simply relying on the issuance of SFAS No. 106 which is mandatory only for financial reporting purposes. A switch is neither reasonable nor necessary to provide safe, adequate and reliable service. From a ratemaking point of view, the continued use of the current approach would cause little or no effect on the utility and its ratepayers. The earned rate of return would be unaffected and the utility would still recover all postretirement benefits as they are expended.

Q. Should the Commission switch to the SFAS No. 106 method simply because FASB changed generally accepted accounting principles (GAAP)?

A. No. There is no known requirement that GAAP be used to set rates. GAAP was never intended to be used for setting rates and can be ill-suited for that purpose. In fact, this is the underlying point of SFAS No. 71 which requires accounting to reflect the economic effects of the rate-making process. From the standpoint of regulation, the issue in this case is not whether SFAS No. 106 would constitute appropriate accounting, but whether it would result in appropriate ratemaking. This is further demonstrated in paragraph 150 of SFAS No. 106 which states "the decision of how or when to fund the obligation is not an accounting issue."

Q. Would a switch for ratemaking purposes have any positive impact?

A. No. Despite the large liabilities and significant expense increases that would result for financial reporting purposes under SFAS No. 106, rating agencies have stated that they will continue to monitor annual <u>cash</u> expenditures for postretirement benefits in determining credit worthiness. Since cash flow is generally unchanged by the new pronouncement, it will have no positive impact. For example, Standard & Poor's May 20, 1991 Creditweek contained comments such as:

> ... Implementation of this accounting change [FAS 106] is not expected to have any widespread impact on debt ratings, since cash flow will not be affected directly, and S&P already assesses the obligation to provide OPEBs when determining industrial companies' credit quality...
>
> ... in most cases, for purposes of conventional financial ratio analysis, S&P's debt rating staff will rely mainly on financial statements adjusted to a pre-FAS 106 basis.

Q. Would a switch for ratemaking purposes have any negative impact?

A. Yes. A midstream shift in methods would cause an inter-generational mismatch for ratepayers. This mismatch will result from the twenty-year amortization and recovery of the accumulated projected benefit obligation (prior employee's liabilities) along with the recovery of the current service component. In addition, Public Utility Fortnightly stated in its August 15, 1991 issue that "some state regulators cite significant drawbacks with recovery of PBOP [Postretirement Benefits Other Than Pension] expenses on an accrual basis. A switch to accrual accounting for ratemaking purposes would threaten rate stability by causing initial expense spikes. Moreover, some consider that the actual assumptions that underline expense accruals are too uncertain to justify abandonment of the pay-as-you-go method."

Q. Do you agree with FASB's conclusions regarding postretirement benefits?

A. No. The underlying premise of SFAS No. 106 is that the cost of the net periodic postretirement benefits should be recognized as employees render the services necessary to earn such benefits. FASB bases its conclusion, in part, on Statement of Financial Accounting Concepts No. 6, Elements of Financial Statements. Paragraph No. 36 of that statement establishes the three essential characteristics of a liability. The second characteristic requires a "duty or responsibility [that] obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice." According to the Company's response to Citizens' 8th Interrogatory, Question No. 174, BST-FL reserves the right to change or terminate its postretirement benefits at any time and believes the courts support its view. Clearly, BST-FL's postretirement benefits plans leave it with "little or no discretion to avoid the future sacrifice."

Q. Do others share your view of the recognition of a liability?

A. Yes. On or about February 6, 1992, the Wall Street Journal printed the article "Ignore the Retiree Health Benefits Rule" authored by Mr. Jeffrey Petertil, a consulting actuary who advised the FASB Industry Task-Force on SFAS No. 106. Mr. Petertil makes several important points with which I agree:

1) There is a question of whether there is a liability at all. Many companies extend health benefits to retirees but change them often. Recent court cases indicate that the employer's right to change or terminate the benefit will be upheld.

2) Retiree Health packages exist entirely at a company's will.

3) FASB never addressed the elusive nature of the benefit's value. The accounting rule is based on pension theory. Pensions, unlike retiree health insurance plans, are required by law to be funded in advance and a competitive market has developed to insure them. No settlement market has developed for retiree health insurance.

4) Unlike a market value, the value a company assigns to future health benefits can be incorrect, either by mistake or by design, and the regulators would not know this. The FASB rule leaves loopholes that allows a company to reduce or increase its cost almost as it wishes.

5) The pronouncement is bad accounting and raises the specter of suspect financial statements. The FASB rule may result in financial reports that are widely inconsistent from company to company and that can be altered to hide numerous problems.

Q. Are there other indications that other experts share this view?

A. Yes. Kwasha Lipton, a nationally recognized actuarial and benefits consulting firm, filed comments with FASB on July 26, 1989 regarding the exposure draft on SFAS No. 106. Kwasha Lipton represents 400 major employers, of whom one-third are Fortune 500 Companies. In its comments, Kwasha Lipton recognized that in most cases employers have significant discretion as to whether post-retirement benefits will be provided. As Kwasha Lipton put it, "in practice, postretirement benefits trigger an obligation only in limited circumstances and even then only when retirement occurs." And further:

> ... retiree health care benefits do not constitute a long term promise at all. Rather, they are provided on a year to year basis motivated by good will and competitive practice. While an employer may sometimes limit its own flexibility through its manner of communicating benefits, the resulting limit is self-imposed and not a function of any real obligation. Accordingly, retiree life and medical benefits generally fail to meet the major characteristic of a liability.

In short, Kwasha Lipton concluded that "the disclosure of this obligation as proposed is misleading, serves no useful purpose and significantly detracts from the relevance of the employer's financial statements."

Q. Do you agree with those who argue that the accrual method of accounting for postretirement benefits is appropriate because it is consistent with the required accounting for pension plan costs under SFAS No. 87?

A. No. There are many important differences between pension plans and postretirement benefits. The primary difference is that pensions are determined under a definite formula and the amount of a retiree's monthly benefit is generally fixed when payments commence. Post-retirement benefits, on the other hand, are not precisely determinable until an illness or other event occurs. While employers can exercise control over salary costs, and hence pensions, the costs of other post-retirement benefits are influenced by many factors outside the control of employers. Further, unlike postretirement benefits, pension plans do have vesting provisions and are directly tied to length of service. Mr. Vincent Amoroso, a principal in KPMG Peat Marwick's Washington National Tax Practice, stated in the September 1992 Employee Benefits Journal that "the medical benefit promise is quite different from the corresponding pension promise companies make."

Finally, there are no legal requirements for advance funding of non-pension postretirement benefits, in contrast to pension plans which must be funded in advance according to IRS/ERISA requirements.

Q. Should the Commission take the potential switch for ratemaking purposes lightly?

A. No. Any change in the standard for measuring postretirement benefits that could directly be translated into customer rates must be stringently considered. It is very important that a utility show that such a change will provide some form of cost benefit, improve the reliability or safety of service or increase worker productivity. Without such a showing, a significant increase in rates is not justified.

Q. Has the Company shown a benefit in switching to the SFAS No. 106 method for ratemaking purposes?

A. No. The Company admitted in response to Citizens' 8th Interrogatory, Question 179, that it has made no attempt to quantify any benefits.

Q. Do you believe it is possible to show a cost benefit in switching methods?

A. No. The switch to the accrual basis will result in wide discrepancies between the expense recorded and the actual cost of the benefits, and the recorded expense will be greater than the cash ultimately paid. According to the November 1991 issue of The National Public Accountant, "A FASB-sponsored field test indicated that a change of only one percent in the trend rate assumption could change the annual cost by as much as 20%." The authors of this article also stated "since health care costs are rising, generally the accrual basis will result in an amount recorded as expense which exceeds the cash paid out."

In addition, the Actuarial Standards Board stated in its October 1991 exposure draft on compliance with SFAS No. 106 that "the Committee recognized that SFAS 106 implies more precision and accuracy than exist in this area of actuarial practice. The relatively long-term nature of the obligations, the significant year-to-year variations in trend rates and the underlying political and economic nature of the benefits almost assume substantial variations between actual results and expected results."

Finally, a policy study performed in cooperation with the Employee Benefit Research Institute - Education and Research Fund by the staff of Milliman & Robertson, Inc. concluded that "advance funding costs continue to exceed pay-as-you-go costs even after 50 years for a stable or growing employee population."

Q. Has any federal regulatory commission addressed SFAS No. 106?

A. Yes. In Docket Nos. ER91-565-000, ER91-566-000 and EL91-53-000, FERC Administrative Law Judge Herbert Grossman issued an Initial Decision denying New England Power Company's request to switch to the accrual method for ratemaking purposes. As Judge Grossman concluded, the "proposal to adopt FAS 106 accrual of PBOPs for ratemaking purposes <u>is hereby determined to be unjust and unreasonable</u>." (emphasis in original)

Q. Would you please summarize your recommendation?

A. Considering the speculative nature of SFAS No. 106 accounting, the lack of demonstrated benefit and the fact that the continuation of the current method will not adversely affect the Company, I recommend that the Commission reject BST-FL's request to include the increased expense caused by a switch to the method under SFAS No. 106. Additionally, I believe the Commission should consider the full cash method as the most appropriate method to use for ratemaking purposes. As reflected on Exhibit RMA-2, Schedule 7, I have reduced postretirement benefits expense by $5,906,000 and have increased net operating income by $3,684,000. I have also reversed the Company's postretirement benefit adjustment to rate base by reducing it by $578,000.

Q. Do you have any other comments related to this issue?

A. Yes. The Commission should definitively state that it will continue to allow BST-FL to recover prudently incurred postretirement benefits costs in future rates under the current method. It should also provide for the book recognition of a regulatory asset for the difference between the current and SFAS No. 106 costs.

Uncollectible Accounts Expense

Q. Would you please explain the accrual method of developing uncollectible accounts expense?

A. Yes. Under normal uncollectible accounts procedures, a company will record monthly expense accruals as representative of the anticipated write-offs based upon actual historical write-offs. As the actual experience changes, the Company will adjust its accruals accordingly. If all goes according to plan, the accruals should equal actual write-offs over a period of time. The expense accrual determination can also include consideration of known changes in economic circumstances, or specific events. The accrual method used for ratemaking purposes compares the uncollectible accounts accrual provision to revenues to obtain an effective rate to be applied to pro forma revenues. This appears to be the method used by BST-FL.

Q. Would you please explain the net write-off method?

A. This method simply compares actual net write-offs to revenues in order to develop an effective rate. Since this method captures the actual net write-offs experienced, which is the goal of the accrual method, it is more widely used by regulators.

Q. Have you analyzed the Company's use of the accrual method?

A. Yes. I have reviewed both the Company's historical uncollectible accounts reserve and the effective accrual rates for other Florida telephone utilities. As presented in response to Citizens' 8th Interrogatory, Question No. 217, the Company has maintained a reserve balance averaging in the upper $20 millions. This means that BST-FL has collected amounts from ratepayers in excess of or in advance of those necessary to cover actual write-offs. Additionally, a review of the Company's response to Citizens' 8th Interrogatory, Question No. 182, indicates that the Company's uncollectible accounts have significantly increased since at least 1988. Finally, as presented in the following table, it is clear that BST-FL's uncollectibles are significantly higher than the other major telephone company's in Florida.

Comparison of Effective Accrual Rates

Company	1988	1989	1990	1991
SBT - FL	.81%	1.06%	.97%	1.32%
Central - FL	.28%	.48%	.64%	.52%
United - FL	.45%	.55%	.57%	.72%
GTE - FL	.59%	.37%	.41%	1.28%

Source: SBT-FL Annual Report and FCC Statistics of Communications Common Carriers.

Q. What observations can be made from the above figures?

A. At first glance, it is obvious that SBT-FL accrues a significantly larger relative level of uncollectible accounts expense than the other major Florida telephone companies.

Q. What would normally cause a utility's uncollectible accounts to be relatively higher than other like utilities?

A. The primary factor that affects uncollectible accounts is the level of collection activities performed by a company. While the economy can have an effect on collection results, such effects are similar for most companies. Additionally, the characteristics of service territories can cause a small difference between companies.

Q. Is such a dramatic difference appropriate to include in rates?

A. No. To the extent that the other companies have consistently shown that uncollectible accounts can be similarly controlled by different utilities, it would be inappropriate to require BST-FL ratepayers to pay such a relatively larger amount.

Q. Which method of calculating the effective rate is most appropriate?

A. Between the accrual and net write-off methods, the net write-off method is most generally accepted. This method more accurately measures the true level of bad debts and eliminates the manipulation inherent in the accrual method. It is more objective and less subjective than the accrual method. Additionally, it assures that ratepayers receive credit for the collection of prior written-off accounts.

Q. Would you please explain your adjustment to uncollectible accounts expense?

A. As presented on Exhibit RMA-2, Schedule 8, I have reduced uncollectible accounts expense by $15,442,000 and increased net operating income by $9,631,000. In developing this adjustment, I used a historical four-year average of BST's actual ratio of net write-offs to revenues. The four-year average was used in partial recognition that SBT-FL's expense level has been inappropriately greater than other major telephone companies in Florida. The use of an average historical level is a generally accepted method to correct for significantly varying levels of historical expense.

<u>Legal Settlement Claims</u>

Q. Would you please address your adjustment to legal settlement claims expense?

A. One of the important concepts in developing revenue requirements is to ensure that the level of recurring, yet annually inconsistent costs properly reflect a representative ongoing level. Generally, these types of costs are incurred to cover activities not initially caused by Company management. The costs of legal settlement claims are one type of these costs.

Q. How have you ensured that the level of legal settlement claims included in cost of service is representative of ongoing levels?

A. Due to the number of uncertainties and variety of legal actions, it is not possible to accurately project future levels of claims. Therefore, I have relied on historical claims experience as a proxy for ongoing levels. As presented on Exhibit RMA-2, Schedule 9, I have reduced legal settlement claims expense by $1,146,000 and increased net operating income by $715,000. In arriving at this adjustment, I used a four-year average level adjusted for inflation to 1991 levels.

Outside Services

Q. Would you please address your adjustment to outside services expense?

A. In reviewing the historical level of outside services expense, I noticed that until 1991 the Company had been experiencing a declining annual trend. In 1991, however, the Company experienced a 20.5 percent increase over the previous year. It is difficult to understand how the future level of outside services could be significantly higher than prior years, especially considering the recent corporate reorganization. In order to provide for a more reasonable representative level, I have reduced outside services expense by $3,177,000 and increased net operating income by $1,982,000 as presented on Exhibit RMA-2, Schedule 10. As with the adjustments to legal settlement claims expense, I have used an inflation-adjusted four year expense average.

United States Telephone Association (USTA) Dues

Q. Would you please address your adjustment to remove USTA dues related to disallowable activities?

A. USTA is the trade association of America's telephone utility companies which was incorporated in 1915. USTA's purpose is to promote the general welfare of the telephone industry. The association's activities include the collection, assembly and distribution of information concerning the telephone business, research projects and industry representation. Each year, the National Association of Regulatory Utility Commissioners (NARUC) initiates an audit and provides a report on the expenditures of USTA. This report provides information broken down in regulatory detail which is different from USTA's normal financial reporting under generally accepted accounting principles. The results of this report allow regulators to analyze the activities supported by each utility's dues payment to determine if such activities comply with allowable cost of service activities. Similar NARUC reports on EEI and AGA serve as a basis for excluding certain portions of dues associated with disallowable activities in many jurisdictions.

Q. What specific adjustment did you make to USTA dues included in cost of service?

A. As presented on Exhibit RMA-2, Schedule 11, I have reduced the Company's requested level of USTA Dues by $78,000 and increased net operating income by $49,000. This adjustment is made to remove those portions of test year dues related to disallowable activities. To arrive at this adjustment, I calculated a total disallowance factor of 31.39 percent which includes various disallowable expenses reported in the 1990 Report on Expenditures of USTA issued by NARUC on March 16, 1992. Included in this percentage is the legislative and regulatory advocacy categories of expense, public relations and meals and entertainment.

Q. Would you please briefly discuss each category you have removed?

A. The following provides a brief description of each category as defined by the NARUC Report:

- Legislative Advocacy (19.88%). Active advocacy of a particular legislative position among legislators and legislative staff.

- Regulatory Advocacy (7.43%). Active advocacy of a particular policy position in a regulatory proceeding.

- Public Relations (2.90%). Activities aimed at developing general good will.

- Meals and Entertainment (1.18%). Costs of social activities that are not incurred in the course of committee activities.

Abandoned Property

Q. Would you please address your adjustment to abandoned property?

A. As a general rule, property, plant and equipment are only recoverable from ratepayers when such items are used and useful in providing service to the public. For example, gains and losses on the sale of assets are reflected in rates only if the assets were included in the ratemaking process. Abandoned property, on the other hand, represents assets that were determined not to be used and useful, and therefore, were abandoned. These types of projects reflect a normal business risk taken by a utility and its shareholders. Shareholders, not ratepayers, should bear the risk associated with the abandonment. Therefore, as reflected on Exhibit RMA-2, Schedule 12, I have reduced abandoned property expense by $675,000 and increased net operating income by $421,000.

Atlanta Golf Classic

Q. Would you please address your adjustment to remove the golf tournament expenses from cost of service?

A. As reflected on Exhibit RMA-2, Schedule 13, I have reduced expenses by $149,000 and increased net operating income by $93,000. The reason for this adjustment is to reflect the fact that the sponsorship of the Atlanta Golf Classic is not necessary to provide service. The Company has made no indication that this expense has been reclassified below-the-line.

Miscellaneous Non-Recurring Expenses

Q. Would you please explain the importance of identifying non-recurring expenses?

A. In developing a revenue requirement that will be used to set rates on a prospective basis, it is important that the historical test year be adjusted to remove non-recurring expenses. In this manner, ratepayers will not be required to pay for costs which will not be incurred to provide service during the period new rates are in effect.

Q. How are miscellaneous non-recurring expenses identified and measured?

A. Miscellaneous non-recurring items are usually represented by a one-time expense recorded throughout the Company's operating accounts. Since these operating accounts contain numerous expense items, it is difficult to identify all of them without a costly and lengthy audit of vouchers and journal entries. Therefore, it is best to rely on the Company's descriptions of unusually high monthly expense levels. Based on a monthly variance analysis of BST-FL's 1991 operating expenses, I requested a description of variances in approximately 31 operating accounts for over 50 observations.

Q. What was the outcome of this discovery process?

A. Based on the descriptions provided, I have concluded that five of the accounts identified appear to include non-recurring activities. The following provides a brief description for each item:

<u>Account No. 6122 - Furniture and Artwork (May 1991)</u>
Expense furniture used in the Interexchange Carrier Point of Contact Office was prorated to Florida operations. Additionally, a large quantity of furniture was repaired and refurbished (Citizens' 8th Interrogatory, Question No. 138).

<u>Account No. 6123 - Office Equipment (May 1991)</u>
The Company purchased cargotainers used in the consolidation of offices in the marketing organization (Citizens' 8th Interrogatory, Question No. 139).

<u>Account No. 6231 - Radio Systems Expense (November and December 1991)</u>
The rental cost of equipment and the purchase of replacement parts for terrestrial microwave and non-cellular expenses declined. Additionally, the Company eliminated one work group and converted to cellular and mobile phones (Citizens' 8th Interrogatory, Question No. 144).

<u>Account No. 6422 - Underground Cable Expense (September to November 1991)</u>
Plant labor charges were higher than normal due to cable failures and cut ducts (Citizens' 8th Interrogatory, Question No. 150).

<u>Account No. 6512 - Provisioning Expense (September and December 1991)</u>

The Company "wrote down" computer spare parts inventory to expense. Additionally, adjustments were made to reduce the value of corporate communications field stock and customer premise equipment pantry stock inventories (Citizens' 8th Interrogatory, Question No. 153).

Q. How did you measure the level of expense related to each of these items?

A. Without specific cost data for each item, I was forced to use a subjective approach whereby I adjusted the months with non-recurring items to the average expense level for the remaining months. Since the Company did not provide the related costs, I have issued additional interrogatories. However, the responses are not expected to be provided until after this testimony is filed. If necessary, I will update my adjustments accordingly.

Q. Would you please summarize your adjustments?

A. Yes. The following table provides each adjustment with an Exhibit RMA-2, schedule reference, expense adjustment and effect on net operating income:

Reference	Expense Adjustment	Net Operating Income
Schedule 14	$ (528,000)	$ 329,000
Schedule 15	(493,000)	307,000
Schedule 16	(312,000)	195,000
Schedule 17	(996,000)	621,000
Schedule 18	(5,858,000)	3,654,000

Excess Deferred Income Taxes

Q. Would you please explain excess deferred income taxes?

A. Excess deferred income taxes represent the amount of tax obligations reflected on the books and collected from prior ratepayers in excess of the obligations due at the current statutory tax rate.

Q. Would you please explain how the tax code distinguishes between protected and unprotected excess deferred taxes?

A. Protected amounts refer to excess levels relating to timing differences directly associated with accelerated depreciation under Section 203(e) of the Tax Reform Act of 1986, while unprotected amounts relate to all other timing differences. Only the protected amounts are restricted to the average rate assumption method of flow-back. All other excess deferred taxes can be flowed back to ratepayers at the discretion of each separate regulatory jurisdiction. It is important to realize that only accelerated depreciation timing differences are protected because the normalization rules only apply to such differences.

Q. How should the unprotected excess deferred income taxes be passed back to ratepayers?

A. It must be remembered that the unprotected excess actually represents an excess amount of tax paid by <u>past</u> ratepayers under the assumption that future tax liabilities would be paid at 46 percent. Excess deferred income taxes represent ratepayers' money previously supplied and not future ratepayer benefits. The fact that accumulated deferred taxes are included in the capital structure with zero cost supports the notion that deferred taxes are prior ratepayer supplied capital. Since the past ratepayers have supplied these excess funds to BST-FL, the return of these funds to future ratepayers is inconsistent with the matching principle by providing future ratepayers with benefits obtained from past ratepayers. The passback of unprotected excess deferred taxes should be matched as closely as possible to the ratepayers that paid the excess in the first place, not to the plant that originally gave rise to the excess. After all, the Tax Reform Act of 1986 unlinked the unprotected excess deferred taxes from the related assets.

Q. Is there any indication that the Company would consider the expedited return of these funds to be reasonable?

A. Yes. In his testimony, Mr. Reid addressed the effects of SFAS No. 109 and proposes a four-year flow back of the unprotected excess deferred taxes.

Q. What is SFAS No. 109?

A. SFAS No. 109 is the new pronouncement on income tax accounting issued by the FASB. SFAS No. 109 is effective for fiscal years beginning after December 15, 1992. The focus of SFAS No. 109 is the balance sheet accounting for income taxes. For regulated utilities, the financial statements will require adjustments related to non-normalized timing differences flowed through as a reduction in prior rates, unamortized investment tax credits, excess deferred taxes and AFUDC-equity.

Q. Does Mr. Reid propose recovery of prior flow-through items?

A. Yes. Mr. Reid proposes to recover such items over a four-year period.

Q. Is it appropriate to include a ratemaking adjustment for SFAS No. 109?

A. No. Since the primary effect of SFAS No. 109 is to have the balance sheet reflected on a revenue requirement basis, it should have no impact on the determination of revenue requirements. In addition, the recovery of the tax effect of Commission-approved flow-through items is not justified simply by the issuance of SFAS No. 109. Such prior flow-through items are not required to be collected based on the Internal Revenue Code. If the Commission wanted these items to be normalized, they would have required normalization at the time the timing differences occurred.

Q. Has this issue previously been presented to the Commission?

A. Yes. Mr. Benjamin A. McKnight III, a partner in the firm of Arthur Anderson & Co., addressed this issue on behalf of Tampa Electric Company in Docket No. 920324-EI. Mr. McKnight testified that the adjustments to adopt SFAS No. 109 should not affect revenue requirements. As Mr. McKnight explained, the regulatory assets and liabilities, and increase in accumulated deferred income taxes which will arise from the adoption of SFAS No. 109 have been consistently treated outside of the revenue requirement determination.

Q. Why is it not inconsistent to allow for expedited reimbursement of unprotected excess deferred taxes yet not allow expedited recovery of prior flow-through items?

A. It is not inconsistent because the two items result from different circumstances. The unprotected excess represents amounts allowed and recovered in rates to cover the future liability at 46 percent which are now taxable at only 34 percent. These amounts, which will never be payable, were specifically included by Commission Order and collected from prior ratepayers. The prior flow-through items, on the other hand, were specifically disallowed and not recovered in rates by order of the Commission. If they continue to be treated in the same manner, they will eventually turn around.

Q. Would you please summarize your adjustment?

A. As presented on exhibit RMA-2, Schedule 19, I have used a three-year amortization period to expeditiously return the unprotected funds to ratepayers.

Additionally, I have reversed the Company's adjustment to accelerate the recovery of prior Commission approved flow-through treatment. The use of the three-year period was used to balance the interest of the ratepayers with the Company's ability to return the funds. As a result, I have reduced federal income tax expense and increased net operating income by $8,057,000. To reflect the proper level of unamortized unprotected excess deferred taxes, I have also increased rate base by $2,628,000.

Interest Synchronization

Q. Would you please explain interest synchronization?

A. Under generally accepted ratemaking principles, regulators utilize a method of determining tax deductible interest charges by applying the weighted cost of debt to total invested capital. The weighted cost of debt utilized is based upon a capital structure that does not include accumulated deferred job development investment tax credits (JDIC). Further, this weighted cost of debt is applied to a rate base that does not exclude accumulated JDIC. Since the Internal Revenue Service allows the JDIC to earn a return no greater than the overall rate of return, it is concluded that the cost associated with JDIC is made up of long-term and short-term debt, preferred stock and common equity in a proportionate ratio. Under this scenario, a portion of a company's weighted cost of JDIC is actually considered to be debt and should result in interest. By applying this interest synchronization, the effect on the ratepayers is to allow them a reduction of federal income tax expense for the interest component associated with JDIC to offset the amount of return dollars associated with JDIC that the shareholders are earning through rate base. In other words, since JDIC is not reduced from rate base and the ratepayers are therefore paying a return for JDIC invested in plant, the use of interest synchronization imputes interest expense associated with the cost of JDIC for purposes of reducing taxable income. This method has long been accepted as the appropriate method since the IRS ruled that it is consistent with normalization. By using this method, the interest deduction used for tax purposes is properly matched and consistent with rate base and the capital structure.

Q. Would you please summarize your adjustment to provide for a synchronized interest deduction?

A. As presented on Exhibit RMA-2, Schedule 20, I have applied the 2.52 percent total weighted cost of debt based on Mr. Rothschild's capital structure adjusted to exclude accumulated JDIC to my recommended rate base of $4,150,182,0-00. The resulting synchronized interest deduction of $104,585,000 is $8,718,000 less than that used by the Company. As a result, I have increased income tax expense by $2,806,000.

<u>Excess Pension Collections</u>

Q. Would you please address your concerns with excess pension collections?

A. According to the Company's response to Citizen's 8th Interrogatory, Question No. 131, the BellSouth Management Pension Plan and BellSouth Pension Plan had a fair value in excess of projected benefit obligations at December 31, 1991 of $808,637,000 and $967,526,000, respectively. These amounts represent value in the plans in excess of the required value to cover plan obligations. With excess values like this, one would expect that no pension expense would be necessary to include in revenue requirements. As explained by the Company in response to Citizen's 8th Interrogatory, Question No. 171, however, the Commission has allowed BST-FL to charge ratepayers the SFAS No. 87 expense amount. Since SFAS No. 87 does not expeditiously recognize value gains due to the 10 percent corridor approach, the level of expense can often exceed actual funding levels.

Q. What happens when the expense exceeds actual funding levels?

A. As reflected in response to Citizen's 8th Interrogatory, Question No. 173, the Company will recover more pension dollars than it will fund in the pension plans. For 1991, this treatment provided BST-FL with $23.2 million of ratepayer supplied funds. Additional amounts could have resulted in prior years.

Q. How should these ratepayer-supplied funds be treated?

A. Since they represent cost-free capital, such excess collections should be deducted from rate base. Since I have found no evidence that BST-FL has deducted such amounts from rate base, I have reduced rate base by $23,190,-000 as reflected on Exhibit RMA-1, Schedule 21. This only considers 1991 and should be adjusted to include amounts recovered in prior years in excess of contributions to the pension fund.

Attrition Analysis

Q. Has BST-FL recognized that it will experience negative attrition or accretion from the 1991 results of operations?

A. Yes. The Company has sponsored the prefiled direct testimony of Mr. John D. McClellan who was engaged by SBT-FL to analyze the impact of earnings attrition. Mr. McClellan concluded that the level of revenue per access line required to maintain a fixed return on equity will decline into the future.

Q. Do you agree with Mr. McClellan's conclusion?

A. While I agree that BST-FL will experience negative attrition, I disagree with the results of Mr. McClellan's study and have uncovered some basic flaws in his approach. As I will show, he has materially understated the related effect on earnings.

Q. What method has Mr. McClellan used for his analysis?

A. Mr. McClellan used a simple trend approach based on 1989 through 1991 actual data to capture the expected changes into 1993. As Mr. McClellan explains, his analysis shows the level of negative attrition assuming the pattern of negative attrition experienced during 1989 through 1991 continues.

Q. What is wrong with Mr. McClellan's analysis?

A. One major problem with Mr. McClellan's analysis is that the historical trend experienced during 1989 through 1991 is not expected to continue into the future at the same pace. For example, the period trended by Mr. McClellan includes a period of general economic recession which is not expected to continue into 1993. Additionally, this time period experienced higher inflation than is expected to be experienced in 1992 and 1993. As reflected in the Company's Strategic Implementation Plan for Florida released on August 4, 1991, the period used by Mr. McClellan was one of declining access line growth. Beginning in 1992, the plan shows a steady increase in the rate of growth. The plan states in Section 1, page 1, that the Company's recent growth has reflected the effects of the general economic slowdown, yet, the outlook anticipates an improvement in the economy and a return to more normal levels of growth. Section 2, page 11, claims that evolving technology will bring new revenues and expense reduction opportunities. For example, the cost of fiber and associated electronics is dropping 5-12 percent a year.

Further, the Financial Planning Assumptions for 1991 through 1994 used for the 1991 pre-Commitment view of 1992-1994 show very weak economic activity for 1990 and 1991 turning around in 1992. Mr. McClellan's trend analysis ignores these basic changes. Additionally, the period used represents the beginning years of incentive regulation for BST-FL which may not reflect a normalized view of operating results expected to be achieved under such regulation. Assuming that this plan will result in benefits, like any new regulatory scheme, incentive regulation also experiences a type of learning curve where the full effects are realized on an incremental or phased-in basis.

Q. Would you please explain the incentive regulation learning curve further?

A. Yes. One of the primary purposes of incentive regulation is to provide a utility the opportunity to share in the benefits of increased revenues resulting from competitive pricing and decreased expenses resulting from efficiency and productivity improvements. These changes do not happen overnight. It may take years of effort for these benefits to be obtained. This is evidenced in part by the fact that the Company has not yet reached the earnings level at which sharing would be triggered under the current incentive plan even though the intrastate cost of service on a per customer basis has been lowered during the incentive plan years as addressed by Mr. Reid. If the Company is right about incentive regulation and its benefits as time progresses and more new services are provided, one would naturally conclude that the benefits of incentive regulation would occur more rapidly.

Q. Does Mr. McClellan recognize the learning curve effects or the impacts of the recession in his analysis?

A. No. Mr. McClellan assumes that the impacts of the recession will continue unimpeded and that the effects of incentive regulation will not improve over time. As a result, his negative attrition adjustment does not fully capture the effect of accretion occurring from the time of the test year to the time of the rate effective period.

Q. What else is wrong with Mr. McClellan's analysis?

A. Mr. McClellan claims his analysis focused upon the pattern of change for the historic period trended through linear regression techniques to measure attrition. Rather than focusing on the pattern of change, Mr. McClellan actually focused on the absolute value of change. On page 14, he addresses the levels of change, not the rates of change. In other words, he ignored the rate of change experienced and instead used a set amount of change per year.

Q. How did Mr. McClellan develop his set amount of change per year?

A. While he claims to have used a linear regression technique, his result can be calculated by simply taking one-half of the dollar change in the variables measured from 1989 to 1991. For example, one-half the change in revenues for this period is $92,969 ($2,267,625-$2,081,687 = $185,938/2 = $92,969). This amount simply represents a levelized average change per year. In fact, Mr. McClellan's approach is not even affected by the middle year (i.e. 1990). The use of this approach results in declining growth over time because the set amount of change becomes proportionately smaller as the total revenues increase.

Q. Can you provide an example of this effect?

A. Yes. The following table presents the annual level of revenue projected on Mr. McClellan's Schedule No. 3, page 3.

Year	Revenue	Percent Change
1992	$2,373,915	
1993	$2,466,884	3.92
1994	$2,559,853	3.77
1995	$2,652,822	3.63

Q. Can you show how the use of the rate of change results in constant annual growth?

A. Yes. The following table adjusts the 1992 revenues from above based on the historical annual rate of growth:

Year	Revenue	Percent Change
1992	$2,373,915	
1993	$2,477,668	4.37
1994	$2,585,955	4.37
1995	$2,698,975	4.37

Q. Would you please summarize this concern?

A. Mr. McClellan has provided an attrition analysis based on historical trends of absolute values. This approach results in an ongoing decrease in the rate of growth. This is simply unreasonable given the growth experienced currently in the telephone industry.

Q. Why did Mr. McClellan use a trend approach rather than BST-FL's corporate budget when preparing his analysis in this case?

A. According to Mr. McClellan, the Company was reluctant to use the budget results because of recent changes in divisional and departmental structuring.

Mr. McClellan states "there is some question as to whether the budgeting procedures brought forward from the preceding departmental alignment is for the moment equally effective under the realigned system." As Mr. McClellan explains, the Company has chosen to substitute the budget data with the trend approach.

Q. Does Mr. Reid address the Company's concerns with its 1992 corporate budget?

A. Yes. Mr. Reid states "that the Company's budget is normally a better measure of expected earnings in future periods than are adjusted historical data." However, because of the reorganization resulting from the merger, Mr. Reid has "temporarily" lost confidence in the budget amounts.

Q. How did you correct Mr. McClellan's trend analysis to account for the concerns mentioned above?

A. Due to the lack of better data, I was unable to revise the revenue, access line, and investment projections. However, I was able to make one adjustment to his expense projections.

Q. Why do Mr. McClellan's expense projections need to be corrected?

A. I recognized that the rate of inflation during the historic period used by Mr. McClellan for trending expenses was higher than the expected inflation rates for the period of projected expenses. Considering that Mr. McClellan assumed the historic trend would continue through the period of projection, his analysis results in an over inflated level of expenses.

Q. How did you develop your adjustment?

A. As reflected on Exhibit RMA-2, Schedule 22, page 2, I first determined the one-year growth rate used by Mr. McClellan for projecting expenses. From this figure, I then removed the one-year historical change in inflation for the base years using the Gross Domestic Product (GDP) Deflator. Finally, I added back the average projected inflation for the projection period also based on the GDP Deflator. The results of this calculation indicate that the growth rate considering current inflation projections is 1.0115 or approximately half of the historic growth rate.

Q. What was your next step?

A. As reflected on page 3, I revised the 1993 projection of expenses by applying the previously discussed growth factor to the 1991 historic expense level. Having revised the 1993 projection, I calculated the revised expense per access line and compared this to the 1991 expense per access line to arrive at a revised increment per access line. The resulting incremental decrease of $12.63 is $5.40 per access line greater than Mr. McClellan's increment. Next, I recalculated the net operating income per access line by including the revised expense increment in the calculation presented on page 4. This resulted in a net operating income per access line that is $3.37 more negative than Mr. McClellan's.

Q. What was your final step?

A. Consistent with Mr. McClellan's method, I applied the revised net operating income along with the Company's investment factor to the 1993 projected number of access lines to arrive at the revised accretion adjustment. As presented on page 1 of Schedule 22, the inflation correction resulted in a $16,915,000 increase to net operating income.

<u>Attrition on OPC Adjustments</u>

Q. Would you please address your adjustment to account for attrition on your adjustments?

A. Yes. It must be remembered that both Mr. McClellan's and my attrition analysis addressed above effectively restate 1991 to 1993 levels. Therefore, to the extent that any items during 1991 are removed from cost of service, such removal must be consistently adjusted for the level of negative attrition applied to the 1991 level.

Q. Would you please provide an example that demonstrates your position?

A. Assume there was $100 of widget expense during 1991 that was adjusted upward by 2 percent a year within the attrition analysis. The widget expense for 1993 reflected in cost of service would be $104. However, if the widget expense was disallowed for ratemaking at the 1991 level, the removal of $100 would still leave $4 included in cost of service for widget expense.

Q. How did you adjust OPC's adjustments to account for accretion?

A. As reflected on Exhibit RMA-2, Schedule 23, I used the same trending method used by Mr. McClellan adjusted to more properly reflect inflation projections. While my adjustment begins with net operating income before attrition, the accretion value of any individual OPC adjustment can be developed by inserting its value in place of net operating income at the top of Exhibit RMA-2, Schedule 23. As reflected there, I have increased net operating income by $2,403,000.

Q. Does this conclude your testimony?

A. Yes, it does.

APPENDIX A

Expert Testimony and Other Services

Presented by Randy M. Allen

Before Federal Commissions:

Texas Gas Transmission Corporation (Federal Energy Regulatory Commission, Docket No. RP88-115 et al.), October 1990. Technical analysis of settlement negotiations on cost of service, invested capital and revenue deficiency on behalf of the Indiana Utility Consumer Counselor.

Columbia Gas Transmission Corporation (Federal Energy Regulatory Commission, Docket No. RP90-108-000), August 1991. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Pennsylvania Office of Consumer Advocate.

Columbia Gulf Transmission Company (Federal Energy Regulatory Commission, Docket No. RP90-107-000), August 1991. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Pennsylvania Office of Consumer Advocate.

Columbia Gas Transmission Corporation (Federal Energy Regulatory Commission, Docket No. RP91-161-000), February 1992. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Pennsylvania Office of Consumer Advocate.

Columbia Gulf Transmission Company (Federal Energy Regulatory Commission, Docket No. RP91-160-000), February 1992. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Pennsylvania Office of Consumer Advocate.

Before State Commissions:

Houston Lighting & Power Company (Public Utility Commission of Texas, Docket No. 5779), September 1983. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Public Utility Commission Staff.

Engel Water Utility Company (Public Utility Commission of Texas, Docket No. 5512), 1984. Testimony on interim rate relief on behalf of the Public Utility Commission Staff.

San Bernard Electric Cooperative (Public Utility Commission of Texas, Docket No. 5467), January 1984. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Public Utility Commission Staff (settled).

Gulf States Utilities Company (Public Utility Commission of Texas, Docket No. 5560), April 1984. Testimony on invested capital and federal income taxes on behalf of the Public Utility Commission Staff,.

Texas Utilities Electric Company (Public Utility Commission of Texas, Docket No. 5640), June 1984. Testimony on invested capital on behalf of the Public Utility Commission Staff.

Community Water Company (Public Utility Commission of Texas, Docket No. 5735), August 1984. Testimony on cost of service, invested capital, and revenue deficiency on behalf of the Public Utility Commission Staff.

San Bernard Electric Cooperative (Public Utility Commission of Texas, Docket No. 5728), October 1984. Testimony on collection of local franchise taxes related to the Inquiry into the legality of rates on behalf of the Public Utility Commission Staff.

Gulf States Utilities Company (Public Utility Commission of Texas, Docket No. 5820), October 1984. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Public Utility Commission Staff.

Houston Lighting & Power Company (Public Utility Commission of Texas, Docket No. 5755), December 1984. Testimony on the construction revenue requirement stream related to the Inquiry into the status of the Malakoff Certificate of Convenience and Necessity on behalf of the Public Utility Commission Staff (withdrawn by Commission General Counsel).

Cherokee County Electric Cooperative (Public Utility Commission of Texas, Docket No. 6075), April 1985. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Public Utility Commission Staff.

Proposed Rule Making Amendment of 16 TAC 7.35 (Texas Railroad Commission), August 1985. Testimony on cash working capital requirements on behalf of the City of Austin.

Energas Company (Texas Railroad Commission, Docket No. 5793), September 1985. Testimony on revenues, cost of service, invested capital and revenue deficiency on behalf of the City of Amarillo.

Westar Transmission Company (Texas Railroad Commission, Consolidated Docket Nos. 4892 and 5168), November 1985. Testimony on a complaint regarding city gate rate - cost of service, invested capital and rate design on behalf of Municipal Intervenors (settled).

Central Power and Light Company (Public Utility Commission of Texas, Docket No. 6375), November 1985. Testimony on cost of service, invested capital and revenue deficiency on behalf of Municipal Intervenors (settled).

Westar Transmission Company (Texas Railroad Commission, Docket No. 5787), January 1986. Testimony on cost of service and invested capital on behalf of Municipal Intervenors.

Gulf States Utilities Company (Public Utility Commission of Texas, Docket No. 6525), March 1986. Testimony on cost of service, invested capital and revenue deficiency on behalf of Municipal Intervenors (settled).

Gulf States Utilities Company (Public Utility Commission of Texas, Docket No. 7195), March 1987. Testimony on cost of service, invested capital and revenue deficiency on behalf of Municipal Intervenors.

Houston Lighting & Power Company (Public Utility Commission of Texas, Docket No. 7375), May 1987. Testimony on deferred accounting treatment for Limestone Unit No. 2 on behalf of the Office of Public Utility Counsel (withdrawn by Company).

Gulf States Utilities Company (Public Utility Commission of Texas, Docket No. 7195), February and March 1988. Testimony on rate base exclusion of nuclear plant and hypothetical federal income taxes on behalf of the Office of Public Utility Counsel.

Lower Colorado River Authority (Public Utility Commission of Texas, Docket No. 8032), June 1988. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Office of Public Utility Counsel (settled).

Contel of Texas, Inc. (Public Utility Commission of Texas, Docket No. 8190), June 1988. Testimony on Lifeline Program's Effect on Proposed Stipulation Regarding the Tax Reform Act of 1986 on behalf of the Office of Public Utility Counsel.

Central Power and Light Company (Public Utility Commission of Texas, Docket No. 7560), July 1988. Testimony on deferred accounting treatment for STP Unit No. 1 on behalf of the Office of Public Utility Counsel.

Texas-New Mexico Power Company (Public Utility Commission of Texas, Docket No. 8095), July 1988. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Office of Public Utility Counsel (settled).

GTE Southwest, Inc. (Public Utility Commission of Texas, Docket No. 5610), August 1988. Testimony on cost of service, invested capital and revenue surplus on behalf of the Office of Public Utility Counsel.

Houston Lighting & Power Company (Public Utility Commission of Texas, Docket No. 8230), September 1988. Testimony on deferred accounting treatment for STP Unit 1 and Limestone Unit No. 2 on behalf of the Office of Public Utility Counsel.

Southwestern Public Service Company (Public Utility Commission of Texas, Docket No. 8255), November 1988. Settlement negotiation regarding the Tax Reform Act of 1986.

El Paso Electric Company (Public Utility Commission of Texas, Docket No. 8363), January 1989. Testimony on cost of service and invested capital on behalf of the Office of Public Utility Counsel.

Central Telephone Company of Texas (Public Utility Commission of Texas, Docket No. 8266), January 1989. Settlement negotiation regarding the Tax Reform Act of 1986 on behalf of the Office of Public Utility Counsel.

Lower Colorado River Authority (Public Utility Commission of Texas, Docket No. 8400), February 1989. Testimony on cost of service, debt service coverage and revenue deficiency on behalf of the Office of Public Utility Counsel.

Houston Lighting & Power Company (Public Utility Commission of Texas, Docket No. 8425), March 1989. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Office of Public Utility Counsel.

Hill Country Utilities, Inc. (Texas Water Commission, Docket No. 7838-R), March 1989. Testimony on revenues, cost of service, invested capital, capital structure, cost of capital and rate design on behalf of the Lamplight Village Area Neighborhood Association.

United Telephone Company of Texas, Inc. (Public Utility Commission of Texas, Docket No. 8222), March 1989. Settlement Negotiation Regarding the Tax Reform Act of 1986 on behalf of the Office of Public Utility Counsel.

Houston Lighting & Power Company and Central Power and Light Company (Public Utility Commission of Texas, Docket No. 6668), June 1989. Testimony on the propriety of the present value of revenue requirements method of prudency disallowance quantification on behalf of the Office of Public Utility Counsel.

Gulf States Utilities Company (Public Utility Commission of Texas, Docket No. 8702), July and August 1989. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Office of Public Utility Counsel.

Houston Lighting & Power Company (Public Utility Commission of Texas, Docket No. 8555), August 1989. Testimony on revenue requirement methodology for calculating the effects of canceled plant disallowance on behalf of the Office of Public Utility Counsel.

Texas-New Mexico Power Company (Public Utility Commission of Texas, Docket No. 8880), October 1989. Testimony on deferred accounting treatment for TNP One on behalf of the Office of Public Utility Counsel.

Texas-New Mexico Power Company (Public Utility Commission of Texas, Docket No. 8928), October 1989. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Office of Public Utility Counsel.

Southwestern Bell Telephone Company (Public Utility Commission of Texas, Docket No. 8585), October, November and December 1989 and March 1990. Testimony on cost of service, invested capital, revenue surplus, incentive rate plan, and proposed partial stipulation on behalf of the Office of Public Utility Counsel.

Central Power and Light Company (Public Utility Commission of Texas, Docket No. 8646), June 1989 and March and April 1990. Testimony on federal income taxes and interim rate relief and nonunanimous stipulation on behalf of the Office of Public Utility Counsel.

Texas Utilities Electric Company (Public Utility Commission of Texas, Docket No. 9300), April and July 1990. Testimony on cost of service, invested capital, revenue deficiency and revenue requirement effects of imprudence disallowance on behalf of the Office of Public Utility Counsel.

Lufkin-Conroe Telephone Company (Public Utility Commission of Texas, Docket No. 8773), June 1990. Settlement negotiations regarding the Tax Reform Act of 1986 and overearnings on behalf of the Office of Public Utility Counsel.

Kerrville Telephone Company (Public Utility Commission of Texas, Docket No. 8771), June 1990. Settlement negotiations regarding the Tax Reform Act of 1986 and overearnings on behalf of the Office of Public Utility Counsel.

New Jersey Natural Gas Company (New Jersey Board of Public Utilities, Docket No. GR89030335J), July 1990. Testimony on consolidated federal income tax savings on behalf of the Department of the Public Advocate, Division of Rate Counsel.

GTE Southwest, Inc. (Public Utility Commission of Texas, Docket No. 9368), July 1990. Testimony on the effect of relocating accounting records outside the State of Texas on behalf of the Office of Public Utility Counsel.

Lower Colorado River Authority (Public Utility Commission of Texas, Docket No. 9427), July 1990. Testimony on debt service, coverage and proposed transmission facility lease program on behalf of the Office of Public Utility Counsel.

Central Power and Light Company (Public Utility Commission of Texas, Docket No. 9561), August 1990. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Office of Public Utility Counsel.

New Jersey Natural Gas Company (New Jersey Board of Public Utilities, Docket No. GR90080786J), January 1991. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Department of the Public Advocate, Division of Rate Counsel (settled).

Utah Power & Light Company (Public Service Commission of Utah, Docket No. 90-035-06), February 1991. Technical analysis of settlement negotiations on the termination of the Energy Balancing Account and review of coal procurement policies and coal management practices.

Nevada Power Company (Public Service Commission of Nevada, Docket Nos. 91-5032 and 91-5055), July 1991. Testimony on coal reconciliation treatment of gains on disposition of property and treatment of common stockpile payment on behalf of Federal Executive Agencies.

Appalachian Power Company (West Virginia Public Service Commission, Case No. 91-026-E-42T), July 1991. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Consumer Advocate Division.

Arkansas Louisiana Gas Company (Louisiana Public Service Commission, Docket No. U-19236), October 1991. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Public Service Commission Staff (settled).

Rockland Electric Company (New Jersey Board of Public Utilities, Docket No. ER91030356J), October 1991. Testimony on cost of service, invested capital, revenue deficiency and regulatory policy issues on behalf of the Department of Public Advocate, Division of Rate Counsel (settled).

Sierra Pacific Power Company (Public Service Commission of Nevada, Docket Nos. 91-7079, 917080 and 91-7081), November 1991. Testimony on electric, gas and water cost of service and invested capital issues on behalf of the Office of Consumer Advocate.

Atlantic City Electric Company (New Jersey Board of Regulatory Commissioners, Docket No. ER90091090J - Phase II), January 1992. Testimony on consolidated tax savings and ratemaking treatment of gross receipts and franchise tax legislative changes on behalf of the Department of Public Advocate, Division of Rate Counsel.

New Jersey Natural Gas Company (New Jersey Board of Regulatory Commissioners, Docket No. ER91081393J), March 1992. Testimony on consolidated tax savings on behalf of the Department of Public Advocate, Division of Rate Counsel.

Public Service Electric and Gas Company (New Jersey Board of Regulatory Commissioners, Docket No. ER91111698J), June 1992. Testimony on cash working capital, consolidated tax savings and postretirement benefits on behalf of the Department of Public Advocate, Division of Rate Counsel.

Trans Louisiana Gas Company (Louisiana Public Service Commission, Docket No. U-19631), June 1992. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Public Service Commission staff.

Jersey Central Power and Light Company (New Jersey Board of Regulatory Commissions, Docket No. ER91121820J), July 1992. Testimony on selected cost of service issues on behalf of the Department of Public Advocate Division of Rate Counsel.

Rockland Electric Company (New Jersey Board of Regulatory Commissioners, Docket No. ER91030356J - Phase II), July 1992. Testimony on the ratemaking treatment of gross receipts and franchise tax legislative changes on behalf of the Department of Public Advocate, Division of Rate Counsel.

Petition of Pennsylvania Utilities for a Declaratory Order Regarding Statement of Financial Accounting Standards No. 106 (Pennsylvania Public Utility Commission, Docket No. P-00920588), July 1992. Joint affidavit on the ratemaking effects of postretirement benefits other than pensions related to SFAS No. 106 on behalf of the Office of Consumer Advocate.

Atlanta Gas Light Company (Georgia Public Service Commission, Docket No. 4177-U), August 1992. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Consumer's Utility Counsel.

Niagara Mohawk Power Company (New York Public Service Commission, Case Nos. 92-E-0108, 92-E-0109 and 92-G-0110), September 1992. Analysis of electric and gas cost of service, invested capital and revenue deficiency and testimony supporting the settlement stipulation.

Wheeling Power Company (West Virginia Public Service Commission, Case No. 91-1069-E-GI), September 1992. Testimony on cost of service, invested capital and revenue surplus on behalf of the Consumer Advocate Division.

Commonwealth Gas Services, Inc. (Virginia State Corporation Commission Case No. 92PUE0037), September 1992. Testimony on cost of service, invested capital and revenue deficiency on behalf of the Attorney General.

Before Legislative Bodies and Courts:

71st Texas State Legislature (House State Affairs Committee, H.B. 1573), April 1989. Testimony on federal income tax normalization and the effects of prohibiting actual taxes incurred.

71st Texas State Legislature (House State Affairs Committee, H.B. 2882), April 1989. Testimony regarding the regulatory treatment of excess capacity.

71st Texas State Legislature (House State Affairs Committee, H.B. 1316), April 1989. Testimony regarding the ratemaking treatment of self insurance reserves.

71st Texas State Legislature (House State Affairs Committee, H.B. 2364 and 2881), April 1989. Testimony regarding the ratemaking treatment for the change in the statutory income tax rate.

Gulf States Utilities Company (District Court of Travis County, 126th Judicial District, Cause No. 462,0144), April 1989. Affidavit related to treatment of abeyed nuclear plant in PUC Docket Nos. 7195 and 8702 on behalf of the Office of Public Utility Counsel.

Before Municipalities:

Energas Company (Amarillo, Texas City Commission), July 1985. Report on revenues, cost of service and invested capital on behalf of the City of Amarillo.

Southern Union Gas Company (Austin, Texas City Council), September 1985. Report on revenues, cost of service and invested capital on behalf of the City of Austin.

West Texas Gas, Inc. (Texline, Texas City Council), November 1985. Report on revenues, cost of service, invested capital and rate design on behalf of the City of Texline.

Lone Star Gas Company (Dallas, Texas City Council), December 1985. Report on cash working capital on behalf of the City of Dallas.

Lone Star Gas Company (Sherman, Texas City Council), 1986. Report on cash working capital on behalf of the City of Sherman.

Fort Worth, Texas Wastewater Utility (Tarrant County Mayor's Council), January 1987. Report on cost of service, invested capital, capital structure, rate of return, cost allocations, rate design, system access fee and contract negotiation on behalf of 21 Customer Cities.

Lower Colorado River Authority (Kerrville Public Utility Board), August 1987. Report on Distribution system purchase negotiation, revenue requirements, rate design, forecasted results of operations and consulting engineer's report for issuance of revenue bonds on behalf of the City of Kerrville.

STATE OF FLORIDA

BEFORE THE

PUBLIC SERVICE COMMISSION

Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone & Telegraph Company	))))	Docket No. 920260-TL

EXHIBITS AND SCHEDULES ACCOMPANYING THE DIRECT TESTIMONY OF RANDY M. ALLEN ON REVENUE REQUIREMENT ISSUES

ON BEHALF OF THE

OFFICE OF PUBLIC COUNSEL

AND FLORIDA CITIZENS

NOVEMBER 16, 1992

EXETER

Associates, Inc.

10801 Lockwood Drive
Suite 350
Silver Spring, MD 20901

SOUTHERN BELL TELEPHONE COMPANY

Summary of Operating Income
Average for Test Year 1991

(In Thousands)

	Per Company Present Rates	OPC Adjustments	Adjusted Per OPC	Proforma Increase	Proforma Amount
OPERATING REVENUES					
Local Service	$1,325,915	$0	$1,325,915	$0	$0
InterLATA	274,694	0	274,694	0	0
IntraLATA	347,383	0	347,383	0	0
Miscellaneous	294,224	0	294,224	0	0
Uncollectibles	(39,415)	15,442	(23,973)	0	0
Total Operating Revenues	$2,202,801	$15,442	$2,218,243	($232,739)	$1,985,504
OPERATING EXPENSES					
Plant Specific	$380,059	($57,898)	$322,161	$0	$322,161
Plant Nonspecific	187,220	0	187,220	0	187,220
Depreciation	524,617	0	524,617	0	524,617
Customer Operations	305,405	0	305,405	0	305,405
Corporate Operations	209,181	0	209,181	0	209,181
Other	585	(32,737)	(32,152)	0	(32,152)
Total Operating Expenses	$1,607,067	($90,635)	$1,516,432	$0	$1,516,432
TAXES					
Federal Income Taxes	$75,396	$28,831	$104,227	($73,869)	$30,359
State Income Tax	18,024	6,315	24,339	(12,645)	11,694
Other Tax Expense	124,432	0	124,432	(2,834)	121,598
Total Tax Expenses	$217,852	$35,146	$252,998	($89,348)	$163,650
Total Operating Expenses and Taxes	$1,824,919	($55,489)	$1,769,430	($89,348)	$1,680,082
Attrition Adjustment	$41,874	$19,318	$61,192	$0	$61,192
MFR Amendment Adjustment	($28,421)	$0	($28,421)	$0	($28,421)
Net Operating Income	$391,335	$90,249	$481,584	($143,392)	$338,192
Rate Base	$4,150,495	($896)	$4,149,599	$0	$4,149,599
Rate of Return On Rate Base	9.43%		11.61%		8.15%

SOUTHERN BELL TELEPHONE COMPANY

Determination of Revenue Increase
Average for Test Year 1991

(In Thousands)

	Amount	Source
OPC Recommended Rate Base	$4,149,599	Exhibit RMA-1, Schedule 3
Required Rate of Return	8.15%	
Required Return	$338,192	
Adjusted Operating Income	$481,584	
Income Shortfall	($143,392)	
Revenue Multiplier	1.63619	1/((1-0.008-0.0016821) • (1-0.0105)*(1-0.055) * (1-0.34))
Revenue Increase Required	($234,616)	
Uncollectible Accounts at 0.80%	($1,877)	
Subtotal	($232,739)	
Public Utility Tax at 0.16821%	($395)	
Subtotal	($232,345)	
Revenue Taxes at 1.05%	($2,440)	
Subtotal	($229,905)	
State Income Tax at 5.5%	($12,645)	
Subtotal	($217,260)	
Federal Income Tax at 34%	($73,869)	
Net Income Increase Required	($143,392)	

Summary of Adjustments to Operating Income
Average for Test Year 1991

(In Thousands)

	OPERATING REVENUES	Plant Specific Expenses	Depreciation	Other	FIT	State Income Tax	Attrition	MFR Amendment	Net Operating Income	Proforma Adjustment	Adjusted Net Operating Income
Revised Net Income Per Company	$2,202,801	$567,279	$524,617	$639,603	$75,396	$18,024	$41,874	$28,421	$391,335	($143,392)	$247,943
OPC Adjustments:											

Software Expense		($17,995)			$5,782	$990			$11,223	$0	$11,223
Promotional Advertising		($11,834)			$3,802	$651			$7,381	$0	$7,381
Promotional Subscriptions		($627)			$201	$34			$391	$0	$391
Voluntary Enhanced Early Retirement				($13,674)	$4,393	$752			$8,528	$0	$8,528
Incentive Bonus				($18,043)	$5,797	$992			$11,253	$0	$11,253
Employee Activities		($1,344)			$432	$74			$838	$0	$838
Postretirement Benefits		($5,906)			$1,898	$325			$3,604	$0	$3,604
Uncollectibles	$15,442				$4,962	$849			$9,631	$0	$9,631
Legal Settlement Claims		($1,146)			$368	$63			$715	$0	$715
Outside Services Performed		($3,177)			$1,021	$175			$1,982	$0	$1,982
USTA Dues		($78)			$25	$4			$49	$0	$49
Abandoned Property		($675)			$217	$37			$421	$0	$421
Atlantic Golf Classic		($149)			$48	$8			$93	$0	$93
Furniture & Artwork				($528)	$170	$29			$329	$0	$329
Office Equipment				($493)	$158	$27			$307	$0	$307
Radio Systems		($312)			$100	$17			$195	$0	$195
Underground Cable		($996)			$320	$55			$621	$0	$621
Provisioning		($5,858)			$1,882	$322			$3,654	$0	$3,654
Excess Deferred Income Taxes					($8,057)				$8,057	$0	$8,057
Interest Synchronization					$2,806	$480			($3,286)	$0	($3,286)
Negative Attrition on Revenue Requirement							$16,915		$16,915	$0	$16,915
Negative Attrition on OPC's Adjustments							$2,403		$2,403	$0	$2,403
BellSouth Corporate Charges		($2,821)			$906	$155			$1,759	$0	$1,759
BellCore Research & Development		($4,980)			$1,600	$274			$3,106	$0	$3,106
Total OPC Adjustments	$15,442	($57,898)	$0	($32,737)	$28,831	$6,315	$19,318	$0	$90,249	$0	$90,249
Total Adjusted Income	$2,218,243	$509,381	$524,617	$606,866	$104,227	$24,339	$61,192	$28,421	$481,584	($143,392)	$338,192

SOUTHERN BELL TELEPHONE COMPANY

Summary of Adjustments to Operating Income
Test Year Ended October 31, 1991

(In Thousands)

	Amount	Source
Net Income per Company	$391,335	Exhibit RMA-1, Schedule 1
OPC Adjustments:		
Software Expense	$11,223	Exhibit RMA-2, Schedule 1
Promotional Advertising	$7,381	Exhibit RMA-2, Schedule 2
Promotional Subscriptions	$391	Exhibit RMA-2, Schedule 3
Voluntary Enhanced Early Retirement	$8,528	Exhibit RMA-2, Schedule 4
Incentive Bonus	$11,253	Exhibit RMA-2, Schedule 5
Employee Activities	$838	Exhibit RMA-2, Schedule 6
Postretirement Benefits	$3,684	Exhibit RMA-2, Schedule 7
Uncollectibles	$9,631	Exhibit RMA-2, Schedule 8
Legal Settlement Claims	$715	Exhibit RMA-2, Schedule 9
Outside Services Performed	$1,982	Exhibit RMA-2, Schedule 10
USTA Dues	$49	Exhibit RMA-2, Schedule 11
Abandoned Property	$421	Exhibit RMA-2, Schedule 12
Atlantic Golf Classic	$93	Exhibit RMA-2, Schedule 13
Furniture & Artwork	$329	Exhibit RMA-2, Schedule 14
Office Equipment	$307	Exhibit RMA-2, Schedule 15
Radio Systems	$195	Exhibit RMA-2, Schedule 16
Underground Cable	$621	Exhibit RMA-2, Schedule 17
Provisioning	$3,654	Exhibit RMA-2, Schedule 18
Excess Deferred Income Taxes	$8,057	Exhibit RMA-2, Schedule 19
Interest Synchronization	($3,286)	Exhibit RMA-2, Schedule 20
Negative Attrition on Revenue Requirement	$16,915	Exhibit RMA-2, Schedule 22
Negative Attrition on OPC's Adjustments	$2,403	Exhibit RMA-2, Schedule 23
BellSouth Corporate Charges	$1,759	Exhibit_____(MLB-1)
BellCore Research & Development	$3,106	Exhibit_____(MLB-2)
Total OPC Adjustments	$90,249	
Total Adjusted Income	$481,584	

SOUTHERN BELL TELEPHONE

Summary of Rate Base
Average for Test Year 1991

(In Thousands)

	Per Company	OPC Adjustments	Adjusted Per OPC
Utility Plant	$6,647,171	($46)	$6,647,125
Accumulated Depreciation	$2,384,592	($6)	$2,384,586
Net Utility Plant	$4,262,579	($40)	$4,262,539
Non-Interest Bearing CWIP	$42,156	$0	$42,156
Plant Held for Future Use	$244	$0	$244
Working Capital	($8,026)	$2,090	($5,936)
Capitalized Software	$0	$20,244	$20,244
Excess Pension Collections	$0	($23,190)	($23,190)
MFR Amendment Adjustment	($146,458)	$0	($146,458)
Rate Base	$4,150,495	($896)	$4,149,599
Utility Operating Income	$391,335	$90,249	$481,584
Rate of Return	9.43%	2.18%	11.61%

SOUTHERN BELL TELEPHONE COMPANY

Summary of Rate Base
Average for Test Year 1991

(In Thousands)

	Amount	Source
Rate Base Per Company	$4,150,495	
OPC Adjustments:		
Software Expense Capitalized	$20,244	Exhibit RMA-2, Schedule 1
Postretirement Benefits	($578)	Exhibit RMA-2, Schedule 7
Excess Deferred Income Taxes	$2,628	Exhibit RMA-2, Schedule 19
Excess Pension Collections	($23,190)	Exhibit RMA-2, Schedule 21
Total OPC Adjustments	($896)	
Adjusted Rate Base	$4,149,599	

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Software Costs

(In Thousands)

	Amount
Software Expense (1)	$22,494
Amortization Period (2)	5
Annual Amortization	$4,499
Requested Expense (1)	$22,494
Adjustment to Software Expense	($17,995)
State Income Tax at 5.5%	$990
Federal Income Tax at 34%	$5,782
Adjustment to Net Operating Income	$11,223
Adjustment to Rate Base	$20,244

Notes:
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(1) Per Response to Citizen's 8th Interrogatory, Question No. 181.
(2) See Testimony.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Promotional Advertising

(In Thousands)

	Amount
Removal of Promotional Advertising (1)	($11,834)
State Income Tax at 5.5%	$651
Federal Income Tax at 34%	$3,802
Adjustment to Net Operating Income	$7,381

Notes:

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(1) Per Response to Citizen's 8th Interrogatory, Question No. 189.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Promotional Subscriptions

(In Thousands)

	Amount
Removal of Promotional Subscriptions (1)	($627)
State Income Tax at 5.5%	$34
Federal Income Tax at 34%	$201
Adjustment to Net Operating Income	$391

Notes:

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(1) Per Response to Citizen's 8th Interrogatory, Question No. 199.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 4

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Voluntary Enhanced Early Retirement Expenses

(In Thousands)

	Amount
Removal of 1991 VEER Expenses (1)	($13,674)
State Income Tax at 5.5%	$752
Federal Income Tax at 34%	$4,393
Adjustment to Net Operating Income	$8,528

Notes:
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(1) Per Response to Staff's 1st Interrogatory, Question No. 8.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Incentive Bonus Expense

(In Thousands)

	Amount
Adjustment to Remove Incentive Bonus Expense (1)	($18,043)
State Income Tax at 5.5%	$992
Federal Income Tax at 34%	$5,797
Adjustment to Net Operating Income	$11,253

Notes:
-----
(1) Per Citizen's 12th POD, Item 113.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Employee Activities

(In Thousands)

	Amount
Adjustment to Remove Employee Activities Expense (1)	($1,344)
State Income Tax at 5.5%	$74
Federal Income Tax at 34%	$432
Adjustment to Net Operating Income	$838

Notes:
-----
(1) Per Response to Staff's First Data Request, Question 11.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 7

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Postretirement Benefits

(In Thousands)

	Amount
Reversal of Company Adjustment (1)	($5,906)
State Income Tax at 5.5%	$325
Federal Income Tax at 34%	$1,898
Adjustment to Net Operating Income	$3,684
Adjustment to Rate Base (1)	($578)

Notes:

-----

(1) Per Amended Schedule A-1b.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Uncollectible Accounts Expense

(In Thousands)

	Revenues	Net Write-Offs	Amount
1988 Level (1)	$3,003,707	$20,445	0.68%
1989 Level (1)	$3,030,072	$22,155	0.73%
1990 Level (1)	$3,119,922	$26,701	0.86%
1991 Level (1)	$3,140,365	$29,186	0.93%
Four-Year Total	$12,294,065	$98,488	0.80%
Requested Operating Revenue at Present Rates (2)			$2,242,216
Jurisdictional Revenue Allocation Factor (3)			73.94%
Total Florida Operating Revenue			$3,032,427
Four-Year Average Net Write-Off Revenue			0.80%
Revised Uncollectible Accounts Expense			$24,293
Jurisdictional Uncollectible Accounts Factor (4)			98.68%
Revised Uncollectible Accounts Expense			$23,973
Requested Level (2)			$39,415
Adjustment to Uncollectible Accounts Expense			($15,442)
State Income Tax at 5.5%			$849
Federal Income Tax at 34%			$4,962
Adjustment to Net Operating Income			$9,631

Notes:

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(1) Per Response to Citizen's 8th Interrogatory, Question No. 182.
(2) Per Schedule A-2b.
(3) Per Schedule C-1a, Page 1 and Schedule C-4a, Page 2.
(4) Per Schedule A-2b and Schedule C-4a, Page 2.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 9

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Legal Settlement Claims

(In Thousands)

	Amount	GDP Index (1991=100)	Amount
1988 Level (1)	$708	88.74%	$798
1989 Level (1)	$1,716	92.68%	$1,852
1990 Level (1)	$1,885	96.48%	$1,954
1991 Level (1)	$3,063	100.00%	$3,063
Four-Year Total			$7,667
Number of Years			4
Four-Year Average			$1,917
Requested Level (1)			$3,063
Adjustment to Legal Settlement Claims			($1,146)
State Income Tax at 5.5%			$63
Federal Income Tax at 34%			$368
Adjustment to Net Operating Income			$715

Notes:
-----
(1) Per Response to Citizen's 8th Interrogatory, Question No. 208.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Outside Services Performed

(In Thousands)

	Amount	GDP Index (1991=100)	Amount
1988 Level (1)	$67,803	88.74%	$76,403
1989 Level (1)	$60,455	92.68%	$65,233
1990 Level (1)	$59,833	96.48%	$62,017
1991 Level (1)	$72,121	100.00%	$72,121
Four-Year Total			$275,774
Number of Years			4
Four-Year Average			$68,944
Requested Level (1)			$72,121
Adjustment to Outside Services			($3,177)
State Income Tax at 5.5%			$175
Federal Income Tax at 34%			$1,021
Adjustment to Net Operating Income			$1,982

Notes:
-----
(1) Per Response to Citizen's 8th Interrogatory, Question No. 188.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 11

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to USTA Dues

(In Thousands)

	Amount
USTA Percentages: (1)	
Legislative Advocacy	-19.88%
Regulatory Advocacy	-7.43%
Public Relations	-2.90%
Meals & Entertainment	-1.18%
Total Unallowable Dues Percentage	-31.39%
Test Year Dues (2)	$250
Adjustment to Remove Disallowable USTA Dues	($78)
State Income Tax at 5.5%	$4
Federal Income Tax at 34%	$25
Adjustment to Net Operating Income	$49

Notes:
-----
(1) Per NARUC Audit Report on the Expenditures of the United States Telephone Association, March 1992.
(2) Per Response to Staff's 1st Set of Interrogatories, Question 11.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Abandoned Property

(In Thousands)

	Amount
Adjustment to Remove Aandoned Property Expense (1)	($675)
State Income Tax at 5.5%	$37
Federal Income Tax at 34%	$217
Adjustment to Net Operating Income	$421

Notes:
-----
(1) Per Schedule A-6a, Page 2 of 3.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Atlantic Golf Classic

(In Thousands)

	Amount
Adjustment to Remove Atlantic Golf Classic Expense (1)	($149)
State Income Tax at 5.5%	$8
Federal Income Tax at 34%	$48
Adjustment to Net Operating Income	$93

Notes:
-----
(1) Per Response to Staff's First Data Request, Question 11.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 14

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Furniture and Artwork

(In Thousands)

	Amount
January 1991 (1)	$103
February (1)	$107
March (1)	$72
April (1)	$72
June (1)	$72
July (1)	$211
August (1)	$54
September (1)	$87
October (1)	$147
November (1)	$72
December (1)	$78
Total Eleven Month Furniture & Artwork Expense	$1,076
Number of Months	11
Eleven Month Average (2)	$98
May Furniture & Artwork Expense	$625
Adjustment to Furniture and Artwork	($528)
State Income Tax at 5.5%	$29
Federal Income Tax at 34%	$170
Adjustment to Net Operating Income	$329

Notes:

(1) Per MR5 Report, 1991, Account No. 6122.
(2) Expense for May is Excluded.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Office Equipment

(In Thousands)

	Amount
January 1991 (1)	$1,075
February (1)	$917
March (1)	$993
April (1)	$912
June (1)	$857
July (1)	$1,198
August (1)	$1,360
September (1)	$836
October (1)	$1,037
November (1)	$1,016
December (1)	$1,121
Total Eleven Month Office Equipment Expense	$11,322
Number of Months	11
Eleven Month Average (2)	$1,029
May Office Equipment Expense	$1,522
Adjustment to Office Equipment	($493)
State Income Tax at 5.5%	$27
Federal Income Tax at 34%	$158
Adjustment to Net Operating Income	$307

Notes:

-----

(1) Per MR5 Report, 1991, Account No. 6123.

(2) Expense for May is Excluded to Remove Cargotainer Expense.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 16

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Radio Systems

(In Thousands)

	Amount
November (1)	$44
December (1)	$32
Total Two-Month Radio System Expense	$76
Number of Months	2
Two-Month Average	$38
Annualization Factor	12
Annualized Radio System Expense	$458
Actual Annual Radio System Expense	$770
Adjustment to Radio Systems (2)	($312)
State Income Tax at 5.5%	$17
Federal Income Tax at 34%	$100
Adjustment to Net Operating Income	$195

Notes:

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(1) Per MR5 Report, 1991, Account No. 6231.
(2) Expenses for January Through October are Adjusted by the 2-Month Average.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 17

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Underground Cable

(In Thousands)

	Amount
January 1991 (1)	$1,263
February (1)	$1,271
March (1)	$1,113
April (1)	$1,107
May (1)	$1,199
June (1)	$1,123
July (1)	$1,256
August (1)	$1,334
December (1)	$1,270
Total Nine Month Underground Cable Expense	$10,935
Nine Month Average (2)	$1,215
* 3	$3,645
September (1)	$1,524
October (1)	$1,707
November (1)	$1,411
Total Three Month Underground Cable Expense	$4,641
Adjustment to Underground Cable	($996)
State Income Tax at 5.5%	$55
Federal Income Tax at 34%	$320
Adjustment to Net Operating Income	$621

Notes:
-----
(1) Per MR5 Report, 1991, Account No. 6422.
(2) Expense for September, October and November are Excluded.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 18

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Provisioning

(In Thousands)

	Amount
January 1991 (1)	($511)
February (1)	$76
March (1)	($80)
April (1)	$83
May (1)	($98)
June (1)	($137)
July (1)	($189)
August (1)	($56)
October (1)	$18
November (1)	$662
Total Ten Month Provisioning Expense	($230)
Number of Months	10
Ten Month Average (2)	($23)
September Provisioning Expense	$4,558
December Provisioning Expense	$1,255
Adjustment to Provisioning	($5,858)
State Income Tax at 5.5%	$322
Federal Income Tax at 34%	$1,882
Adjustment to Net Operating Income	$3,654

Notes:
-----
(1) Per MR5 Report, 1991, Account No. 6512.
(2) Expense for September and December are Excluded.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 19

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Excess Deferred Income Tax

(In Thousands)

	Amount
Unprotected Excess Deferred Income Tax (1)	$15,766
Amortization Period (2)	(3)
Annual Amortization	($5,255)
Requested Amortization and SFAS 109 Add Back (3)	$2,802
Adjustment to Excess DFIT	($8,057)
Adjustment to Rate Base	$2,628

Notes:
-----
(1) Per Schedule C-23f and G-6c.
(2) See Testimony.
(3) Reid Schedule 4.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Interest Synchronization Deduction

(In Thousands)

	Amount
Revised Rate Base (1)	$4,149,599
Revised Weighted Cost of Debt (2)	2.52%
Revised Interest Deduction	$104,570
Requested Interest Deduction (3)	$113,303
Adjustment to Interest Deduction	($8,733)
State Income Tax at 5.5%	$480
Federal Income Tax at 34%	$2,806
Adjustment to Net Operating Income	($3,286)

Notes:
-----
(1) See Exhibit RMA-1, Schedule 3, Page 1.
(2) See Rothschild's Schedule 1, Page 1.
(3) Per Schedule C-23c.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Excess Pension Collections

(In Thousands)

	Amount
Adjustment to Remove Excess Pension Collections (1)	($23,190)

Notes:

-----

(1) Per Response to Citizens' 8th Interrogatories, Item No. 173.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

	Amount
Revised Net Operating Income (1)	($8.93)
Company Investment (2)	($2.66)
Total	($11.59)
Revised Access Line - 1993 (3)	5,025
Impact on Earnings	($58,229)
Impact on Earnings Per McClellan (4)	($41,314)
Adjustment to Net Operating Income	$16,915

Notes:

See Exhibit RMA-2, Schedule 19, Page 4.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

Calculation of Growth and Inflation Factors

	Amount
COMPANY GROWTH FACTOR:	
Operating Expenses & Taxes - 1991 (3)	$1,169
Operating Expenses & Taxes - 1993 (3)	$1,223
Two-Year Growth	1.0463
One-Year Growth	1.0229
HISTORICAL INFLATION:	
GDP - 1989 (5)	108.40
GDP - 1991 (5)	117.00
Two-Year Change	1.0793
One-Year Change	1.0389
PROJECTED INFLATION:	
GDP Price Deflator - 1992 (6)	1.0270
GDP Price Deflator - 1993 (6)	1.0280
Two-Year Average	1.0275
REVISED GROWTH FACTOR:	
Company Growth Factor	1.0229
Historical Inflation	(1.0389)
Projected Inflation	1.0275
Revised Growth Factor	1.0115

Notes:

See Exhibit RMA-2, Schedule 19, Page 4.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

Calculation of Increment Per Access Line

	Amount
Operating Expenses & Taxes - 1991 (3)	$1,169
Revised Growth Factor (7)	1.0115
Growth-Adjusted Expenses - 1992	$1,182
Revised Growth Factor (7)	1.0115
Growth-Adjusted Expenses - 1993	$1,196
Revised Access Lines - 1993	5,025
Revised Expense/Access Line - 1993	$238
Company Expense/Access Line - 1991 (8)	$251
Increment/Access Line	($12.63)

Notes:

See Exhibit RMA-2, Schedule 19, Page 4.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

Calculation of Net Operating Income Per Access Line

	Amount
Revised Operating Revenues (3)	($4.72)
Revised Operating Expenses & Taxes (9)	($12.63)
Revised Depreciation Expenses (3)	$2.57
Revised Pre-Tax Amount	($14.78)
Income Taxes (10)	($5.56)
Tax Effect of Interest (3)	($0.29)
Revised Net Operating Income Per Access Line	($8.93)

Notes:

(1) Exhibit RMA-2, Schedule 19, Page 4.
(2) Per McClellan Testimony, Schedule 8.
(3) Per McClellan Testimony, Schedule 3, Page 1.
(4) Per McClellan Testimony, Schedule 1.
(5) Economic Report of the President, 1992.
(6) Blue Chip Economic Indicators, October 10, 1992.
(7) Exhibit RMA-2, Schedule 19, Page 2.
(8) Per McClellan Testimony, Schedule 7.
(9) Exhibit RMA-2, Schedule 19, Page 3.
(10) Per McClellan Testimony, Schedule 8. Multiply Pre-Tax Amount by 37.63% Tax Rate.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on OPC's Adjustments

(In Thousands)

	Amount
Net Operating Income (1)	$90,249
Attrition (2)	$19,318
Non-Attrition Net Operating Income	$70,931
Revised Growth Factor (3)	1.0115
Growth-Adjusted Expenses - 1992	$71,746
Revised Growth Factor (3)	1.0115
Growth-Adjusted Expenses - 1993	$72,569
Company Access Lines - 1993 (4)	5,025
Revised Expense/Access Line - 1993	$14.44
Revised Expense/Access Line - 1991	$15.21
Increment/Access Line	($0.77)
Income Tax (5)	($0.29)
Net Operating Income Per Access Line	($0.48)
Company Access Lines - 1993 (4)	5,025
Adjustment to Net Operating Income	$2,403

Notes:
-----
(1) Exhibit RMA-1, Schedule 1, Page 1.
(2) Exhibit RMA-2, Schedule 19, Page 1.
(3) Exhibit RMA-2, Schedule 19, Page 2.
(4) Per McClellan Testimony, Schedule 3, Page 1.

EXHIBIT RMA-3

Source	Reference[1]
Citizens' 8th Interrogatory, Question No. 181	Page 7 and Schedule 1
Citizen's 8th Interrogatory, Question No. 122	Page 14
Staff's 1st Interrogatory, Question No. 5	Page 14
Citizens' 12th Production of Documents, No. 113	Page 15 and Schedule 5
Staff's 1st Interrogatory, Question No. 4	Page 15
Staff's 1st Interrogatory, Question No. 11	Page 16 and Schs. 6, 11 & 23
Citizen's 8th Interrogatory, Question No. 174	Page 21
Citizen's 8th Interrogatory, Question No. 179	Page 24
Citizen's 8th Interrogatory, Question No. 217	Page 27
Citizen's 8th Interrogatory, Question No. 182	Page 27 and Schedule 8
Citizen's 8th Interrogatory, Question No. 138	Page 33
Citizen's 8th Interrogatory, Question No. 139	Page 33
Citizen's 8th Interrogatory, Question No. 144	Page 34
Citizen's 8th Interrogatory, Question No. 150	Page 34
Citizen's 8th Interrogatory, Question No. 153	Page 34
Citizen's 8th Interrogatory, Question No. 131	Page 39
Citizen's 8th Interrogatory, Question No. 171	Page 39
Citizen's 8th Interrogatory, Question No. 173	Page 39 and Schedule 21
Citizen's 8th Interrogatory, Question No. 189	Schedule 2
Citizen's 8th Interrogatory, Question No. 199	Schedule 3
Staff's 1st Interrogatory, Question No. 8	Schedule 4
Citizens' 8th Interrogatory, Question No. 208	Schedule 9
Citizens' 8th Interrogatory, Question No. 188	Schedule 10

[1]References are to testimony and Exhibit RMA-2 schedules.

Page 7, Schedule 1

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Citizens' 8th Interrogatories
June 16, 1992
Item No. 181
Page 1 of 1

REQUEST:

Please provide a list of each separate software addition reflected in cost of service, including a description, the amount expensed and/or capitalized, and the anticipated useful life.

RESPONSE:

As shown in Attachments I and II, the software expensed and software capitalized for Central Offices in 1991 were $22,493,520 and 1,104,848, respectively. These amounts have previously been provided in Staff's 1st Set of Interrogatories, May 27, 1992, Items 15 and 17. To provide a list of each general software addition including a description, the amount expensed and/or capitalized, and the anticipated useful life would necessitate the review of all purchase requisitions for 1991, requiring a large amount of personnel, time, and expense. Even such a demanding review would not provide the anticipated useful lives since it is not possible to predict when nor how often software upgrades or new versions will occur. Southern Bell thus objects to this portion of the interrogatory as unduly burdensome and oppressive.

Nancy B. White
General Attorney

INFORMATION PROVIDED BY:

L. M. Kinsey
Staff Manager
15JJ1 Bay Street
Jacksonville, Florida

RMA-1

Southern Bell Telephone & Telegraph Co.
FPSC Docket No. 920260-TL
Citizen's 8th Interrogatories
June 16, 1992
Item No. 181
Attachment I

EXPENSE SUMMARY FOR FLORIDA DIAL SWITCH AND OTHER CIRCUIT AND RADIO

RIGHT TO USE INITIAL AND REOCCURRING FEES (RTUI & RTUR)

X CODES ONLY

PROG CODE	DESCRIPTION	1991
AABS	AUTOMATED ALTERNATE BILLING SERVICE	-474,883
ACB	ACCOUNT CODE BILLING/CALL ORGANIZER	
ACP	ACCUPULSE	99,463
AIN	ADVANCED INTELLIGENT NETWORK	3,055
BID	BROADBAND ISDN	
BOFC	REGIONAL BUSINESS OFFICE DIGITAL ACD	
CCSA	COMMON CHANNEL SIGNALING ACCESS CAPABILITY	424,244
CCSB	CCS7 BASIC NETWORK	1,866,246
CCW	CANCEL CALL WAITING	22,412
CEA	1+ COIN EQUAL ACCESS	261,512
CIC	CARRIER ID CODE EXPANSION	118,828
CNM	CUSTOMER NETWORK MANAGEMENT	31,906
CNVR		337,162
DPP	DIALING PLAN PROPOSAL	
[illegible]	DIVERSITY - E911	
[illegible]	DIVERSITY - TANDEM	447,591
ECS	EXTENDED COMMUNICATION SERVICE	
ENH	ESSX ENHANCEMENTS	1,411,542
ESX	ESSX	
FCH	FRANCHISE	-9,020
GUG	GENERIC UPGRADES	639,432
GIO	GROWTH	191,592
ISDN	INTEGRATED SERVICES DIGITAL NETWORK	235,921
MEM	MEMORYCALL	98,766
MIO	MODERNIZATION - OTHER	55,863
ONA	OPEN NETWORK ARCHITECTURE	773,333
OPS	OPERATOR SYSTEMS	670,896
OSM	OPERATOR SERVICES MIGRATION	
OSS	OPERATIONAL SUPP. SYST. AND MOF	
RNG	RINGMASTER	19,301
ROTH	REPLACEMENT OTHER SWITCH	
R1AE	1AESS REPLACEMENT PROGRAM	2,591,126
R2ES	2BESS REPLACEMENT PROGRAM	416,652
SMD	HIGH SPEED DATA SERVICES (SMDS)	
TST	TOUCHSTAR	2,415,917
UBP	USAGE BASED PRICING	1,469
UTS	UTILITY TELEMETRY SERVICE	
WAT	WATCHALERT	8,050
ZRTU	RIGHT TO USE FEES-EXPENSED	3,521,354
109	INTEREXCHANGE CARRIER	
2	WATCHALERT	85
310	MODERNIZATION	17
369	DIVERSITY - TANDEM	
800	800 SERVICE	
911	911 AND E911 EMERGENCY CODES	
	UNIDENTIFIED	6,313,658

RMA-2

Southern Bell Telephone & Telegraph Co.
FPSC Docket No. 920260-TL
Citizen's 8th Interrogatories
June 16, 1992
Item No. 181
Attachment II

CAPITAL SUMMARY FOR FLORIDA DIAL SWITCH AND OTHER CIRCUIT AND RADIO

RIGHT TO USE INITIAL AND REOCCURRING FEES (RTUI + RTUR)

C CODES ONLY

PROG CODE	DESCRIPTION	1991
AABS	AUTOMATED ALTERNATE BILLING SERVICE	10,736
ACP	ACCUPULSE	171
ADC	ANALOG TO DIGITAL CONVERSION	
AIN	ADVANCED INTELLIGENT NETWORK	
ATD	ACCESS TANDEMS	2,470
ATM	ALARM TELEMETRY	17,550
CCSA	COMMON CHANNEL SIGNALING ACCESS CAPABILITY	12,600
CCSB	CCS7 BASIC NETWORK	301,484
CDS1	DS1 / MEGALINK	
CIC	CARRIER ID CODE EXPANSION	
CKYR		-8,060
DCM	DIGITAL CXR MODERNIZATION	
DLCI	DIGITAL LOOP CARRIER INTEGRATION	94,700
DTS	DIGITAL TEST SYSTEMS	-104,975
DVTD	DIVERSITY - TANDEM	27,160
ENH	ESSX ENHANCEMENTS	
ESX	ESSX	20,355
FCH	FRANCHISE	369,130
GFN	GROWTH NEW PLANT AREA FEEDER	
GUG	GENERIC UPGRADES	19,329
ISDN	INTEGRATED SERVICES DIGITAL NETWORK	2,959
IXC	INTEREXCHANGE CARRIER	
MEM	MEMORYCALL	99
MIT	MOVING IMAGE TRANSPORT (VIDEO)	
ONA	OPEN NETWORK ARCHITECTURE	215
OPS	OPERATOR SYSTEMS	70,599
OSM	OPERATOR SERVICES MIGRATION	
OSS	OPERATIONAL SUPP. SYST. AND MDF	56
RTUC	RIGHT TO USE FEES - CAPITAL	9,894
R1AE	1AESS REPLACEMENT PROGRAM	185,042
R2ES	2B-ESS REPLACEMENT PROGRAM	2,865
SNPG	SUBSCRIBER - NON-PAIR GAIN	21,125
TEO	TEST EQUIPMENT OTHER	15,000
TRK	GROWTH TRUNKS	17,195
TST	TOUCHSTAR	15,453
UBP	USAGE BASED PRICING	
WAT	WATCHALERT	1,284
110	EQPT BLDG DIAL WITH DIAL REPLACEMENT	
911	911 AND E911 EMERGENCY CODES	401
	TOTAL	1,104,848

RMA-3

REQUEST: Does the Company agree that management has an obligation to maintain and improve productivity regardless of any financial reward provided to shareholders and employees? If not, explain why.

RESPONSE: The company endorses the obligation of 'prudent business management' as part of the regulatory social contract which seeks to balance the rights and needs of ratepayers, the company and its shareholders.

Improving productivity is a prudent business practice for a regulated utility in that greater efficiency lowers the costs of services provided to customers. Lower prices of services benefits the utility as a business as it merits a portion of household and business expenditures in competition against all other goods and services in the company.

INFORMATION PROVIDED BY: Victor Wakeling
Reg Policy and Planning
675 West Peachtree St.
Atlanta, GA 30375

REQUEST: What criteria must managers/executives meet in order to receive the incentive compensation?

RESPONSE: EXECUTIVES: The Short Term Award is based upon the previous year's financial and service results measured against established objectives and upon individual achievement of strategic goals and objectives. The weighting and potential payout range for each component are shown on the "Short Term Incentive Plan Matrices" sheet (1991 sheet attached). Each Executive's award is based upon different weightings of various criteria as shown on the table of "Executive Short Term Measurement Weightings" (1991 sheet attached). Also attached is the 1991 "Key Service and Revenue Indicators" sheet. These are the measurements used to determine the service component of the award.

MANAGERS: The criteria other managers must meet in order to receive the incentive compensation:

To be eligible for a MTIA payment a manager must be in a participating pay grade as of December 31 of the performance year; have performed in a participating position for at least 3 months of the performance year; carry a performance rating of Contributor or better.

All managers are eligible for consideration for a IIA payment. A manager must, however, be active on the payroll as of December 31 of the performance year and have a minimum of 6 months active service in a participating pay grade during that year. Payments may be made to employees whose performance for the year merits recognition beyond normal base salary treatment.

INFORMATION PROVIDED BY: Pat Saszi (Executives)
13J08 Campanile
1155 Peachtree Street
Atlanta, GA

Reatha Leith (Managers)
South E7A1
3535 Colonnade Parkway
Birmingham, AL

ITEM NO. 5
ATTACHMENT

SHORT TERM INCENTIVE PLAN MATRICES

FINANCIAL (50% Weighting)

% NI TO COMMITMENT	% STANDARD AWARD EARNED*
110% & OVER	150%
108%	140%
106%	130%
104%	120%
102%	110%
100%	100%
98%	90%
96%	80%
94%	70%
90%	50%
LESS THAN 90%	0%

SERVICE (25% Weighting)

% KSRI MET	% STANDARD AWARD EARNED
96% & OVER	100%**
93%	70%**
90%	10%**
LESS THAN 90%	0%

STRATEGIC*

0-200% of this element will be awarded based upon performance against individual or strategic objectives.

* IF CORPORATE PERFORMANCE IS LESS THAN THE INDUSTRY AVERAGE, EACH INDIVIDUAL'S PERFORMANCE WILL BE LOWERED BASED ON THE DEGREE TO WHICH OUR PERFORMANCE IS LESS THAN THE INDUSTRY AVERAGE.
MAXIMUM PAYOUT = 150% OF STANDARD SHORT TERM AWARD

** IF PERFORMANCE IS 93% OR LESS, THE FINANCIAL AWARD IS CAPPED AT 100%.

EXECUTIVE SHORT TERM MEASUREMENT WEIGHTINGS

		BSC	BTO CO-CH	BTO V-CH &GP	GP PRES VP	SR VP (REG-& EA) VP-NET OPS	DIV PRES	BBS
FINANCIAL (NET INCOME)	-BSC	50%	15%	15%	10%	10%	10%	10%
	-BTO		35%	25%	25%	15%	15%	25%
	-STATE						25%	
	-AVERAGE ST*			10%	15%	25%		
	-BBS							15%
SERVICE (KSRIs)	BTO KSRI-E	5%	5%	5%	5%	5%	5%	5%
	KSRI-I	5%	5%	5%	5%	5%	5%	5%
	ST KSRI-E						10%	
	KSRI-I						5%	
	AVG ST* KSRI-E	10%	10%	10%	10%	10%		10%
	KSRI-I	5%	5%	5%	5%	5%		5%
STRATEGIC LINKAGES		25%	25%	25%	25%	25%	25%	25%

* "AVG ST" is the average of the awards of the states for which the executive has responsibility.

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KEY SERVICE & REVENUE INDICATORS (KSRIs)

Indicators	Report Period	Benchmark	Annual Opportunities
FINANCIAL			
Flagship Products and Services Revenue	quarterly	100% forecast	4
Total Business Billed/Booked Revenue	quarterly	98% forecast	4
Billing Quality	monthly	80% obj. met	12
INTERNAL			
Special Services Overall Provisioning –IntraLATA	monthly	95.0% on time	12
Special Services Average Duration	monthly		12
–Complex		8.0 hrs.	
–Simple		9.0 hrs.	
Total Customer Trouble Report Rate	monthly	5.3 rphl	12
Network Switching Performance	monthly	90.0%	12
Operator Services Answer Performance Toll and Assistance Answers	monthly	8.0 sec.	12
Interexchange Carrier Service (NEW)	monthly	80%	12
Business Office Access* (NEW)		80%/30sec/80%	6
EXTERNAL			
Residence Overall Satisfaction	monthly	90% sat.	36
Residence Service Center		94% sat.	
Residence Installation		91% sat.	
Residence Repair		83% sat.	
Small Business Overall Satisfaction	monthly	90% sat.	12
Medium Business Overall Satisfaction	monthly	90% sat.	12
Large Business Overall Satisfaction	monthly	90% sat.	12
Major Business Overall Satisfaction	three times annually	90% sat.	12

* Provisional first six months

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1.0 GENERAL

1.01 The Individual Incentive Award (IIA) Plan is designed to be an integral part of the Management Salary Administration Plan. It is intended to provide a special means of recognizing and rewarding certain employees whose performance clearly exceeds set standards.

1.02 The IIA Plan provides for the payment of special lump sum merit awards effective on the Common Anniversary Date (CAD) to eligible employees whose annual commitment reviews indicate meritorious performance during the previous performance year.

2.0. ELIGIBILITY

2.01 Pay Grade 6 through 8 employees and comparable unspecified pay grades are eligible for consideration in the IIA Plan and are potential award recipients. •

2.011 Management employees in "acting" titles are eligible for IIA consideration in their "permanent" pay grade. If the permanent pay grade does not participate in the IIA plan, then the employee would not be eligible for IIA consideration.

2.012 Employees who are on an approved departmental or formal leave of absence or benefits but worked a minimum of six months during the performance year, may be considered for an IIA. If a recommended IIA is approved, the IIA will be paid on the normal payment date regardless of whether the employee has returned to work on the effective date of the award or not.

2.013 Employees who participate in the Sloan program or any other full time management development program of 9 months duration or longer will not be elilgible for IIA consideration during the year of participation. The department should contact Personnel for instructions on handling employees in these situations.

2.02 Eligibility is <u>not</u> limited to employees whose base salaries have reached 100% of the Position Rate.

2.03 Employees must be "active" on a BellSouth payroll in a participating pay grade as of the last day of the performance year to be recommended for an IIA. (However, if an employee is promoted to the Executive Compensation Group after September 1 of the performance year, they may be recommended for an IIA. Other exceptions are listed in Paragraph 2.012 & 2.013.)

2.04 An employee must have been in a participating pay grade for 6 full months to be recommended for an IIA. If however, July 1 falls on a Saturday or a Sunday and the employee begins work in a participating pay grade on Monday, the employee may be eligible for an IIA. The Rule of 16 is not applied to determine basic eligibility. Once basic eligibility is established the Rule of 16 is used to determine the full months worked.

2.05 Regular part-time employees are eligible for IIA consideration providing they meet all other eligibility requirements. Award amounts for such employees should reflect their contribution in relation to that of their peers.

3.0 CANDIDATES

3.01 Eligible employees who are rated "MC" or "NR" and whose individual contribution toward company goals and objectives for the preceding performance year has been evaluated as exceptional and clearly deserving of extra recognition are likely candidates for IIA payments.

NOTE: Employees who are promoted or accept lateral transfers during the performance year should be considered for an IIA based on total contribution during the year. Consideration should recognize performance in both old and new assignments. (Promotional increases should not be considered as a replacement for an IIA.) The old and new supervisors have a responsibility to ensure employees are treated equitably and appropriately under the IIA program.

3.02 Guidelines will be provided each year to Tier I managers indicating the minimum and maximum award levels and the total dollars available for IIAs for each pay grade. These guidelines will also include instructions for coordinating the nomination of employees for awards.

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3.03 At the beginning of each performance period, organizations or groups should define criteria that are important for the accomplishment of the group's goals and objectives. Based on this general criteria, supervisors and subordinates should then agree on individual criteria or accomplishments that will be looked at to determine IIA eligibility and which will serve as the basis to determine whether or not to recommend an IIA for the subordinate. Subsequently, supervisors should maintain documentation to support the rationale for the eventual recommendation or non-recommendation of an IIA. #

3.04 Criteria for IIA receipt will vary depending upon the responsibilities and functions of work groups or individual jobs. Criteria may also be based upon pay grade. For example, Key Manager positions should have objectives expressly linked to the strategic objectives of the company. All IIA related objectives should be "stretch" in nature and consideration should be given to their direct and indirect impact on the accomplishment of company financial and service results. In addition, supervisors should explain general criteria that may be used in making IIA decisions such as (1) teamwork, (2) employee development, and (3) ways the employee exemplifies the corporate values. Managers should also be told if sources of information, such as client, peer, or subordinate feedback, will be used in determining their performance. #

3.05 Employees must understand that satisfying criteria and completing specific things does not ensure receipt of an IIA. The final decision will be made based upon these things plus the contribution made by the individual relative to his/her peers. #

4.0 AWARD PAYMENT

Individual Incentive Awards are effective on the CAD and are paid annually during the CAD month to recognize performance during the preceding performance year.

5.0 SEPARATIONS

5.01 After an IIA has been approved (final approval), the payment shall be made if the employee retires.

5.02 In the event of the death of an employee after the final approval but before the actual payment of the award, payment shall be made to the employee's estate.

Addition

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5.03 Generally, employees who resign after an IIA has been approved are not eligible for an IIA payment. However, an exception may be made if a department's recommendation to do so is approved by its Vice President and concurred in by the appropriate Personnel Department Vice President.

5.04 Employees who are dismissed after an IIA has been approved are not eligible for an IIA payment.

5.05 Award payments to eligible employees who separate from the Company shall be made at the same time awards are paid to active employees.

6.0 BENEFITS

Most benefit programs that are pay-related are based on an employee's record only rate (ROR). The ROR includes the employee's annual base salary rate plus the lump sum payments(s) in effect at the time, e.g., IIA, MTIA. The inclusion of the IIA payment in the ROR begins on the effective date of the award, March 1, and ends on the last date of February of the following year. The ROR is reestablished any time there is a change in an employee's annual base rate or lump sum payment.

The inclusion of an IIA in benefits is based on the status of the employee at the time the payment is made, e.g., retired, on benefits, on leave of absence, etc. Generally, however, the following treatment would apply:

(a) Pensions
Compensation actually received up to the time of retirement will be included in the pension computation. If an employee receives an IIA after his/her retirement, the employee's pension will be recomputed using the actual amount of the award retroactive to the retirement date.

(b) Death Benefits
Death benefits are based on the ROR in effect at the time of death.

(c) Group Life Insurance
Insurance amount is based on the ROR in effect at the time of death.

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(d) Savings Plan
Percentage allotment in effect at the time the award is paid will be applied to the IIA amount. (Not applicable if IIA is paid after employee has retired, transferred, etc.).

(e) Major Medical Deductible
Maximum amount of deductible is based on annual base salary rate only.

(f) Sickness Disability
Payment is based on the annual base salary rate only.

(g) LTD
Maximum payment is 50% of the annual base salary rate in effect at time of commencement.

(h) Accidental Death Benefit
Amount of payment is calculated as three times sickness death benefit with excess paid under special accidental death policy.

7.0 TAXES, PERSONAL ALLOTMENTS

IIA payments are subject to state and local taxes, federal income tax and Social Security tax at the time of payment. Management Savings Plan deductions are made, however other personal allotments such as Savings Bonds, United Way and Political Action Committee contributions and savings account deductions such as Credit Union deductions are not made. •

8.0 MINIMUM PAYMENT OBLIGATION

For each performance year, beginning with 1990, each participating company shall establish and communicate in writing to the BellSouth Human Resources Assistant Vice President-Executive Personnel Matters, by the close of that year, a minimum total amount that in all events will be paid with respect to that performance year, for all participating pay grades, under the combined Individual Incentive Award Plans (Appendix A of the Salary Administration Plans for pay grades 2 through 5 and 6 through 8). The company thereafter shall be obligated to pay this minimum amount with respect to such performance year and in its discretion shall increase otherwise approved IIAs, approve additional IIAs, or take such other action as is necessary to pay at least such amount. The obligation to pay this minimum amount among employees shall remain in the company's discretion, however, and this obligation shall not give an individual employee the right to a specific award. #

\# Addition
• Revision

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APPENDIX A
INDIVIDUAL
INCENTIVE AWARD PLAN

1.0 GENERAL

1.01 The Individual Incentive Award (IIA) Plan is designed to be an integral part of the Management Salary Administration Plan for employees in Pay Grades 2 through 5 and comparable unspecified pay grades. (This IIA Plan is not applicable for employees in Pay Grade A-H.) It is intended to provide a special means of recognizing and rewarding certain employees whose performance clearly exceeds set standards.

1.02 The IIA Plan provides for the payment of special lump sum merit awards effective on the Common Anniversary Date (CAD) to eligible employees whose annual commitment reviews indicate meritorious performance during the previous performance year.

2.0. ELIGIBILITY

2.01 All Pay Grade 2 through 5 employees and comparable unspecified pay grades are eligible for consideration in the IIA Plan and are potential award recipients. (See Paragraph 3.01 below)

2.011 Management employees in "acting" titles are eligible for IIA consideration in their "permanent" pay grade. If the permanent pay grade does not participate in the IIA plan, then the employee would not be eligible for IIA consideration.

2.012 Non-management employees in "acting" management titles are not eligible for IIA consideration.

2.013 Employees who are on an approved departmental or formal leave of absence or benefits but worked a minimum of six months during the performance year, may be considered for an IIA. If a recommended IIA is approved, the IIA will be paid on the normal payment date regardless of whether the employee has returned to work on the effective date of the award or not.

2.014 Temporary and occasional employees are not eligible for IIA consideration.

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2.02 Eligibility is not limited to employees whose base salaries have reached 100% of the Position Rate.

2.03 Employees must be "active" on a BellSouth payroll in a participating pay grade as of the last day of the performance year to be recommended for an IIA. (Exception in Paragraph 2.013.)

2.04 An employee must have been in a participating pay grade for 6 full months to be recommended for an IIA. If, however, July 1 falls on a Saturday or a Sunday and the employee begins work in a participating pay grade on Monday, the employee may be eligible for an IIA. The Rule of 16 is not applied to determine basic eligibility. Once basic eligibility is established the Rule of 16 is used to determine the full months worked.

2.05 Regular part-time employees are eligible for IIA consideration providing they meet all other eligibility requirements. Award amounts for such employees should reflect their contribution in relation to that of their peers.

3.0 CANDIDATES

3.01 Eligible employees who are rated "MC" or "NR" and whose individual contribution toward company goals and objectives for the preceding performance year has been evaluated by their departmental managers as exceptional and clearly deserving of extra recognition are likely candidates for IIA payments.

NOTE: Employees who are promoted or accept lateral transfers during the performance year may be considered for an IIA based on total contribution during the year. Consideration should recognize performance in both the old and new assignments. (Promotional increases should not be considered as a replacement for an IIA.) The old and new supervisors have a responsibility to ensure employees are treated equitably and appropriately under the IIA program.

3.02 Guidelines will be provided each year to Tier I managers indicating the minimum and maximum award levels and the total dollars available for IIAs for each pay grade. These guidelines will also include instructions for coordinating the nomination of employees for awards.

3.03 At the beginning of each performance period, organizations or groups should define criteria that are important for the accomplishment of the group's goals and objectives. Based on this general criteria, supervisors and subordinates should then agree on individual criteria or accomplishments that will be looked at to determine IIA eligibility and which will serve as the basis to determine whether or not to recommend an IIA for the subordinate. Subsequently, supervisors should maintain documentation to support the rationale for the eventual recommendation or non-recommendation of an IIA. #

3.04 Criteria for IIA receipt will vary depending upon the responsibilities and functions of work groups or individual jobs. Criteria may also be based upon pay grade. For example, Key Manager positions should have objectives expressly linked to the strategic objectives of the company. All IIA related objectives should be "stretch" in nature and consideration should be given to their direct and indirect impact on the accomplishment of company financial and service results. In addition, supervisors should explain general criteria that may be used in making IIA decisions such as (1) teamwork, (2) employee development, and (3) ways the employee exemplifies the corporate values. Managers should also be told if sources of information, such as client, peer, or subordinate feedback, will be used in determining their performance. #

3.05 Employees must understand that satisfying criteria and completing specific things does not ensure receipt of an IIA. The final decision will be made based upon these things plus the contribution made by the individual relative to his/her peers. #

4.0 AWARD PAYMENT

Individual Incentive Awards are effective on the CAD and are paid annually during the CAD month to recognize performance during the preceding performance year.

5.0 SEPARATIONS

5.01 After an IIA has been approved (final approval), the payment shall be made if the employee retires.

5.02 In the event of the death of an employee after the final approval but before the actual payment of the award, payment shall be made to the employee's estate.

5.03 Generally, employees who resign after an IIA has been approved are not eligible for an IIA payment. However, an exception may be made if a department's recommendation to do so is approved by its Vice President and concured in by the appropriate Personnel Department representative.

5.04 Employees who are dismissed after an IIA has been approved are not eligible for an IIA payment.

5.05 Award payments to eligible employees who separate from the Company shall be made at the same time awards are paid to active employees.

6.0 BENEFITS

Most benefit programs that are pay-related are based on an employee's "Record Only Rate" (ROR). The ROR includes the employee's annual base salary rate plus the lump sum payment(s) in effect at the time, e.g., IIA, MTIA. The inclusion of the IIA payment in the ROR begins on the effective date of the award, March 1, and ends on the last date of February of the following year. The ROR is reestablished any time there is a change in an employee's annual base rate or lump sum payment.

The inclusion of an IIA in benefits is based on the status of the employee at the time the payment is made, e.g., retired, on benefits, on leave of absence, etc. Generally, however, the following treatment would apply:

(a) Pensions
Compensation actually received up to the time of retirement will be included in the pension computation. If an employee receives an IIA after his/her retirement, the employee's pension will be recomputed using the actual amount of the award retroactive to the retirement date.

(b) Death Benefits
Death benefits are based on the ROR in effect at the time of death.

(c) Group Life Insurance
Insurance amount is based on the ROR in effect at the time of death.

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(d) Savings Plan
Percentage allotment in effect at the time the award is paid will be applied to the IIA amount. (This is not applicable if IIA is paid after employee has retired, transferred, etc).

(e) Major Medical Deductible
Maximum amount of deductible is based on annual base salary rate only.

(f) Sickness Disability
Payment is based on the annual base salary rate only.

(g) LTD
Maximum payment is 50% of the annual base salary rate in effect at the time of commencement.

(h) Accidental Death Benefit
Amount of payment is calculated as three times sickness death benefit with excess paid under special accidental death policy.

7.0 TAXES, PERSONAL ALLOTMENTS

IIA payments are subject to state and local taxes, federal income tax and Social Security tax at the time of payment. Management Savings Plan deductions are made, however other personal allotments such as Savings Bonds, United Way and Political Action Committee contributions and savings account deductions such as Credit Union deductions are not made. •

8.0 MINIMUM PAYMENT OBLIGATION

For each performance year, beginning with 1990, each participating company shall establish and communicate in writing to the BellSouth Human Resources Assistant Vice President-Executive Personnel Matters, by the close of that year, a minimum total amount that in all events will be paid with respect to that performance year, for all participating pay grades, under the combined Individual Incentive Award Plans (Appendix A of the Salary Administration Plans for pay grades 2 through 5 and 6 through 8). The company thereafter shall be obligated to pay this minimum amount with respect to such performance year and in its discretion shall increase otherwise approved IIAs, approve additional IIAs, or take such other action as is necessary to pay at least such amount. The obligation to pay this minimum amount among employees shall remain in the company's discretion, however, and this obligation shall not give an individual employee the right to a specific award. #

Addition
• Revision

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APPENDIX B
MANAGEMENT TEAM
INCENTIVE AWARD PLAN

1.0 GENERAL

The Management Team Incentive Award (MTIA) Plan is intended to encourage and reward team performance of eligible management employees by providing incentive compensation based on state and BellSouth Telecommunications (BST) service and financial performance. The Plan does not replace existing merit award plans for individual performance, rather it enhances existing management compensation programs by specifically recognizing the importance of corporate performance.

2.0 PARTICIPANTS

2.01 All regular full-time and part time management employees who meet the eligibility requirements outlined in Paragraph 3.0 below are covered by the MTIA Plan (exclusions are defined in Paragraph 2.02).

2.011 Employees in Pay Grade A-H will receive an MTIA payment based on their targeted job (pay grade).

2.012 Employees in "Acting" management titles as of December 31 will receive an MTIA payment prorated based on the number of months spent in the "permanent" and "acting" pay grades.

2.013 Non-Management employees in "acting" management titles are also candidates for actual MTIA if they meet the eligibility requirements included in Paragraph 3.0 of this Appendix.

If applicable, based on payment date, the MTIA payment may be made after the employee has returned to the non-management position. This payment was earned during a time frame when the employee was not a member of the bargaining unit and, therefore, is not in conflict with the non-management Working Agreement.

2.014 The award for regular part-time employees should be prorated based on the number of hours in the basic weekly schedule.

2.02 The following employees should be excluded from participation in the MTIA Plan:

- Employees who participate in the Executive Short Term Incentive Plan
- Temporary and occasional management employees

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3.0 ELIGIBILITY

3.01 Actual MTIA Payment

An actual MTIA award is based on achievement of predetermined state and BellSouth Telecommunications (BST) performance objectives for the year. An actual MTIA award is effective on February 15 and will be paid by February 28 following each award year and generates a change in the recipient's Record Only Rate (ROR). (See Paragraph 5.0 of this Appendix for definition of Record Only Rate.) To be eligible for an actual MTIA, an employee must meet the following requirements:

(a) Member of a participating pay grade as of December 31 of the Award Year. (See Paragraph 7.01 for exception covering retirements.) Also, an employee who is promoted to the Executive Compensation Group after October 1 of Award Year, is eligible for an actual MTIA payment for the performance year.

(b) Performed in a participating management pay grade or a non-management wage scale eligible for NTIA for three full months during the award year. If, however, October 1 falls on a Saturday or a Sunday and the employee begins work on Monday, the employee may be eligible for an MTIA. The Rule of 16 is not applied to determine basic eligibility. Once basic eligibility is established the Rule of 16 is used to determine the full months worked.

(c) Has a Performance Rating of "MC", or "C" or "NR".

3.02 Payment In Lieu Of An Actual MTIA

Employees who meet eligibility requirements (b) and (c) above, but who are not in a participating pay grade as of December 31 of the Award Year are eligible to receive a "payment in lieu of an actual MTIA" except as provided in Paragraph 3.023 and 3.024. These payments in lieu of MTIA will be considered as special payments. As such, they will not change the "existing" ROR and will not affect nor be matched by any benefits <u>except pension.</u> Procedures for effecting the "payment in lieu of an actual MTIA" are provided by each company.

3.021 Payments in lieu of an actual MTIA should be made if an employee transfers from a BellSouth company which has an MTIA plan to a BellSouth company which does not have an MTIA plan. (See Paragraph 4.05 regarding employees who transfer between BellSouth companies that have MTIA plans.)

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3.022 For employees going on leave of absence, departmental leave, leaves "in general", or benefits, an in lieu of payment normally will not be made. The employee will be eligible for an actual MTIA award on the payment date. (If the absence was longer than six weeks the actual award will be prorated.) However, if it is known at the beginning of the leave or benefit period that the employee will not return, it may be appropriate to make an in lieu of payment. This decision should be made based on the individual circumstances.

3.023 Employees who move from a participating pay grade to a non-management wage scale which is eligible for NTIA will not receive an "in lieu of payment" if they subsequently become eligible to receive an actual NTIA for the same award year. These employees will receive an actual NTIA prorated based on the MTIA amount for the months they were management and the NTIA amount for the months they were non-management. This is also applicable for non-management employees who were in "acting" management assignments and returned to a non-management assignment prior to the end of the year. If an employee is subsequently eligible to receive an NTIA "in lieu of payment", any eligible MTIA portion should be prorated as described above and combined as part of the NTIA "in lieu of payment".

3.024 Employees who are dismissed during the performance year are not eligible for an "in lieu of payment". Employees who resign during the performance year would normally not receive an "in lieu of payment" but may be given a payment with the approval of the Assistant Vice President - Human Resources.

3.025 An amount equal to the Standard Award, prorated for the number of months the employee was in the participating pay grade will be paid in lieu of an actual MTIA. (Reference Paragraph 4.09 - 4.12 below)

3.03 MTIAs for Bellcore Assigned Employees

Effective January 1, 1991, employees who transfer to Bellcore and who meet eligibility requirements 3.01 (b) and (c), should be paid prorated actual MTIA awards on the next payment date for MTIAs after the transfer occurs. Employees returning from Bellcore assignments and those who are rotational to a participating BellSouth Company from

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Bellcore will be exempt from the "3 full months eligibility" requirement of 3.01(b). Providing they meet the requirements of 3.01 (a) and (c), they may receive a prorated actual team award if they return to or are assigned to a team award paying company during October-December. This rule is also applicable to employees who go to Bellcore during January-March. (The "rule of 16" applies in both cases outlined above.)

3.04 Career Alternative Plan (CAP) MTIA Treatment

For employees who elect to participate in the Career Alternative Plan (CAP), an in-lieu-of payment normally should not be made. CAP participants are eligible for an actual (prorated) MTIA award on the first subsequent payment date if they are otherwise eligible. Should an unusual circumstance warrant paying an in-lieu-of payment, documentation should be prepared for future reference.

4.0 AWARDS

4.01 Awards under the Plan are based on achievement of state/BST financial and service objectives over an Award (calendar) Year period. For each Award Year, a standard award amount for each participating management pay grade is determined. An amount ranging from 0 - 225% of the standard award may be earned by eligible employees depending on the performance of his/her team during the Award Year.

-Employees should be told the standard award amount "at risk" for their pay grade for the current performance year.

4.02 Award Computation

For BellSouth Telecommunications (BST) managers, the MTIA will be computed as follows: •

A. Managers with single-state responsibilities:
(1) Determine percent award from the matrix included as Exhibit 1 of this Appendix using state's percent of net income commitment met and the percent of service opportunities met in the state.
(2) Determine percent award from matrix using overall BST results for percent net income commitment met and BST percent of service opportunities met. *
(3) Average results of (1) and (2). This is the percentage of the standard award for MTIA payment.

B. Managers with multi-state responsibilities:
(1) Follow procedure of A(1) for each state for which a manager has responsibility and average the results to determine the state's portion of the award.
(2) Follow procedures of A(2) and A(3).

C. Managers with BST Headquarters assignments who do not have specific state responsibilities: Follow the procedures of A(1) for all nine states and average the results to determine the states' portion of the award. Then follow procedures of A(2) and A(3). *

4.03 The managers in BellSouth Headquarters (BSH) will receive an award based on a weighted average of the BST award and the BSE companies award. The weighting to be used during each performance year will be announced through an employee publication.

4.04 If a manager holds assignments in more than one state during the year, the award amount will be based on the number of months completed in each state during the Award Year. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the appropriate award amount.

4.05 If a manager holds assignments in more than one BellSouth company which has an MTIA plan, the award amount will be based on the number of months completed in each company/state during the Award Year.

4.051 The receiving company must confirm the percentage award and standard award amount from the sending company.

4.052 The receiving company will make the award payment. There will be no billing of the award payment to the sending company. This is due to the administrative and accounting costs of such bill backs. However, if group moves occur, bill back procedures would be appropriate.

4.06 If a manager is reassigned (promoted or downgraded) during the year from a position and pay grade covered by the MTIA Plan to another position and pay grade covered by the Plan, the manager's award will be based on the number of months completed in each participating pay grade. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the appropriate award amount.

4.07 If a manager is promoted to an executive position (which is eligible to participate in the Executive Short Term Incentive Plan) during a performance year, he or she will receive a prorated actual MTIA payment based on the number of months in the management position without meeting the three month eligibility requirement. The prorated MTIA will be paid in February at the regular payment date. If the promotion occurs after October 1 of an award year, the employee is eligible for an actual MTIA payment for the performance year.

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4.08 MTIA actual award amounts for eligible employees will be based on the number of months during the Award Year (Jan-Dec) an employee completes. Awards must be prorated because of participation for less than 12 months. Employees are not eligible if participation is less than 3 full months except under the exemption stated in paragraph 4.07. If, however, October 1 falls on a Saturday or Sunday and the employee begins work on Monday, the employee may be eligible. The Rule of 16 is not applied to determine basic eligibility, once basic eligibililty is established the Rule of 16 is used to determine the full months worked.

4.09 For the purpose of determining the number of months a prorated MTIA should cover, activity occurring prior to the 16th of the month is considered as the 1st of that month while activity occurring on or after the 16th is considered as the 1st of the succeeding month. (Note: Use the 15th for the month of February.)

4.10 Service and financial performance will not be measured or recognized on less than a state basis.

4.11 The amount of a "payment in lieu of an actual MTIA" made to an employee described in Paragraph 3.02 above will be determined by the date of that employee's last day on a company's payroll or last day in a participating pay grade within his/her company. An amount equal to the standard award amount, prorated for the number of months the employee was in the participating pay grade, will be paid in lieu of an actual MTIA. The proration schedule included in Exhibit 2 of this appendix should be used in determining the amount to be paid.

4.12 Award Payment

Actual MTIAs are paid annually as lump sum payments by February 28 following each Award Year. Eligible employees who leave BellSouth (or a participating pay grade within their company) before December 31 should normally receive "payments in lieu of actual MTIAs" no later than their last day on the payroll or last day in the participating pay grade.

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5.0 BENEFITS TREATMENT

Most benefit programs that are pay-related are based on an employee's Record Only Rate (ROR). The ROR includes the employee's annual base salary rate plus the lump sum payment(s) in effect at the time (e.g., MTIA, IIA). The inclusion of an actual MTIA payment in the ROR begins on the effective date of the award, February 15, and ends on February 14 of the following year. The ROR is reestablished any time there is a change in an employee's annual base salary rate or lump sum payment.

The inclusion of an MTIA in benefits is based on the status of the employee at the time the payment is made, e.g., retired, on benefits, on leave of absence, etc. Generally, however, the following treatment would apply:

(a) Pensions
Compensation actually received up to the time of retirement (including a "payment in lieu of an actual MTIA", if applicable) is included in the pension computation. If an employee receives an actual MTIA after his/her date of retirement, the employee's pension will be recomputed using the actual amount of the award retroactive to the date of retirement.

(b) Death Benefits
Death benefits are based on the ROR in effect at the time of death.

(c) Group Insurance
Insurance amount is based on the ROR in effect.

(d) Savings Plan
Percentage allotment in effect at the time the award is paid will be applied to the MTIA amount. (Not applicable to "payments in lieu of an actual MTIA or an actual MTIA paid after the employee has retired, transferred, etc.)

(e) Major Medical Deductible
Maximum amount of deductible is based on annual base salary rate only.

(f) Sickness Disability
Payment is based on the annual base salary rate only.

(g) LTD
Maximum payment is 50% of the annual base salary rate in effect at time of commencement.

(h) Accidental Death Benefit
Amount of payment is calculated as three times sickness death benefit with excess paid under special accidental death policy.

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6.0 TAXES, PERSONAL ALLOTMENTS

Team awards are subject to state and local taxes, federal income tax and Social Security tax at the time of payment. Management Savings Plan deductions are made, however other personal allotments such as Savings Bonds, United Way and Political Action Committee contributions and savings account deductions such as Credit Union deductions are not made.

7.0 SEPARATIONS

Retirements

7.01 Award payments for eligible employees who are separated from BellSouth because of retirement during an award year shall be handled according to the provisions of Paragraphs 3.02 and 4.11 above.

If retirement is after December 15 of the Award Year but prior to February 15 of the following year, an actual MTIA payment will be made. The pension will be recomputed in accordance with Paragraph 5.0(a) above.

Resignations or Dismissals

7.02 Employees who are dismissed during an Award Year are not eligible for a "payment in lieu of an actual MTIA." Employees who resign during an Award Year are generally not eligible but may receive an award with the approval of the Vice President - Human Resources provided they meet eligibility criteria in Paragraph 3.02. If the dismissal or resignation is after the end of the Award Year but prior to February 15, an actual MTIA payment should be made provided they meet eligibility requirements in Paragraph 3.01. *

Deaths

7.03 In the event the employee dies during the Award Year, a payment in lieu of an actual MTIA should be paid provided the employee was in a participating pay grade for at least three full months and had a Performance Rating of "MC", "C" or "NR". If death occurs after the end of the Award Year but before February 15, the MTIA award would be computed using the actual award amount.

7.04 The MTIA or payment in lieu of an actual MTIA shall be paid to the estate of the deceased employee as soon as practicable after the death of the employee.

RMA-27

F01A12Z00035

8.0 LEAVES OF ABSENCE AND BENEFITS

8.01 An employee absent during an Award Year due to an approved leave of absence or benefit absence is entitled to receive an actual MTIA payment. If the absence was six weeks or less, the full MTIA amount should be paid. If the absence was longer than six weeks, the MTIA amount should be prorated for the number of months actually worked during the Award Year. This payment should cover the number of months worked plus the first thirty days of the absence period. (An employee on Anticipated Disability Leave would receive credit for the first thirty days of leave and the first thirty days of benefits.) Instructions for determining the number of months to use in prorating the award are provided in Paragraph 4.08 and 4.09.

8.02 The award will be paid on the normal payment date to these employees regardless of whether they have returned to work on the effective date of the award or not.

RMA-28

MANAGEMENT TEAM INCENTIVE AWARDS
% OF STANDARD AWARD

KSRI PERFORMANCE (% OBJECTIVES MET)	FINANCIAL PERFORMANCE (% ACHIEVEMENT)										
	≤ 89.5	> 89.5 ≤ 93.5	> 93.5 ≤ 96.5	> 96.5 ≤ 98.5	> 98.5 ≤ 99.5	**> 99.5 ≤100.5**	> 100.5 ≤ 101.5	> 101.5 ≤ 103.5	> 103.5 ≤ 106.5	> 106.5 ≤ 110.5	> 110.5
> 99.0	75.0	100.0	120.0	135.0	145.0	**150.0**	155.0	165.0	180.0	200.0	225.0
> 98.0 - 99.0	62.5	87.5	107.5	122.5	132.5	**137.5**	142.5	152.5	167.5	187.5	212.5
> 97.0 - 98.0	50.0	75.0	95.0	110.0	120.0	**125.0**	130.0	140.0	155.0	175.0	200.0
> 96.0 - 97.0	37.5	62.5	82.5	97.5	107.5	**112.5**	117.5	127.5	142.5	162.5	187.5
> 95.0 - 96.0 (STD)	**25.0**	**50.0**	**70.0**	**85.0**	**95.0**	**100.0**	**105.0**	**115.0**	**130.0**	**150.0**	**175.0**
> 93.5 - 95.0	12.5	37.5	57.5	72.5	82.5	**87.5**	92.5	102.5	117.5	137.5	137.5
> 92.0 - 93.5	0.0	25.0	45.0	60.0	70.0	**75.0**	80.0	90.0	105.0	125.0	125.0
> 90.0 - 92.0	0.0	12.5	32.5	47.5	57.5	**62.5**	67.5	77.5	92.5	112.5	112.5
≤ 90.0	0.0	0.0	20.0	35.0	45.0	**50.0**	55.0	65.0	80.0	100.0	100.0

RMA-29

F01A12Z00037

6-1-91

MTIA PRORATION SCHEDULE

If an employee is to receive a "payment in lieu of an actual MTIA" or an actual MTIA for less than a full year, this schedule is to be used in determining the amount of the prorated award.

	#MONTHS COMPLETED IN PERFORMANCE YEAR	% OF AWARD *
	11	92
	10	83
	9	75
	8	67
	7	58
	6	50
	5	42
	4	33
	3	25
Used when prorating time in pay grade, state, company, or BST	2	17
	1	8

*Use standard award for "payment in lieu of an actual MTIA"; use actual award for other MTIA prorations.

Note: (1) All MTIA payments are to be rounded up to the next higher $100 (actual and in lieu of).

(2) To be eligible for an actual MTIA or in lieu of payment, an employee must normally perform in a participating pay grade or a nonmanagement wage scale eligible for an NTIA payment for three full months. If, however, October 1 falls on a Saturday or a Sunday and the employee begins work on Monday, the employee may be eligible. The Rule of 16 is not applied to determine basic eligibility, once basic eligibility is established the Rule of 16 is used to determine the full months worked.

(3) When prorating an MTIA, either actual or in lieu of, activity occurring prior to the 16th of the month is considered as the 1st of that month while activity occurring on or after the 16th is considered as the 1st of the succeeding month. (Note: Use the 15th for the month of February.)

1-1-92

RMA-30 F01A12Z00038

1.0 GENERAL

The Management Team Incentive Award (MTIA) Plan is intended to encourage and reward team performance of eligible management employees by providing incentive compensation based on state and BellSouth Telecommunications (BST) service and financial performance. The Plan does not replace existing merit award plans for individual performance, rather it enhances existing management compensation programs by specifically recognizing the importance of corporate performance.

2.0 PARTICIPANTS

2.01 All regular full-time and part-time management employees who meet the eligibility requirements outlined in Paragraph 3.0 below are covered by the MTIA Plan (exclusions are defined in Paragraph 2.02).

2.011 Employees in Pay Grade Band A-H will receive an MTIA payment based on their targeted job (pay grade).

2.012 Employees in "Acting" management titles as of December 31 will receive an MTIA payment prorated based on the number of months spent in the "permanent" and "acting" pay grades.

2.013 Non-Management employees in "acting" management titles are also candidates for actual MTIA if they meet the eligibility requirements included in Paragraph 3.0 of this Appendix.

If applicable, based on payment date, the MTIA payment may be made after the employee has returned to the non-management position. This payment was earned during a time frame when the employee was not a member of the bargaining unit and, therefore, is not in conflict with the non-management Working Agreement.

2.014 The award for regular part-time employees should be prorated based on the number of hours in the basic weekly schedule.

2.02 The following employees should be <u>excluded</u> from participation in the MTIA Plan:

- Employees who participate in the Senior Management Incentive Compensation Plan

- Temporary and occasional management employees

3.0 ELIGIBILITY

3.01 Actual MTIA Payment

An actual MTIA award is based on achievement of predetermined state and BellSouth Telecommunications (BST) performance objectives for the year. An actual MTIA award is effective on February 15 and will be paid by February 28 following each award year and generates a change in the recipient's Record Only Rate (ROR). (See Paragraph 5.0 of this Appendix for definition of Record Only Rate.) To be eligible for an actual MTIA, an employee must meet the following requirements:

(a) Member of a participating pay grade as of December 31 of the Award Year. (See Paragraph 7.01 for exception covering retirements.)

(b) Performed in a participating management pay grade or a non-management wage scale eligible for NTIA for three full months during the award year. If, however, October 1 falls on a Saturday or a Sunday and the employee begins work on Monday, the employee may be eligible for an MTIA. The Rule of 16 is not applied to determine basic eligibility. Once basic eligibility is established the Rule of 16 is used to determine the full months worked.

(c) Has a Performance Rating of "MC", "C" or "NR".

3.02 Payment In Lieu Of An Actual MTIA

Employees who meet eligibility requirements (b) and (c) above, but who are not in a participating pay grade as of December 31 of the Award Year are eligible to receive a "payment in lieu of an actual MTIA" except as provided in Paragraph 3.023 and 3.024. These payments in lieu of MTIA will be considered as special payments. As such, they will not change the "existing" ROR and will not affect nor be matched by any benefits except pension. Procedures for effecting the "payment in lieu of an actual MTIA" are provided by each company.

3.021 Payments in lieu of an actual MTIA should be made if an employee transfers from a BellSouth company which has an MTIA plan to a BellSouth company which does not have an MTIA plan. (See Paragraph 4.05 regarding employees who transfer between BellSouth companies that have MTIA plans.)

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3.022 For employees going on leave of absence, departmental leave, leaves "in general", or benefits, an in lieu of payment normally will not be made. The employee will be eligible for an actual MTIA award on the payment date. (If the absence was longer than six weeks the actual award will be prorated.) However, if it is known at the beginning of the leave or benefit period that the employee will not return, it may be appropriate to make an in lieu of payment. This decision should be made based on the individual circumstances.

3.023 Employees who move from a participating pay grade to a non-management wage scale which is eligible for NTIA will not receive an "in lieu of payment" if they subsequently become eligible to receive an actual NTIA for the same award year. These employees will receive an actual NTIA prorated based on the MTIA amount for the months they were management and the NTIA amount for the months they were *non-management*. This is also applicable for non-management employees who were in "acting" management assignments and returned to a non-management assignment prior to the end of the year. If an employee is subsequently eligible to receive an NTIA "in-lieu of payment", any eligible MTIA portion should be prorated as described above and combined as part of the NTIA "in-lieu of payment".

3.024 Employees who are dismissed during the performance year are not eligible for an "in-lieu of payment." Employees who resign during the performance year would normally not receive an "in-lieu of payment' but may be given a payment with the approval of the Assistant Vice President - Human Resources.

3.025 An amount equal to the Standard Award, prorated for the number of months the employee was in the participating pay grade will be paid in lieu of an actual MTIA. (Reference Paragraph 4.09 - 4.12 below.)

3.03 MTIAs for Bellcore Assigned Employees

Effective January 1, 1991, employees who transfer to Bellcore and who meet eligibility requirements 3.01 (b) and (c), should be paid prorated actual MTIA awards on the next payment date for MTIAs after the transfer occurs.

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Employees returning from Bellcore assignments and those who are rotational to a participating BellSouth Company from Bellcore will be exempt from the "3 full months eligibility" requirement of 3.01(b). Providing they meet the requirements of 3.01(a) and (c), they may receive a prorated actual team award if they return to or are assigned to a team award paying company during October-December. This rule is also applicable to employees who go to Bellcore during January-March. (The "rule of 16" applies in both cases outlined above.)

3.04 Career Alternative Plan (CAP) MTIA Treatment

For employees who elect to participate in the Career Alternative Plan (CAP), an in-lieu-of payment normally should not be made. CAP participants are eligible for an actual (prorated) MTIA award on the first subsequent payment date if they are otherwise eligible. Should an unusual circumstance warrant paying an in-lieu-of payment, documentation should be prepared for future reference.

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F01A12Z00042

4.0 AWARDS

4.01 Awards under the Plan are based on achievement of state/BST financial and service objectives over an Award (calendar) Year period. For each Award Year, a standard award amount for each participating management pay grade is determined. An amount ranging from 0 - 225% of the standard award may be earned by eligible employees depending on the performance of his/her team during the Award Year.

- Employees should be told the standard award amount "at risk" for their pay grade for the current performance year.

4.02 Award Computation

For BellSouth Telecommunications (BST) managers, the MTIA will be computed as follows:

A. Managers with single-state responsibilities:
(1) Determine percent award from the matrix included as Exhibit 1 of this Appendix using state's percent of net income commitment met and the percent of service opportunities met in the state.
(2) Determine percent award from matrix using overall BST results for percent net income commitment met and BST percent of service opportunities met.
(3) Average results of (1) and (2). This is the percentage of the standard award for MTIA payment.

B. Managers with multi-state responsibilities:
(1) Follow procedures of A(1) for each state for which a manager has responsibility and average the results to determine the state's portion of the award.
(2) Follow procedures of A(2) and A(3).

C. Managers with BST Headquarters assignments who do not have specific state responsibilities: Follow procedures of A(1) for all nine states and average the results to determine the states' portion of the award. Then follow procedures of A(2) and A(3).

4.03 The managers in BellSouth Headquarters (BSH) will receive an award based on a weighted average of the BST award and the BSE companies award. The weighting to be used during each performance year will be announced through an employee publication.

4.04 If a manager holds assignments in more than one state during the year, the award amount will be based on the number of months completed in each state during the Award Year. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the appropriate award amount.

4.05 If a manager holds assignments in more than one BellSouth company which has an MTIA plan, the award amount will be based on the number of months completed in each company during the Award Year.

4.051 The receiving company must confirm the percentage award and standard award amount from the sending company.

4.052 The receiving company will make the award payment. There will be no billing of the award payment to the sending company. This is due to the administrative and accounting costs of such bill backs. However, if group moves occur, bill back procedures would be appropriate.

4.06 If a manager is reassigned (promoted or downgraded) during the year from a position and pay grade covered by the MTIA Plan to another position and pay grade covered by the Plan, the manager's award will be based on the number of months completed in each participating pay grade. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the appropriate award amount.

4.07 If an employee is promoted from non-management to management during the year, the MTIA award will be prorated based on the appropriate NTIA amount for the time the employee was non-management and the appropriate MTIA amount for the months the employee was management. This is also applicable to non-management employees who are in acting management assignments at the end of the year. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the appropriate MTIA amounts for the months the employee was management.

4.071 For an employee covered by the provisions of Paragraph 4.07, the NTIA portion of the MTIA award will be prorated for the number of months in a nonmanagement position. In this case the standard NTIA award amount will be 1.5% (or other applicable percentage) of the NTIA applicable wages including overtime. The standard NTIA award amount times the actual NTIA award percent will determine the NTIA portion of the award.

4.08 MTIA actual award amounts for eligible employees will be based on the number of months during the Award Year (Jan-Dec) an employee completes. Awards must be prorated because of participation for less than 12 months. Employees are not eligible if participation is less than 3 full months. If, however, October 1 falls on a Saturday or Sunday and the employee begins work on Monday, the employee may be eligible. The Rule of 16 is not applied to determine basic eligibility, once basic eligibility is established the Rule of 16 is used to determine the full months worked.

4.09 For the purpose of determining the number of months a prorated MTIA should cover, activity occurring prior to the 16th of the month is considered as the 1st of that month while activity occurring on or after the 16th is considered as the 1st of the succeeding month. (Note: Use the 15th for the month of February.)

4.10 Service and financial performance will not be measured or recognized on less than a state basis.

4.11 The amount of a "payment in lieu of an actual MTIA" made to an employee described in Paragraph 3.02 above will be determined by the date of that employee's last day on a company's payroll or last day in a participating pay grade within his/her company. An amount equal to the standard award amount, prorated for the number of months the employee was in the participating pay grade, will be paid in lieu of an actual MTIA. The proration schedule included in Exhibit 2 of this appendix should be used in determining the amount to be paid.

4.12 <u>Award Payment</u>

Actual MTIAs are paid annually as lump sum payments by February 28 following each Award Year. Eligible employees who leave BellSouth (or a participating pay grade within their company) before December 31 should normally receive "payments in lieu of actual MTIAs" no later than their last day on the payroll or last day in the participating pay grade.

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5.0 BENEFITS TREATMENT

Most benefit programs that are pay-related are based on an employee's Record Only Rate (ROR). The ROR includes the employee's annual base salary rate plus the lump sum payment(s) in effect at the time (e.g., MTIA, IIA). The inclusion of an actual MTIA payment in the ROR begins on the effective date of the award, February 15, and ends on February 14 of the following year. The ROR is reestablished any time there is a change in an employee's annual base salary rate or lump sum payment.

The inclusion of an MTIA in benefits is based on the status of the employee at the time the payment is made, e.g., retired, on benefits, on leave of absence, etc. Generally, however, the following treatment would apply:

(a) Pensions
Compensation actually received up to the time of retirement (including a "payment in lieu of an actual MTIA", if applicable) is included in the pension computation. If an employee receives an actual MTIA after his/her date of retirement, the employee's pension will be recomputed using the actual amount of the award retroactive to the date of retirement.

(b) Death Benefits
Death benefits are based on the ROR in effect at the time of death.

(c) Group Insurance
Insurance amount is based on the ROR in effect.

(d) Savings Plan
Percentage allotment in effect at the time the award is paid will be applied to the MTIA amount. (Not applicable to "payments in lieu of an actual MTIA or an actual MTIA paid after the employee has retired, transferred, etc.)

(e) Major Medical Deductible
Maximum amount of deductible is based on annual base salary rate only.

(f) Sickness Disability
Payment is based on the annual base salary rate only.

(g) LTD
Maximum payment is 50% of the annual base salary rate in effect at time of commencement.

(h) Accidental Death Benefit
Amount of payment is calculated as three times sickness death benefit with excess paid under special accidental death policy.

6.0 TAXES, PERSONAL ALLOTMENTS

Team awards are subject to state and local taxes, federal income tax and Social Security tax at the time of payment. Management Savings Plan deductions are made, however other personal allotments such as Savings Bonds, United Way and Political Action Committee contributions and savings account deductions such as Credit Union deductions are not made.

7.0 SEPARATIONS

Retirements

7.01 Award payments for eligible employees who are separated from BellSouth because of retirement during an award year shall be handled according to the provisions of Paragraphs 3.02 and 4.11 above.

If retirement is after December 15 of the Award Year but prior to February 15 of the following year, an actual MTIA payment will be made. The pension will be recomputed in accordance with Paragraph 5.0(a) above.

Resignations or Dismissals

7.02 Employees who are dismissed during an Award Year are not eligible for a "payment in lieu of an actual MTIA." Employees who resign during an Award Year are generally not eligible but may receive an award with the approval of the Assistant Vice President - Human Resources provided they meet eligibility criteria in Paragraph 3.02. If the dismissal or resignation is after the end of the Award Year but prior to February 15, an actual MTIA payment should be made provided they meet eligibility requirements in Paragraph 3.01.

Deaths

7.03 In the event the employee dies during the Award Year, a payment in lieu of an actual MTIA should be paid provided the employee was in a participating pay grade for at least three full months and had a Performance Rating of "MC", "C" or "NR". If death occurs after the end of the Award Year but before February 15, the MTIA award would be computed using the actual award amount.

7.04 The MTIA or payment in lieu of an actual MTIA shall be paid to the estate of the deceased employee as soon as practicable after the death of the employee.

8.0 LEAVES OF ABSENCE AND BENEFITS

8.01 An employee absent during an Award Year due to an approved leave of absence or benefit absence is entitled to receive an actual MTIA payment. If the absence was six weeks or less, the full MTIA amount should be paid. If the absence was longer than six weeks, the MTIA amount should be prorated for the number of months actually worked during the Award Year. This payment should cover the number of months worked plus the first thirty days of the absence period. (An employee on Anticipated Disability Leave would receive credit for the first thirty days of leave and the first thirty days of benefits.) Instructions for determining the number of months to use in prorating the award are provided in Paragraph 4.08 and 4.09.

8.02 The award will be paid on the normal payment date to these employees regardless of whether they have returned to work on the effective date of the award or not.

RMA-40

MANAGEMENT TEAM INCENTIVE AWARDS
% OF STANDARD AWARD

KSRI PERFORMANCE (% OBJECTIVES MET)	FINANCIAL PERFORMANCE (% ACHIEVEMENT)										
	≤ 89.5	> 89.5 ≤ 93.5	> 93.5 ≤ 96.5	> 96.5 ≤ 98.5	> 98.5 ≤ 99.5	**> 99.5 ≤100.5**	> 100.5 ≤ 101.5	> 101.5 ≤ 103.5	> 103.5 ≤ 106.5	> 106.5 ≤ 110.5	> 110.5
> 99.0	75.0	100.0	120.0	135.0	145.0	**150.0**	155.0	165.0	180.0	200.0	225.0
> 98.0 - 99.0	62.5	87.5	107.5	122.5	132.5	**137.5**	142.5	152.5	167.5	187.5	212.5
> 97.0 - 98.0	50.0	75.0	95.0	110.0	120.0	**125.0**	130.0	140.0	155.0	175.0	200.0
> 96.0 - 97.0	37.5	62.5	82.5	97.5	107.5	**112.5**	117.5	127.5	142.5	162.5	187.5
> 95.0 - 96.0 (STD)	**25.0**	**50.0**	**70.0**	**85.0**	**95.0**	**100.0**	**105.0**	**115.0**	**130.0**	**150.0**	**175.0**
> 93.5 - 95.0	12.5	37.5	57.5	72.5	82.5	**87.5**	92.5	102.5	117.5	137.5	137.5
> 92.0 - 93.5	0.0	25.0	45.0	60.0	70.0	**75.0**	80.0	90.0	105.0	125.0	125.0
> 90.0 - 92.0	0.0	12.5	32.5	47.5	57.5	**62.5**	67.5	77.5	92.5	112.5	112.5
≤ 90.0	0.0	0.0	20.0	35.0	45.0	**50.0**	55.0	65.0	80.0	100.0	100.0

RMA-41

6-1-91

MTIA PRORATION SCHEDULE

If an employee is to receive a "payment in lieu of an actual MTIA" or an actual MTIA for less than a full year, this schedule is to be used in determining the amount of the prorated award.

	#MONTHS COMPLETED IN PERFORMANCE YEAR	% OF AWARD *
	11	92
	10	83
	9	75
	8	67
	7	58
	6	50
	5	42
	4	33
	3	25
Used when prorating time in pay grade, state, company, or BST.	2	17
	1	8

* Use standard award for "payment in lieu of an actual MTIA"; use actual award for other MTIA prorations.

Note: (1) All MTIA payments are to be rounded up to the next higher $100 (actual and in lieu of).

(2) To be eligible for an actual MTIA or in lieu of payment, an employee must perform in a participating pay grade or a nonmanagement wage scale eligible for an NTIA payment for three full months. If, however, October 1 falls on a Saturday or a Sunday and the employee begins work on Monday, the employee may be eligible. The Rule of 16 is not applied to determine basic eligibility, once basic eligibility is established the Rule of 16 is used to determine the full months worked.

(3) When prorating an MTIA, either actual or in lieu of, activity occurring prior to the 16th of the month is considered as the 1st of that month while activity occurring on or after the 16th is considered as the 1st of the succeeding month. (Note: Use the 15th for the month of February.)

APPENDIX A
MANAGEMENT TEAM
INCENTIVE AWARD PLAN

1.0 GENERAL

The Management Team Incentive Award (MTIA) Plan is intended to encourage and reward team performance of eligible management employees by providing incentive compensation based on state and BellSouth Telecommunications (BST) service and financial performance. The Plan does not replace existing merit award plans for individual performance, rather it enhances existing management compensation programs by specifically recognizing the importance of corporate performance.

2.0 PARTICIPANTS

2.01 All regular full-time and part-time management employees who meet the eligibility requirements outlined in Paragraph 3.0 below are covered by the MTIA Plan (exclusions are defined in Paragraph 2.02).

2.011 Employees in Pay Grade Band A-H will receive an MTIA payment based on their targeted job (pay grade).

2.012 Employees in "Acting" management titles as of December 31 will receive an MTIA payment prorated based on the number of months spent in the "permanent" and "acting" pay grades.

2.013 Non-Management employees in "acting" management titles are also candidates for actual MTIA if they meet the eligibility requirements included in Paragraph 3.0 of this Appendix.

If applicable, based on payment date, the MTIA payment may be made after the employee has returned to the non-management position. This payment was earned during a time frame when the employee was not a member of the bargaining unit and, therefore, is not in conflict with the non-management Working Agreement.

2.014 The award for regular part-time employees should be prorated based on the number of hours in the basic weekly schedule.

2.02 The following employees should be <u>excluded</u> from participation in the MTIA Plan:

- Employees who participate in the Senior Management Incentive Compensation Plan

- Temporary and occasional management employees

3.0 ELIGIBILITY

3.01 Actual MTIA Payment

An actual MTIA award is based on achievement of predetermined state and BellSouth Telecommunications (BST) performance objectives for the year. An actual MTIA award is effective on February 15 and will be paid by February 28 following each award year and generates a change in the recipient's Record Only Rate (ROR). (See Paragraph 5.0 of this Appendix for definition of Record Only Rate.) To be eligible for an actual MTIA, an employee must meet the following requirements:

(a) Member of a participating pay grade as of December 31 of the Award Year. (See Paragraph 7.01 for exception covering retirements.)

(b) Performed in a participating management pay grade or a non-management wage scale eligible for NTIA for three full months during the award year. If, however, October 1 falls on a Saturday or a Sunday and the employee begins work on Monday, the employee may be eligible for an MTIA. The Rule of 16 is not applied to determine basic eligibility. Once basic eligibility is established the Rule of 16 is used to determine the full months worked.

(c) Has a Performance Rating of "OP", or "EP" or "NR".

3.02 Payment In Lieu Of An Actual MTIA

Employees who meet eligibility requirements (b) and (c) above, but who are not in a participating pay grade as of December 31 of the Award Year are eligible to receive a "payment in lieu of an actual MTIA" except as provided in Paragraph 3.023 and 3.024. These payments in lieu of MTIA will be considered as special payments. As such, they will not change the "existing" ROR and will not affect nor be matched by any benefits <u>except pension.</u> Procedures for effecting the "payment in lieu of an actual MTIA" are provided by each company.

3.021 Payments in lieu of an actual MTIA should be made if an employee transfers from a BellSouth company which has an MTIA plan to a BellSouth company which does not have an MTIA plan. (See Paragraph 4.05 regarding employees who transfer between BellSouth companies that have MTIA plans.)

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3.022 For employees going on leave of absence, departmental leave, leaves "in general", or benefits, an in lieu of payment normally will not be made. The employee will be eligible for an actual MTIA award on the payment date. (If the absence was longer than six weeks the actual award will be prorated.) However, if it is known at the beginning of the leave or benefit period that the employee will not return, it may be appropriate to make an in lieu of payment. This decision should be made based on the individual circumstances.

3.023 Employees who move from a participating pay grade to a non-management wage scale which is eligible for NTIA will not receive an "in lieu of payment" if they subsequently become eligible to receive an actual NTIA for the same award year. These employees will receive an actual NTIA prorated based on the MTIA amount for the months they were management and the NTIA amount for the months they were non-management. This is also applicable for non-management employees who were in "acting" management assignments and returned to a non-management assignment prior to the end of the year. If an employee is subsequently eligible to receive an NTIA "in-lieu of payment", any eligible MTIA portion should be prorated as described above and combined as part of the NTIA "in-lieu of payment".

3.024 Employees who are dismissed during the performance year are not eligible for an "in lieu of payment". Employees who resign during the performance year would normally not receive an "in lieu of payment" but may be given a payment with the approval of the Assistant Vice President - Human Resources.

3.025 An amount equal to the Standard Award, prorated for the number of months the employee was in the participating pay grade will be paid in lieu of an actual MTIA. (Reference Paragraph 4.09 - 4.12 below.)

3.03 MTIAs for Bellcore Assigned Employees

Effective January 1, 1991, employees who transfer to Bellcore and who meet eligibility requirements 3.01 (b) and (c), should be paid prorated actual MTIA awards on the next payment date for MTIAs after the transfer occurs. Employees returning from Bellcore assignments and those who are rotational to a participating BellSouth Company from Bellcore will be exempt from the "three full months eligibility" requirement of 3.01(b). Providing they meet the requirements of 3.01 (a) and (c), they may receive a prorated actual team award if they return to or are assigned to a team award paying company during October-December. This rule is also applicable to employees who go to Bellcore during January-March. (The "rule of 16" applies in both cases outlined above.)

3.04 Career Alternative Plan (CAP) MTIA Treatment

For employees who elect to participate in the Career Alternative Plan (CAP), an in-lieu-of payment normally should not be made. CAP participants are eligible for an actual (prorated) MTIA award on the first subsequent payment date if they are otherwise eligible. Should an unusual circumstance warrant paying an in-lieu-of payment, documentation should be prepared for future reference.

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4.0 AWARDS

4.01 Awards under the Plan are based on achievement of state/BST financial and service objectives over an Award (calendar) Year period. For each Award Year, a standard award amount for each participating management pay grade is determined. An amount ranging from 0 - 225% of the standard award may be earned by eligible employees depending on the performance of his/her team during the Award Year.

- Employees should be told the standard award amount "at risk" for their pay grade for the current performance year.

4.02 Award Computation

For BellSouth Telecommunications (BST) managers, the MTIA will be computed as follows:

A. Managers with single-state responsibilities:
(1) Determine percent award from the matrix included as Exhibit 1 of this Appendix using state's percent of net income commitment met and the percent of service opportunities met in the state.
(2) Determine percent award from matrix using overall BST results for percent net income commitment met and BST percent of service opportunities met.
(3) Average results of (1) and (2). This is the percentage of the standard award for MTIA payment.

B. Managers with multi-state responsibilities:
(1) Follow procedures of A(1) for each state for which a manager has responsibility and average the results to determine the state's portion of the award.
(2) Follow procedures of A(2) and A(3).

C. Managers with BST Headquarters assignments who do not have specific state responsibilities: Follow procedures of A(1) for all nine states and average the results to determine the states' portion of the award. Then follow procedures of A(2) and A(3).

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4.03 The managers in BellSouth Headquarters (BSH) will receive an award based on the weighted average of the BST award and the BSE companies weighted award. The weighting to be used during each performance year will be announced through an employee publication.

4.04 If a manager holds assignments in more than one state during the year, the award amount will be based on the number of months completed in each state during the Award Year. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the appropriate award amount.

4.05 If a manager holds assignments in more than one BellSouth company which has an MTIA plan, the award amount will be based on the number of months completed in each company during the Award Year.

4.051 The receiving company must confirm the percentage award and standard award amount from the sending company.

4.052 The receiving company will make the award payment. There will be no billing of the award payment to the sending company. This is due to the administrative and accounting costs of such bill backs. However, if group moves occur, bill back procedures would be appropriate.

4.06 If a manager is reassigned (promoted or downgraded) during the year from a position and pay grade covered by the MTIA Plan to another position and pay grade covered by the Plan, the manager's award will be based on the number of months completed in each participating pay grade. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the appropriate award amount.

4.07 If an employee is promoted from non-management to management during the year, the MTIA award will be prorated based on the appropriate NTIA amount for the months the employee was non-management and the appropriate MTIA amount for the months the employee was management. This is also applicable to non-management employees who are in acting management assignment at the end of the year. The proration schedule included in Exhibit 2 of this Appendix should be used for determining the applicable MTIA amounts for the months the employee was management.

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4.071 For an employee covered by the provisions of Paragraph 4.07, the NTIA portion of the MTIA award will be prorated for the number of months in a nonmanagement position. In this case the standard NTIA award amount will be 1.5% (or other applicable percentage) of the NTIA applicable wages, including overtime. The standard NTIA award amount times the actual NTIA award percent will determine the NTIA portion of the award.

4.08 MTIA actual award amounts for eligible employees will be based on the number of months during the Award Year (Jan-Dec) an employee completes. Awards must be prorated because of participation for less than 12 months. Employees are not eligible if participation is less than 3 full months. If, however, October 1 falls on a Saturday or Sunday and the employee begins work on Monday, the employee may be eligible. The Rule of 16 is not applied to determine basic eligibility, once basic eligibility is established the Rule of 16 is used to determine the full months worked.

4.09 For the purpose of determining the number of months a prorated MTIA should cover, activity occurring prior to the 16th of the month is considered as the 1st of that month while activity occurring on or after the 16th is considered as the 1st of the succeeding month. (Note: Use the 15th for the month of February.)

4.10 Service and financial performance will not be measured or recognized on less than a state basis.

4.11 The amount of a "payment in lieu of an actual MTIA" made to an employee described in Paragraph 3.02 above will be determined by the date of that employee's last day on a company's payroll or last day in a participating pay grade within his/her company. An amount equal to the standard award amount, prorated for the number of months the employee was in the participating pay grade, will be paid in lieu of an actual MTIA. The proration schedule included in Exhibit 2 of this appendix should be used in determining the amount to be paid.

4.12 Award Payment

Actual MTIAs are paid annually as lump sum payments by February 28 following each Award Year. Eligible employees who leave BellSouth (or a participating pay grade within their company) before December 31 should normally receive "payments in lieu of actual MTIAs" no later than their last day on the payroll or last day in the participating pay grade.

5.0 BENEFITS TREATMENT

Most benefit programs that are pay-related are based on an employee's Record Only Rate (ROR). The ROR includes the employee's annual base salary rate plus the lump sum payment(s) in effect at the time (e.g., MTIA, IIA). The inclusion of an actual MTIA payment in the ROR begins on the effective date of the award, February 15, and ends on February 14 of the following year. The ROR is reestablished any time there is a change in an employee's annual base salary rate or lump sum payment.

The inclusion of an MTIA in benefits is based on the status of the employee at the time the payment is made, e.g., retired, on benefits, on leave of absence, etc. Generally, however, the following treatment would apply:

(a) Pensions
Compensation actually received up to the time of retirement (including a "payment in lieu of an actual MTIA", if applicable) is included in the pension computation. If an employee receives an actual MTIA after his/her date of retirement, the employee's pension will be recomputed using the actual amount of the award retroactive to the date of retirement.

(b) Death Benefits
Death benefits are based on the ROR in effect at the time of death.

(c) Group Insurance
Insurance amount is based on the ROR in effect.

(d) Savings Plan
Percentage allotment in effect at the time the award is paid will be applied to the MTIA amount. (Not applicable to "payments in lieu of an actual MTIA or an actual MTIA paid after the employee has retired, transferred, etc.)

(e) Major Medical Deductible
Maximum amount of deductible is based on annual base salary rate only.

(f) Sickness Disability
Payment is based on the annual base salary rate only.

(g) LTD
Maximum payment is 50% of the annual base salary rate in effect at time of commencement.

(h) Accidental Death Benefit
Amount of payment is calculated as three times sickness death benefit with excess paid under special accidental death policy.

6.0 TAXES, PERSONAL ALLOTMENTS

Team awards are subject to state and local taxes, federal income tax and Social Security tax at the time of payment. Deductions are also made for participants in the Management Savings Plan. Other personal allotments such as Savings Bonds, United Way and Political Action Committee contributions and savings account deductions such as Credit Union are not made.

7.0 SEPARATIONS

Retirements

7.01 Award payments for eligible employees who are separated from BellSouth because of retirement during an award year shall be handled according to the provisions of Paragraphs 3.02 and 4.11 above.

If retirement is after December 15 of the Award Year but prior to February 15 of the following year, an actual MTIA payment will be made. The pension will be recomputed in accordance with Paragraph 5.0(a) above.

Resignations or Dismissals

7.02 Employees who are dismissed during an Award Year are not eligible for a "payment in lieu of an actual MTIA." Employees who resign during an Award Year are generally not eligible but may receive an award with the approval of the Assistant Vice President - Human Resources provided they meet eligibility criteria in Paragraph 3.02. If the dismissal or resignation is after the end of the Award Year but prior to February 15, an actual MTIA payment should be made provided they meet eligibility requirements in Paragraph 3.01.

Deaths

7.03 In the event the employee dies during the Award Year, a payment in lieu of an actual MTIA should be paid provided the employee was in a participating pay grade for at least three full months and had a Performance Rating of "OP", "EP" or "NR". If death occurs after the end of the Award Year but before February 15, the MTIA award would be computed using the actual award amount.

7.04 The MTIA or payment in lieu of an actual MTIA shall be paid to the estate of the deceased employee as soon as practicable after the death of the employee.

8.0 LEAVES OF ABSENCE AND BENEFITS

8.01 An employee absent during an Award Year due to an approved leave of absence or benefit absence is entitled to receive an actual MTIA payment. If the absence was six weeks or less, the full MTIA amount should be paid. If the absence was longer than six weeks, the MTIA amount should be prorated for the number of months actually worked during the Award Year. This payment should cover the number of months worked plus the first thirty days of the absence period. (An employee on Anticipated Disability Leave would receive credit for the first thirty days of leave and the first thirty days of benefits.) Instructions for determining the number of months to use in prorating the award are provided in Paragraph 4.08 and 4.09.

8.02 The award will be paid on the normal payment date to these employees regardless of whether they have returned to work on the effective date of the award or not.

MANAGEMENT TEAM INCENTIVE AWARDS
% OF STANDARD AWARD

KSRI PERFORMANCE (% OBJECTIVES MET)	FINANCIAL PERFORMANCE (% ACHIEVEMENT)										
	≤ 89.5	> 89.5 ≤ 93.5	> 93.5 ≤ 96.5	> 96.5 ≤ 98.5	> 98.5 ≤ 99.5	**> 99.5 ≤100.5**	> 100.5 ≤ 101.5	> 101.5 ≤ 103.5	> 103.5 ≤ 106.5	> 106.5 ≤ 110.5	> 110.5
> 99.0	75.0	100.0	120.0	135.0	145.0	**150.0**	155.0	165.0	180.0	200.0	225.0
> 98.0 - 99.0	62.5	87.5	107.5	122.5	132.5	**137.5**	142.5	152.5	167.5	187.5	212.5
> 97.0 - 98.0	50.0	75.0	95.0	110.0	120.0	**125.0**	130.0	140.0	155.0	175.0	200.0
> 96.0 - 97.0	37.5	62.5	82.5	97.5	107.5	**112.5**	117.5	127.5	142.5	162.5	187.5
> 95.0 - 96.0 (STD)	**25.0**	**50.0**	**70.0**	**85.0**	**95.0**	**100.0**	**105.0**	**115.0**	**130.0**	**150.0**	**175.0**
> 93.5 - 95.0	12.5	37.5	57.5	72.5	82.5	**87.5**	92.5	102.5	117.5	137.5	137.5
> 92.0 - 93.5	0.0	25.0	45.0	60.0	70.0	**75.0**	80.0	90.0	105.0	125.0	125.0
> 90.0 - 92.0	0.0	12.5	32.5	47.5	57.5	**62.5**	67.5	77.5	92.5	112.5	112.5
≤ 90.0	0.0	0.0	20.0	35.0	45.0	**50.0**	55.0	65.0	80.0	100.0	100.0

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6-1-91

MTIA PRORATION SCHEDULE

If an employee is to receive a "payment in lieu of an actual MTIA" or an actual MTIA for less than a full year, this schedule is to be used in determining the amount of the prorated award.

	#MONTHS COMPLETED IN PERFORMANCE YEAR	% OF AWARD *
	11	92
	10	83
	9	75
	8	67
	7	58
	6	50
	5	42
	4	33
	3	25
Used when prorating time in pay grade, state company, or BST	2	17
	1	8

* Use standard award for "payment in lieu of an actual MTIA"; use actual award for other MTIA prorations.

Note: (1) All MTIA payments are to be rounded up to the next higher $100 (actual and in lieu of).

(2) To be eligible for an actual MTIA or in lieu of payment, an employee must perform in a participating pay grade or a nonmanagement wage scale eligible for an NTIA payment for three full months. If, however, October 1 falls on a Saturday or a Sunday and the employee begins work on Monday, the employee may be eligible. The Rule of 16 is not applied to determine basic eligibility, once basic eligibility is established the Rule of 16 is used to determine the full months worked.

(3) When prorating an MTIA, either actual or in lieu of, activity occurring prior to the 16th of the month is considered as the 1st of that month while activity occurring on or after the 16th is considered as the 1st of the succeeding month. (Note: Use the 15th for the month of February.)

REQUEST: What is the percentage that incentive compensation bears to the total salaries for the managers/executives?

RESPONSE: EXECUTIVES The percentage of standard short term award amounts to position rates varies with the level of officer. In 1991 the percentages range from 37% to 61%.

MANAGERS The percentage that incentive compensation bears to the total salaries for other managers in 1991 ranges from 5.5% to 21%.

INFORMATION PROVIDED BY: Pat Saszi (Executive)
13J08 Campanile
1155 Peachtree Street
Atlanta, GA

Reatha Leith (Managers)
South E7A1
3535 Colonnade Parkway
Birmingham, AL

Page 16, Schedules 6, 11 + 23

REQUEST: For the calendar year 1991, identify the total company and intrastate amount and accounts associated with the following activities: USTA dues; costs associated with the professional golf tournaments; purchases of tickets for the theater, music, arts, and similar activities; costs associated with attendance of family members and friends at conventions and similar functions; and cost associated with employee gifts. Identify the FCC account numbers that these activities are recorded on the books.

RESPONSE: The following are estimates of the requested amounts for 1991:

	FCC Account	Southern Bell Total	Florida Intrastate
USTA Dues (1)	6728	$ 830,668	$ 249,937
Golf Tourn.	6722	483,400	148,642
Tickets (2)	Various	12,000	3,560
Spouse/Family Costs (2)	Various	20,468	6,072
Employee Awards (3)	Various	$5,107,745	$1,343,634

(1) NOTE: USTA dues paid in 1991 are for 1991 and 1992.

(2) Represents estimated amount included in BellSouth Corporation and BellSouth Services, Inc. overhead billing to Southern Bell. Southern Bell incurred amounts are charged to Account 7370 and are excluded from regulated expenses.

(3) Employee awards includes non-cash sales or performance incentives, awards for length of service, retirement or safety achievement, and other special awards, recognition and promotional items.

RESPONSE PROVIDED BY: H. A. Paisant
Operations Manager
675 West Peachtree Street
Atlanta, Georgia 30375

RMA-56

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Citizens' 8th Interrogatories
12th PODs
June 26, 1992
Item No. 174
Page 1 of 1

REQUEST: Please provide a detailed description, including eligibility and vesting requirements, of each separate post-retirement benefit other than pension and indicate if the Company is contractually obligated to provide each benefit.

RESPONSE:
The Company currently provides the following three post-retirement benefits other than pension:

1. BellSouth Medical Assistance Plan - This is the same coverage that is provided to active employees with a lifetime maximum of $1 Million and an offset for Medicare benefits. A portion of Medicare Part B premiums are reimbursed paid by the Company.

2. BellSouth Dental Assistance Plan - This is the same coverage that is provided to active employees.

3. BellSouth Group Life Plan - An employee's group term life insurance coverage, generally equal to one times pay, continues following retirement and is reduced by 10% per year for each of the five years following age 65 so that at age 70 only 50% of active coverage remains in effect. Also, for certain employees there is a death benefit under the pension plan that is funded through the pension accruals.

The above benefits currently are provided to any employee who retires from the Company and is eligible for a service retirement or disability retirement pension. A service retirement pension is available following 30 years of service; age 50 and 25 years; age 55 and 20 years; or age 65 and 10 years. A disability retirement pension is available in the event of total disability after 15 years of service. Reference item No. 125 for a complete description of these benefits.

The Company does not treat these benefits as "vested" and reserves the right to modify or terminate these benefits. Although it is never entirely clear whether an employer has effectively retained the right to modify or terminate retiree benefits, courts generally recognize this right. See Alday v. Container Corp. of America, 906 F.2d 660 (11th Cir. 1990); Berman

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v. International Controls Corp., 12 EBC 1727 (S.D. Fla. 1990). Any such changes that affect employees subject to the Company's collective bargaining agreement with the Communications Workers of America would be subject to bargaining pursuant to that contract.

Company employees currently also have the option of purchasing, on an employee-pay-all basis, supplemental transplant assistance protection, long term care protection, and supplemental term life insurance protection. The Company does not consider these benefits to be "post-retirement benefits" because they are funded by employee premiums.

INFORMATION PROVIDED BY: (NAME): Reezin N. Swilley

(ADDRESS): 1155 Peachtree Street, NE
Atlanta, GA 30367

RMA-58

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Citizens' 8th Interrogatories
June 16, 1992
Item No. 179
Page 1 of 1

REQUEST: Please explain and quantify how the change from the cash to accrual method for ratemaking will result in an excess of immediate or long-term benefits over the cost of providing those benefits.

RESPONSE: Accounting for the costs of postretirement benefits using an accrual rather than cash method provides benefits to both the Company as well as future ratepayers. The Company benefits immediately because it will recover the full costs of providing telecommunications services as those services are being provided. Future ratepayers will benefit because they will not incur costs related to providing prior periods' telecommunications services. In addition, both the Company and ratepayers will benefit from using the accrual method since it more appropriately distributes the expense to the years in which the services are provided.

The Company has made no attempt to quantify the immediate or long term benefits discussed above.

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 W. Peachtree Street
Atlanta, Georgia 30375

RMA-59

REQUEST:

217. Please provide a schedule that presents the monthly balance of uncollectible accounts reserve from January 1990 through the present.

RESPONSE:

Monthly balance of uncollectible account reserve (account 1181):

Month	1990	1991	1992
January	(28,493,295.35)	(23,970,186.58)	(25,328,716.19)
February	(28,753,690.68)	(23,986,614.31)	(26,273,055.13)
March	(29,673,347.61)	(23,769,685.87)	(24,471,073.81)
April	(27,046,232.39)	(23,710,172.96)	(26,903,032.61)
May	(27,028,238.72)	(21,726,364.58)	(27,118,093.77)
June	(25,744,134.21)	(22,908,909.92)	
July	(24,758,571.16)	(16,988,639.64)	
August	(25,003,247.02)	(18,401,084.65)	
September	(21,857,465.17)	(18,058,667.96)	
October	(21,048,808.42)	(26,920,429.41)	
November	(21,443,174.00)	(25,117,093.99)	
December	(22,178,935.89)	(24,280,108.52)	

The fluctuation in July-September 1991 was caused by the implementation of the regionalization of BAPCO Uncollectibles. This change mechanized the write-off of BAPCO amounts and initially wrote off more than one month.

Prior to this change BAPCO write-offs were done manually via Form 5031, on an account by account basis. This was a lengthy process for approvals. It appears there was a slow down in the processing of 5031's the month prior to the implementation, which caused the initial mechanized processing of more than one month.

INFORMATION PROVIDED BY: T. F. Lohman (305) 530-5320

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

RMA-60

Page 27, Schedule 8

Southern Bell Telephone & Telegraph Co.
FPSC Docket No. 920260-TL
Citizen's 8th Interrogatories
June 16, 1992
Item No. 182

REQUEST: Please provide a schedule that presents the following bad debt data for 1988, 1989, 1990 and 1991.

a. Billed Revenues

b. Actual write-offs net of recoveries

c. Bad Debt provision

RESPONSE: See attached copies of the Form M Analysis of Uncollectibles Schedules for 1988 through 1991.

RESPONSE PROVIDED BY: T. F. Lohman (305) 530-5320
150 W. Flagler Street
Suite 1901
Miami, Florida 33130

RMA-61

Uncollectible Accounts (1181, 1191 & 1201)

Schedule B-4

Company: Southern Bell Telephone and Telegraph Company – Florida

For the Year Ended December 31, 1991

Line No.	Description		A/R – Allow. Telecomm. Acct 1181	A/R – Allow. Other Acct 1191	Notes Rec. -Allow. Acct 1201
1	Balance at Beginning of the Year		$ 22,178,936	$	$
2	Add. Provision for Uncoll. Made During the Year	(a)	44,039,805		
3	Collection of Amounts Previously Written off		3,262,995		
4	Other Credits	(b)	23,606,538		
5	*Total Credits*		$ 70,909,338	$0	$0
6	Uncollectibles Written off during the Year		32,449,141		
7	Other Debits (Explain in a Note)	(c)	36,359,024		
8	*Total Debits*		$ 68,808,165	$0	$0
9	*Balance at End of the Year*		$ 24,280,109	$0	$0
10	Total Operating Revenues for the Year		$ 3,140,365,056		
11	Net Write offs during the Year(Line 6 minus Line 3)		$ 29,186,146	$0	$0
12	Ratio of Line 11 to Line 10	(d)	0.93%		
13	Ratio of Line 2 to Line 10	(e)	1.40%		
14	Uncoll. Written off during the Year for Affiliates:		$ 0	$0	$0

Footnotes:

a) This amount includes Uncollectible Amounts for Telecommunications and Other Nonregulated Operating Revenue.

b) Provision for uncollectible intrastate and interstate amounts, charged to Account 4010 to discount purchases of accounts receivable from other, is made in respondent's Account 1181, Accounts Receivable Allowance Telecommunications.

c) Other Debits for uncollectible accounts consists primarily of amounts written off in connection with the purchase of accounts receivable of others for services provided by others.

d) This ratio was developed using Total Operating Revenues which includes allowance for Uncollectible Revenues. This ratio would be 0.94% if uncollectible revenues were excluded from Total Operating Revenue.

e) This ratio was developed using Total Operating Revenues which includes allowance for Uncollectible Revenues. This ratio would be 1.42% if uncollectible revenues were excluded from Total Operating Revenue.

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Uncollectible Accounts (1181, 1191 & 1201)

Schedule B-4

Company: Southern Bell Telephone and Telegraph Company – Florida
For the Year Ended December 31, 1990

Line No.	Description		A/R – Allow. Telecomm. Acct 1181	A/R – Allow. Other Acct 1191	Notes Rec. –Allow. Acct 1201
1	Balance at Beginning of the Year	(a)	$27,950,175	$0	$0
2	Add. Provision for Uncoll. Made During the Year	(b)	30,637,123	0	0
3	Collection of Amounts Previously Written off		3,474,194	0	0
4	Other Credits			0	0
5	*Total Credits*		$34,111,317	$0	$0
6	Uncollectibles Written off during the Year		30,175,673	0	0
7	Other Debits (Explain in a Note)	(c)	9,706,883	0	0
8	*Total Debits*		$39,882,556	$0	$0
9	*Balance at End of the Year*		$22,178,936	$0	$0
10	Total Operating Revenues for the Year		$3,119,921,505		
11	Net Write offs during the Year(Line 6 minus Line 3)		$26,701,479	$0	$0
12	Ratio of Line 11 to Line 10		0.86%		
13	Ratio of Line 2 to Line 10		0.98%		
14	Uncoll. Written off during the Year for Affiliates:		$0	$0	$0

Footnotes (a), (b), and (c): See Next Page

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Uncollectible Accounts (1181, 1191 & 1201)

Schedule B-4

Company: Southern Bell Telephone and Telegraph Company – Florida
For the Year Ended December 31, 1990

Notes for Schedule B-4

Footnote (a)

Respondents' Mode of Reporting in this Schedule:

Provisions for uncollectable intralata local, toll and miscellaneous revenues are made in respondents' Account 1181, Account Receivable Allowance Telecommunication.

Footnote (b)

Basis used to determine the accruals charged to Account 5301:

The following procedure is used to determine the accruals for uncollectible intralata revenues reflected on Line 2:

1. Studies are made quarterly to determine the number of "Uncollectible months", i.e., the weighted average number of months intervening between the time an uncollectible dollar is earned and the time it is written off as uncollectible.
2. Each month the portion of the current month's revenues that will prove uncollectible is estimated by applying to such revenues a percentage developed by dividing:

   (a) Net Uncollectible (current write-offs less recoveries of prior write-offs) experienced during the 3 months immediately preceding the current month.

   by

   (b) Revenues earned during a 3 month period ending as many months prior to the current month as equals the number of the respondents' "uncollectible months" referred to in Paragraph 1, above.
3. The estimate in 2 above, is the computed accrual for the month. It is reviewed in the light of the current collection trends, current economic trends, etc. and may be adjusted upward or downward as deemed appropriate in the circumstances.

Footnote (c)

Other Credits and Debits for uncollectible accounts:

Other credits and debits consist of $9,706,883 in uncollectible reserve adjustments in 1990. These adjustments are primarily for receivables purchased from other carriers in connection with the provision of billing and collecting services. The uncollectible reserve amount for purchased receivables is netted against remittances made for the purchases.

The debits also reflect adjustments in the reserve for carrier access.

RMA-64

Uncollectible Accounts (1181, 1191 & 1201)

Schedule B-4

Company: Southern Bell Telephone & Telegraph

For the Year Ended December 31, 1989

Line No.	Description		A/R - Allow. Telecomm. Acct 1181	A/R - Allow. Other Acct 1191	Notes Rec. -Allow. Acct 1201
1	Balance at Beginning of the Year	(a)	$21,673,048	$ 0	$ 0
2	Add. Provision for Uncoll. Made During the Year	(b)	29,245,902		
3	Collection of Amounts Previously Written off		2,070,350		
4	Other Credits				
5	*Total Credits*		$31,316,252	$ 0	$ 0
6	Uncollectibles Written off during the Year		24,225,311		
7	Other Debits (Explain in a Note)	(c)	813,814		
8	*Total Debits*		$25,039,125	$ 0	$ 0
9	*Balance at End of the Year*		$27,950,175	$ 0	$ 0
10	Total Operating Revenues for the Year		$3,030,071,769		
11	Net Write offs during the Year(Line 6 minus Line 3)		$22,154,961	$ 0	$ 0
12	Ratio of Line 11 to Line 10		73%		
13	Ratio of Line 2 to Line 10		97%		
14	Amt. Incl. on Line 2 Attributable to Affil. Receivables		$236,825	$ 0	$ 0
15	Uncoll. Written off during the Year for Affiliates:		$ 0	$ 0	$ 0

Footnotes (a), (b) and (c): See Next Page.

RMA-65

Notes for Schedules B-4

Footnote (a):

Respondents' Mode of Reporting in this Schedule:

Provisions for uncollectible intralata local, toll and miscellaneous revenues are made in respondent's Account 1181, Accounts Receivable Allowance Telecommunication.

Footnote (b):

Basis used to determine the accruals charged to Account 5301:

The following procedure is used to determine the accruals for uncollectible intralata revenues reflected on Line 2:

1. Studies are made quarterly to determine the number of "Uncollectible months", i.e., the weighted average number of months intervening between the time an uncollectible dollar is earned and the time it is written off as uncollectible.

2. Each month the portion of the current month's revenues that will prove uncollectible is estimated by applying to such revenues a percentage developed by dividing:

   (a) Net Uncollectible (current write-offs less recoveries of prior write-offs) experienced during the 3 months immediately preceding the current month.

   by

   (b) Revenues earned during a 3 month period ending as many months prior to the current month as equals the number of the respondent's "uncollectible months" referred to in Paragraph 1, above.

3. The estimate in 2 above, is the computed accrual for the month. It is reviewed in the light of the current collection trends, current economic trends, etc. and may be adjusted upward or downward as deemed appropriate in the circumstances.

Footnote (c):

Other Credits and Debits for uncollectible accounts:

Other credits and debits consist of $813,814 in uncollectible reserve adjustments in 1989. These are primarily for receivables purchased from other carriers in connection with the provision of billing and collecting services. The uncollectible reserve amount for purchased receivables is netted against remittances made for the purchases.

The debits also reflect adjustments in the reserve for carrier access.

UNCOLLECTIBLE ACCOUNTS (ACCOUNT 1181 and ACCOUNT 1191)

Southern Bell Telephone & Telegraph-Florida
(Company)

Year Ended December 31, 1988

066 (Code) 12/88 (mm yy)

FORM M SCHEDULE 21

	Name of Creditor (Ten largest items in excess of $1,000,000.) (a)	Amount at End of the Year Account 1181 (b)	Amount at End of the Year Account 1191 (c)
1	Balance at Beginning of the Year	$ 20,800,253	$
2	Accruals Charged	24,294,972	
3	Collection of Amounts Previously Written Off	1,417,271	
4	Other Credits	0	
5	Total Credits	$ 25,712,243	$
6	Uncollectibles Written Off During the Year	21,862,232	
7	Other Debits (Explain in a Note)	3,007,216	
8	Total Debits	$ 24,869,448	$
9	Balance at End of the Year	$ 21,643,048	$
10	Total Operating Revenue for the Year	$3,003,706,543	XXXXXXXXXXXXXXX
11	Net Write Offs During the Year (Line 6 minus Line 3)	$ 20,444,961	$
12	Ratio of Line 11 to Line 10	0.68%	XXXXXXXXXXXXXXX
13	Ratio of Line 2 to Line 10	0.81%	XXXXXXXXXXXXXXX

41

RMA-67

Citizens' 8th Interr.
June 16, 1992
Item No. 182
Page 7 of 8

Notes for Schedule 21

Footnote (a):

Other Debits to reserve for uncollectible accounts:

Other debits consist of $3,007,216 in uncollectible reserve adjustments in 1988. These adjustments are primarily for receivables purchased from other carriers in connection with the provision of billing and collecting services. The uncollectible reserve amount for purchased receivables is netted against remittances made for the purchases. The debits also reflect adjustments in the reserve for carrier access.

RMA-68

REQUEST:

138. Please provide a detailed explanation for the higher than normal furniture and artworks (account no. 6122) in May 1991.

RESPONSE:

The increase in furniture and artworks expense in May 1991 was due to the proration of expense furniture used in the Interexchange Carrier Point of Contact Office, which is a multistate operation. These expenses were prorated in May to the benefitting states using IntraCompany Investment Compensation percentages already in use. Also, in May, billing was increased due to a large number of furniture items that were repaired and refurbished at the area CDC building.

INFORMATION PROVIDED BY: T. F. Lohman (305) 530-5320

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

RMA-69

REQUEST:

139. Please provide a detailed explanation for the higher than normal office equipment (account no. 6123) for May and August 1991.

RESPONSE:

The increase in office equipment account 6123, in May 1991, was due to the purchase of cargotainers used in the consolidation of offices in the Marketing organization. Also, in May, a high volume of voucher payments were processed to various corporations for equipment rental and maintenance.

Voucher payments were processed for Company Communications Equipment expense, in May and August 1991, for the quarterly rental or leasing of pagers, which also contributed to the higher than normal expense in office equipment for these months.

INFORMATION PROVIDED BY: T. F. Lohman (305) 530-5320

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

BMA-70

REQUEST:

144. Please provide a detailed explanation for the decline in radio systems expense (account no. 6231) in November and December 1991.

RESPONSE:

The decline in radio systems expense, account 6231, in November and December 1991, was due to the decrease in equipment rental and the decrease in the purchase of replacement parts for both terrestrial microvave and non-cellular expenses. In addition, plant labor was less than usual due to the reduction of one work group and the conversion to cellular and mobile phones.

INFORMATION PROVIDED BY: T. F. Lohman (305) 530-5320

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

REQUEST:

150. Please provide a detailed explanation for the higher than normal underground cable expense (account no. 6422) for September - November 1991.

RESPONSE:

The higher than normal underground cable expense, account 6422, for October 1991, was due to contracted labor charges for field verification in Cocoa Main for (63) manholes and aerial locations.

Also, in October, payments were made for security service coverage from July through September, for manhole observers, according to Dade County ordinance.

In addition, payments were made for services rendered for the Wesconnett, Mandarin, San Jose, Lake City Framme, Sanford Framme, New Smyrna Beach, Ridgewood and Fentress Wire Centers for pre-posting, time and materials.

Supplier Bill Vouchers for engineering services in support of the Metromover expansion project, was processed in October 1991, for the Central Dade Engineering Office.

In the months of September through November, plant labor charges were higher than normal due to cable failure in North Dade Village and cable failure when ducts were cut at Kendall and 107 Avenue.

INFORMATION PROVIDED BY: T. F. Lohman (305) 530-5320

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

REQUEST:

153. Please provide a detailed explanation for the higher than normal provisioning expense (account no. 6512) for September and December 1991.

RESPONSE:

The reason for the increase in September was due to a journalized "write down" of the Computer Spare Parts inventory. The December increase was caused by adjustments to Corporate Communications Field Stock and Customer Premise Equipment (CPE) Pantry Stock inventories.

INFORMATION PROVIDED BY: T. F. Lohman (305) 530-5320

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

REQUEST:

Please provide the level of current accumulated pension plan overfunding on a total Company and total intrastate basis.

RESPONSE:

At December 31, 1991, the BellSouth Management Pension Plan ("BSMPP") had plan assets, at fair value, in excess of the projected benefit obligation of $808,637,000; while the BellSouth Pension Plan ("BSPP") had plan assets, at fair value, in excess of the projected benefit obligation of $967,526,000.

It should be noted that these excess assets are primarily the result of unrecognized market gains. The BSMPP and the BSPP had unrecognized gains of $695,917,000 and $1,036,036,000, respectively. In accordance with accounting guidelines, these gains, or in some cases, losses, are amortized when the accumulated pool exceeds 10% of the greater of the projected benefit obligation or the fair market value of assets as of the beginning of the year. The Financial Accounting Standards Board proscribed this method of recognition as a means of protecting companies (and the ratepayer) from volatile changes in pension expense from year to year due to temporary changes in the financial market.

We believe that an allocation to intrastate of the excess assets would be inappropriate. As we pointed out above, these gains will not begin to be recognized by the Company until the cumulative total exceeds the 10% rule, or the assets are sold.

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 W. Peachtree Street
Atlanta, Georgia 30375

Southern Bell Telephone & Telegraph Co.
FPSC Docket No. 920260-TL
Citizen's 8th Interrogatories
June 16, 1992
Item No. 171
Page 1 of 1

REQUEST: Please provide the basis used by the Commission for establishing pension expense in the Company's last litigated proceeding (i.e., SFAS no. 87, cash contribution, actuarial study, etc.).

RESPONSE: The basis used by the Commission for establishing pension expense in Docket 880069-TL was Statement of Financial Accounting Standard (SFAS) No. 87, adopted by Southern Bell for ratemaking purposes effective January 1, 1988, in accordance with USOA Part 32.

RESPONSE PROVIDED BY: H. A. Paisant
Operations Manager
17M61 SBC
Atlanta, GA

Page 39, Schedule 21

REQUEST:

Please provide the most recent level of pension plan expense collected from ratepayers in excess of pension plan cash funding and explain how such amounts are treated for ratemaking purposes, and why.

RESPONSE:

The following amounts represent pension expense in excess of pension plan cash funding for 1991. These amounts include an estimate of amounts allocated from affiliates, which are included in overhead billings rather than being recorded as pension expense. The amounts expensed are further estimated by using the overall expense/capital percent for expenses cleared from account 8701 for 1991, and by using the total operating expense less depreciation ratios for regulated and intrastate.

Total Southern Bell	$ 72,902,817
Florida Intrastate	$ 23,190,255

These are prudent and necessary employee benefit costs of doing business in order to compete for and retain qualified employees. Costs incurred directly related to Southern Bell employees are recorded through the Benefit Clearing Account 8701.XXXX and cleared to expense and plant accounts based on salaries and wages of employees in those accounts. Costs allocated or charged to Southern Bell from affiliates are expensed in the current period. The amounts expensed and the current portion of any capitalized amounts (through depreciation expense) are included in cost of service, which matches the costs to the period in which service is provided.

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 W. Peachtree Street
Atlanta, Georgia 30375

RMA-76

Schedule 2

REQUEST:

Please provide a schedule breaking down total advertising expense contained in cost of service for the following categories and provide copies of such advertisements for each category.

a. Institutional
b. Promotional
c. Informational
d. Legal
e. Financial
f. Job Vacancies
g. Other (Explain)

RESPONSE:

Please see attached copy of MFR Schedule C-10 (page 2). Specifically in response to this request:

a. Institutional (corporate): Excluded from cost of service
b. Promotional (product): $ 11,833,912
c. Informational/Community Affairs: $61,700
d. Legal: None
e. Financial: Not separately categorized
f. Job Vacancies: Not separately categorized

Copies of advertising script for advertisements funded by BellSouth Corporation, and allocated in part to Southern Bell, have been previously provided in this docket in response to Citizens' Production of Documents Request No. 49 as well as Citizens' Production of Documents Request No. 111. The BellSouth advertisements are part promotional and part institutional. Attached as pages 3 through 9 are examples of the promotional advertisements run by Southern Bell.

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 W. Peachtree Street
Atlanta, Georgia 30375

RMA-77

Citizens' 8th Interr.
June 16, 1992
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Page 2 of 9

Advertising Expenses
By Subaccount

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell Telephone & Telegraph Co.
Docket No. 920260-TL
Test Year 1991

Schedule C-10
Page 1 of 1
Witness Responsible

Check Whether Data Is:
Historic [X] or Projected [ ]
Average [ ] or Year End [X]

Account/ Subaccount	(Product) Promotional	(Corporate) Institutional	Informational	Community Affairs	Intrastate Total
(1)	(2)	(3)	(4)	(5)	(6)
6613.0000	11,504,895				11,504,895
6722.0000	329,017	533,131			862,148
6722.0000				61,700 *	61,700
Affiliated Billing from BSS/BellCORE; included in overhead charges for various services		46,000			46,000
	11,833,912	579,131	0	61,700	12,474,744

* This amount includes both Community Affairs and Informational Advertising; breakdown not available.

State the company's proposed ratemaking treatment for accounts shown on this schedule:

The Institutional (Corporate) Advertising total in Column 3 has been excluded from ratemaking via proforma adjustments. All other amounts are included in ratemaking expenses.

Supporting Schedules: Recap Schedules:

RMA-78

TWL

TUCKER WAYNE/LUCKIE & COMPANY

BellSouth Services
BSS BSL BO 4509
Business Sales

:60 Radio
9/20/91 BS04509/bss
AG/ju
"Interior Decorators"
As Produced

ANNCR(V/O):	Imagine three great interior designers trying to agree on a room's decor.
FRENCH WOMAN:	First I would have Louis XIV furniture...
AMERICAN MAN:	No! Early American!
ENGLISH WOMAN:	No! No! Baroque!
AMERICAN MAN:	Broke! You mean we'll have to fix it.
ANNCR:	Collaboration never comes easy. Especially when it comes to business communications. Great individual parts don't necessarily make a great network.
FRENCH WOMAN:	And on the mantle a bust of Napoleon!
ENGLISH WOMAN:	No! No! Shakespeare!
AMERICAN MAN:	C'mon! a bowling trophy there.
ANNCR:	At Southern Bell (South Central Bell) we have the services to tie everything together. For example, our MemoryCall(R) Deluxe Voice Messaging Service answers your phone when you can't. And you don't have to buy or install any new equipment. So you achieve greater control, performance, and productivity with your business communications.
FRENCH WOMAN:	And in front of the fireplace...
AMERICAN MAN:	A bear skin rug!
ENGLISH WOMAN:	What a grizzly idea!
ANNCR:	Southern Bell (South Central Bell). Talk to us first. Call 1-800-522-BELL. We have the vision to put it all together.

# # #

RMA-79

TUCKER WAYNE/LUCKIE & COMPANY

BellSouth Services
BSS BSL BO 4509
Business Sales

:60 Radio
9/20/91 BS04509/bss
AG/ju
"Hair Stylist
(pg.32)
As Produced

ANNCR:	Imagine three great hair stylists trying to agree on one great coiffure.
PATSY:	I say we give it this cute little beehive look...
BEVERLY:	No! No! It should be a pompadour!
PATSY:	In a pig's eye!
FLO:	Uhhh...don't you mean pig tail?
ANNCR:	Collaboration never comes easy. Especially when it comes to business communications. Great individual parts don't necessarily make a great network.
BEVERLY:	Mon ami! Anything but pig tales!
PATSY:	Okay...ponytail!
FLO:	No! Ducktails!
BEVERLY:	Oh my! I think I could use a cocktail!
ANNCR:	At Southern Bell (South Central Bell) we've helped businesses meet their needs by designing the best, and most reliable fiber optics networks with superior transmission quality. It comes complete with built-in security, route diversity, and is monitored 24 hours a day by our communications experts.
FLO:	I say we shave it...put a safety pin in it...and call it Punk!
BEVERLY:	Oh please! That simply won't cut it!
ANNCR:	Southern Bell (South Central Bell). Talk to us first. Call 1-800-522-BELL. We have the vision to put it all together.

# # #

RMA-80

TUCKERWAYNE/LUCKIE&COMPANY

BellSouth Services
BSS BSL BO 4509
Business Sales

:60 Radio
9/20/91 BS04509/bss
AG/lf
"Poets"
As Produced

ANNCR (V/O): Imagine three great poets trying to create one great poem.

EDNA ST. VINCENT MILLAY: My candle burns at both ends...

ALFRED LORD TENNYSON: ...right! As into the Valley of Death road the six hundred!

ELIZABETH BARRETT BROWNING: But you've ruined Edna's candle metaphor, Mr. Tennyson!

TENNYSON: Candle? I thought she said cannon.

ANNCR (V/O): Collaboration never comes easy. Especially when it comes to business communications. Great individual parts don't necessarily make a great network.

TENNYSON: My dear Mrs. Browning, what's wrong with cannons booming at both ends?

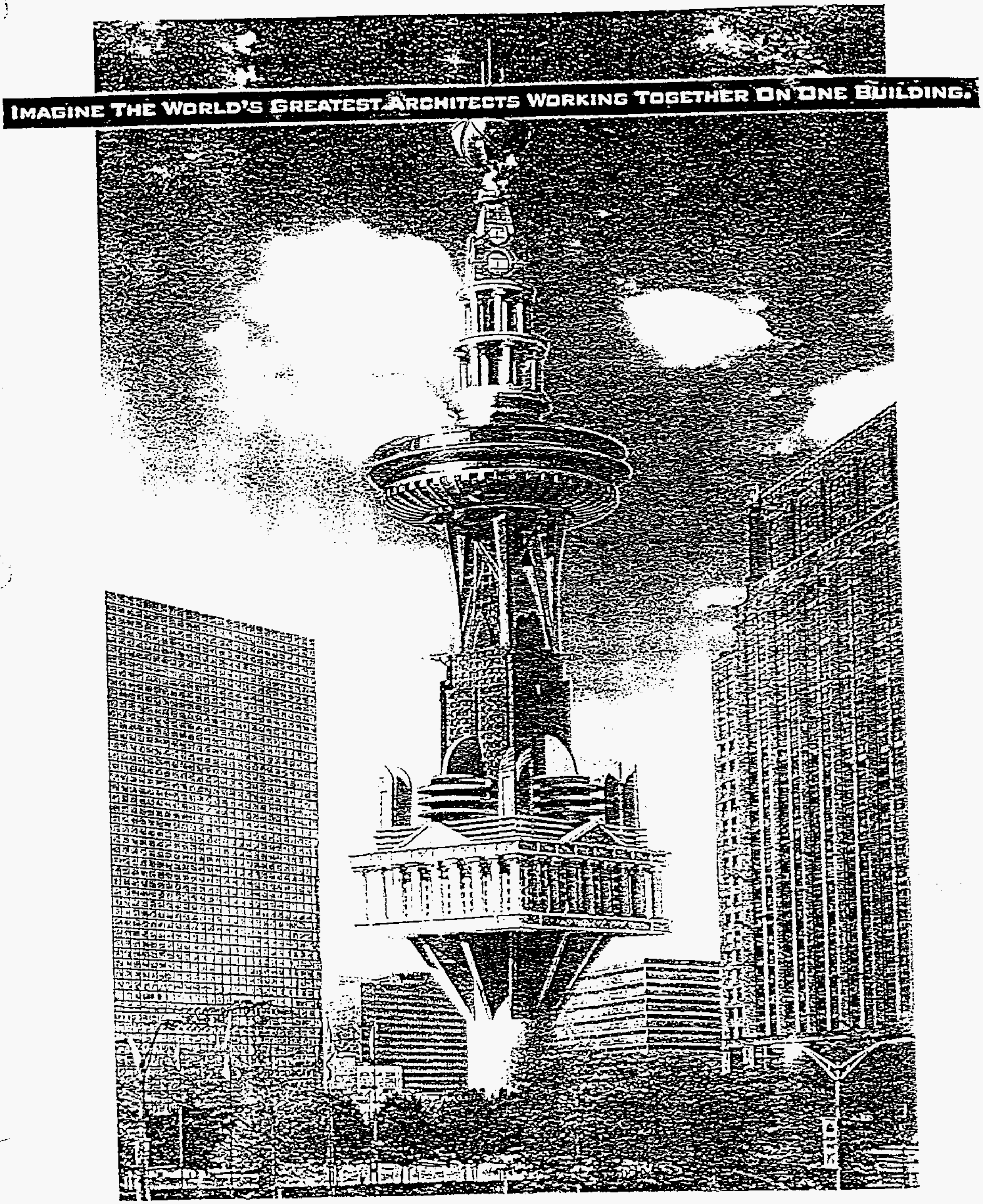
ELIZABETH: Let me count the ways!

ANNCR: At Southern Bell (South Central Bell) we have the services to help tie everything together. For example, our new WatsSaver(SM) service, works with the equipment you already have in place to give every phone in your office simultaneous WATS access 24 hours a day, 7 days a week. Now at prices more affordable than ever.

TENNYSON: Yes...we'll have candles volleying and thundering!

EDNA: Ohhh, you and your beastly charge!

ANNCR(V/O): Southern Bell (South Central Bell). Talk to us first. Call 1-800-522-BELL.
We have the vision to put it all together.


IMAGINE THE WORLD'S GREATEST ARCHITECTS WORKING TOGETHER ON ONE BUILDING.

RMA-82

In theory it sounds great. But if they don't share the same vision, the result could be a blueprint for failure. In much the same way, it takes more than great components to make a great government communications network. That's where Southern Bell comes in. We have the depth of resources and the broad experience in government communications to help you look at your information systems as a whole. Our network designers can evaluate your specific applications and help you determine the most effective combination of communications services.

Saving tax dollars, state and local governments across the South are optimizing their networks while improving public services, through Southern Bell's strategic use of emerging technologies. Enhanced connectivity and compatibility help each resource do more. This allows economies of scale, easier sharing of information, and more effective interagency cooperation.

We can help you coordinate emergency response capabilities with group fax and handle peak loads of financial and statistical data with high-capacity digital bandwidths on demand. With televideo and imaging capabilities, police can receive fingerprint and photographic reports on the scene. Courts can use the same technology for televideo arraignments, and schools can broaden their curricula with distance learning.

For more great ideas on unifying your communications network, call Southern Bell first at 1 800 522-BELL. We can help you design a communications plan that's a strong foundation for better government.

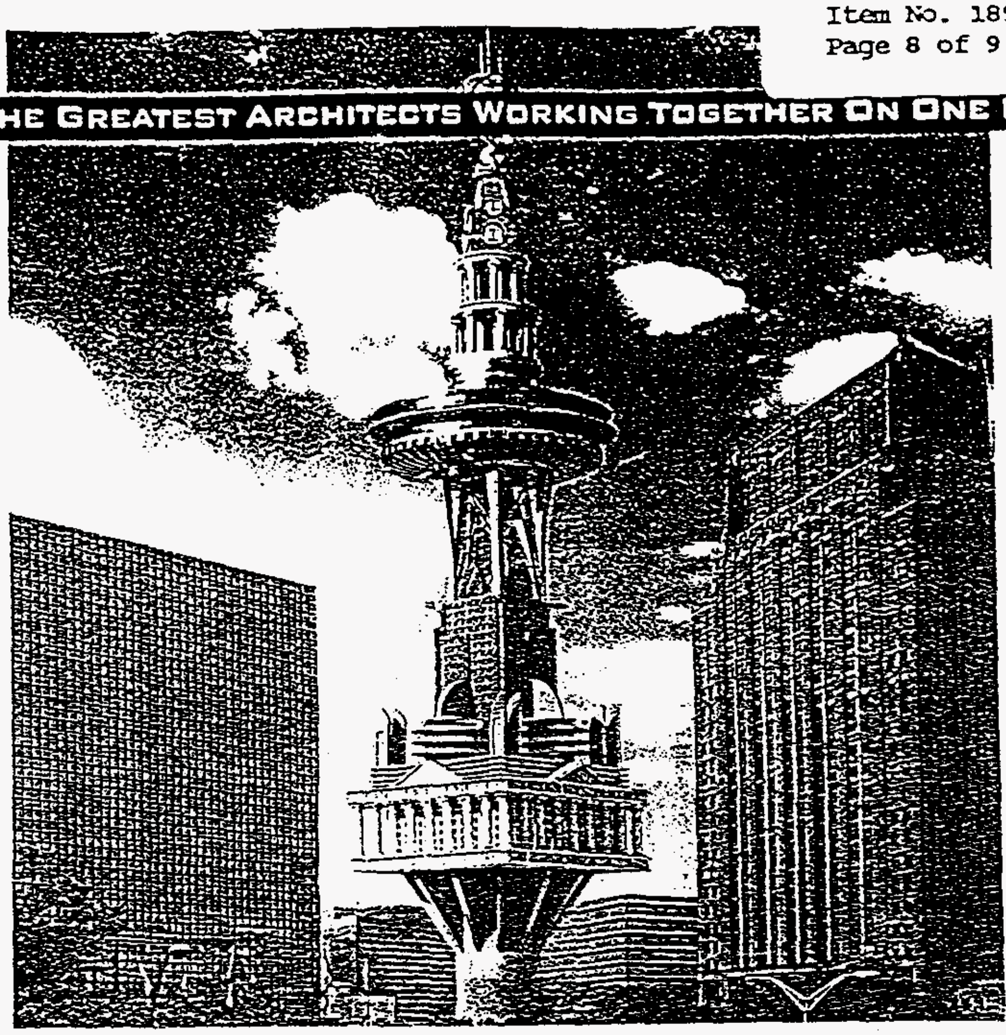
WE HAVE THE VISION TO PUT IT ALL TOGETHER.

Southern Bell®

A BELLSOUTH COMPANY

RMA-83

IMAGINE THE GREATEST ARCHITECTS WORKING TOGETHER ON ONE BUILDING.



In theory it sounds great. But if they don't share the same vision, the result could be a blueprint for failure.

In much the same way, it takes more than great components to make a great government communications network. We have the depth of resources and the industry-specific experience to help you look at your communications as a whole. We can evaluate voice, data, imaging and specialized applications to find the most effective combination for your specific needs.

A good example is how our network design center is helping state and local governments save tax dollars while improving public services. Through strategic use of emerging technologies, Southern Bell is optimizing government networks so each resource can do more. By allowing departments of public safety, transportation and education as well as law enforcement and other agencies to share the same network, these enhancements make it possible for government offices to take advantage of economies of scale and avoid duplication. The network can be easily updated so public services can benefit from the latest advances without large expenditures to replace obsolete equipment.

For more great ideas on unifying your communications network call Southern Bell at 1 800 522-BELL. We'll help you design a plan that's a strong foundation for better government.

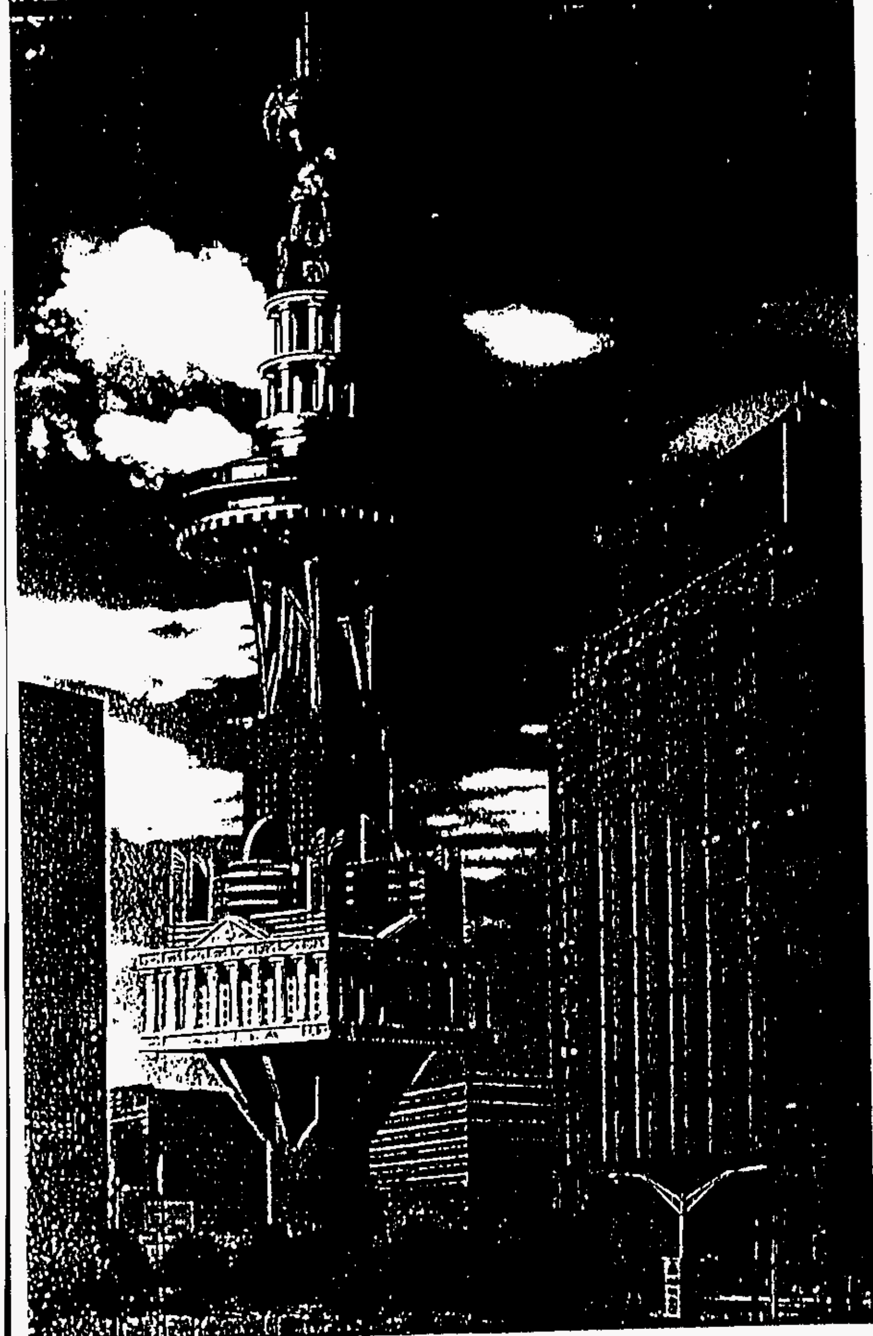
WE HAVE THE VISION TO PUT IT ALL TOGETHER.

Southern Bell

RMA-84

A BELLSOUTH COMPANY

IMAGINE THE WORLD'S GREATEST ARCHITECTS WORKING TOGETHER ON ONE BUILDING.



In theory it sounds great. But if they don't share the same vision, the result could be a blueprint for failure.

In much the same way, it takes more than great components to make a great government communications network. We have the depth of resources and the industry-specific experience to help you look at your communications as a whole. We can evaluate voice, data, imaging and specialized applications to find the most effective combination for your specific needs.

A good example is how our network design center is helping state and local governments save tax dollars while improving public services. Through strategic use of emerging technologies, Southern Bell is optimizing government networks so each resource can do more.

By allowing departments of public safety, transportation and education as well as law enforcement and other agencies to share the same network, these enhancements make it possible for government offices to take advantage of economies of scale and avoid duplication. The network can be easily updated so public services can benefit from the latest advances without large expenditures to replace obsolete equipment.

For more great ideas on unifying your communications network call Southern Bell at 1 800 522-BELL. We can help you design a communications plan that's a strong foundation for better government.

WE HAVE THE VISION TO PUT IT ALL TOGETHER.

Southern Bell®

A BELLSOUTH COMPANY

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RMA
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Schedule 3

REQUEST:

Please provide the level of payments made to industry organizations other than membership dues included in cost of service along with a description of each payee organization or project.

RESPONSE:

Payments made to industry organizations other than membership dues could include subscriptions, which are categorized as follows:

(1) Subscriptions - General Company Benefit (EXTC 438):

Includes costs for voluntary payments made by the Company to or on behalf of trade, technical, professional and other non-company organizations that have as their purpose the betterment of the commercial and business interests of the community from which the company may reasonably expect to benefit. Representative organizations are:

Civic planning funds
Minority groups
Research bureaus
Taxpayers groups
Urban coalitions (local)
Vocations guidance institutes

(2) Subscriptions - Specific Organization Benefit (EXTC 441):

Includes costs for voluntary payments made by the Company to trade, technical, professional or other non-company organizations that provide benefits to the work of a specific company organization. These costs are charged to the appropriate operating account for that organization. Representative non-company organizations are:

Council for Financial Aid to Education (Public Relations expense)
Engineers Joint Council (Engineering expense)
Occupational Health Institute (Medical expense)
Wharton School - Center for Financial Research (Treasury expense)

RMA-86

(3) Subscriptions - Stimulation of Business (EXTC 442):

Includes costs for voluntary payments made by the Company to trade, technical, professional or other non-company organizations that provide some stimulation or increase in business as a result of this activity. These payments are considered part of the company's advertising program. Representative organizations are:

Carnivals
Civic celebrations
Conventions
Fairs
Merchant associations

Attached is a printout showing the 1991 expenses for each of the above three categories, by payee. These amounts are summarized below:

	EXTC 438	EXTC 441	EXTC 442	TOTAL
SB - Headquarters	117,990	31,645		$149,635
Allocated to Florida	51,337	13,769		65,106
Incurred by Florida	621,960	5,893	5,000	632,853
Florida Total				697,959
Florida Intrastate				475,489

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 W. Peachtree Street
Atlanta, Georgia 30375

RMA-87

BELLSOUTH TELECOMMUNICATIONS, INC
HQ EXTCS 438, 441 AND 442 YEAR 1991

ACCOUNT	EXTC	PAYEE	CE	NAME	MO	SER #	AMOUNT
66120000	441	000071092	E	VOID - CORRECTION VOUCHER	07	50455	10,444.95
		000101027	A	DOUGHERTY COUNTY JAIL	08	45275	700.00
		000114651	C	FLORIDA SHERIFFS ASSN	07	08990	1,500.00
					12	01214	500.00
		000123426	C	SOUTHERN STATES CORRECTIONAL	07	08960	1,000.00
		000124594	C	PAROLE ASSN OF GEORGIA	07	15093	1,500.00
		000124727	F	SOUTHERN STATES CORRECTIONAL	07	13607	1,000.00
		000125178	D	FLORIDA SHERRIFFS YOUTH	07	18924	1,000.00
		000125699	I	FLORIDA AIRPORT MGRS ASSN	08	27181	3,000.00
		000125704	G	GEORGIA PRISON WARDENS ASSN	08	27182	500.00
		000126197	C	CIRCLE K CORPORATION-UPC/THE	08	34012	2,000.00
		000127165	I	GEORGIA SHERIFFS ASSN.	09	48590	200.00
		000127195	F	NORTH CAROLINA CORRECTIONAL	09	48579	250.00
		000127225	A	SOUTH CAROLINA CORRECTIONAL	09	48581	1,500.00
		004060727	K	RETAIL GROCERS ASSOC. OF	12	00706	500.00
		004060976	W	SOUTH CENTRAL BELL	07	L9379	750.00
		004061762	C	GEORGIA CORRECTIONAL ASSN	12	00343	2,000.00
*TOTAL ACCOUNT 66120000							28,944.95
67290000	441	000121710	F	GEORGIA LABOR MANAGEMENT CONF	05	35504	2,000.00
67299000	438	000012538	E	GEORGIA SHERIFFS ASSOCIATION	04	11001	2,000.00
		000040787	F	CENTRAL ATLANTA PROGRESS INC	03	44011	4,000.00
		000060700	E	ATLANTA CHAMBER OF COMMERCE	02	09595	500.00
					09	65266	5,000.00
		000110143	E	SOUTH CENTRAL BELL	01	L9054	2,500.00
		000118317	B	INAUGURATION 91	01	21280	12,500.00
		000120100	E	ASIS	05	11962	300.00
		000120399	A	MCI CHARITY PRO AM	05	12901	1,500.00
		000120490	I	GEORGIA SHERIFFS ASSN	05	17666	500.00
		000121283	F	AMERICAN LEGISLATIVE EXCHANGE	07	02124	[illegible]
		000123841	I	COUNCIL OF GOVERNORS'	07	02134	3,333.33
		000126409	B	GOVERNOR'S COMMISSION ON	08	38132	17,500.00
					12	21512	5,060.00
		003077747	E	AMERICAN LEGISLATIVE EXCHANGE	05	15497	1,125.00
		004052554	E	WESTMINSTER SCHOOLS	07	21260	950.00
		004060976	K	SOUTH CENTRAL BELL	06	L9333	5,000.00
		004063036	C	COLLINS CENTER FOR THE PUBLIC	03	29257	30,000.00
				SESSIONS,WALTER U	09	54722	25,200.00
				NOELL,PATRICIA A	12	T9048	40.00
*TOTAL ACCOUNT 67299000							[illegible]
TOTAL							149,625.19

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ACCOUNT	EXTC	PAYEE	CE	NAME	MO	SER #	AMOUNT
67230000	441	000723478	A	HYATT REGENCY WESTSHORE	06	51070	698.30
67250000	441	000069961	B	PHYSICIANS' DESK REFERENCE	10	10729	49.95
67209000	438	000011092	D	VOID - CORRECTION VOUCHER	04	E0364	.00
						E0378	-500.00
					07	E0426	300.00
						E0427	.00
					10	E0514	4,000.00
					11	E0566	15,000.00
		000044222	E	"VOID" CASH BOOK	06	D0116	-19.14
		000092469	F	SERVICE AMERICA CORPORATION	08	22624	928.20
					11	37407	[illegible]
		000101539	E	CITY OF PALM BEACH GARDENS	05	14396	500.00
		000103900	G	BAY COUNTY CHAMBER OF COMMERCE	02	03165	7,500.00
		000110181	E	MORALE SUPPORT FUND	04	06550	2,753.60
					08	22520	1,143.60
		000110245	H	CITY OF PORT ST LUCIE	08	24791	500.00
		000115706	[illegible]	CECPPA INC	09	02693	340.00
		000111719	A	TUCKER AND ASSOCIATES	01	D0590	-5,000.00
		000111865	B	NORTHEAST FLORIDA LEAGUE OF	12	16317	624.00
		000113043	D	BROWARD SHERIFF'S ADVISORY	01	44714	1,200.00
		000113345	C	FLORIDA ASSOCIATION OF	10	00702	1,500.00
		000113357	H	DADE BROWARD GOVERNMENT	01	20460	906.58
		000113444	E	F E C ZORAL	01	18372	500.00
		000113596	A	SCHOOL BOARD OF BROWARD COUNTY	01	23067	2,000.00
		000113634	A	UNITED NEGRO COLLEGE FUND INC	01	22084	500.00
		000113956	G	BREVARD ECONOMIC DEVELOPMENT	01	23471	10,000.00
		000113969	A	LITTLE CEASARS PIZZA	01	28888	78.16
		000114097	I	MARTA FLORES	01	43421	500.00
		000114112	F	COLUMBIA INSTITUTE	01	43420	3,000.00
					09	00202	3,000.00
		000114119	A	FLORIDA INTERNATIONAL UNIVER	01	28885	5,000.00
		000114176	A	ENGINEERS' FAIR	01	43134	500.00
		000114202	E	NCCJ	02	44713	250.00
		000114396	E	BAY COUNTY VOCATIONAL	01	45279	200.00
		000114509	C	BEACH BROADCASTING CO INC	01	44749	1,500.00
		000114534	A	DELRAY DUNES BETHESDA MEMORIAL	01	44746	150.00
		000114579	F	ROTARY CLUB OF JUPITER	01	44745	500.00
		000114614	A	TRUTHS INC	01	44748	1,000.00
					07	22625	250.00
		000114684	D	NORTH PALM BEACH ELEMENTARY	02	46967	500.00
		000114765	A	CITY OF LAUDERHILL	02	50281	2,500.00
					07	15720	500.00
		000114789	A	JUNIOR ACHIEVEMENT	02	49258	300.00

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ACCOUNT	EXTC	PAYEE	CD	NAME	MO	SER #	AMOUNT
77209000	438	000114992	A	SISTRUNK HISTORICAL FESTIVAL	02	55009	800.00
		000115096	A	SIR SPEEDY	05	19451	79.50
		000115231	C	BETHUNE COOKMAN COLLEGE ALUMNI	02	59045	1,000.00
		000115282	F	ANNIVERSARY CLASSIC	02	58327	1,000.00
		000115323	B	VOLUNTEER CENTER OF CENTRAL	02	56354	1,000.00
		000115325	C	DAVID POSNACK JEWISH	02	57618	1,750.00
		000115328	G	PARAMOUNT ENGRAVING INC	02	56767	462.92
		000115333	G	LAUDERDALE LUMBER	02	56266	41.29
		000115358	D	ECLINE OFFICE & ART SUPPLY	02	56268	146.14
		000115359	B	CVE MASTER MANAGEMENT CO INC	02	59776	159.00
		000115503	E	AMERICAN SOCIETY OF PUBLIC	02	00690	625.00
		000115554	M	LASERIMAGE PRINTING CO	02	02290	2,000.00
		000115887	D	FOREST TRACE AT INVERRARY	02	03127	175.00
		000115897	A	PUBLIX	02	03128	500.00
		000116176	I	CHAMBER/THE	02	05559	100.00
					06	42949	500.00
		000116197	E	ORLANDO DRUG SEMINARS	02	06929	200.00
		000116211	D	GREATER MIAMI HOST COMMITTEE	02	02376	851.96
		000116256	I	ARVA PARKS & COMPANY	02	04787	5,000.00
		000116899	F	DIRECT LINK II	03	10133	1,000.00
		000116909	C	JACK FINCK DECORATIONS	03	10134	333.07
		000117061	B	CRYSTAL LAKE COUNTRY CLUB	03	11026	600.00
		000117071	A	BLACK ACHIEVERS PROGRAM/THE	03	11027	900.00
		000117098	D	DADE COUNTY DAY INC	03	10706	5,000.00
		000117253	E	LEWIS WATKINS STUDIOS	03	23480	200.00
		000117259	B	SO FLORIDA STATE HOSPITAL	04	54144	300.00
		000117519	I	1991 ENGINEERS WEEK BANQUET	03	25771	300.00
		000117659	C	LEAGUE OF WOMEN VOTERS OF	03	40076	594.00
		000117664	C	METRO DADE ADOPT-A-PARK	03	40121	5,000.00
		000117903	E	RADIO MAMBI WAQI 710 AM	03	40003	500.00
		000118076	I	OCEANS OF NOTIONS,INC.	03	45054	527.09
		000118162	G	MANOLIN Y PILAR MARTINEZ	03	47235	300.00
		000118208	F	ROMAY PHOTO COLOR	03	47233	360.00
		000118213	H	STEPHEN'S CHICKEN RIBS & MORE	03	47234	1,000.00
		000118233	G	VARADERO SUPERMARKET 410	03	47232	900.00
		000118290	I	SIR SPEEDY PRINTING CENTER	03	48038	600.00
		000118839	A	PRESTIGE PRESS	04	54275	2,801.05
		000118907	E	KEEP DADE BEAUTIFUL, INC.	04	57681	1,500.00
		000118927	C	WESTFORD BANQUET CENTER AT	04	57683	499.20
		000119296	D	KIWANIS CLUB OF FLAMINGO-	04	02064	3,500.00
		000119335	E	BROWARD COUNTY BOARD OF COUNTY	04	01867	1,500.00
		000119381	B	PAPER MILL PRINTERS	04	02788	101.00
		000119396	A	TILLIE ROTHSTEIN	04	02787	[illegible]
		000119423	B	PENSACOLA CHAMBER OF COMMERCE	04	03411	425.00
		000119655	I	MOONLIGHT PRESS	04	02786	2,437.50

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FL EXTCS 430, 441 AND 442 YEAR 1991

ACCOUNT	EXTC	PAYEE	CD	NAME	MO	SER #	AMOUNT
67289000	430	000119664	A	SCROPTIMIST INTERNATIONAL OF	04	07214	250.00
		000119673	E	PRIDE OF FORT LAUDERDALE ELKS	04	048[illegible]	[illegible],000.00
		000119955	C	GEORGE TANDY	04	08798	232.54
					09	50258	250.00
		000120211	H	GREATER DELRAY BEACH CHAMBER	05	14385	1,000.00
						39051	400.00
		000120480	B	FLORNADA GIRLS SOFTBALL	05	13195	200.00
		000120498	A	METRO AUDIO VISUAL INC	05	13193	2,000.00
		000120508	G	DAVID'S CUSTOM CATERERS	05	13194	499.50
		000120513	E	SCHOOL BOARD OF BROWARD COUNTY	05	15263	150.00
		000120518	F	ATALY GRAPHICS	05	15264	342.45
		000120523	F	AMPROS	05	13190	279.00
		000120545	I	MIAMI SHORES COUNTRY CLUB	05	16322	500.00
		000121040	A	MIAMI LIGHT PROJECT/THE	05	23677	[illegible],000.00
		000121090	F	DADE LEAGUE OF WOMEN VOTERS OF	05	23676	2,000.00
		000121370	A	DORAL OCEAN BEACH RESORT	05	29519	500.00
		000121418	H	SHERATON BRICKELL POINT HOTEL	11	45091	999.83
		000121420	E	BROWARD COUNTY PARKS VIDEO	05	29515	500.00
		000121475	H	MIAMI-DADE CHAMBER OF COMMERCE	05	29518	240.09
					11	50590	500.00
		000121480	H	MIAMI DADE COMMUNITY COLLEGE	05	27330	5,000.00
		000121485	E	MIAMI FREEDOM	05	27329	5,000.00
					09	26127	2,500.00
		000121631	F	HUGH'S CATERING	05	31760	1,060.00
		000121715	G	HERNANDO COUNTY COMMITTE	05	33423	72.00
		000121760	C	ST LUCIE COUNTY ECONOMIC	12	38465	250.00
		000121922	I	THREE STAR PRODUCTIONS	06	38678	2,500.00
		000121970	B	BOCA RATON POLICE DEPARTMENT	06	39852	500.00
		000122144	I	MAYOR'S HOLIDAY FESTIVAL FOR	06	39504	500.00
		000122182	I	PI SIGMA EPSILON	06	43608	2,380.00
		000122302	C	HERNANDO COUNTY FREEDOM FEST	06	38676	500.00
		000122791	E	1991 SPORTS RECOGNITION DAY	06	51694	250.00
		000123037	D	GREATER MIAMI HOTEL & MOTEL	06	54618	1,000.00
		000123656	A	CHARK & ASSOCIATES	07	59326	[illegible],796.70
		000123880	G	CHRISTOPHER COLUMBUS ATHLETIC	07	01615	250.00
		000123901	A	SOUTH FLORIDA FIREFIGHTER	07	03021	250.00
		000124219	G	JENSEN BEACH TURTLE WATCH	07	05501	500.00
		000124286	F	USA TODAY - MIRAMAR	07	[illegible]	300.00
		000124436	G	FLORIDA VOTERS LEAGUE INC	07	11544	500.00
		000124496	A	NEIGHBORS FOR BETTER	07	11543	[illegible],000.00
		000124702	B	LAKE MARY CHAMBER OF COMMERCE	07	14556	700.00
		000124902	E	DANIA CHAMBER OF COMMERCE	07	18317	650.00
		000124917	F	NAIOP	07	18318	250.00
		000124923	B	FLORIDA GOVERNMENT FOR THE	07	14537	25,000.00
		000124927	E	DADE COUNTY ASSOCIATION OF	07	18316	1,500.00

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ACCOUNT	EXTC	PAYEE	CD	NAME	MO	SER #	AMOUNT
67289000	438	000125129	K	MIAMI BEATZINE	08	19636	800.00
		000125134	G	NATIONAL ASSOCIATION OF WOMEN	08	22621	1,000.00
		000125194	A	MIAMI SEAQUARIUM	08	20739	416.48
					09	59363	1,049.40
						59364	1,107.70
		000125302	&	GRIMALDI CANDIES	08	22281	500.00
		000125326	I	ACADEMY TROPHIES SOUTH INC	08	22277	2,450.00
		000125645	B	EAGLE LITHOGRAPHERS INC	08	27723	1,691.69
		000125757	E	TOP PAT DELI CAFE	10	33093	250.00
		000125764	A	MEET ME DOWNTOWN	09	29493	2,000.00
		000125769	&	SCHOOL BOARD OF PALM BCH	08	28491	1,000.00
		000125776	E	DANIA CHAMBER OF COMMERCE	08	29409	500.00
		000125936	E	LATIN QUARTER ASSOCIATION	11	50592	450.00
		000126297	A	MERRICK FESTIVAL	09	34517	500.00
		000126485	E	BABY BUGGY RACE/THE	08	37238	250.00
		000126806	I	FERNANDEZ BARADAT-JGR &	09	44968	3,500.00
		000126885	C	ABA CONFERENCE	09	44187	250.00
		000126917	D	BROWARD'S COMMITTEE OF ONE	09	45910	10,000.00
		000126957	F	SUNRISE CHAMBER OF COMMERCE	08	44134	625.00
		000127013	A	FT LAUDERDALE MARINA MARRIOTT	09	46694	404.96
		000127315	&	PALM BCH CO. SHERIFF'S OFFICE	09	52770	500.00
		000127564	C	BROWARD POLICE CHIEFS' ASSOC	09	56224	100.00
		000127572	F	FLORIDA ASSOCIATION OF SCIENCE	09	57735	600.00
		000127579	A	LEADERSHIP PALM BEACH COUNTY	09	57253	500.00
		000127638	E	AMERICAN BUSINESS WOMEN'S	09	54183	250.00
		000127647	F	NATIONAL ASSOCIATION FOR	09	57736	500.00
		000127665	P	SHRINE CIRCUS FUND	09	59522	500.00
		000128334	&	CHAMBER/THE	09	04518	500.00
		000128440	E	DADE COUTY CITIZENS SAFETY	10	10453	1,000.00
		000128561	H	MILA PROMOTIONS INC	12	59920	840.05
		000128740	F	SUN-SENTINEL CIRCULATING	10	14584	154.00
		000129084	&	HEMISPHERIC POLICY STUDIES	10	18329	1,500.00
		000129199	F	MIAMI LAKES TECHNICAL	10	17128	500.00
		000129239	&	UNIVERSITY OF NORTH FLORIDA	10	20413	1,000.00
		000129270	E	TAMARAC CHAMBER OF COMMERCE	10	22219	200.00
		000129287	I	NORTH MIAMI WINTER NATIONAL	10	16939	100.00
		000129651	F	TREASURE COAST SPORTS	10	36777	500.00
		000129927	&	SERIGRAPH CORPORATION	10	34004	500.00
		000129994	&	BROWARD COUNTY GATOR CLUB	10	30618	1,000.00
		000129996	E	DADE SOFTBALL BANQUET	10	35386	1,200.00
		000130100	A	CORAL GABLES SR HIGH PTSA	11	37770	2,000.00
		000130119	A	BROWARD CTY CHIEFS OF POLICE	11	35814	1,750.00
		000130145	F	LOCAL INITIATIVES SUPPORT	11	36767	5,000.00
		000130156	F	M J PROMOTIONS INC	11	37462	4,215.05
		000130193	I	J C I WORLD CONGRESS	10	35403	5,000.00

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2289000	438	000130263	E	SANTA ROSA CHAMBER OF CHAMBER	11	35388	50.00
		000130659	F	CITY OF HOMESTEAD	11	43923	350.00
		000130660	E	HEAVENLY PROMOTION	11	48002	704.90
		000130690	A	IMPRESSIONS OF MIAMI INC	11	45090	3,900.00
		000130855	A	ANTHONY ELIAS CATERING	12	21184	164.50
		000131122	D	TOWN OF DAVIE	11	54731	300.00
		000131174	E	KEY BISCAYNE CHAMBER OF	11	54635	45.00
		000131640	E	MIAMI AIRPORT MARRIOTT HOTEL	12	00439	1,861.41
		000131726	B	WJNO	12	05013	500.00
		000132068	H	CLUB 19	12	11074	1,002.45
		000132095	A	PARTY STATION INC/THE	12	09500	371.00
		000132344	C	ORANGE BOWL COMMITTEE	12	15703	150.00
		000132349	B	OUR LADY OF LOURDES ACADEMY	12	15702	300.00
		000132412	H	DADE BROWARD GOVERNMENT	12	19006	600.00
		000132427	F	FLORIDA A & M UNIVERSITY	12	17562	1,500.00
		000132701	D	PEQUENA HABANA LUZ Y	12	24425	1,000.00
		000132786	E	COCONUT GROVE CHAMBER OF	12	21186	400.00
		000132876	D	BLACK ECONOMIC DEVELOPMENT	12	24301	5,000.00
		000132898	E	CONCESSION AIR	12	25000	254.10
		000132919	D	DENNIS HACKET MEMORIAL SOCCER	12	21185	1,500.00
		003003097	G	ORANGE BOWL COMMITTEE	11	53151	25,000.00
		003003265	H	L AND M ENGRAVING AND TROPHY	07	20730	200.00
		003003849	A	CORAL GABLES CHAMBER OF COMM	08	26128	500.00
		003006994	E	NORTH DADE CHAMBER OF COMMERCE	02	06411	1,000.00
					04	50719	2,000.00
		003010887	B	CENTRAL AUDIO VISUAL INC	02	56262	819.90
		003041963	D	UXEL 42	08	22276	1,700.00
		003042691	G	A HOUSE OF TROPHIES INC.	11	47992	409.50
		003043510	A	LATIN CHAMBER OF COMMERCE	07	47236	250.00
					12	00440	1,000.00
		003047030	F	DADE COUNTY LEAGUE OF CITIES	06	58744	500.00
		003048085	I	MIAMI AUDIO VISUAL MAYCO INC	12	15704	337.93
		003048120	G	FLORIDA CHAMBER OF COMMERCE	03	47290	1,000.00
					07	59327	500.00
		003049130	B	ISLAMORADA CHAMBER OF COMMERCE	07	05939	400.00
					12	04940	300.00
		003049886	C	PIER 66	03	08899	337.19
		003050036	G	TROPHIES BY EDCO INC	02	50279	530.22
					03	08900	375.93
					07	11394	55.68
		003050201	G	MIRAMAR PEMBROKE CHAMBER	02	50200	500.00
					03	40335	250.00
		003050488	K	GREATER DELRAY BCH CHAMBER	05	39053	1,200.00
		003050902	B	PALM BCH CHAMBER OF COMMERCE	08	37957	275.00
		003050969	A	PERIPERM PALM BCH COUNTY	04	02317	2,055.00

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ACCOUNT	EXTC	PAYEE	CD	NAME	MO	SER #	AMOUNT
67289000	439	003050067	A	NORTHERN PALM BCH COUNTY	05	23975	500.00
					11	37489	1,200.00
					12	19245	2,250.00
		003051379	A	CORAL SPRINGS CHAMBER OF	09	56017	200.00
		003051420	E	ROTARY CLUB OF BOCA RATON	07	22619	100.00
		003051617	C	GREATER POMPANO BCH NORTH BRO-	08	27722	100.00
		003051904	E	DAVIE COOPER CITY CHAMBER	09	54369	900.00
					11	39305	1,000.00
		003052626	C	FLORIDA CHAMBER OF COMMERCE	09	49830	250.00
					12	16319	5,000.00
		003053591	E	TRI-CITY COMMUNITY ASSOC INC.	06	52866	5,000.00
		003053760	B	PATS TROPHIES	11	39404	453.42
		003054272	B	NORTH MIAMI BEACH CHAMBER OF	12	23542	87.98
		003054634	E	FLORIDA GOLD COAST CHAMBER OF	01	23130	2,500.00
					12	56724	1,000.00
		003056728	C	SUNILAND PRESS INC.	02	01327	3,295.26
		003056871	A	GREATER PLANTATION CHAMBER OF	04	57682	250.00
					07	05017	200.00
					11	40903	600.00
					12	15526	1,500.00
		003057730	E	AMARA SHRINE CIRCUS PROJECT	01	44750	500.00
		003058228	D	GREATER SOUTH DADE SOUTH MIAMI	08	26129	350.00
		003058441	A	HOBE SOUND CHAMBER OF COMMERCE	10	08629	100.00
		003058728	A	GREATER BOCA RATON CHAMBER OF	01	44744	1,790.00
					04	01353	300.00
					07	22623	2,200.00
					09	52771	250.00
					10	22858	1,500.00
					11	47994	320.00
					12	05914	350.00
		003059246	C	BUSINESS DEVELOPMENT BOARD OF	08	40865	[illegible]
					12	21917	10,000.00
		[illegible]	E	ST LUCIE CHAMBER OF COMMERCE	04	04013	750.00
		003062913	C	STUART MARTIN COUNTY CHAMBER	08	24700	500.00
						29009	100.00
					10	35309	300.00
		003062732	F	GREATER SOUTH BREVARD/THE	08	[illegible]	100.00
					10	28801	100.00
		003062859	G	GAINESVILLE AREA CHAMBER OF	08	40727	500.00
		003063950	D	MIAMI LEADERSHIP ROUNDTABLE	01	42609	5,000.00
		003064063	E	GUS LEVY	07	22622	235.31
		003064423	A	SIGNATURE GARDENS LTD	02	03126	301.60
		003064695	E	SHERATON DESIGN CENTER HOTEL	03	42166	1,950.00
					04	04812	789.17
						50133	4,091.94

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[illegible]9000	438	003064695	I	SHERATON BESTER CENTER HOTEL	02	49521	2,134.96
		003064860	D	GREATER BOYNTON BEACH	10	22859	50.00
					12	15525	500.00
		003065607	H	DOWNTOWN ORLANDO PARTNERSHIP	01	44710	460.00
		003065906	D	NORTH MIAMI CHAMBER OF	11	50591	140.00
		003066691	A	EXEC WOMEN OF THE PALM BEACHES	02	58329	850.00
		003066700	A	GREATER MIAMI CHAMBER OF	01	20006	1,757.07
					03	44099	1,659.44
					04	54159	15,000.00
					05	23675	500.00
					12	22355	25,000.00
		003067015	B	BI-ADS INC	02	56269	500.00
		003067053	C	A 1 BUS LINES INC	00	31215	256.00
		003067491	E	KEY LARGO CHAMBER OF COMMERCE	08	22290	500.00
		003067818	I	WOMENS EXECUTIVE CLUB	04	01204	1,000.00
		003068402	A	CHAMBER OF COMMERCE	05	29321	100.00
		003069153	I	SALES AND MARKETING EXECUTIVES	01	22007	350.00
		003070022	C	MIAMI BEACH CHAMBER OF COMM.	05	15205	2,000.00
					06	58762	1,000.00
					12	15705	1,000.00
		003070717	E	HOMESTEAD UTL DEPT CITY OF	06	56275	3,500.00
		003070996	H	VISION COUNCIL INC	10	35384	250.00
		003071144	E	CITY OF SWEETWATER	10	35307	2,500.00
		003071456	B	BURDINES ROYAL PALM CAFE	03	08901	185.50
		003071643	E	SUNCOAST CHAMBER OF COMMERCE	11	47993	600.00
		003072334	A	GREATER PORT ST LUCIE/THE	10	14376	350.00
					12	58463	500.00
		003072361	C	JENSEN BEACH CHAMBER OF	04	02790	300.00
					10	26772	1,250.00
		003072370	D	BROWARD COUNTY CHIEFS OF	10	22860	250.42
		003072433	A	COCOA BEACH AREA CHAMBER OF	01	18651	50.00
						20279	125.00
					02	41322	100.00
		003072722	F	SOUTH FLORIDA FAIR	01	44747	1,500.00
		003072848	I	WEST ORANGE CHAMBER OF	12	03057	300.00
		003073213	E	CITY OF MIAMI	08	20737	1,492.00
		003073232	D	DOWNTOWN IMPROVEMENT BOARD	11	43009	300.00
		003073281	B	GAINESVILLE AREA CHAMBER	01	20927	3,500.00
		003073615	A	[illegible]	12	02218	160.00
		003074954	E	HERNANDO COUNTY CHAMBER OF	05	29520	506.25
		003075600	A	FLORIDA TAXWATCH INC	12	26297	10,000.00
		003076299	A	FLORIDA HOSPITAL FOUNDATION	02	56353	500.00
		003076722	D	METROPOLITAN ORLANDO URBAN	01	447[illegible]	500.00
		003076765	A	MIAMI SENIOR HIGH BOOSTER CLUB	07	59330	300.00
		003076853	A	[illegible] INC. JOHN [illegible]	07	[illegible]	[illegible]

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

ACCOUNT	EXTC	PAYEE	CD	NAME	MO	SER #	AMOUNT
67289000	438	003077170	C	MILLER DAWKINS PICNIC FUND	07	09711	5,000.00
		003077519	A	CRIME WATCH OF HALLANDALE	07	05024	500.00
		003077747	H	AMERICAN LEGISLATIVE EXCHANGE	03	46007	2,500.00
		003078552	A	MIAMI SHORES CHAMBER OF COMM.	01	23729	250.00
		003078626	C	DADE COUNTY PUBLIC SCHOOLS	02	56260	1,500.00
					05	31470	7,260.00
		003078875	F	BEACON COUNCIL	02	59526	25,000.00
					07	42110	6,000.00
		003079377	D	LEAGUE OF WOMEN VOTERS OF	11	47995	200.00
		003079933	B	ACADEMY TROPHIES & AWARDS INC	05	14710	382.66
		003080721	H	MIAMI DADE COMMUNITY COLLEGE	01	28887	5,000.00
		003080907	C	HYATT REGENCY	01	23128	295.03
		003081000	F	BOARD OF COUNTY COMMISSIONERS	07	04093	4,900.00
		003081302	F	DADE ECONOMIC FORUM	01	18395	500.00
		003082321	E	PACE, INC.	05	F2464	700.00
						27265	500.00
					10	F2756	700.00
						22861	450.00
					11	54639	500.00
		003082455	A	ACME PRESS	02	00691	400.00
		003082880	&	JACKSONVILLE CHAMBER OF COMM	07	18319	1,000.00
		003083237	B	TROPICAL AUDUBON SOCIETY INC	01	44712	3,000.00
		003083394	A	ECONOMIC DEVELOPMENT	01	22247	600.00
		003084264	E	ACTOR'S PLAYHOUSE	07	20740	500.00
		003084416	A	X-ALBERTSONS	02	55750	20.83
		003084779	B	PANTHEONS RESTAURANT	02	53060	90.40
		003084819	F	ST THOMAS MORE PARISH	08	41871	100.00
		003085146	C	HEMISPHERIC CONGRESS	09	45934	9,000.00
		003085866	F	POMPANO ECONOMIC GROUP	08	44953	600.00
		003085910	B	MIAMI SPRINGS CHAMBER OF COMM	11	38375	100.00
		003086033	B	RIBBON 'N THINGS WHOLSALE	10	14084	499.10
					11	47894	285.20
		003086265	H	WINTERFEST, INC.	05	30140	10,000.00
		003086373	B	GREATER KEY WEST/THE	10	14375	500.00
		003086736	&	BROWARD DAY TALLAHASSEE	01	44715	4,300.00
		003086867	C	HIALEAH HOUSING AUTHORITY	07	16025	800.00
		003086984	F	BIG BOWL CHARITY FUND, INC.	02	03125	5,000.00
		003087225	C	MIAMI COALITION FOR A/THE	04	57684	10,000.00
		003087335	&	CENTRAL PALM BCH COUNTY	02	58328	1,000.00
					11	47901	800.00
		003087977	I	GREATER MIAMI NEIGHBORHOODS	02	07179	7,500.00
		003088005	B	CITY OF BOYNTON BEACH	02	47190	1,000.00
		003088380	E	CORAL GABLES EXECUTIVE/THE	02	56264	702.51
		003088419	A	SUNRISE SYMPHONIC POPS	02	53222	200.00
		003088567	C	COUNCIL FOR ECONOMIC	06	42947	10,000.00

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

ACCOUNT	EXTC	PAYEE	CD	NAME	MO	SER #	AMOUNT
67289000	438	003088725	A	FLORIDA REGIONAL MINORITY	04	03159	500.00
		003088778	&	BETHUNE ELEMENTARY	05	30151	500.00
		003088850	G	METROPOLITAN DADE COUNTY PARK	05	29537	1,500.00
		003088881	B	DELRAY CITIZENS FOR DELRAY	08	28492	300.00
		003088897	H	WOMEN'S EXECUTIVE CLUB	07	13360	100.00
		003088996	H	PATCH REEF PARK TENNIS CENTER	07	22620	500.00
		003089020	F	GREATER FT LAUDERDALE CHAMBER	05	29536	2,250.00
					09	48494	690.00
					11	35815	250.00
		003089055	B	ORMOND BEACH CHAMBER OF	02	55712	342.00
					12	16012	90.00
						57930	310.50
		003089065	A	CITY OF HIALEAH	05	33413	500.00
		003089131	A	JAX PRIDE	03	49687	50.00
		003089231	I	KEY BISCAYNE CHAMBER OF	06	42948	200.00
		003089286	C	LEADERSHIP SOUTH DADE	12	15701	500.00
		003089294	G	CENTURY VILLAGE COFFEE SHOP	02	56263	1,272.00
		003089326	G	GREATER MIAMI CHAMBER OF COMM	07	05938	1,000.00
		003089471	A	COUNCIL PRESIDENT INSTALLATION	07	20605	500.00
		003089559	C	GRIFFIN DISCOUNT TROPHIES	06	51037	457.96
		003089935	E	GRASSY WATERS FESTIVAL	10	34115	500.00
		003089937	A	GREATER ORLANDO CHAMBER OF	05	32554	7,000.00
		003090061	G	HERNANDO COUNTY AIR FESTIVAL	06	30675	500.00
		003090159	I	NECA PORTABLE CHEMICAL TOILETS	01	42611	440.00
					03	40075	220.00
					04	03118	110.00
					05	29517	110.00
					09	52568	500.00
		003090349	F	COMPASSION NATIONAL CHILDRENS	02	56261	250.00
		003090487	D	GREATER FT LDL CHAMBER OF COMM	04	06549	1,500.00
		003090515	E	OCALA HILTON	09	01969	500.00
		003600767	B	PENSACOLA AREA CHAMBER	11	43008	200.00
		003607136	C	WASHINGTON COUNTY CHAMBER OF	07	11585	200.00
		003609477	I	X-MARTIN COFFEE COMPANY	05	16323	92.65
		003642129	E	SANTA ROSA COUNTY CHAMBER	01	44716	80.00
		003651727	D	FORT ORANGE - SOUTH DAYTONA	03	44099	240.00
					10	00710	240.00
					12	09431	56.00
		003655073	I	TROPHY CENTER/TPL	04	06554	27.16
		003656095	A	FLORIDA CITRUS SPORTS ASSO INC	07	07669	500.00
		003657508	D	ECONOMICS CLUB OF ORLANDO	09	04523	662.50
		003660309	&	AWARDS UNLIMITED	03	27346	607.05
		003660823	K	A-1 AWARDS COMPANY	03	46008	62.60
		003704453	D	CITY OF FORT LAUDERDALE	05	14717	400.00
		003704836	&	TRI CITY CHAMBER OF COMMERCE	04	01205	250.00

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

ACCOUNT	EXTC	PAYEE	CD	NAME	MO	SER #	AMOUNT
67289000	438	003704836	K	TRI CITY CHAMBER OF COMMERCE	12	07173	750.00
		003740376	C	GREATER DEERFIELD BEACH CHAM-	06	40088	395.00
		003747829	E	DILLARD HIGH SCHOOL	02	55008	216.75
					12	59921	366.30
		003747893	&	CITY OF VERO BEACH	07	05940	500.00
		004059578	G	ARA SERVICES INC	04	06551	500.00
		004062659	K	MEMORIAL HOSPITAL	11	48279	500.00
				LOPEZ,OSCAR D	07	T0998	217.50
				PASSMORE,CHARLES E	09	55566	305.56
				NELSON,CHARLES C	06	52273	1,649.45
				BRANIGAN,MICHAEL W	03	50457	578.76
					04	T3894	100.00
				BEATTY,ROBERT E	08	55003	240.00
	441	000067629	F	PIZZA HUT SE REGION	07	10428	196.28
		003080011	D	X-HIALEAH CHAMBER OF COMMERCE	02	55004	5,000.00
	442	003061163	F	HIALEAH CHAMBER OF COMMERCE	05	31469	5,000.00

*TOTAL ACCOUNT 67289000 632,106.53

TOTAL 632,852.78

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Schedule 4

REQUEST: Did Southern Bell of Florida incur any severance pay associated with early retirement of employees or termination of employees due to office consolidations or implementation of any cost savings programs in 1991? If so, identify the total company and intrastate amount. Provide the company's requested rate-making treatment of this expense, if any exists.

RESPONSE: Yes. Southern Bell operations in Florida incurred expenses in connection with its Voluntary Enhanced Early Retirement (VEER) Programs in 1991. The following costs were incurred:

	Florida Combined	Florida Intrastate
VEER 1991	$12,627,603	$ 9,627,524
VEER 1991 Relocation	5,259,739	4,010,125
VEER 1990 (True-Up)	47,100	35,910
TOTAL	$17,934,442	$13,673,559

The above costs are necessary and prudent costs of our business. As they are necessary and prudent costs, Southern Bell has included these costs in its operating expenses for calendar year 1991.

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 West Peachtree Street
Atlanta, Georgia 30375

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Schedule 9

REQUEST: Please provide the following monthly data for each separate type of self-funded reserve for claims and damages from January 1988 to present and provide updates as additional data become available.

a. Accruals
b. Actual Claims
c. Balance

RESPONSE: a. The Company does not record accruals for self-funded reserves for claims and damages.

b. The following amounts are for Florida claims paid during 1988 through May, 1992. The amounts are listed by type of claim for 1988 and 1989. Subsequent to 1989, only total claims amounts are available.

1988	Motor Vehicle	Motor Vehicle Related Personal Injury	Personal Injury	Property Damage	Vendor	Other
January	$ 5,780	$10,370	$22,375	$ 8,318	$3,600	$ --
February	9,935	120	--	10,100	--	232
March	22,043	1,000	50	23,088	--	--
April	8,579	5,621	15,931	13,437	--	--
May	10,154	--	3,500	8,536	--	--
June	12,481	--	1,701	10,397	1,612	--
July	3,495	--	--	7,693	--	--
August	13,284	--	--	10,841	--	318
September	12,604	--	--	5,990	47	--
October	17,471	--	--	8,010	4,523	--
November	9,133	--	--	7,221	--	--
December	3,398	--	--	9,181	--	--

1989	Motor Vehicle	Motor Vehicle Related Personal Injury	Personal Injury	Property Damage	Vendor	Other
January	$ 4,673	$ --	$ --	$12,405	$ --	$ --
February	9,277	--	--	5,519	--	--
March	3,957	--	--	17,893	--	--
April	11,638	--	--	10,871	--	--
May	7,324	--	--	9,134	3,225	--
June	6,600	--	--	7,224	--	--
July	9,108	--	--	7,315	--	--
August	14,566	--	--	12,370	1,910	127
September	9,278	17,250	2,400	12,715	--	--
October	15,034	--	-600	8,485	2,500	--
November	16,355	125	--	3,590	--	--
December	1,740	--	--	8,961	--	--

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1990	Total Only
January	$188,717
February	9,653
March	25,493
April	36,131
May	38,460
June	104,830
July	58,760
August	23,088
September	5,676
October	14,096
November	41,209
December	303,140

1991	Total Only
January	$ 37,380
February	47,887
March	109,766
April	31,370
May	53,971
June	56,443
July	67,416
August	44,800
September	43,402
October	92,098
November	*
December	*
Total	$698,657

*Individual numbers & dollars for November & December not available, but "Total" includes all 12 months.

1992	Total Only
January	$ 98,689
February	42,375
March	19,597
April	46,892
May	34,869*
June	
July	
August	
September	
October	
November	
December	

*No figures available past 5/25 (Date of conversion to new system which is not yet fully operational)

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The following amounts represent claims settlements handled by the Legal Department for 1988 through May, 1992.

1988		1990	
January	$ 62,000	January	$ 13,400
February	87,900	February	(18,600)
March	57,300	March	155,000
April	15,000	April	47,500
May	1,300	May	81,800
June	65,400	June	149,500
July	63,700	July	421,600
August	2,000	August	41,500
September	5,000	September	506,300
October	95,200	October	20,000
November	192,600	November	16,000
December	61,000	December	451,000
TOTAL	$ 708,400	TOTAL	$1,885,000

1989		1991	
January	$ 100	January	$ 198,000
February	8,600	February	22,200
March	617,800	March	23,300
April	121,500	April	198,500
May	113,700	May	30,900
June	216,500	June	112,100
July	120,500	July	91,600
August	35,500	August	528,900
September	95,500	September	159,000
October	15,700	October	1,029,600
November	328,500	November	352,500
December	42,500	December	316,000
TOTAL	$1,716,400	TOTAL	$3,062,600

1992	
January	$ 79,000
February	177,100
March	89,700
April	6,600
May	98,200

c. Because there are no accruals, there is no reserve balance.

INFORMATION PROVIDED BY: H. A. Paisant
Operations Manager
675 West Peachtree Street
Atlanta, Georgia 30375

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Schedule 10

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Citizens' 8th Interrogatories
June 16, 1992
Item No. 188

REQUEST:

Please provide the annual level of outside services expense from 1988 through 1991 and the amount included in cost of service.

RESPONSE:

Although it is unclear from the broad term "outside services expense" precisely what is meant by the question, Southern Bell is providing expense for contracted services including fee payments for surveys and appraisals; contracted labor for repair and upkeep of furniture, office equipment, and EDP equipment; and contracted plant labor and engineering work. The amounts included in operating expense for 1988 through 1991 are shown below (in thousands):

	Total	Intrastate Expense
1988	$100,116	$67,803
1989	93,405	60,455
1990	91,709	59,833
1991	109,323	72,121

INFORMATION PROVIDED BY:

H. A. Paisant
Operations Manager
675 W. Peachtree Street
Atlanta, Georgia 30375

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CERTIFICATE OF SERVICE
DOCKET NO. 920260-TL

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S. Mail or hand-delivery to the following parties on this 18th day of December, 1992.

Marshall Criser, III
BellSouth Telecommunications, Inc. (Southern Bell Telephone & Telegraph Company)
150 S. Monroe St., Suite 400
Tallahassee, FL 32301

Harris B. Anthony
BellSouth Telecommunications, Inc. (Southern Bell Telephone & Telegraph Company)
150 W. Flagler St., Suite 1910
Miami, FL 33130

Robin Norton
Division of Communications
Fla. Public Service Commission
101 East Gaines Street
Tallahassee, FL 32301

Doug Lackey
BellSouth Telecommunications, Inc. (Southern Bell Telephone & Telegraph Company)
4300 Southern Bell Center
Atlanta, GA 30375

Mike Twomey
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Angela Green
Division of Legal Services
Fla. Public Service Commission
101 East Gaines Street
Tallahassee, FL 32301

Edward Paschall
Florida AARP Capital City Task Force
1923 Atapha Nene
Tallahassee, FL 32301

The American Association of Retired Persons
c/o Bill L. Bryant, Jr.
Foley & Lardner
215 S. Monroe St., Suite 450
P.O. Box 508
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MCI Center
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Lance C. Norris, President
Florida Pay Telephone Assn., Inc.
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Charles J. Beck

Charles J. Beck
Deputy Public Counsel