

1 SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
2 REBUTTAL TESTIMONY OF WALTER S. REID
3 BEFORE THE
4 FLORIDA PUBLIC SERVICE COMMISSION
5 DOCKET NO. 920260-TL
6 DECEMBER 18, 1992

ORIGINAL
FILE COPY

7
8
9 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
10 POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC.

11
12 A. MY NAME IS WALTER S. REID, AND MY BUSINESS ADDRESS
13 IS 675 WEST PEACHTREE STREET, ATLANTA, GEORGIA. MY
14 POSITION IS DIRECTOR-REGULATORY MATTERS FOR THE
15 COMPTROLLERS DEPARTMENT OF BELLSOUTH
16 TELECOMMUNICATIONS, INC. D/B/A SOUTHERN BELL
17 TELEPHONE AND TELEGRAPH COMPANY (SOUTHERN BELL OR
18 THE COMPANY).

19
20 Q. HAVE YOU FILED DIRECT TESTIMONY IN THIS DOCKET?

21
22 A. YES. I FILED DIRECT TESTIMONY REGARDING THE
23 COMPANY'S HISTORICAL AND GOING LEVEL EARNINGS. I
24 ALSO QUANTIFIED THE FINANCIAL IMPACT OF THE
25 COMPANY'S PROPOSALS IN THIS PROCEEDING.

1

2 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

3

4 A. MY REBUTTAL TESTIMONY WILL RESPOND TO VARIOUS
5 PROPOSALS MADE BY DR. MARVIN H. KAHN, MR. MICHAEL
6 L. BROSCH AND MR. RANDY M. ALLEN IN THEIR DIRECT
7 TESTIMONIES FILED ON BEHALF OF THE OFFICE OF PUBLIC
8 COUNSEL (OPC). THE ISSUES WHICH I ADDRESS
9 PRIMARILY RELATE TO MATTERS THAT IMPACT THE
10 APPROPRIATE GOING LEVEL INTRASTATE EARNINGS FOR
11 SOUTHERN BELL'S FLORIDA OPERATIONS. I ALSO RESPOND
12 TO ISSUES REGARDING SOUTHERN BELL'S ACHIEVED
13 EARNINGS UNDER INCENTIVE REGULATION AND TO THE
14 PROPER PRODUCTIVITY OFFSET FACTOR.

15

16 IN ADDITION, MY REBUTTAL TESTIMONY WILL UPDATE MY
17 PRE-FILED DIRECT TESTIMONY OF JULY 15, 1992, TO
18 RECOGNIZE THE FINANCIAL IMPACT OF EVENTS WHICH HAVE
19 TRANSPIRED SINCE THAT DATE AND TO CORRECT CERTAIN
20 EARNINGS ADJUSTMENTS.

21

22 FINALLY, SINCE THE ISSUES IN THIS DOCKET WERE NOT
23 FINALIZED UNTIL AFTER MY DIRECT TESTIMONY WAS
24 FILED, I AM PROVIDING THE COMPANY'S POSITION ON
25 SEVERAL ISSUES THAT HAVE NOT YET BEEN ADDRESSED.

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REBUTTAL TO TESTIMONY OF OPC WITNESS DR. MARVIN H. KAHN

Q. REGARDING DR. KAHN'S DIRECT TESTIMONY, TO WHICH OF HIS POSITIONS OR PROPOSALS DO YOU INTEND TO RESPOND?

A. I WILL RESPOND TO DR. KAHN'S POSITION THAT SOUTHERN BELL'S ACHIEVEMENTS SINCE 1989 ARE MORE LIKELY ATTRIBUTABLE TO FACTORS EXOGENOUS TO THE COMPANY THAN TO ITS REGULATORY STRUCTURE. IN ADDITION, I WILL ADDRESS HIS SUGGESTION OF A PRODUCTIVITY OFFSET FACTOR OF NO LESS THAN 5.6 PERCENT PLUS A PRODUCTIVITY DRIVER.

Q. DO YOU AGREE WITH DR. KAHN THAT THE COMPANY HAS FAILED TO LINK ITS ACHIEVEMENTS WITH INCENTIVE REGULATION?

A. NO. THE COMPANY'S EVIDENCE PROVIDES REASONABLE ASSURANCE THAT THE INCENTIVE PLAN IS WORKING. IT IS IMPOSSIBLE FOR THE COMPANY TO RE-LIVE THE TIME PERIOD 1988-1992 UNDER A TRADITIONAL FORM OF REGULATION IN ORDER TO QUANTIFY HOW MUCH BETTER WE

1 WERE UNDER INCENTIVE REGULATION. THE EXPECTATIONS
2 THAT IT SHOULD PRODUCE BETTER RESULTS, THE
3 FAVORABLE REVENUE REQUIREMENT PER ACCESS LINE TREND
4 THAT HAS BEEN PRODUCED, AND THE NUMEROUS PROJECTS
5 THAT HAVE BEEN UNDERTAKEN PROVIDE THE PRACTICAL
6 PROOF THAT IS REQUIRED.

7
8 COMPANY WITNESS TONY LOMBARDO PRESENTED EVIDENCE IN
9 HIS DIRECT TESTIMONY OF EXAMPLES OF SPECIFIC
10 PROJECTS WHICH HAVE BEEN UNDERTAKEN THAT EITHER
11 REDUCE COSTS OR STIMULATE REVENUE. THE VALUE OF
12 THESE PROJECTS WAS QUANTIFIED AND REPORTED BY MR.
13 LOMBARDO IN HIS TESTIMONY. IN ADDITION, I HAVE
14 DEMONSTRATED ON REID EXHIBIT WSR-7, REID EXHIBIT
15 WSR-8 AND REID EXHIBIT WSR-9 OF MY TESTIMONY THAT
16 THE COMPANY'S OVERALL INTRASTATE REVENUE
17 REQUIREMENT PER ACCESS LINE SERVED HAS DECLINED
18 SIGNIFICANTLY DURING THE PERIOD OF INCENTIVE
19 REGULATION. THIS DEMONSTRATES THAT THE SPECIFIC
20 PROJECTS MENTIONED BY MR. LOMBARDO PLUS THE
21 INDIVIDUAL DECISIONS MADE BY EVERY EMPLOYEE OF THE
22 COMPANY ON A DAY TO DAY BASIS ARE LEADING TO
23 DEFINITE QUANTIFIABLE IMPROVEMENTS IN THE COMPANY'S
24 INTRASTATE COST OF SERVICE IN FLORIDA.

25

1 Q. HOW DO YOU RESPOND TO DR. KAHN'S ASSERTION THAT YOU
2 BELIEVE THAT THE TREND IN REVENUE REQUIREMENTS PER
3 ACCESS LINE HAS BEEN DRIVEN LARGELY BY CHANGES
4 EXOGENOUS TO COMPANY OPERATIONS?

5
6 A. DR. KAHN IS MISTAKEN IN CONCLUDING THAT I BELIEVE
7 THE COMPANY'S IMPROVED COST OF SERVICE IS DUE TO
8 EXOGENOUS EVENTS. IN FACT, I MAKE THE POINT THAT
9 THE COMPANY HAS BEEN ABLE TO ACHIEVE REDUCED LEVELS
10 OF COST OF SERVICE IN SPITE OF JURISDICTIONAL COST
11 OF SERVICE SHIFTS FROM INTERSTATE TO INTRASTATE
12 OPERATIONS. I ALSO POINT OUT THAT THE INCENTIVE
13 PLAN UNDER DOCKET NO. 880069-TL REQUIRED THAT
14 EXOGENOUS EVENTS GREATER THAN \$3 MILLION BE
15 IDENTIFIED AND REPORTED ON THE COMPANY'S
16 SURVEILLANCE REPORT. A REVIEW OF THE SURVEILLANCE
17 REPORTS FOR 1988-1991 SHOWS THAT THE NET OF
18 EXOGENOUS EVENTS INCREASED THE COMPANY'S COSTS
19 DURING THIS PERIOD.

20
21 Q. IS DR. KAHN CORRECT IN HIS STATEMENT THAT THE TAX
22 REFORM ACT OF 1986 REDUCED SOUTHERN BELL'S
23 INTRASTATE REVENUE REQUIREMENT BY \$98 MILLION OR
24 \$25 PER ACCESS LINE (KAHN PAGE 13, LINE 8)?

25

1 A. YES. HOWEVER, WHAT HE FAILED TO RECOGNIZE IS THAT
2 THE NET INCREASE IN REVENUE REQUIREMENTS RELATED TO
3 THE JURISDICTIONAL SEPARATIONS SHIFTS FOR THE
4 SUBSCRIBER PLANT FACTOR (SPF), THE DIAL EQUIPMENT
5 MINUTES FACTOR (DEM), AND RECOVERIES FROM THE
6 UNIVERSAL SERVICE FUND (USF), MORE THAN OFFSET THE
7 REDUCED COSTS ASSOCIATED WITH THE TAX REFORM ACT.
8 DUE TO THESE JURISDICTIONAL SEPARATIONS ISSUES,
9 ANNUAL INTRASTATE COST OF SERVICE WAS IMPACTED BY
10 \$139 MILLION OR \$32 PER ACCESS LINE BETWEEN 1986
11 AND 1991. THIS MEANS THAT THE DROP IN SOUTHERN
12 BELL'S COSTS PER ACCESS LINE FROM \$522 IN 1986 TO
13 \$502 IN 1991 WAS NOT DUE TO THE EXTERNAL FACTOR OF
14 A TAX REDUCTION. THE TAX REDUCTION OF \$25 PER
15 ACCESS LINE MERELY REDUCED THE IMPACT OF A
16 FEDERALLY MANDATED SHIFT IN COSTS OF \$32 PER ACCESS
17 LINE TO THE INTRASTATE JURISDICTION FROM THE
18 INTERSTATE JURISDICTION.

19

20 Q. IS DR. KAHN CORRECT IN OBSERVING AT PAGE 13, LINE
21 13 THAT THE COMPANY'S ADOPTION OF PART 32
22 ACCOUNTING PROCEDURES IN 1988 RESULTED IN AN
23 INITIAL INCREASE IN REVENUE REQUIREMENTS, BUT WOULD
24 SUBSEQUENTLY CREATE A DOWNWARD TREND AND EXPLAIN
25 PART OF THE COMPANY'S IMPROVED RESULTS BETWEEN 1988

1 AND 1991?

2

3 A. I AGREE THAT, RELATIVE TO A CONTINUATION OF THE
4 PART 31 CAPITALIZATION POLICIES, THE ADOPTION OF
5 PART 32 AS PRESCRIBED BY THE FCC DID CREATE AN
6 INCREASED INITIAL REVENUE REQUIREMENT THAT WOULD
7 TREND DOWNWARD OVER TIME WHEN MEASURED AGAINST THE
8 REVENUE REQUIREMENT POSITION THAT THE COMPANY
9 THEORETICALLY WOULD HAVE EXPERIENCED UNDER PART 31
10 PROCEDURES. THIS DOES NOT MEAN THAT EACH
11 SUBSEQUENT YEAR UNDER PART 32 ACCOUNTING WILL
12 PRODUCE A LOWER REVENUE REQUIREMENT THAN THE
13 PREVIOUS YEAR. IT ONLY MEANS THAT RELATIVE TO
14 MAINTAINING THE OLD PROCEDURE WE ARE IMPROVING
15 EVERY YEAR.

16

17 THE COMPANY PROVIDED AN ESTIMATE OF THE REVENUE
18 REQUIREMENT IMPACTS OF ADOPTING PART 32 IN RESPONSE
19 TO A PRODUCTION OF DOCUMENTS REQUEST IN DOCKET NO.
20 880069-TL. BASED ON THE COMBINED AMOUNTS WHICH
21 WERE PROVIDED, I DETERMINED THAT THE INCREMENTAL
22 INTRASTATE REVENUE REQUIREMENT IMPACT WAS AN
23 INCREASE OF \$34.7 MILLION FOR 1988. THE
24 INCREMENTAL IMPACT MEASURED AGAINST CONTINUING PART
25 31 ACCOUNTING DROPPED TO \$9.6 MILLION BY 1991. IT

1 SHOULD BE NOTED THAT EVEN THOUGH THE INCREMENTAL
2 IMPACT DROPPED, IT WAS STILL AN INCREASE IN REVENUE
3 REQUIREMENTS OF \$9.6 MILLION RELATIVE TO THE
4 PART 31 ACCOUNTING PROCEDURES WHICH WERE IN EFFECT
5 IN 1986. THIS WOULD INDICATE THAT ADOPTING PART 32
6 WAS NOT THE REASON SOUTHERN BELL ACHIEVED AN
7 IMPROVEMENT IN COST OF SERVICE OF \$20 PER ACCESS
8 LINE BETWEEN 1986 AND 1991.

9
10 RELATED TO THE ADOPTION OF PART 32, THE UNIFORM
11 SYSTEM OF ACCOUNTS REWRITE (USOAR), DR. KAHN HAS
12 ALSO FAILED TO RECOGNIZE THAT THE FLORIDA
13 COMMISSION DID NOT ADOPT PART 32 WITHOUT CHANGE.
14 THE COMMISSION ORDERED AN AMORTIZATION PROCEDURE
15 FOR CERTAIN GENERAL SUPPORT ASSET ACCOUNTS ALONG
16 WITH ITS ADOPTION OF USOAR. SINCE SOUTHERN BELL'S
17 BUDGET THAT WAS USED TO SET RATES IN DOCKET NO.
18 880069-TL DID NOT ANTICIPATE THE FLORIDA
19 COMMISSION'S VARIANCE FROM PART 32, THIS EVENT HAS
20 BEEN REPORTED ON THE COMPANY'S SURVEILLANCE REPORTS
21 AS AN EXOGENOUS ITEM. A REVIEW OF THE SURVEILLANCE
22 REPORTS FOR 1988 THROUGH 1991 SHOWS THAT THE
23 REVENUE REQUIREMENT INCREASE FOR THIS ITEM TRENDS
24 UPWARD FROM \$5 MILLION IN 1988 TO \$12 MILLION IN
25 1991. THIS TREND IN REVENUE REQUIREMENTS IS IN THE

1 OPPOSITE DIRECTION OF THE ONE DR. KAHN WAS
2 EXPECTING AND FURTHER DISPROVES HIS THEORY THAT OUR
3 ACHIEVEMENTS ARE DUE TO EXOGENOUS EVENTS.

4

5 Q. DO YOU AGREE WITH DR. KAHN'S FINAL EXOGENOUS FACTOR
6 THAT TECHNOLOGICAL CHANGE HAS OUTPACED INFLATION?

7

8 A. NO. I DO NOT AGREE THAT TECHNOLOGICAL ADVANCEMENT
9 IS A VALID EXOGENOUS EVENT. IN THE FIRST PLACE,
10 THE COMPANY CONTROLS THE TYPES OF TECHNOLOGY IT
11 UTILIZES IN ITS NETWORK, THE SPEED AT WHICH IT
12 DISPERSES VARIOUS TECHNOLOGIES AND THE INTERACTION
13 OF ITS LABOR FORCE WITH NEW TECHNOLOGIES AND
14 SUPPORT SYSTEMS. THE USE OF TECHNOLOGY IS
15 CERTAINLY DEPENDENT ON MANAGEMENT DECISION MAKING,
16 COMMITMENT OF INVESTOR CAPITAL AND TRAINING AND
17 DEVELOPMENT OF A SKILLED EMPLOYEE WORK FORCE. THE
18 PERCEPTION OF TECHNOLOGICAL ADVANCEMENT AS AN
19 EXOGENOUS FACTOR IS EXTREMELY SPECULATIVE AND NOT
20 SUBJECT TO QUANTIFICATION.

21

22 Q. WHAT RESPONSE DO YOU HAVE TO DR. KAHN'S ASSERTION
23 BEGINNING AT PAGE 14, LINE 23 THAT FLORIDA'S TREND
24 IN REVENUE REQUIREMENT PER ACCESS LINE IS MERELY
25 REFLECTIVE OF THE NATION-WIDE TREND?

1

2 A. THE NATION-WIDE DATA WHICH DR. KAHN ATTEMPTS TO
3 CORRELATE TO FLORIDA AND EXPLAIN AWAY THE COMPANY'S
4 IMPROVEMENTS PROVIDES LITTLE INSIGHT INTO THE
5 ISSUE. WE DON'T KNOW ENOUGH ABOUT THE UNDERLYING
6 FACTS ASSOCIATED WITH THE NATION-WIDE DATA TO
7 JUSTIFY THE DISMISSAL OF CLEARLY QUANTIFIABLE
8 IMPROVEMENTS IN FLORIDA RESULTS.

9

10 I HAVE EXPLAINED THAT EXOGENOUS FACTORS ARE NOT THE
11 REASON WHY THE COMPANY HAS BEEN ABLE TO ACHIEVE ITS
12 IMPROVED COST OF SERVICE RESULTS. I WOULD ALSO
13 NOTE THAT THE JURISDICTIONAL SEPARATIONS SHIFTS
14 TO WHICH I REFERRED DO NOT HAVE THE SAME IMPACT ON
15 EVERY COMPANY OR STATE. IN SOME STATES ACROSS THE
16 NATION, COMPANIES WILL ACTUALLY SEE A REDUCTION IN
17 INTRASTATE REVENUE REQUIREMENTS DUE TO THE SPF
18 SEPARATIONS CHANGE. FLORIDA IS ONE OF THE STATES
19 WHICH HAS THE HIGHEST SHIFT OF COSTS TO INTRASTATE
20 DUE TO THE SPF CHANGE. THE FACT THAT SOUTHERN BELL
21 HAS BEEN ABLE TO ACHIEVE THESE IMPROVED RESULTS
22 THROUGH ITS OWN EFFORTS IS A FAIR CONCLUSION WHEN
23 ALL THE EVIDENCE IS CONSIDERED.

24

25 FURTHER SUBSTANTIATING THE CONCLUSION THAT SOUTHERN

1 BELL'S RESULTS ARE NOT MERELY A PART OF A
2 NATION-WIDE TREND IS THE FACT THAT, OF THE 4
3 LARGEST TELEPHONE COMPANIES IN FLORIDA, SOUTHERN
4 BELL IS THE ONLY ONE THAT IS PROPOSING TO REDUCE
5 RATES. SOUTHERN BELL IS ALSO THE ONLY ONE
6 OPERATING UNDER INCENTIVE REGULATION. THE OTHER 3
7 COMPANIES WERE BEFORE THE COMMISSION IN 1991 AND
8 1992 SEEKING TO INCREASE RATES.

9
10 Q. WHAT ARE SOME OF THE REASONS GIVEN BY THE OTHER
11 THREE LARGE TELEPHONE COMPANIES IN FLORIDA FOR
12 THEIR NEED TO INCREASE RATES?

13
14 A. AMONG THE PRIMARY REASONS GIVEN BY THESE COMPANIES
15 IN THEIR FILINGS WITH THE COMMISSION WERE THE
16 INCREASES IN INTRASTATE COSTS CAUSED BY THE
17 SEPARATIONS SHIFTS TO THE INTRASTATE JURISDICTION
18 AND THE IMPLEMENTATION OF STATEMENT OF FINANCIAL
19 ACCOUNTING STANDARDS NO. 106. SOUTHERN BELL IS
20 ALSO FACED WITH THESE TYPES OF COST INCREASES.

21
22 Q. WHAT RESPONSE DO YOU HAVE TO DR. KAHN'S USE OF
23 COMPANY WITNESS JOHN MCCLELLAN'S ATTRITION STUDY
24 RESULTS TO SUPPORT A SUGGESTED MINIMUM PRODUCTIVITY
25 OFFSET OF 5.6 PERCENT (KAHN PAGE 32, LINE 16)?

1
2 A. THE COMPANY DID RELY ON MR. MCCLELLAN'S ATTRITION
3 STUDY AS PART OF THE RATIONALE FOR THE SELECTION OF
4 A 4 PERCENT PRODUCTIVITY OFFSET FACTOR. USING THE
5 SAME BASIC LOGIC THAT DR. KAHN EMPLOYED IN
6 CALCULATING HIS SUGGESTED 5.6 PERCENT PRODUCTIVITY
7 OFFSET FACTOR FROM MR. MCCLELLAN'S STUDY, THE
8 COMPANY DETERMINED THAT A REASONABLE PRODUCTIVITY
9 OFFSET FOR THE HISTORICAL PERIOD STUDIED WAS
10 APPROXIMATELY 4 PERCENT WHEN THE IMPACTS OF THE
11 JURISDICTIONAL SEPARATIONS SHIFTS FOR SPF AND DEM
12 WERE OVERLAID ON MR. MCCLELLAN'S STUDY. THE
13 IMPACTS OF SPF AND DEM LOWER DR. KAHN'S CALCULATED
14 5.6 PERCENT BY APPROXIMATELY 1.5 PERCENT TO 4.1
15 PERCENT. MR. MCCLELLAN'S ATTRITION STUDY WAS
16 CALCULATED TO SPECIFICALLY EXCLUDE THE ANNUAL
17 EFFECT CAUSED BY THE SPF AND DEM CHANGES BECAUSE I
18 INCLUDED THESE FINANCIAL IMPACTS IN SPECIFIC
19 PROFORMA ADJUSTMENTS IN MY TESTIMONY.
20
21 I RECOGNIZE THAT AFTER 1993 THE SPF AND DEM FACTOR
22 CHANGES WILL BE COMPLETE. FOR 1994 AND THEREAFTER,
23 EVEN THOUGH THE COMPANY WILL NOT HAVE TO OVERCOME A
24 CONTINUED SHIFT OF REVENUE REQUIREMENTS TO
25 INTRASTATE FOR SPF AND DEM, IT WILL BE FACED WITH

1 MORE AND MORE COMPETITION FOR THE LUCRATIVE PARTS
2 OF ITS BUSINESS AND MOST LIKELY COULD NOT MAINTAIN
3 A PRODUCTIVITY OFFSET OF 5.6 PERCENT. I ALSO
4 RECOGNIZE THAT THE COMPANY PROBABLY BENEFITED
5 DURING THE PERIOD MR. MCCLELLAN STUDIED DUE TO
6 STIMULATION FROM THE RATE REDUCTIONS ASSOCIATED
7 WITH DOCKET NO. 880069-TL AND FROM THE FACT THAT IT
8 WAS OPERATING UNDER INCENTIVE REGULATION. BOTH OF
9 THESE FACTORS WOULD HAVE CAUSED A PRODUCTIVITY
10 OFFSET CALCULATED FROM MR. MCCLELLAN'S STUDY TO BE
11 SOMEWHAT OVERSTATED. MOREOVER, IT WOULD NOT BE
12 REASONABLE TO SET THE PRODUCTIVITY OFFSET SO HIGH
13 THAT IT WOULD CAPTURE ALL THE INCREASED
14 PRODUCTIVITY GENERATED BY INCENTIVE REGULATION OR
15 THE COMPANY HAS NO INCENTIVE TO PARTICIPATE IN THE
16 PLAN.

17
18 THE COMPANY'S SELECTION OF A 4 PERCENT PRODUCTIVITY
19 OFFSET FACTOR IS NOT MODEST AS DR. KAHN SUGGESTS
20 BUT IS AN AGGRESSIVE GOAL THAT WILL PROVIDE
21 SIGNIFICANT BENEFITS TO THE COMPANY'S RATEPAYERS.
22 AS COMPANY REBUTTAL WITNESS DR. BILL TAYLOR HAS
23 TESTIFIED, HISTORICAL EVIDENCE WOULD INDICATE THAT
24 TELEPHONE COMPANY TOTAL FACTOR PRODUCTIVITY GROWTH
25 APPEARS TO EXCEED NATIONAL AVERAGE TOTAL FACTOR

1 PRODUCTIVITY GROWTH BY ABOUT ONLY 2 PERCENTAGE
2 POINTS PER YEAR. DR. TAYLOR CLEARLY EXPLAINS WHY
3 IT IS NOT REASONABLE TO EXPECT THAT A TELEPHONE
4 COMPANY WILL BE ABLE TO SUSTAIN A PRODUCTIVITY
5 OFFSET FACTOR GREATER THAN 4 PERCENT FOR ANY
6 EXTENDED PERIOD OF TIME. THE COMPANY'S PROPOSAL,
7 WHICH GIVES RATEPAYERS AN OVERALL 4 PERCENT ANNUAL
8 REDUCTION RELATIVE TO INFLATION, IS CERTAINLY
9 AMBITIOUS.

10

11 Q. DO THE COMPANY'S PROPOSED RATE REDUCTIONS FOR 1993
12 AND 1995 GIVE RATEPAYERS AN EVEN FURTHER BENEFIT?

13

14 A. YES. IN ADDITION TO PROPOSING THE PRICE REGULATION
15 PLAN FORMULA WITH A 4 PERCENT PRODUCTIVITY OFFSET,
16 THE COMPANY IS PROPOSING OTHER SPECIFIC RATE
17 REDUCTIONS IN 1993 AND 1995 WHICH REDUCE REVENUES
18 FROM YEAR TO YEAR IN 1993, 1994 AND 1995. THESE
19 PROPOSED REDUCTIONS ARE OVER AND ABOVE THE CHANGES
20 THAT WOULD BE GENERATED BY THE PRICE REGULATION
21 FORMULA. THE PROPOSED RATE REDUCTIONS MAKE THE
22 COMPANY'S PROPOSAL EFFECTIVELY EQUATE TO A 4.7
23 PERCENT OFFSET BENEFIT RELATIVE TO INFLATION IN
24 1994 AND A 4.8 PERCENT OFFSET IN 1995. THESE
25 EFFECTIVE PRODUCTIVITY OFFSETS AGAINST INFLATION

1 ARE IN THE RANGE OF THE PRODUCTIVITY OFFSET
2 PROPOSED BY DEPARTMENT OF DEFENSE WITNESS CHARLES
3 W. KING IN HIS DIRECT TESTIMONY IN THIS DOCKET.

4
5 Q. DOES DR. KAHN'S PRICE CAP SIMULATION BACKCAST
6 ANALYSIS SHOWN ON EXHIBIT (MHK-5) PROVE THAT
7 RATEPAYERS FARED BETTER IN THE PAST WITH
8 TRADITIONAL RATE OF RETURN REGULATION THAN THEY
9 WOULD HAVE FARED WITH THE PROPOSED PRICE REGULATION
10 FORMULA?

11
12 A. NO. DR. KAHN'S PRICE CAP SIMULATION BACKCAST
13 ANALYSIS IS MISLEADING AND BASED ON ERRONEOUS DATA.
14 HE APPARENTLY SECURED HIS INFORMATION FROM THE
15 COMPANY'S RESPONSE TO A PRODUCTION OF DOCUMENTS
16 REQUEST WHICH ASKED FOR ALL DOCUMENTS THAT DEALT
17 WITH PRODUCTIVITY. THE COMPANY PROVIDED, AMONG
18 OTHER DOCUMENTS, A PRELIMINARY BACKCAST ANALYSIS
19 WHICH IT HAD PREPARED BASED ON 1970-1991
20 INFORMATION. THE COMPANY'S ANALYSIS HAD INDICATED
21 THAT A PRODUCTIVITY OFFSET OF APPROXIMATELY 3.85
22 PERCENT WOULD HAVE BEEN A BREAK EVEN AMOUNT FOR THE
23 HISTORICAL PERIOD BASED ON ORDERED PRICE CHANGES.
24 THERE WERE CLEAR INDICATIONS IN THE PRODUCTION OF
25 DOCUMENTS RESPONSE THAT THE DATA IN THE ANALYSIS

1 WERE PRELIMINARY AND NEEDED TO BE VERIFIED. EVEN
2 THOUGH THE RESULTS SEEMED TO SUPPORT OUR 4 PERCENT
3 PROPOSAL, I REALIZED THAT THE ANALYSIS HAD THE SAME
4 FLAW THAT DR. KAHN MENTIONS ON PAGE 36 OF HIS
5 DIRECT TESTIMONY, WHERE HE NOTES THAT THE RESULTS
6 OF TRADITIONAL REGULATION HAVE THE IMPACT OF
7 EXOGENOUS CHANGES, WHEREAS THE COMPARATIVE PRICE
8 REGULATION FORMULA LACKS THE DATA FOR THESE
9 IMPACTS. DUE TO THIS FLAW IN THE ANALYSIS, WHICH I
10 DID NOT BELIEVE COULD BE RESOLVED TO MY
11 SATISFACTION, I CHOSE NOT TO PURSUE IT FURTHER.

12

13 Q. WHY DO YOU SAY HIS BACKCAST ANALYSIS IS MISLEADING?

14

15 A. IN ADDITION TO THE FLAW IN THE ANALYSIS WHICH I
16 PREVIOUSLY MENTIONED, DR. KAHN STATES THAT ONE TEST
17 OF THE REASONABLENESS OF A PRODUCTIVITY OFFSET
18 FACTOR IS WHETHER IT LEAVES RATEPAYERS NO WORSE OFF
19 THAN THEY WOULD BE UNDER RATE OF RETURN REGULATION.
20 IN HIS BACKCAST ANALYSIS, HOWEVER, HE INCLUDES THE
21 RATE REDUCTIONS THAT WERE IMPLEMENTED AS PART OF
22 THE INCENTIVE PLAN UNDER DOCKET NO. 880069-TL.
23 THESE REDUCTIONS WERE NOT DETERMINED THROUGH
24 TRADITIONAL RATE OF RETURN REGULATION WITH
25 REGULATORY LAG INHERENT IN THE PROCESS. THEY WERE

1 SECURED BECAUSE OF THE IMPLEMENTATION OF INCENTIVE
2 REGULATION.

3

4 REBUTTAL TO MR. MICHAEL L. BROSCH'S TESTIMONY

5

6 Q. TURNING TO THE TESTIMONY OF OPC WITNESS MR. MICHAEL
7 L. BROSCH, PLEASE IDENTIFY HIS PROPOSALS TO WHICH
8 YOUR TESTIMONY WILL RESPOND.

9

10 A. MY TESTIMONY RESPONDS TO MR. BROSCH'S PROPOSAL TO
11 DISALLOW OR, IN THE ALTERNATIVE, TO DEFER TO FUTURE
12 PERIODS CERTAIN RESEARCH AND DEVELOPMENT (R&D)
13 COSTS. I ALSO ADDRESS HIS PROPOSAL TO DISALLOW ALL
14 OF BELLSOUTH CORPORATION'S (BSC) ADVERTISING
15 EXPENSES BECAUSE HE BELIEVES THAT THE ADS RELATE
16 ENTIRELY TO CORPORATE IMAGE BUILDING.

17

18 Q. DO YOU DISAGREE WITH MR. BROSCH'S PROPOSAL
19 REGARDING R&D COSTS?

20

21 A. YES. MR. BROSCH PROPOSES THAT \$4,980,292 OF
22 SOUTHERN BELL'S INTRASTATE COSTS RELATED TO CERTAIN
23 R&D PROJECTS BE DISALLOWED OR DEFERRED FOR POSSIBLE
24 FUTURE RECOVERY. I DISAGREE WITH HIS PROPOSAL FOR
25 SEVERAL REASONS. FIRST, GENERALLY ACCEPTED

1 ACCOUNTING PRINCIPLES (GAAP) AND THE UNIFORM SYSTEM
2 OF ACCOUNTS, AS ADOPTED BY THE FLORIDA COMMISSION,
3 REQUIRE THE CURRENT EXPENSING OF R&D COSTS. THE
4 FLORIDA COMMISSION INVESTIGATED THIS ISSUE IN
5 DOCKET NO. 890190-TL AND CONCLUDED ON PAGE 19 OF
6 ORDER NO. 25218 THAT "THE RECORD FROM THIS
7 PROCEEDING SHOWS THAT SOUTHERN BELL COMPLIES WITH
8 GAAP AND PART 32 IN EXPENSING R&D COSTS, RATHER
9 THAN CAPITALIZING...". CURRENT EXPENSING OF THESE
10 COSTS IS REASONABLE BECAUSE THE PURPOSE OF THE
11 ACTIVITY IS THE ADVANCEMENT OF KNOWLEDGE WHICH MAY
12 NOT BE DIRECTLY TRACEABLE TO SPECIFIC FUTURE
13 ACTIVITIES. IT IS NOT REASONABLE TO EXPECT THAT A
14 COMPANY CAN SET ASIDE RESEARCH AND DEVELOPMENT
15 PROJECTS AND LINK THEM TO SPECIFIC FUTURE COST
16 SAVINGS ACTIVITIES OR FUTURE SERVICES.

17
18 SECOND, THE PURPOSE OF THE INCENTIVE PLAN WAS TO
19 GIVE THE COMPANY MORE INCENTIVE TO PROVIDE NEW
20 SERVICES AND TO BE MORE EFFICIENT. THIS
21 DISALLOWANCE PROVIDES A NEGATIVE INCENTIVE FOR THE
22 COMPANY TO PERFORM R&D NECESSARY FOR ITS PROVISION
23 OF NEW SERVICES AND NETWORK EFFICIENCIES.

24
25 NEXT, MR. BROSCHE DOES NOT SPECIFICALLY SAY WHAT

1 ACCOUNTING WOULD RESULT FROM HIS PROPOSED DEFERRAL
2 OF R&D COSTS, BUT HIS REFERENCE TO THE FACT THAT IT
3 IS SOMEWHAT DIFFERENT FROM THE TRADITIONAL
4 CAPITALIZATION OF A REGULATORY ASSET POINTS OUT THE
5 PROBLEM WITH BOOKING THE DEFERRAL. IT IS NOT
6 LIKELY THAT ENOUGH ASSURANCE OF FUTURE RECOVERY
7 EXISTS FOR MR. BROSCHE'S PROPOSED DEFERRAL TO BE
8 RECORDED AS A REGULATORY ASSET. THE COMPANY WOULD
9 THEREFORE EXPERIENCE AN IMMEDIATE EARNINGS
10 REDUCTION DUE TO THE DEFERRAL. HIS SUGGESTION THAT
11 "SIDE RECORDS" BE ESTABLISHED DEMONSTRATES THE
12 ADMINISTRATIVE PROBLEMS WHICH WOULD RESULT IN ORDER
13 TO GIVE THE COMPANY FAIR RECOVERY OF COSTS.

14
15 MR. BROSCHE ALSO HAS FAILED TO RECOGNIZE IN MAKING
16 THIS PROPOSAL THAT THE FLORIDA COMMISSION HAS
17 SIGNIFICANT AUTHORITY IN MAKING DECISIONS ABOUT
18 WHICH SERVICES ARE PROVIDED ON A REGULATED VERSUS A
19 NON-REGULATED BASIS. SOUTHERN BELL CANNOT
20 NECESSARILY ELECT TO RECOVER ITS DISALLOWED R&D
21 COSTS BY DEPLOYING NEW TECHNOLOGY ON A
22 NON-REGULATED BASIS AS SUGGESTED ON PAGE 77 OF
23 MR. BROSCHE'S TESTIMONY.

24
25 FINALLY, R&D COSTS ARE NECESSARY IF SOUTHERN BELL

1 IS TO MAINTAIN A MODERN NETWORK PROVIDING THE
2 SERVICES WHICH FLORIDA CUSTOMERS DEMAND AND IN A
3 TIMELY MANNER. THIS NECESSARILY MEANS LOOKING TO
4 THE FUTURE TO BE PREPARED WITH THE KNOWLEDGE AND
5 EXPERTISE TO DEVELOP AND DEPLOY FUTURE SERVICES
6 WHEN THEY ARE FEASIBLE. CERTAINLY, CURRENT FLORIDA
7 RATEPAYERS ARE BENEFITING BECAUSE OF R&D COSTS
8 EXPENSED BY THE COMPANY IN YEARS PAST. THE AMOUNT
9 OF R&D COSTS IN THE TEST YEAR ARE REASONABLE, ONLY
10 REPRESENTING THREE ONE-HUNDREDTHS OF A PERCENT WHEN
11 RELATED TO INTRASTATE OPERATING REVENUES. MR.
12 BROSCH'S PROPOSED DISALLOWANCE SHOULD THEREFORE, BE
13 REJECTED.

14

15 Q. DO YOU AGREE WITH MR. BROSCH'S PROPOSED
16 DISALLOWANCE OF ALL OF BSC'S ADVERTISING COSTS?

17

18 A. NO. THE PORTION OF THE BSC ADVERTISING COSTS WHICH
19 I HAVE INCLUDED IN COST OF SERVICE IS A REASONABLE
20 ALLOCATION OF THE TOTAL COST TO THE PRODUCT
21 ADVERTISING CATEGORY. BSC ADS DURING THE 1991
22 CAMPAIGN WERE FOCUSED ON INFORMING POTENTIAL
23 CUSTOMERS THAT THEY CAN COME TO BELLSOUTH FOR AN
24 INTEGRATED SOLUTION TO THEIR BUSINESS OR PERSONAL
25 COMMUNICATIONS NEEDS. THE INTENT OF THE ADS WAS

1 OBVIOUSLY TO STIMULATE CUSTOMER DEMAND AND INTEREST
2 IN BELLSOUTH'S ARRAY OF SERVICES INCLUDING ITS
3 REGULATED SERVICES. THE INTENT OF THESE ADS WAS
4 NOT STRICTLY IMAGE BUILDING FOR THE BELLSOUTH NAME
5 BUT WAS TO ELICIT CUSTOMER INTEREST IN BELLSOUTH AS
6 A SOURCE OF SOLUTIONS FOR THEIR COMMUNICATIONS
7 NEEDS. EXAMPLES ARE GIVEN ON SOME OF THE ADS OF
8 HOW BELLSOUTH WAS ABLE TO HELP MULTI-LOCATION
9 BANKS, RETAILERS, STATE GOVERNMENTS, AND THE
10 HEALTH CARE INDUSTRY SOLVE COMMUNICATIONS PROBLEMS.
11 THE THOUGHT IS THEN LEFT WITH THE READER OR VIEWER
12 OF THE AD THAT, IF THEY HAVE A PROBLEM WITH THEIR
13 BUSINESS OR PERSONAL COMMUNICATIONS, THE BELLSOUTH
14 COMPANIES ARE THE RIGHT CHOICE TO SEE FOR A
15 SOLUTION.

16

17 REBUTTAL TO MR. RANDY M. ALLEN'S TESTIMONY

18

19 Q. REFERRING TO MR. ALLEN'S DIRECT TESTIMONY, TO WHICH
20 OF HIS POSITIONS OR PROPOSALS WILL YOU RESPOND?

21

22 A. ON EXHIBIT RMA-1, SCHEDULES 2 AND 3 OF MR. ALLEN'S
23 TESTIMONY, HE PROPOSES A TOTAL OF 24 SEPARATE
24 ADJUSTMENTS TO SOUTHERN BELL'S NET INCOME AND 4
25 ADJUSTMENTS TO THE COMPANY'S RATE BASE. OF THE 24

1 NET INCOME ADJUSTMENTS LISTED ON SCHEDULE 2, PAGE 2
2 OF 2 ATTACHED TO HIS TESTIMONY, HE SPONSORS ALL THE
3 ADJUSTMENTS EXCEPT THE LAST 2 WHICH ARE SPONSORED
4 BY MR. BROSCHE. REBUTTAL TO MR. BROSCHE'S PROPOSALS
5 IS INCLUDED IN COMPANY WITNESS JERRY WILSON'S
6 TESTIMONY OR IN OTHER SECTIONS OF MY TESTIMONY. MY
7 TESTIMONY HERE WILL RESPOND TO 20 OF THE 22 NET
8 INCOME ADJUSTMENTS PROPOSED BY MR. ALLEN. HIS
9 INTEREST SYNCHRONIZATION ADJUSTMENT IS MERELY A
10 RATEMAKING CONSEQUENCE OF OPC'S COST OF CAPITAL
11 PROPOSALS WHICH MY TESTIMONY DOES NOT ADDRESS.
12 COMPANY WITNESS JOHN MCCLELLAN WILL RESPOND TO THE
13 REMAINING PROPOSED NET INCOME ADJUSTMENT WHICH IS
14 LISTED AS "NEGATIVE ATTRITION ON REVENUE
15 REQUIREMENTS". IN ADDITION, MY TESTIMONY WILL
16 RESPOND TO ALL 4 OF MR. ALLEN'S PROPOSED
17 ADJUSTMENTS TO THE COMPANY'S RATE BASE.
18 MR. ALLEN'S RATE BASE ADJUSTMENTS ARE SUMMARIZED ON
19 HIS SCHEDULE 3, PAGE 2 OF 2.

20

21 Q. HOW DO YOU PROPOSE TO ORGANIZE YOUR REBUTTAL TO
22 MR. ALLEN'S ADJUSTMENTS?

23

24 A. FIRST, I WILL IDENTIFY AN ERROR THAT MR. ALLEN MADE
25 THAT AFFECTS SEVERAL OF HIS ADJUSTMENTS AND IS MORE

1 EFFICIENTLY EXPLAINED ONCE RATHER THAN WITH EACH
2 INDIVIDUAL ADJUSTMENT. I WILL THEN ADDRESS EACH OF
3 HIS NET INCOME ADJUSTMENTS IN THE ORDER THEY ARE
4 PRESENTED ON HIS SCHEDULE 2, PAGE 2 OF 2. FINALLY,
5 I WILL ADDRESS EACH OF HIS RATE BASE ADJUSTMENTS IN
6 THE ORDER THAT THEY ARE LISTED ON HIS SCHEDULE 3,
7 PAGE 2 OF 2.

8

9 Q. WHAT ERROR DID MR. ALLEN MAKE THAT AFFECTS SEVERAL
10 OF HIS PROPOSED ADJUSTMENTS?

11

12 A. MR. ALLEN UTILIZED COMBINED EXPENSE, THAT IS,
13 EXPENSE BEFORE JURISDICTIONAL ASSIGNMENT TO
14 NON-REGULATED, INTERSTATE REGULATED AND INTRASTATE
15 REGULATED, TO COMPUTE MANY OF HIS NET INCOME
16 ADJUSTMENTS. HE THEN ERRONEOUSLY ADDED THESE
17 COMBINED NET INCOME ADJUSTMENTS TO THE COMPANY'S
18 INTRASTATE NET OPERATING INCOME ON HIS SCHEDULE 2,
19 PAGE 2 OF 2. THE EFFECT OF THIS ERROR WAS TO
20 SIGNIFICANTLY OVERSTATE HIS CALCULATION OF THE
21 COMPANY'S ADJUSTED INCOME. HE HAS, IN EFFECT,
22 REMOVED MORE EXPENSE FOR PROPOSED DISALLOWANCES
23 THAN THE COMPANY INCURRED IN EXPENSE FOR THESE
24 ITEMS IN COST OF SERVICE.

25

1 Q. WHICH OF HIS PROPOSED ADJUSTMENTS CONTAIN THIS
2 ERROR?

3

4 A. THE FOLLOWING ADJUSTMENTS ARE ERRONEOUSLY STATED AT
5 A COMBINED EXPENSE LEVEL: 1) LEGAL SETTLEMENT
6 CLAIMS, 2) FURNITURE AND ARTWORK, 3) OFFICE
7 EQUIPMENT, 4) RADIO SYSTEMS, 5) UNDERGROUND CABLE,
8 6) PROVISIONING, 7) PROMOTIONAL SUBSCRIPTIONS AND
9 8) EXCESS DEFERRED INCOME TAXES.

10

11 SOFTWARE EXPENSE

12

13 Q. DO YOU AGREE WITH MR. ALLEN'S PROPOSAL AT PAGE 9,
14 LINE 9 TO CAPITALIZE THE COMPANY'S SOFTWARE COSTS
15 AND AMORTIZE THE CAPITALIZED AMOUNT OVER 5 YEARS?

16

17 A. NO. SOUTHERN BELL'S CURRENT ACCOUNTING TREATMENT
18 FOR SOFTWARE EXPENSE IS IN COMPLIANCE WITH THE
19 UNIFORM SYSTEM OF ACCOUNTS, PART 32 AS ADOPTED BY
20 THE FLORIDA COMMISSION AND COMPLIES WITH GENERALLY
21 ACCEPTED ACCOUNTING PRINCIPLES. SOUTHERN BELL
22 CAPITALIZES INITIAL OPERATING SYSTEM SOFTWARE AND
23 EXPENSES SUBSEQUENT CHANGES TO OPERATING SYSTEM
24 SOFTWARE AS WELL AS ALL APPLICATION SOFTWARE.

25

1 MR. ALLEN QUOTES FROM UNNAMED DOCUMENTS HE
2 ASSOCIATES WITH THE AMERICAN INSTITUTE OF CPAS AND
3 THE NATIONAL ASSOCIATION OF ACCOUNTANTS REGARDING
4 CAPITALIZATION OF SOFTWARE COSTS, BUT HE FAILS TO
5 MENTION STATEMENTS OF THE FINANCIAL ACCOUNTING
6 STANDARDS BOARD (FASB) WHICH WERE INCLUDED IN
7 APPENDIX B, PARAGRAPH 26 OF SFAS NO. 86. THE FASB
8 STATES THAT:

9
10 "IN MARCH, 1985, THE BOARD RECEIVED AN
11 ISSUES PAPER SUBMITTED BY THE MANAGEMENT
12 ACCOUNTING PRACTICES COMMITTEE OF THE
13 NATIONAL ASSOCIATION OF ACCOUNTANTS,
14 ACCOUNTING FOR SOFTWARE USED INTERNALLY,
15 PROPOSING THAT THE COSTS OF INTERNAL USE
16 SOFTWARE SHOULD BE CAPITALIZED IN CERTAIN
17 SITUATIONS. AS A RESULT, THE BOARD
18 CONSIDERED BROADENING THE SCOPE OF THIS
19 PROJECT TO INCLUDE COSTS INCURRED FOR AN
20 ENTERPRISE'S DEVELOPMENT OF COMPUTER
21 SOFTWARE FOR ITS OWN USE. AFTER
22 EVALUATION, THE BOARD CONCLUDED THAT
23 ACCOUNTING FOR THE COSTS OF SOFTWARE USED
24 INTERNALLY IS NOT CURRENTLY A SIGNIFICANT
25 PROBLEM AND, THEREFORE, DECIDED NOT TO

1 BROADEN THE SCOPE OF THIS PROJECT NOR ADD
2 A PROJECT ON INTERNAL USE SOFTWARE TO ITS
3 PRESENT AGENDA. THE BOARD RECOGNIZED
4 THAT THE MAJORITY OF COMPANIES EXPENSE
5 ALL COSTS OF DEVELOPING SOFTWARE FOR
6 INTERNAL-USE, AND THE BOARD WAS NOT
7 PERSUADED THAT THIS CURRENT PREDOMINANT
8 PRACTICE IS IMPROPER. ALSO, THIS
9 STATEMENT CLARIFIES ACTIVITIES THAT ARE
10 RESEARCH AND DEVELOPMENT ACTIVITIES AND
11 ESTABLISHES A HIGH CAPITALIZATION
12 THRESHOLD THAT IS LIKELY TO BE APPLIED TO
13 COSTS INCURRED IN DEVELOPING SOFTWARE FOR
14 INTERNAL USE AS WELL AS FOR SALE OR LEASE
15 TO OTHERS."

16 (EMPHASIS ADDED)

17

18 IT IS CLEAR FROM THE FASB STATEMENTS THAT THE BOARD
19 RECOGNIZED THAT THE MAJORITY OF COMPANIES EXPENSE
20 ALL COSTS OF DEVELOPING SOFTWARE FOR INTERNAL USE,
21 AND THE BOARD WAS NOT PERSUADED THAT THIS CURRENT
22 PREDOMINANT PRACTICE IS IMPROPER.

23

24 MR. ALLEN'S PROPOSAL ALSO DOES NOT BENEFIT
25 RATEPAYERS IN THE LONG RUN. FOLLOWING HIS

1 PROPOSAL, RATEPAYERS IN THE FIRST YEAR MAY PAY
2 RATES WHICH COVER ONLY ONE FIFTH OF SOUTHERN BELL'S
3 ANNUAL SOFTWARE COSTS, BUT RATEPAYERS IN THE SECOND
4 YEAR WOULD BE PAYING TWO FIFTHS OF AN ANNUAL
5 SOFTWARE COST LEVEL PLUS A RATE OF RETURN ON THE
6 UNRECOVERED BALANCE. AFTER THE FIFTH YEAR, UNDER
7 MR. ALLEN'S PROPOSAL, RATEPAYERS WOULD BE PAYING
8 RATES TO COVER A FULL ANNUAL LEVEL OF SOFTWARE
9 COSTS PLUS THEY WOULD BE PAYING A RETURN ON THE
10 UNAMORTIZED BALANCE OF CAPITALIZED SOFTWARE. THE
11 UNAMORTIZED BALANCE OF CAPITALIZED SOFTWARE AT THAT
12 TIME WOULD BE APPROXIMATELY TWO AND ONE HALF TIMES
13 THE ANNUAL LEVEL OF SOFTWARE EXPENSE.

14

15 Q. DO YOU AGREE, AS MR. ALLEN CLAIMS AT PAGE 9, LINE
16 14, THAT SOUTHERN BELL WOULD BE ABLE TO FULLY
17 RECOVER ITS ACTUAL COSTS FOR SOFTWARE ADDITIONS
18 UNDER HIS PROPOSAL?

19

20 A. IF THE COMMISSION GRANTS SOUTHERN BELL ANNUAL
21 INCREASES IN REVENUES FOR THE NEXT FIVE YEARS TO
22 COVER THE STAIR-STEP INCREASE IN COSTS CAUSED BY
23 ADOPTING THE FIVE YEAR AMORTIZATION APPROACH, THE
24 COMPANY WILL BE MADE WHOLE. OTHERWISE, THE COMPANY
25 WILL NOT FULLY RECOVER ITS COSTS.

1

2 Q. HAS THE COMMISSION RECENTLY ADDRESSED THE ISSUE OF
3 THE ACCOUNTING TREATMENT FOR SOFTWARE COSTS WITH
4 OTHER COMPANIES?

5

6 A. YES. IN UNITED TELEPHONE COMPANY DOCKET NO.
7 910980-TL, THE COMMISSION DEFERRED MAKING A
8 DECISION ON THE ACCOUNTING TREATMENT FOR SOFTWARE
9 COSTS AND ORDERED THAT A GENERIC PROCEEDING BE
10 ESTABLISHED FOR THIS ISSUE. IN THE UNITED CASE,
11 MR. R. D. MCRAE OF UNITED TELEPHONE PROVIDED THE
12 COMMISSION WITH OVER 30 PAGES OF EXCELLENT REBUTTAL
13 TESTIMONY FILED ON APRIL 3, 1992, OUTLINING IN
14 DETAIL THE CURRENT ACCOUNTING LITERATURE REGARDING
15 SOFTWARE COSTS.

16

17 Q. SINCE THE COMMISSION HAS ESTABLISHED A GENERIC
18 PROCEEDING REGARDING THE SOFTWARE ISSUE, SHOULD ANY
19 PROPOSED ADJUSTMENT BE ACCEPTED IN THIS PROCEEDING?

20

21 A. NO. SOUTHERN BELL'S POSITION REGARDING THE
22 SOFTWARE ACCOUNTING ISSUE IS SIMILAR TO THAT OF
23 UNITED TELEPHONE COMPANY IN DOCKET NO. 910980-TL.
24 IN THE UNITED DOCKET THE COMMISSION DECLINED TO
25 MAKE AN ADJUSTMENT WHICH WOULD SINGLE OUT UNITED ON

1 THIS ISSUE BEFORE THE GENERIC PROCEEDING ADDRESSES
2 THE ISSUE FOR THE ENTIRE INDUSTRY. LIKEWISE, NO
3 ADJUSTMENT IS WARRANTED FOR SOUTHERN BELL IN THIS
4 DOCKET.

5

6 PROMOTIONAL ADVERTISING

7

8 Q. WHAT TYPE OF EXPENSE IS MR. ALLEN PROPOSING TO
9 DISALLOW WITH HIS PROPOSED PROMOTIONAL ADVERTISING
10 ADJUSTMENT AT PAGE 12, LINE 11?

11

12 A. MR. ALLEN IS PROPOSING TO DISALLOW ALL OF SOUTHERN
13 BELL'S PRODUCT ADVERTISING. THIS ADVERTISING,
14 WHICH WAS HEAVILY GEARED TOWARD THE RESIDENCE
15 MARKET IN 1991 FOR SUCH PRODUCTS AS CUSTOM CALLING
16 SERVICE, IS VERY BENEFICIAL TO THE COMPANY AND TO
17 ITS RATEPAYERS. PROTECTION OF THE COMPANY'S
18 REVENUE STREAM AND STIMULATION OF DEMAND FOR ITS
19 SERVICES, ESPECIALLY DISCRETIONARY SERVICES LIKE
20 CUSTOM CALLING SERVICE WHICH HAS A LOW INCREMENTAL
21 COST, HELP THE COMPANY KEEP ITS BASIC RATES LOW.

22

23 INFORMING CUSTOMERS ABOUT OUR ABILITY TO MEET THEIR
24 NEEDS THROUGH SERVICES WE PROVIDE HELPS THOSE
25 CUSTOMERS BY SATISFYING THEIR SPECIFIC NEEDS AND IT

1 BENEFITS ALL CUSTOMERS BY INCREASING THE USAGE OF
2 THE NETWORK AND REDUCING AVERAGE PRICES EVERYONE
3 PAYS.

4

5 Q. DO YOU HAVE EXAMPLES OF SOME OF THE ADVERTISEMENTS
6 WHICH WERE RUN IN 1991?

7

8 A. YES. REID EXHIBIT NO. WSR-14 CONTAINS EXAMPLE
9 COPIES OF ADVERTISEMENTS WHICH WERE RUN IN FLORIDA
10 DURING 1991.

11

12 Q. HOW HAS THE COMMISSION TREATED PRODUCT ADVERTISING
13 IN THE PAST?

14

15 A. THE COMMISSION ITSELF HAS LONG RECOGNIZED THE VALUE
16 OF PROMOTIONAL ADVERTISING. IN ORDER NO. 7926 OF
17 DOCKET NO. 760842-TP, THE COMMISSION STATED ITS
18 POSITION ON PROMOTIONAL ADVERTISING FOR TELEPHONE
19 COMPANIES WHICH HAD BEEN DEVELOPED THROUGH AN
20 INVESTIGATORY PROCEEDING AS FOLLOWS:

21 "THE PROMOTION OF GREATER USAGE OF
22 TELEPHONE SERVICES, SUCH AS EXTENSION
23 TELEPHONES AND PREMIUM INSTRUMENTS, HAS A
24 BENEFICIAL EFFECT UPON THE RATEPAYER FOR
25 IT PRODUCES ADDITIONAL REVENUES TO THE

1 COMPANY WITHOUT ANY MEASURABLE EFFECT ON
2 THE EXISTING PLANT FACILITIES. ...THUS,
3 THESE TYPES OF EXPENDITURES ARE
4 REASONABLE AND IN THE INTEREST OF THE
5 RATEPAYER. ...[T]HIS FORM OF PROMOTIONAL
6 ADVERTISING SHOULD BE ALLOWED ON A
7 REASONABLE BASIS."

8 THE COMMISSION ALSO ACCEPTED THE COMPANY'S PRODUCT
9 ADVERTISING IN DOCKET NO. 820294-TP, SOUTHERN
10 BELL'S LAST RATE PROCEEDING BEFORE INCENTIVE
11 REGULATION, AND IN DOCKET NO. 880069-TL, THE
12 INCENTIVE REGULATION PROCEEDING.

13

14 Q. DO YOU AGREE WITH MR. ALLEN'S STATEMENT THAT
15 PROMOTIONAL ACTIVITIES ARE GENERALLY CONSIDERED
16 DISALLOWABLE FOR RATEMAKING PURPOSES?

17

18 A. NO. PRODUCT ADVERTISING HAS BEEN ALLOWED IN THE
19 PAST BY THIS COMMISSION FOR SOUTHERN BELL AND IT IS
20 AN ALLOWABLE EXPENSE IN THE OTHER THREE SOUTHERN
21 BELL STATES AS WELL AS THE FCC.

22

23 Q. WHAT IS YOUR RESPONSE TO MR. ALLEN'S STATEMENT AND
24 EXAMPLE ON PAGES 10 AND 11 OF HIS TESTIMONY THAT AN
25 EXPENDITURE CAN LEAD TOWARD INCREASED PROFIT BUT

1 STILL MAY NOT BE COST JUSTIFIED?
2
3 A. MR. ALLEN'S STATEMENT AND EXAMPLE DO NOT BEGIN TO
4 APPROACH REALITY. HE SEEMS TO BE IMPLYING THAT THE
5 COMPANY CAN CHARGE ITS EXPENSES DIRECTLY TO
6 RATEPAYERS BUT THAT REVENUES IT RECEIVES CAN
7 SOMEHOW NOT BE ATTRIBUTED TO MEETING ITS REVENUE
8 REQUIREMENT AND INSTEAD CAN BE GIVEN DIRECTLY TO
9 SHAREHOLDERS. THIS IS NOT HOW THE REGULATORY
10 PROCESS WORKS. THE COMPANY'S RATES ARE SET SO THAT
11 IT HAS THE OPPORTUNITY TO EARN A FAIR RATE OF
12 RETURN. IF THE COMPANY SPENDS MONEY ON PRODUCT
13 ADVERTISING THAT DOES NOT GENERATE APPROPRIATE
14 RESULTS, ITS EARNINGS WILL DECLINE AND SHAREHOLDERS
15 WILL SUFFER. IF EARNINGS DECLINED SO MUCH THAT THE
16 COMPANY HAD TO COME BEFORE THE COMMISSION TO RESET
17 RATES, ITS COSTS WOULD BE ANALYZED IN THE COURSE OF
18 THAT PROCEEDING. WITH INCENTIVE REGULATION,
19 SOUTHERN BELL'S EARNINGS WOULD HAVE TO FALL A LONG
20 WAY BEFORE IT COULD SEEK ANY RELIEF THROUGH A RATE
21 PROCEEDING. IN ADDITION, WITH INCENTIVE
22 REGULATION, RATEPAYERS WILL AUTOMATICALLY SHARE IN
23 THE BENEFITS OF IMPROVED EARNINGS DUE TO SUCCESSFUL
24 ADVERTISING IF THE COMPANY'S EARNINGS EXCEED THE
25 BENCHMARK RETURN ON EQUITY.

1

2 Q. IS MR. ALLEN CORRECT IN SAYING THAT BY ALLOWING
3 PROMOTIONAL ADVERTISING IN COST OF SERVICE,
4 SOUTHERN BELL CAN ACHIEVE AN UNFAIR ADVANTAGE OVER
5 ITS COMPETITORS (ALLEN PAGE 10, LINE 4)?

6

7 A. ABSOLUTELY NOT. SOUTHERN BELL IS COMPETING WITH
8 OTHER COMPANIES WHO CAN AND DO ADVERTISE THEIR
9 SERVICES. THESE COMPANIES ARE IN MANY CASES
10 NON-REGULATED AND CAN SELECTIVELY PICK THE MOST
11 LUCRATIVE AREAS IN WHICH TO COMPETE WITH SOUTHERN
12 BELL. IF SOUTHERN BELL WERE NOT ALLOWED TO
13 ADVERTISE AND INFORM CUSTOMERS ABOUT ITS SERVICES,
14 SOUTHERN BELL WOULD BE AT A DISADVANTAGE, NOT ITS
15 COMPETITORS. IF SOUTHERN BELL DID NOT ADVERTISE,
16 THE LOSS OF REVENUE WHICH WOULD RESULT WOULD CREATE
17 THE NEED FOR HIGHER PRICES ON OTHER SERVICES IN
18 ORDER TO MEET THE OVERALL REVENUE REQUIREMENTS.

19

20 MR. ALLEN'S PROPOSED PROMOTIONAL ADVERTISING
21 ADJUSTMENT SHOULD, THEREFORE, BE REJECTED.

22

23 PROMOTIONAL SUBSCRIPTIONS

24

25 Q. WHY HAS MR. ALLEN PROPOSED THE DISALLOWANCE OF THE

1 COMPANY'S EXPENSES FOR PROMOTIONAL SUBSCRIPTIONS?

2

3 A. MR. ALLEN DOES NOT PROVIDE AN EXPLANATION FOR THIS
4 DISALLOWANCE. HE MERELY TACKS IT ON TO THE END OF
5 HIS DISCUSSION OF PROMOTIONAL ADVERTISING ON PAGE
6 12 BEGINNING AT LINE 13 AND QUOTES THE COMPANY'S
7 DESCRIPTION OF THE EXPENSE.

8

9 EXAMPLES OF ORGANIZATIONS FOR WHICH PAYMENTS ARE
10 MADE INCLUDE CHAMBERS OF COMMERCE AND SHERIFFS'
11 ASSOCIATIONS. THESE EXPENSES REFLECT THE FACT THAT
12 SOUTHERN BELL IS A CORPORATE CITIZEN IN THE
13 COMMUNITIES IN WHICH IT OPERATES AND BENEFITS FROM
14 THE ACTIVITIES OF ORGANIZATIONS WITHIN THESE
15 COMMUNITIES. IT IS APPROPRIATE THAT SOUTHERN BELL
16 SUPPORT THESE ORGANIZATIONS WHICH BENEFIT THE
17 COMPANY AND ITS RATEPAYERS BY STIMULATING BUSINESS,
18 PROTECTING THE COMPANY'S ASSETS, OR BY PROVIDING
19 SOURCES OF INFORMATION THAT ARE USEFUL IN RUNNING
20 THE BUSINESS. THESE EXPENSES ARE REASONABLE IN
21 AMOUNT, AMOUNTING TO ONLY THREE ONE HUNDREDTHS OF A
22 PERCENT OF TOTAL INTRASTATE REVENUES AND SHOULD BE
23 ALLOWED IN COST OF SERVICE.

24

25 VOLUNTARY ENHANCED EARLY RETIREMENT (VEER) PROGRAM

1

2 Q. HAS MR. ALLEN ACCURATELY DESCRIBED THE COSTS WHICH
3 YOU HAVE INCLUDED IN TEST YEAR COST OF SERVICE FOR
4 THE COMPANY'S 1991 VEER PROGRAM?

5

6 A. NO. I HAVE ALREADY ADJUSTED 1991 EXPENSES TO
7 REMOVE THE IMPACT OF VEER PAYMENTS TO EMPLOYEES WHO
8 TOOK THE 1991 EARLY RETIREMENT OFFER. I HAVE ALSO
9 REMOVED THE 1991 EFFECTIVE PORTION OF SALARIES AND
10 LOADINGS FOR THOSE EMPLOYEES WHO LEFT THE PAYROLL
11 DUE TO THIS OFFER. BOTH OF THESE ADJUSTMENTS ARE
12 INCLUDED IN MY PROFORMA ENTITLED "REORGANIZATION OF
13 SB, SCB, BSS". MR. ALLEN'S ADJUSTMENT IS,
14 THEREFORE, TOTALLY IMPROPER AND WOULD RESULT IN
15 DOUBLE COUNTING FOR THE REMOVAL OF VEER COSTS.

16

17 Q. HAVE RATEPAYERS BENEFITED FROM THE COMPANY'S VEER
18 PROGRAM?

19

20 A. YES. SOUTHERN BELL INCURRED THESE EXPENSES IN 1991
21 WITHOUT INCREASING ANY RATES AND THE RESULT WAS A
22 LOWER EARNINGS AMOUNT THAT THE STOCKHOLDER HAD TO
23 BEAR. THE SAVINGS RESULTING FROM THE FORCE
24 REDUCTIONS WILL BE EXPERIENCED PRIMARILY IN 1992,
25 1993 AND BEYOND. UNDER THE INCENTIVE PLAN, THE

1 STOCKHOLDER WILL BE ABLE TO SHARE IN THE BENEFITS
2 OF THE SAVINGS. IF RATES ARE RESET TO PASS ON ALL
3 THESE SAVINGS TO RATEPAYERS, THEY WILL NOT
4 PROPORTIONATELY BENEFIT. THE INCENTIVE PLAN
5 PROCESS THUS PROVIDES A BETTER OPERATING
6 ENVIRONMENT WHERE DECISIONS SUCH AS THE OFFERING OF
7 VEER HAVE AN INCENTIVE ASSOCIATED WITH THEM.

8

9

10

11 INCENTIVE BONUS EXPENSE

12

13 Q. WHAT TYPE OF INCENTIVE BONUS EXPENSE DOES SOUTHERN
14 BELL INCUR?

15

16 A. THE COMPANY HAS INCENTIVE COMPENSATION PLANS WHICH
17 PUT A PART OF ALL EMPLOYEES' SALARIES AND WAGES AT
18 RISK DEPENDING ON THE ACCOMPLISHMENT OF BOTH
19 SERVICE AND FINANCIAL GOALS. IF THESE INCENTIVE
20 PLANS DID NOT EXIST, BASIC SALARY AND WAGES WOULD
21 BE HIGHER.

22

23 Q. CONTRARY TO MR. ALLEN'S ASSERTION AT PAGE 14, LINE
24 12, ARE THE AMOUNTS FOR THESE INCENTIVE
25 COMPENSATION PAYMENTS KNOWN AND MEASURABLE?

1

2 A. YES. THE AMOUNT OF THE AT RISK COMPENSATION FOR
3 THE COMPANY'S EMPLOYEES IS A SPECIFIC AMOUNT AND
4 OUR INCENTIVE PLANS HAVE GUIDELINES THAT LINK
5 ACCOMPLISHMENTS WITH SPECIFIC COMPENSATION
6 PAYMENTS. IT IS REASONABLE TO ASSUME THAT
7 EMPLOYEES WILL BE CHALLENGED BY AN ESTABLISHED SET
8 OF GOALS WITH IDENTIFIABLE REWARDS FOR
9 ACCOMPLISHMENTS. SUBSTANTIAL ACCOMPLISHMENT OF THE
10 INTENDED GOAL IS, THEREFORE, EXPECTED.

11

12 Q. DOES THE FACT THAT EMPLOYEES MEET THE INCENTIVE
13 COMPENSATION PLANS' GOALS BENEFIT RATEPAYERS?

14

15 A. MEETING THE PLAN GOALS SHOULD SIGNIFICANTLY BENEFIT
16 RATEPAYERS. FROM A SERVICE PERSPECTIVE, CUSTOMERS
17 WILL DEFINITELY BENEFIT IF EMPLOYEES MEET THE
18 VARIOUS GOALS FOR CUSTOMER SATISFACTION, LOW
19 TROUBLE REPORT RATES, BILLING QUALITY, BUSINESS
20 OFFICE ACCESS, ETC. FROM A FINANCIAL PERSPECTIVE
21 CUSTOMERS WILL BENEFIT IF THE EMPLOYEES ARE
22 SUCCESSFUL IN CONTROLLING EXPENSES TO ACHIEVE
23 IMPROVED OPERATING EFFICIENCY. IMPROVED OPERATING
24 EFFICIENCIES HAVE ENABLED SOUTHERN BELL TO PROPOSE,
25 IN THIS DOCKET, AN INCENTIVE PLAN WHICH REDUCES

1 PRICES IN RELATION TO INFLATION BY 4 PERCENT PER
2 YEAR.

3
4 Q. ARE INCENTIVE COMPENSATION PLANS COMMON IN AMERICAN
5 BUSINESS?

6
7 A. YES. MORE COMPANIES ARE USING INCENTIVE
8 COMPENSATION. AS HAY MANAGEMENT CONSULTANTS
9 REPORTED IN THE 1991 HAY COMPENSATION REPORT FOR
10 INDUSTRIAL MANAGEMENT, "THIS [TREND] REFLECTS THE
11 INCREASING USE OF VARIABLE COMPENSATION PROGRAMS
12 ACROSS ALL INDUSTRY SECTORS, AS MORE ORGANIZATIONS
13 SEE THESE PROGRAMS AS A ROUTE TO IMPROVED
14 PRODUCTIVITY AND ENHANCED COMPETITIVENESS." MORE
15 THAN 70 PERCENT OF 291 COMPANIES REPORTING DATA ON
16 COMPENSATION FOR MANAGERS AND ABOVE TO THE 1991 HAY
17 REPORT OFFER INCENTIVE/BONUS PLANS.

18
19 Q. HOW DID THE COMPANY DETERMINE THE PERCENTAGE OF
20 TOTAL COMPENSATION TO PLACE AT RISK IN ITS
21 INCENTIVE COMPENSATION PLANS?

22
23 A. THE PORTION OF TOTAL COMPENSATION AT RISK WAS
24 DETERMINED BASED ON A REVIEW OF COMPARABLE FIRMS.
25 THERE IS NO SPECIFIC FORMULA FOR DETERMINING HOW

1 MUCH OF AN EMPLOYEE'S TOTAL CASH COMPENSATION
2 SHOULD BE INCENTIVE BASED. GENERALLY, HIGHER
3 MANAGEMENT HAS A MORE DIRECT IMPACT AND MORE
4 CONTROL OVER AN ORGANIZATION'S PERFORMANCE, SO
5 HIGHER MANAGEMENT HAS A LARGER PERCENT AS INCENTIVE
6 BASED.

7

8 Q. SHOULD MR. ALLEN'S PROPOSED INCENTIVE BONUS
9 ADJUSTMENT BE REJECTED?

10

11 A. YES. AS I HAVE EXPLAINED, THE USE OF INCENTIVES AS
12 PART OF THE COMPENSATIONS PACKAGE ALLOWS THE
13 COMPANY TO CLOSELY ALIGN PAY WITH COMPANY
14 PERFORMANCE. THIS PROVIDES BENEFITS FOR BOTH THE
15 COMPANY AND THE RATEPAYER.

16

17 EMPLOYEE ACTIVITIES

18

19 Q. WHAT IS YOUR RESPONSE TO MR. ALLEN'S PROPOSED
20 EMPLOYEE ACTIVITIES DISALLOWANCE?

21

22 A. GOOD EMPLOYEE MORALE IS AN ESSENTIAL INGREDIENT IN
23 THE PROVISION OF QUALITY SERVICE TO CUSTOMERS.
24 SOUTHERN BELL HAS HISTORICALLY RECOGNIZED ITS
25 EMPLOYEES' ACHIEVEMENTS WITH SMALL RECOGNITION

1 AWARDS FOR SAFETY PERFORMANCE, LENGTH OF SERVICE,
2 RETIREMENT, ETC. THE COMPANY BELIEVES THIS
3 RECOGNITION BENEFITS THE COMPANY AND ITS CUSTOMERS
4 BY ENCOURAGING LOYALTY AND A TEAM SPIRIT WITHIN THE
5 COMPANY.

6
7 THE FLORIDA LEGISLATURE ITSELF RECOGNIZES THE
8 MOTIVATIONAL BENEFITS OF REWARDING AND RECOGNIZING
9 EMPLOYEES OF THE STATE. THE STATE MERITORIOUS
10 SERVICE AWARDS PROGRAM AND THE STATE SUPERIOR
11 ACCOMPLISHMENT PROGRAM ARE BASED ON THE SAME
12 PRINCIPLES OF RECOGNIZING INDIVIDUAL ACCOMPLISHMENT
13 FOR THE PURPOSE OF ELICITING GOOD IDEAS AND
14 PERFORMANCE FROM A GROUP OF EMPLOYEES. SOUTHERN
15 BELL'S EFFORTS TO DO THE SAME THING SHOULD NOT BE
16 DISALLOWED.

17
18 EXPENSES FOR EMPLOYEE RECOGNITION HAVE BEEN
19 INCLUDED BY THE COMPANY IN COST OF SERVICE UNDER
20 DOCKET NO. 820294-TP AND DOCKET NO. 880069-TL. THE
21 COMMISSION DECISION IN THOSE DOCKETS ALLOWED THESE
22 EXPENSES. DURING THE TEST YEAR 1991 THESE EXPENSES
23 AMOUNT TO ONLY TWENTY EIGHT ONE HUNDREDTHS OF A
24 PERCENT OF TOTAL SALARIES AND WAGES, A SMALL AMOUNT
25 RELATIVE TO THE BENEFITS DERIVED.

1

2 SINCE EMPLOYEE RECOGNITION EXPENSES ARE REASONABLE
3 AND PROVIDE BENEFITS TO THE COMPANY AND ITS
4 CUSTOMERS, THEY SHOULD BE ALLOWED IN COST OF
5 SERVICE. MR. ALLEN'S PROPOSED ADJUSTMENT SHOULD BE
6 REJECTED.

7

8 POST-RETIREMENT BENEFITS

9

10 Q. WHAT ARE YOUR COMMENTS CONCERNING MR. ALLEN'S
11 PROPOSAL AT PAGE 19, LINE 24 TO REJECT THE ADOPTION
12 OF SFAS NO. 106 FOR SOUTHERN BELL'S COST OF SERVICE
13 DETERMINATIONS?

14

15 A. HIS PROPOSAL REGARDING SFAS NO. 106 IS ESPECIALLY
16 INAPPROPRIATE SINCE THE COMMISSION STAFF, THE
17 UTILITY INDUSTRY IN FLORIDA, THE COMMISSION, AND
18 OTHER PARTIES HAVE SPENT SO MUCH TIME ANALYZING AND
19 DISCUSSING THIS ISSUE SINCE LATE 1990. TWO STAFF
20 WORKSHOPS WERE HELD IN 1991 TO GATHER INFORMATION
21 AND OPINIONS. THE WORK CULMINATED IN AUGUST, 1992
22 WHEN THE STAFF ISSUED A RECOMMENDATION TO THE
23 COMMISSION TO ADOPT SFAS NO. 106 AND THE COMMISSION
24 ISSUED ORDER NO. 920898 IN DOCKET NO. 910840-PU
25 PROPOSING TO ADOPT RULE 25-14.012. THIS RULE WOULD

1 REQUIRE THAT SOUTHERN BELL ACCOUNT FOR ITS COSTS OF
2 PROVIDING POST RETIREMENT BENEFITS OTHER THAN
3 PENSIONS IN THE MANNER REQUIRED BY SFAS NO. 106.
4 MR. ALLEN DID NOT GIVE RECOGNITION TO ANY OF THESE
5 EVENTS. HIS ONLY REFERENCE TO A REGULATORY
6 COMMISSION ADDRESSING SFAS NO. 106 WAS IN RESPONSE
7 TO THE QUESTION "HAS ANY FEDERAL REGULATORY
8 COMMISSION ADDRESSED SFAS NO. 106?" HIS ANSWER TO
9 THIS QUESTION REFERENCES A FERC ADMINISTRATIVE LAW
10 JUDGE'S INITIAL DECISION. THIS ANSWER IS OBVIOUSLY
11 INCOMPLETE SINCE THE FEDERAL COMMUNICATIONS
12 COMMISSION RELEASED AN ORDER ON DECEMBER 26, 1991
13 ADOPTING SFAS NO. 106 AND STATING: "AFTER REVIEWING
14 SFAS 106, WE HAVE CONCLUDED THAT ITS ADOPTION FOR
15 ACCOUNTING PURPOSES WILL NOT CONFLICT WITH THE
16 COMMISSION'S REGULATORY OBJECTIVES. ACCORDINGLY WE
17 ARE AUTHORIZING CARRIERS TO IMPLEMENT SFAS 106 ON
18 OR BEFORE JANUARY 1, 1993."

19
20 THE FLORIDA COMMISSION HAS ALREADY AUTHORIZED SFAS
21 NO. 106 IN COST OF SERVICE FOR SOME FLORIDA
22 COMPANIES AND VOTED TO ADOPT A RULE REQUIRING
23 COMPANIES TO ACCOUNT FOR THEIR COST OF OTHER POST
24 EMPLOYMENT BENEFITS IN ACCORDANCE WITH SFAS NO.
25 106. IT IS, THEREFORE, REASONABLE THAT MY PROPOSED

1 ADJUSTMENT FOR THE ADOPTION OF SFAS NO. 106 BE
2 ACCEPTED.

3

4 Q. WILL YOU ADDRESS MR. ALLEN'S ASSERTIONS REGARDING
5 THE ADOPTION OF SFAS NO. 106?

6

7 A. YES. FIRST, I WOULD GENERALLY AGREE WITH MR. ALLEN
8 THAT SFAS 106 DOES NOT REQUIRE REGULATORS TO SWITCH
9 FOR RATEMAKING PURPOSES. HOWEVER, THERE ARE GOOD
10 REASONS WHY REGULATORS SHOULD ADOPT THIS ACCOUNTING
11 PRONOUNCEMENT. SFAS NO. 106 RECOGNIZES THAT OTHER
12 POST EMPLOYMENT BENEFITS ARE, LIKE PENSION
13 BENEFITS, A FORM OF DEFERRED COMPENSATION. THE
14 SWITCH IN ACCOUNTING IS NECESSARY FOR REGULATORY
15 PURPOSES SO THAT RATEPAYERS WILL PAY THE COST OF
16 THE SERVICES THAT ARE PROVIDED TO THEM. THE
17 INTER-GENERATIONAL MISMATCH IS GREATER IF WE
18 CONTINUE PAY-AS-YOU-GO. WE WILL CONTINUE TO DEFER
19 THE COSTS OF PROVIDING TODAY'S SERVICES TO FUTURE
20 RATEPAYERS. ALSO, BECAUSE RETIREES ARE LIVING
21 LONGER AND MEDICAL COSTS ARE RISING, THE BURDEN TO
22 FUTURE RATEPAYERS WILL GROW.

23

24 ANOTHER REASON WHY REGULATORS SHOULD ADOPT SFAS 106
25 IS THAT IT KEEPS THE FINANCIAL REPORTING OF

1 REGULATED TELEPHONE COMPANIES CLOSER IN LINE WITH
2 THE FINANCIAL REPORTING BASIS OF COMPETITIVE FIRMS.
3 SINCE THE TELEPHONE INDUSTRY IS MOVING MORE TOWARD
4 A COMPETITIVE ENVIRONMENT THIS IS A REASONABLE
5 CONSIDERATION. IN FACT, THE BIG SIX ACCOUNTING
6 FIRMS HAVE INDICATED THAT THEY MAY NOT AGREE WITH
7 THE ESTABLISHMENT OF LONG TERM REGULATORY ASSETS
8 ASSOCIATED WITH A REGULATORY TREATMENT WHICH DOES
9 NOT ADOPT SFAS NO. 106 FOR RATEMAKING PURPOSES.
10 THE COMPETITIVE TREND IN TELECOMMUNICATIONS IS ONE
11 OF THE CONSIDERATIONS THAT THESE ACCOUNTING FIRMS
12 ARE RECOGNIZING IN REACHING THEIR JUDGMENTS ON THIS
13 ISSUE.

14
15 BASED ON THE PROBABILITY THAT THE COMPANY WOULD NOT
16 BE ALLOWED TO ESTABLISH A LONG TERM REGULATORY
17 ASSET FOR THE DIFFERENCE BETWEEN OTHER
18 POST-RETIREMENT BENEFITS EXPENSE ON A PAY-AS-YOU-GO
19 BASIS AND THE AMOUNT FOR THESE EXPENSES CALCULATED
20 ON THE BASIS OF SFAS NO. 106, MR. ALLEN'S ASSERTION
21 THAT HIS PROPOSED TREATMENT WOULD NOT ADVERSELY
22 AFFECT THE COMPANY IS INVALID. THE COMPANY'S
23 EARNINGS WOULD MOST LIKELY DECLINE IF MR. ALLEN'S
24 PROPOSAL WERE ACCEPTED.

25

1 Q. DO YOU HAVE ANY COMMENTS REGARDING MR. ALLEN'S
2 APPARENT DISAGREEMENT WITH THE FASB'S CONCLUSIONS
3 REGARDING SFAS NO. 106?

4
5 A. YES. THE CONCERN HE EXPRESSES IS BASICALLY WHETHER
6 THE COMPANY REALLY HAS A LIABILITY ASSOCIATED WITH
7 ITS POST-RETIREMENT BENEFIT PLANS. THE FASB
8 ADDRESSED THIS TYPE OF CONCERN IN ITS ADOPTION OF
9 SFAS NO. 106. THE COMPANY'S SITUATION REGARDING
10 THESE BENEFIT EXPENSES CERTAINLY FALLS IN LINE WITH
11 THE FASB'S ASSUMPTIONS. IN SFAS NO. 106, THE FASB
12 STATED "AS A PRACTICAL MATTER, IT IS UNLIKELY THAT
13 AN EMPLOYER COULD TERMINATE ITS EXISTING
14 OBLIGATIONS UNDER A POST-RETIREMENT BENEFIT PLAN
15 WITHOUT INCURRING SOME COST." SINCE THE COMPANY'S
16 BENEFITS ARE SUBJECT TO A BARGAINING PROCESS WITH
17 ITS UNION, IT CANNOT CHANGE ITS BENEFIT PLANS AT
18 WILL AND WOULD PROBABLY INCUR COSTS IF IT DID.
19 MR. ALLEN'S CONCERNS REGARDING THIS ISSUE SHOULD
20 NOT CHANGE THE FLORIDA COMMISSIONS' DECISION TO
21 ADOPT SFAS NO. 106.

22

23 UNCOLLECTIBLES

24

25 Q. PLEASE RESPOND TO MR. ALLEN'S PROPOSED DISALLOWANCE

1 RELATED TO THE LEVEL OF SOUTHERN BELL'S
2 UNCOLLECTIBLE EXPENSE.

3
4 A. I DISAGREE WITH MR. ALLEN THAT SOUTHERN BELL'S
5 UNCOLLECTIBLE EXPENSE FOR THE TEST YEAR IS
6 INAPPROPRIATE. THE PURPOSE OF RECOGNIZING AN
7 UNCOLLECTIBLE RESERVE BALANCE IS TO RECOGNIZE THAT
8 A PORTION OF THE COMPANY'S ACCOUNTS RECEIVABLE
9 BALANCE DUE FROM CUSTOMERS WILL ULTIMATELY PROVE
10 UNCOLLECTIBLE. THIS IS A NORMAL AND EXPECTED
11 BALANCE SHEET ITEM FOR ANY COMPANY FOLLOWING
12 ACCRUAL BASIS ACCOUNTING AND IT PROPERLY STATES THE
13 ASSETS OF THE COMPANY. MR. ALLEN SEEMS TO BE
14 RECOMMENDING THAT THE COMPANY FOLLOW CASH BASIS
15 ACCOUNTING FOR UNCOLLECTIBLE EXPENSE RECOGNITION,
16 WHICH I BELIEVE IS INAPPROPRIATE.

17
18 THE COMPANY'S PROCEDURES, WHICH IT USED FOR
19 DETERMINING THE TEST YEAR UNCOLLECTIBLE EXPENSE
20 AMOUNT, UTILIZED THE PORTION OF ITS ACCOUNTS
21 RECEIVABLES WHICH WERE IN A FINAL ACCOUNT STATUS OR
22 REFERRED TO COLLECTION AGENCIES AS A BENCHMARK TO
23 MEASURE THE APPROPRIATE UNCOLLECTIBLE RESERVE
24 BALANCE. SINCE THE UNCOLLECTIBLE RESERVE BALANCE
25 IS AFFECTED BY BOTH THE COMPANY'S ACCRUALS, WHICH

1 INCREASE THE RESERVE, AND WRITE OFFS, WHICH
2 DECREASE THE RESERVE, THE FACT THAT A REASONABLE
3 UNCOLLECTIBLE BALANCE IS BEING MAINTAINED SUPPORTS
4 THE FACT THAT THE COMPANY'S ACCRUALS ARE PROPER.
5 FURTHER, THE LINKAGE BETWEEN THE BALANCE IN THE
6 RESERVE AND THE FINAL ACCOUNTS AND COLLECTION
7 AGENCY AMOUNTS PROVIDES A LOGICAL BENCHMARK.

8
9 I ALSO BELIEVE THAT IN HIS COMPARISON OF
10 UNCOLLECTIBLE RESULTS FOR FLORIDA TELEPHONE
11 COMPANIES, MR. ALLEN INAPPROPRIATELY DOWN PLAYS THE
12 SIGNIFICANCE OF THE TERRITORY SERVED. HE ASSUMES
13 THAT THIS WOULD ONLY CAUSE A SMALL DIFFERENCE, BUT
14 I BELIEVE THE SERVICE TERRITORY PLAYS A SIGNIFICANT
15 ROLE. SOUTHERN BELL'S TERRITORY INCLUDES LARGE
16 CITIES SUCH AS MIAMI WHICH HAVE A LARGE AMOUNT OF
17 INWARD AND OUTWARD MOVEMENT OF CUSTOMERS AND WHICH
18 HAVE EXPERIENCED SIGNIFICANT UNEMPLOYMENT LEVELS.

19
20 IN ADDITION, IT HAS COME TO MY ATTENTION THAT NOT
21 ALL FLORIDA COMPANIES ACCOUNT FOR FRAUD, SUCH AS
22 TOLL FRAUD, IN THE SAME MANNER. SOUTHERN BELL
23 RECORDS FRAUD RELATED TO BILLED REVENUES AS
24 UNCOLLECTIBLE REVENUE. SOME COMPANIES WRITE OFF
25 FRAUD DIRECTLY AGAINST THE BILLED REVENUE ACCOUNTS.

1 OBVIOUSLY, THIS DIFFERENCE IN ACCOUNTING COULD
2 RESULT IN UNCOLLECTIBLE RELATIONSHIPS WHICH CANNOT
3 BE COMPARED.

4

5 Q. IS THE DATA WHICH MR. ALLEN USED TO COMPUTE HIS
6 ADJUSTMENT ACCURATE?

7

8 A. NO. UPON REVIEWING THE DATA ON THE FORM M
9 SCHEDULES WHICH WERE PROVIDED TO MR. ALLEN IN
10 RESPONSE TO CITIZEN'S 8TH INTERROGATORY ITEM NO.
11 182, THE COMPANY HAS DISCOVERED THAT DUE TO THE
12 INCLUSION OF CERTAIN INTEREXCHANGE CARRIER AMOUNTS
13 AND MISINTERPRETATIONS OF INSTRUCTIONS, THE DATA
14 PROVIDED TO MR. ALLEN IS INCORRECT. I HAVE
15 INCLUDED AS REID EXHIBIT NO. WSR-11, A REVISED
16 DETAIL OF THE ACTIVITY TO THE UNCOLLECTIBLE RESERVE
17 RELATED STRICTLY TO SOUTHERN BELL REVENUES. I HAVE
18 ALSO SHOWN A TOTAL OF DIRECT WRITE OFFS EACH YEAR
19 WHICH AFFECT THE UNCOLLECTIBLE EXPENSE TOTAL BUT DO
20 NOT GO THROUGH THE RESERVE. THESE AMOUNTS ARE
21 PRIMARILY FOR UNCOLLECTIBLES RELATED TO UNBILLABLE
22 TRANSACTIONS, FRAUD, AND TO ACCESS BILLS RENDERED
23 TO INTEREXCHANGE CARRIERS. THE SUM OF THE NET
24 WRITE OFFS TO THE RESERVE PLUS THE DIRECT WRITE
25 OFFS TO UNCOLLECTIBLE EXPENSE IS ALSO PROVIDED.

1 THIS TOTAL WOULD BE THE AMOUNT EXPENSED IF THE
2 COMPANY WAS ON A CASH BASIS OF ACCOUNTING AS
3 PROPOSED BY MR. ALLEN. EVEN IF THE CORRECT NUMBERS
4 WERE USED, HOWEVER, MR. ALLEN'S PROPOSED ADJUSTMENT
5 WOULD NOT BE PROPER.

6

7 Q. WOULD A SHIFT TO CASH BASIS ACCOUNTING FOR
8 UNCOLLECTIBLES AFFECT THE COMPANY'S RATE BASE?

9

10 A. YES. THE UNCOLLECTIBLE RESERVE BALANCE IS USED IN
11 THE CASH WORKING CAPITAL CALCULATION TO REDUCE THE
12 AMOUNT OF CASH WORKING CAPITAL IN RATE BASE. IF
13 RATEPAYERS SOURCES ARE NOT USED TO ACCUMULATE A
14 RESERVE FOR UNCOLLECTIBLES, THEN CASH WORKING
15 CAPITAL IN RATE BASE WOULD BE HIGHER.

16

17 Q. DID MR. ALLEN ADJUST THE RATE BASE FOR HIS
18 PROPOSAL?

19

20 A. NO.

21

22

23 LEGAL SETTLEMENT CLAIMS

24

25 Q. DO YOU HAVE ANY COMMENTS REGARDING HIS ADJUSTMENT

1 TO THE LEVEL OF LEGAL SETTLEMENT CLAIMS EXPENSE?
2
3 A. YES. I DO NOT DISAGREE WITH MR. ALLEN THAT ONE OF
4 THE OBJECTIVES IN DEVELOPING REVENUE REQUIREMENTS
5 IS TO DETERMINE THE PROPER GOING LEVEL OPERATIONS
6 OF THE COMPANY. I AM CONCERNED, HOWEVER, THAT HE
7 IS MERELY PICKING AND CHOOSING CERTAIN EXPENSE
8 CATEGORIES THAT, THROUGH AN AVERAGING PROCESS OF
9 THE HISTORICAL CALENDAR YEAR OR MONTHLY DATA,
10 RESULT IN A DISALLOWANCE OF SOUTHERN BELL'S
11 EXPENSE. I AM CONCERNED BY THE FACT THAT ALL OF
12 HIS ADJUSTMENTS RESULT IN EXPENSE DISALLOWANCES,
13 WITH THE EXCEPTION OF HIS INTEREST SYNCHRONIZATION
14 ADJUSTMENT WHICH IS APPARENTLY A RATEMAKING
15 CONSEQUENCE OF MR. ROTHSCHILD'S CAPITAL STRUCTURE
16 PROPOSAL. IF HE IS NOT JUST PICKING AND CHOOSING,
17 WHEN HIS OUTSIDE SERVICES PROPOSED ADJUSTMENT IS
18 CORRECTED FOR AN UPDATED COMPANY RESPONSE TO
19 CITIZEN'S 16TH INTERROGATORIES, ITEM NO. 428, HE
20 WILL CONTINUE TO SUPPORT IT. AFTER ADJUSTING FOR
21 THE CORRECT DATA AND USING HIS SAME METHODOLOGY, HE
22 WOULD BE PROPOSING TO ADD APPROXIMATELY \$4,004,000
23 TO EXPENSES FOR OUTSIDE SERVICES. THIS WOULD
24 OFFSET HIS LEGAL SETTLEMENTS CLAIM ISSUE AND A
25 NUMBER OF OTHER OF HIS EXPENSE DISALLOWANCES.

1

2 I WOULD ALSO POINT OUT THAT, WITH THE HURRICANE IN
3 SOUTH FLORIDA AND THE EXTENSIVE DISRUPTION TO THE
4 ROADS AND INFRASTRUCTURE OF THAT REGION, IT MIGHT
5 BE REASONABLE TO EXPECT AN EVEN HIGHER LEVEL OF
6 ACCIDENTS AND DAMAGES IN THAT AREA FOR SOME TIME.

7

8 OUTSIDE SERVICES EXPENSE

9

10 Q. CAN YOU DEMONSTRATE HOW USING THE COMPANY'S UPDATED
11 DATA RESPONSE AND MR. ALLEN'S METHODOLOGY FOR
12 OUTSIDE SERVICES EXPENSE RESULTS IN THE NEED TO ADD
13 \$4,004,000 TO COST OF SERVICE?

14

15 A. YES. REID EXHIBIT NO. WSR-12, SHOWS THE
16 CALCULATION OF MR. ALLEN'S INITIAL OUTSIDE SERVICES
17 ADJUSTMENT USING THE INCORRECT DATA AND IN THE NEXT
18 COLUMN HIS SAME ADJUSTMENT BUT USING THE CORRECTED
19 INFORMATION. AS THE SCHEDULE INDICATES THE CORRECT
20 DATA CHANGES THE PROFORMA FROM A DISALLOWANCE OF
21 \$3,177,000 TO AN ADDITIONAL ALLOWANCE OF
22 \$4,004,000.

23

24 HIS ORIGINAL ADJUSTMENT BASED ON INCORRECT DATA
25 SHOULD DEFINITELY NOT BE ACCEPTED.

1

2 USTA DUES

3

4 Q. WHAT IS YOUR RESPONSE TO HIS PROPOSED DISALLOWANCE
5 OF A PORTION OF THE COMPANY'S UNITED STATES
6 TELEPHONE ASSOCIATION (USTA) DUES?

7

8 A. MEMBERSHIP IN USTA IS A PRUDENT BUSINESS ACTIVITY
9 AND DUES FOR BELONGING TO THE USTA IS A REASONABLE
10 BUSINESS EXPENSE FOR A TELEPHONE COMPANY. INDEED
11 IT IS NOT SUBSTANTIALLY DIFFERENT FROM THE FACT
12 THAT THE OFFICE OF PUBLIC COUNSEL BELONGS TO THE
13 NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER
14 ADVOCATES (NASUCA) AND THAT THE COMMISSION STAFF
15 BELONGS TO THE NATIONAL ASSOCIATION OF REGULATORY
16 UTILITY COMMISSIONERS (NARUC). SOUTHERN BELL
17 SHOULD NOT INCUR DISALLOWANCES FOR REASONABLE
18 BUSINESS EXPENSES SUCH AS ITS USTA DUES.

19

20

21

22 ABANDONED PROPERTY EXPENSE

23

24 Q. SHOULD SOUTHERN BELL BE ALLOWED TO RECOVER
25 ABANDONED PROPERTY EXPENSE IN COST OF SERVICE?

1
2 A. YES. THE COMMISSION HAS RECOGNIZED ABANDONED
3 PROPERTY EXPENSE IN COST OF SERVICE FOR MANY YEARS.
4 SOUTHERN BELL HAS A SERVICE OBLIGATION IN ITS
5 FRANCHISE TERRITORY. AS A REGULATED CARRIER, IT
6 MUST BE PREPARED TO PROVIDE SERVICE TO CUSTOMERS IN
7 A REASONABLE TIME PERIOD. IN SOME CASES THIS
8 RESULTS IN EXPENDITURES WHICH HAVE TO BE ABANDONED,
9 BUT THE FACT REMAINS THAT THE EXPENSE WAS INCURRED
10 BECAUSE OF THE NEED TO SERVE CUSTOMERS. ABANDONED
11 PROJECTS RESULT ALSO FROM THE COMPANY TRYING TO
12 OPERATE IN THE MOST EFFICIENT AND COST EFFECTIVE
13 MANNER. IT IS LOGICAL AND IN THE INTEREST OF
14 RATEPAYERS TO CANCEL OR ABANDON CERTAIN PROJECTS
15 WHERE CONDITIONS HAVE CHANGED RATHER THAN PROCEED
16 WITH PLANT ADDITIONS THAT MAY NOT BE NEEDED OR MAY
17 NOT BE THE BEST ALTERNATIVE.

18
19 THE AMOUNT OF ABANDONED PROPERTY EXPENSE WHICH
20 SOUTHERN BELL HAS INCLUDED IN COST OF SERVICE FOR
21 THE TEST YEAR IS DEFINITELY A REASONABLE AMOUNT.
22 ON AN INTRASTATE BASIS THE EXPENSE FOR THE TEST
23 YEAR IS ONLY \$675,000 AS COMPARED TO AN AVERAGE
24 AMOUNT PER YEAR OF \$930,000 FOR 1984 THROUGH 1991.
25 THE COMMISSION HAS ACCEPTED ABANDONED PROPERTY

1 EXPENSE IN COST OF SERVICE DURING THIS PERIOD
2 THROUGH DOCKET NO. 820294-TP AND DOCKET 880069-TL.

3

4 MR. ALLEN'S PROPOSED DISALLOWANCE SHOULD,
5 THEREFORE, BE REJECTED.

6

7 ATLANTA GOLF CLASSIC

8

9 Q. DID YOU INCLUDE EXPENSE ASSOCIATED WITH THE ATLANTA
10 GOLF CLASSIC IN YOUR TEST YEAR COST OF SERVICE
11 AMOUNT AS MR. ALLEN ASSUMES?

12

13 A. NO. I REMOVED THESE EXPENSES THROUGH MY PROFORMA
14 ENTITLED "OTHER REGULATORY ADJUSTMENTS". IT WOULD,
15 THEREFORE, BE IMPROPER TO REMOVE THESE EXPENSES
16 AGAIN AS PROPOSED BY MR. ALLEN.

17

18 FURNITURE AND ARTWORK

19

20 Q. PLEASE RESPOND TO MR. ALLEN'S PROPOSED ADJUSTMENT
21 TO FURNITURE AND ARTWORKS.

22

23 A. MR. ALLEN'S METHODOLOGY FOR COMPUTING THIS
24 ADJUSTMENT IS TO COMPUTE AN 11-MONTH AVERAGE,
25 EXCLUDING THE MONTH OF MAY FROM THE YEAR, FOR THIS

1 EXPENSE CATEGORY AND TO COMPARE THE AVERAGE TO THE
2 AMOUNT BOOKED IN MAY.
3
4 THIS METHOD IGNORES THE FACT THAT MONTHLY EXPENSE
5 AMOUNTS WILL NATURALLY FLUCTUATE DURING A YEAR DUE
6 TO THE TIMING OF VOUCHERS AND THE ACTIVITIES WHICH
7 ARE BEING PERFORMED. BY USING HIS METHODOLOGY HE
8 COMPUTES A DISALLOWANCE OF \$528,000 WHICH HE
9 ATTRIBUTES TO TWO EVENTS IN MAY, 1991; 1) EXPENSE
10 FURNITURE USED IN THE INTEREXCHANGE CARRIER POINT
11 OF CONTACT OFFICE WAS PRORATED TO FLORIDA AND 2) A
12 LARGE QUANTITY OF FURNITURE WAS REPAIRED AND
13 REFURBISHED. HE REACHES THIS CONCLUSION BASED ON
14 THE COMPANY'S RESPONSE TO CITIZENS' 8TH
15 INTERROGATORIES, ITEM NO. 138 DATED JUNE 16, 1992.
16 HE FAILED TO UTILIZE DATA CONCERNING THESE EVENTS
17 PROVIDED IN CITIZENS' 12TH SET OF PODS, ITEM NO.
18 119 WHICH QUANTIFIED THE FIRST AND SECOND EVENTS AS
19 HAVING IMPACTS OF \$51,626 AND \$188,234
20 RESPECTIVELY. I DO NOT BELIEVE THAT EITHER OF
21 THESE EVENTS CONSTITUTE NON-RECURRING EXPENSE WHICH
22 SHOULD BE REMOVED FROM COST OF SERVICE, BUT IN ANY
23 EVENT THEY CERTAINLY SHOULDN'T BE REMOVED FOR AN
24 AMOUNT GREATER THAN THEIR VALUE.
25

1 OFFICE EQUIPMENT

2

3 Q. WHAT ARE THE CIRCUMSTANCES ASSOCIATED WITH
4 MR. ALLEN'S PROPOSED DISALLOWANCE OF OFFICE
5 EQUIPMENT EXPENSE?

6

7 A. HIS METHODOLOGY FOR DETERMINING THIS PROPOSED
8 DISALLOWANCE IS THE SAME AS I DESCRIBED FOR HIS
9 FURNITURE AND ARTWORKS ADJUSTMENT. THE METHODOLOGY
10 HAD THE SAME UNREASONABLE RESULT FOR OFFICE
11 EQUIPMENT EXPENSE. IN RESPONSE TO CITIZENS' 8TH
12 INTERROGATORIES, ITEM NO. 139 THE COMPANY GAVE
13 SEVERAL REASONS FOR THE FLUCTUATION OF OFFICE
14 EQUIPMENT EXPENSE IN MAY 1991, NONE OF WHICH APPEAR
15 TO BE NON-RECURRING. MR. ALLEN USED ONE OF THESE
16 EXPLANATIONS, "THE COMPANY PURCHASED CARGOTAINERS
17 USED IN THE CONSOLIDATION OF OFFICES IN THE
18 MARKETING ORGANIZATION," TO JUSTIFY HIS ADJUSTMENT.
19 MR. ALLEN AGAIN, HOWEVER, IGNORED THE INFORMATION
20 CONTAINED IN THE COMPANY'S RESPONSE TO CITIZENS'
21 12TH PODS, ITEM 120 WHICH SHOWS THE PURCHASE OF
22 TWO CARGOTAINERS DURING MAY 1991 FOR \$19,781.
23 SINCE HIS PROPOSED ADJUSTMENT IS TO DISALLOW
24 \$493,000 OF EXPENSE, THIS IS NOT A REASONABLE
25 ADJUSTMENT AND SHOULD BE REJECTED.

1

2 RADIO SYSTEMS

3

4 Q. PLEASE EXPLAIN YOUR POSITION REGARDING HIS RADIO
5 SYSTEMS EXPENSE DISALLOWANCE.

6

7 A. EVEN IF EXPENDITURES FOR RADIO SYSTEMS EXPENSE IS
8 IN A DECLINING TREND, THE EARNINGS IMPACT OF THIS
9 TREND WOULD ALREADY BE ACCOUNTED FOR IN THE
10 ATTRITION STUDY CONDUCTED BY COMPANY WITNESS JOHN
11 MCCLELLAN. FOR EXAMPLE, I DID NOT INCLUDE AN
12 INDIVIDUAL SPECIFIC PROFORMA FOR SALARY AND WAGE
13 INCREASES DURING 1991 BECAUSE THEY WOULD
14 THEORETICALLY BE INCLUDED IN MR. MCCLELLAN'S STUDY.

15

16 UNDERGROUND CABLE

17

18 Q. WHAT IS YOUR RESPONSE TO HIS UNDERGROUND CABLE
19 EXPENSE DISALLOWANCE?

20

21 A. I WOULD LIKE TO MAKE SEVERAL POINTS REGARDING THIS
22 PROPOSED ADJUSTMENT. FIRST, I DO NOT AGREE WITH
23 MR. ALLEN THAT PLANT LABOR ASSOCIATED WITH
24 REPAIRING CABLE FAILURES AND CUT DUCTS IS
25 NON-RECURRING. THESE ACTIVITIES ARE RECURRING

1 EVENTS FOR A NETWORK THE SIZE OF SOUTHERN BELL'S IN
2 FLORIDA. I WOULD, ALSO, POINT OUT THAT PLANT LABOR
3 CHARGES INCLUDE THE WAGES OF EMPLOYEES ON SOUTHERN
4 BELL'S PAYROLL WHO MOST LIKELY WOULD HAVE BEEN
5 ASSIGNED TO OTHER ACTIVITIES WHICH WOULD HAVE
6 GENERATED COMPARABLE EXPENSES IF THEY HAD NOT BEEN
7 BUSY REPAIRING THE CABLE FAILURES AND CUT DUCTS. IN
8 ADDITION, I WOULD LIKE TO NOTE THAT THE ANNUAL
9 LEVELS OF UNDERGROUND CABLE EXPENSE FOR 1989, 1990
10 AND 1991 WERE \$15,733,213; \$15,122,219; AND
11 \$15,576,192 RESPECTIVELY. THE 1991 TEST YEAR AMOUNT
12 DOES NOT APPEAR OUT OF LINE WITH EITHER 1989 OR
13 1990 AND NO ADJUSTMENT IS APPROPRIATE.

14

15 MR. ALLEN'S PROCEDURE FOR DETERMINING THE AMOUNT OF
16 HIS PROPOSED ADJUSTMENT ALSO CONTAINS SIMILAR FLAWS
17 TO HIS FURNITURE AND ARTWORK AND OFFICE EQUIPMENT
18 ADJUSTMENTS. MR. ALLEN IS PROPOSING TO DISALLOW
19 \$996,000 FOR A REASON WHICH SOUTHERN BELL HAS
20 QUANTIFIED AS HAVING A VALUE OF \$35,897. IN
21 RESPONSE TO CITIZENS' 16TH INTERROGATORIES, ITEM
22 NO. 415, THE COMPANY STATED THAT THE COST OF
23 REPAIRING THE CABLE FAILURES AND CUTS WAS \$35,897.

24

25 PROVISIONING

1

2 Q. CAN YOU EXPLAIN WHY THE CHARGES TO THE PROVISIONING
3 EXPENSE ACCOUNT FLUCTUATE DURING 1991?

4

5 A. YES. THE PROVISIONING EXPENSE ACCOUNT, AS PROVIDED
6 FOR IN THE UNIFORM SYSTEM OF ACCOUNTS, IS CHARGED
7 WITH COSTS INCURRED IN PROVISIONING MATERIAL AND
8 SUPPLIES, INCLUDING OFFICE SUPPLIES. ALSO INCLUDED
9 ARE ADJUSTMENTS RESULTING FROM THE ANNUAL OR MORE
10 FREQUENT INVENTORIES OF MATERIAL AND SUPPLIES.
11 MONTHLY CLEARANCES ARE MADE TO TRANSFER EXPENSES
12 OUT OF THE PROVISIONING ACCOUNT TO CONSTRUCTION
13 AND/OR TO PLANT SPECIFIC OPERATIONS EXPENSE
14 ACCOUNTS. INVENTORY ADJUSTMENT AMOUNTS ARE NOT
15 CLEARED FROM THIS ACCOUNT BUT ARE RETAINED IN
16 PROVISIONING EXPENSE.

17

18 IN LATE 1991 CERTAIN ANNUAL INVENTORY ADJUSTMENTS
19 WERE RECORDED WHICH, SINCE THEY WERE NOT CLEARED,
20 LEFT POSITIVE EXPENSE AMOUNTS IN THE PROVISIONING
21 ACCOUNT. IT CAN BE EXPECTED THAT THIS ACCOUNTING
22 TREATMENT WILL RECUR EACH YEAR WITH THE NEXT YEAR'S
23 INVENTORIES. THE AMOUNT OF ADJUSTMENT EACH YEAR
24 WILL VARY DUE TO THE CIRCUMSTANCES OF THE
25 INVENTORY.

1

2 UNPROTECTED EXCESS DEFERRED INCOME TAXES

3

4 Q. HAS THIS COMMISSION ADDRESSED THE ADOPTION OF SFAS
5 NO. 109, ACCOUNTING FOR INCOME TAXES?

6

7 A. YES. THE COMMISSION ISSUED ORDER NO.
8 PSC-92-1065-NOR-PU, IN DOCKET NO. 920865-PU WHICH
9 INSTRUCTED FLORIDA COMPANIES TO ADOPT THIS
10 ACCOUNTING PRONOUNCEMENT ON A REVENUE REQUIREMENT
11 NEUTRAL BASIS EFFECTIVE JANUARY 1, 1993. IN THIS
12 ORDER THE COMMISSION INDICATED THAT, IF COMPANIES
13 WANTED TO ADOPT SFAS NO. 109 ON OTHER THAN A
14 REVENUE REQUIREMENT NEUTRAL BASIS, THEY WOULD NEED
15 TO MAKE A CASE FOR IT. MY PROFORMA ADJUSTMENT
16 REQUESTS A MORE RAPID ADOPTION OF THE FULL EFFECTS
17 OF SFAS NO. 109 OVER A FOUR YEAR PERIOD.

18

19 Q. WHAT ARE ALTERNATIVE TREATMENTS FOR THE UNPROTECTED
20 EXCESS DEFERRED TAXES WHICH MR. ALLEN PROPOSES TO
21 FLOW-THROUGH OVER THREE YEARS.

22

23 A. IF SFAS NO. 109 IS ADOPTED ON A REVENUE REQUIREMENT
24 NEUTRAL BASIS, THESE UNPROTECTED EXCESS DEFERRED
25 TAXES WOULD REVERSE AT THE RATE OF TURN AROUND

1 ASSOCIATED WITH THE TEMPORARY DIFFERENCES FROM
2 WHICH THEY WERE DERIVED. IN MY PROPOSED ADOPTION
3 OF SFAS 109, THE UNPROTECTED EXCESS DEFERRED TAXES
4 ARE REVERSED OVER A FOUR YEAR PERIOD AND ARE USED
5 TO HELP OFFSET NORMALIZATION OF PRIOR TAX
6 FLOW-THROUGH, WHICH IS ALSO FULLY RECOGNIZED OVER
7 FOUR YEARS. UNDER ALL SCENARIOS THE BALANCE OF
8 UNPROTECTED EXCESS DEFERRED TAXES, WHICH HAS NOT
9 BEEN REVERSED, IS TREATED AS A SOURCE OF ZERO COST
10 CAPITAL IN THE CAPITAL STRUCTURE FOR SOUTHERN BELL
11 IN FLORIDA.

12

13 Q. IS MR. ALLEN'S ADJUSTMENT CALCULATED IN A MANNER
14 THAT WILL CORRECTLY REFLECT THE TEST YEAR IMPACT OF
15 HIS PROPOSAL?

16

17 A. NO. MR. ALLEN'S METHODOLOGY IS FLAWED BECAUSE HE
18 DID NOT RECOGNIZE THAT THE TEST YEAR TAX EXPENSE
19 ALREADY IS LOWER DUE TO THE NORMAL REVERSAL OF
20 UNPROTECTED EXCESS DEFERRED TAXES. THE CORRECT
21 METHODOLOGY WOULD MEASURE THE DIFFERENCE BETWEEN
22 HIS ANNUAL AMORTIZATION OF THE UNPROTECTED DEFERRED
23 TAXES AND THE AMOUNTS WHICH WOULD HAVE BEEN BOOKED
24 UNDER EXISTING ACCOUNTING PROCEDURES.

25

1 Q. EVEN WITH THE CORRECT METHODOLOGY, SHOULD THE
2 COMMISSION ACCEPT MR. ALLEN'S PROPOSAL?

3

4 A. NO. THE FLORIDA COMMISSION WAS A LEADER IN
5 ADOPTING FULL NORMALIZATION ACCOUNTING IN THE
6 1970'S. NORMALIZATION IS NOW WIDELY ACCEPTED AND
7 IS A PART OF THE UNIFORM SYSTEM OF ACCOUNTS.
8 NORMALIZATION ACCOUNTING TREATS INTERGENERATIONAL
9 CUSTOMERS FAIRLY BECAUSE TAX EXPENSE IS REFLECTIVE
10 OF THE TAX RATES AND BOOKED TAXABLE INCOME DURING
11 THE PERIOD SERVICE IS PROVIDED.

12

13 BECAUSE FLORIDA WAS A LEADER IN FULL NORMALIZATION,
14 THE TRANSITION TO IMPLEMENT SFAS NO. 109 CAN BE
15 ACHIEVED MORE ECONOMICALLY. THE PRIMARY REASON FOR
16 THE INCREASE IN TAX EXPENSE OVER THE PROPOSED FOUR
17 YEAR PERIOD IN MY PROPOSAL IS TO BRING THE BALANCE
18 SHEET UP TO DATE FOR FLOW-THROUGH THAT OCCURRED
19 PRIOR TO THE 1970'S AND FLORIDA'S FULL
20 NORMALIZATION POLICY. BY ADOPTING THE FOUR YEAR
21 APPROACH, THE COMPANY WILL BE ABLE TO REACH FULL
22 GAAP ACCOUNTING FOR SFAS NO. 109 IN A MUCH SHORTER
23 PERIOD.

24

25

1 NEGATIVE ATTRITION ON OPC'S ADJUSTMENTS

2

3 Q. DO YOU AGREE WITH MR. ALLEN'S ADJUSTMENT ENTITLED
4 "NEGATIVE ATTRITION ON OPC'S ADJUSTMENTS"?

5

6 A. NO. MR. ALLEN HAS NOT CORRECTLY ADJUSTED THE
7 NEGATIVE ATTRITION FOR ITEMS DURING 1991 WHICH HE
8 PROPOSES TO REMOVE FROM COST OF SERVICE. FOR
9 EXAMPLE, ON HIS EXHIBIT RMA-2 SCHEDULE 23, HE
10 APPLIES A GROWTH FACTOR TO THE TOTAL NET OPERATING
11 INCOME IMPACT OF ALL HIS ADJUSTMENTS, EXCLUDING
12 ATTRITION RELATED ADJUSTMENTS. THE INACCURACY OF
13 HIS APPROACH CAN BE SEEN BY A REVIEW OF HIS
14 ADJUSTMENTS.

15

16 ONE OF HIS ADJUSTMENTS IS THE THREE YEAR
17 AMORTIZATION OF UNPROTECTED EXCESS DEFERRED INCOME
18 TAXES. BY APPLYING HIS GROWTH FACTOR TO THE NET
19 OPERATING INCOME EFFECT OF THIS ADJUSTMENT, HE IS
20 EFFECTIVELY INCREASING THE COMPANY'S INCOME BY MORE
21 THAN CAN EVER BE REALIZED FROM THESE UNPROTECTED
22 EXCESS DEFERRED TAXES.

23

24 HIS ADJUSTMENT FOR SOFTWARE EXPENSE WOULD REDUCE
25 THE COMPANY'S NEGATIVE ATTRITION, NOT INCREASE IT,

1 SINCE THERE WOULD BE A YEAR OVER YEAR INCREASE IN
2 REVENUE REQUIREMENTS ASSOCIATED WITH ADOPTING THIS
3 ADJUSTMENT. HE HAS, HOWEVER, BLINDLY APPLIED HIS
4 GROWTH FACTOR TO THE NET OPERATING INCOME EFFECT OF
5 THIS ADJUSTMENT AND ARBITRARILY CREATED A FURTHER
6 INCREASE IN COMPANY NET OPERATING INCOME.

7
8 HIS UNCOLLECTIBLE REVENUE ADJUSTMENT HAS NOTHING TO
9 DO WITH HIS INFLATION-ADJUSTED EXPENSE GROWTH
10 FACTOR WHICH HE DERIVED ON HIS SCHEDULE 22, BUT HE
11 APPLIES THE GROWTH FACTOR TO UNCOLLECTIBLE REVENUES
12 ANYWAY.

13
14 HIS POST-RETIREMENTS BENEFITS ADJUSTMENT IS
15 REVERSING A COMPANY PROPOSED 1993 PRO FORMA TO
16 ADOPT SFAS NO. 106. THE COMPANY'S SFAS NO. 106
17 PROFORMA RECOGNIZES A 1993 EVENT WHICH IS NOT IN
18 THE HISTORICAL ATTRITION CALCULATIONS. HE
19 CALCULATES AN ATTRITION ADJUSTMENT RELATED TO IT
20 AND THUS EXCLUDES MORE EXPENSE FOR SFAS NO. 106
21 THAN THE COMPANY PROPOSED TO INCLUDE IN ITS 1993
22 COST OF SERVICE IN THE FIRST PLACE.

23
24 IN ADDITION TO THESE PROBLEMS, EXHIBIT RMA-2
25 SCHEDULE 23 HAS ERRONEOUS LOGIC. HE STARTS WITH A

1 NET OPERATING INCOME NUMBER, WHICH IS AFTER TAX,
2 BUT LATER CALCULATES A TAX EFFECT ASSOCIATED WITH
3 HIS AMOUNTS.

4

5

6

7 RATE BASE ADJUSTMENTS

8

9 Q. WOULD YOU BRIEFLY RESPOND TO MR. ALLEN'S PROPOSED
10 RATE BASE ADJUSTMENTS?

11

12 A. YES. HIS FIRST THREE RATE BASE ADJUSTMENTS, 1)
13 "SOFTWARE EXPENSE CAPITALIZED," 2) "POST-RETIREMENT
14 BENEFITS" AND 3) "EXCESS DEFERRED INCOME TAXES" ARE
15 ASSOCIATED WITH INCOME ADJUSTMENTS TO WHICH I HAVE
16 ALREADY RESPONDED. THESE RATE BASE ADJUSTMENTS
17 SHOULD, THEREFORE, BE TREATED IN THE SAME MANNER AS
18 THE RELATED INCOME ADJUSTMENT.

19

20 HIS LAST RATE BASE ADJUSTMENT "EXCESS PENSION
21 COLLECTIONS" SHOULD BE REJECTED SINCE IT IS DOUBLE
22 COUNTING A RATE BASE IMPACT I HAVE ALREADY
23 REFLECTED IN THE CASH WORKING CAPITAL COMPONENT OF
24 RATE BASE. UNFUNDED PENSION ACCOUNT BALANCES ARE
25 USED IN THE BALANCE SHEET APPROACH FOR CASH WORKING

1 CAPITAL COMPUTATION.

2

3 UPDATE OF PRE-FILED DIRECT TESTIMONY OF JULY 15,
4 1992

5

6 Q. PLEASE EXPLAIN THE REASONS FOR YOUR UPDATE TO THE
7 FINANCIAL RESULTS PRESENTED IN YOUR DIRECT
8 TESTIMONY OF JULY 15, 1992.

9

10 A. THE MAJOR EVENT WHICH HAS OCCURRED SINCE I FILED MY
11 DIRECT TESTIMONY ON JULY 15, 1992 IS OF COURSE THE
12 LANDFALL OF HURRICANE ANDREW SOUTH OF MIAMI ON
13 AUGUST 24, 1992. THIS STORM WAS FAR AND AWAY THE
14 MOST DEVASTATING STORM IN U. S. HISTORY. ITS
15 IMPACT ON THE PEOPLE OF SOUTH FLORIDA, THE SOUTH
16 FLORIDA ECONOMY, AND THE COMPANY'S OPERATIONS WILL
17 BE FELT FOR MANY YEARS.

18

19 IN ORDER TO UPDATE THE FINANCIAL RESULTS FOR THIS
20 PROCEEDING TO RECOGNIZE THE BEST ESTIMATES OF THE
21 CASUALTY DAMAGE CAUSED BY HURRICANE ANDREW TO THE
22 COMPANY'S FACILITIES, I HAVE SECURED THE COMPANY'S
23 LATEST ESTIMATES OF REPAIR COSTS, EXTRAORDINARY
24 RETIREMENTS, AND RELATED DEPARTMENTAL EXPENSES.
25 UTILIZING THIS INFORMATION, I HAVE UPDATED MY

1 ADJUSTMENT ENTITLED "CASUALTY EXPENSE" AS REFLECTED
2 ON SCHEDULE 4 OF MY DIRECT TESTIMONY AND HAVE
3 INCORPORATED THE NEW CASUALTY EXPENSE ADJUSTMENT ON
4 REID EXHIBIT NO. WSR-10 ATTACHED TO THIS TESTIMONY.

5
6 THE HURRICANE EXPENSE AMOUNTS WHICH I HAVE INCLUDED
7 IN THE NEW CASUALTY EXPENSE PROFORMA ARE THE
8 INCREMENTAL INTRASTATE REGULATED EXPENSES REDUCED
9 BY INSURANCE RECOVERY. THE METHODOLOGY UTILIZED IS
10 THE 5 YEAR AVERAGING TECHNIQUE FOR RECOGNIZING
11 CASUALTY EXPENSE, WHICH HAS BEEN USED BY THE
12 COMPANY AND ACCEPTED BY THE COMMISSIONS FOR MANY
13 YEARS. DUE TO THE SIZE OF THE DAMAGE AND IN
14 RECOGNITION OF THE FACT THAT THE COMPANY HAS
15 EXPENDED CONSIDERABLE CASH EXPENSES WHICH IT WILL
16 NOT FULLY RECOVER UNTIL THE END OF THE 5 YEAR
17 CASUALTY EXPENSE RECOGNITION PERIOD, I HAVE
18 REFLECTED A RATE BASE IMPACT FOR THE PORTION OF THE
19 HURRICANE EXPENSE WHICH IS DEFERRED TO FUTURE YEARS
20 BY THE CASUALTY EXPENSE PROFORMA.

21
22 IN ADDITION TO THE HURRICANE, TWO OTHER EVENTS
23 WHICH OCCURRED IN 1992, AND NEED TO BE REFLECTED IN
24 THIS PROCEEDING, ARE THE TWO REFINANCINGS OF
25 CERTAIN LONG TERM DEBENTURES BY BILLSOUTH

1 TELECOMMUNICATIONS, INC. (BST). ON JUNE 26, 1992
2 BST ANNOUNCED THE SALE OF \$250,000,000 AGGREGATE
3 PRINCIPAL AMOUNT OF FORTY YEAR 8-1/4% DEBENTURES,
4 DUE JULY 1, 2032. THE PROCEEDS FROM THIS SALE WERE
5 USED TO REFINANCE \$250,000,000 OF THIRTY-NINE YEAR
6 9-7/8% DEBENTURE, DUE SEPTEMBER 15, 2018. ON JULY
7 29, 1992 BST ANNOUNCED THE SALE OF \$300,000,000
8 AGGREGATE PRINCIPAL AMOUNT OF FORTY YEAR 7-7/8%
9 DEBENTURES, DUE AUGUST 1, 2032. THE PROCEEDS FROM
10 THIS SALE WERE USED TO REFINANCE \$300,000,000 OF
11 FORTY YEAR 10 3/4% DEBENTURES, DUE DECEMBER 18,
12 2025.

13

14 SOUTHERN BELL FILED A PETITION WITH THE COMMISSION
15 ON AUGUST 14, 1992 REQUESTING THAT THE EXPENSES OF
16 APPROXIMATELY \$12,300,000 ASSOCIATED WITH THESE TWO
17 REFINANCINGS BE OFFSET AGAINST CREDITS THAT WERE
18 BEING RETURNED TO CUSTOMERS IN 1992. THE COMPANY
19 ALSO INDICATED THAT THE INTEREST SAVINGS OF
20 APPROXIMATELY \$2,450,000 FROM THE REFINANCINGS
21 SHOULD BE UTILIZED IN DOCKET NO. 920260-TL. ON
22 OCTOBER 20, 1992 THE COMMISSION RULED ON THIS
23 PETITION, BY AUTHORIZING AN OFFSET OF \$3,917,357
24 AGAINST THE \$12,263,256 EXPENSE IN 1992 AND
25 REQUIRING THE BALANCE OF THE EXPENSE, \$8,345,899,

1 TO BE RECOGNIZED OVER THE LIFE OF THE BOND. I HAVE
2 INCLUDED A NEW PROFORMA ENTITLED "DEBT REFINANCING"
3 ON REID EXHIBIT NO. WSR-10 TO REFLECT THE
4 COMMISSION DECISIONS ON THIS ISSUE.

5
6 THE OTHER REASONS FOR THE UPDATE TO MY DIRECT
7 TESTIMONY INCLUDE THE INCORPORATION OF MORE CURRENT
8 ESTIMATES OF THE FINANCIAL IMPACT FOR ADOPTING SFAS
9 NO. 106 AND SFAS NO. 109 IN 1993; MORE CURRENT
10 INFORMATION REGARDING SOUTHERN BELL'S UNIVERSAL
11 SERVICE FUND RECEIPTS; IDENTIFICATION OF ADDITIONAL
12 OUT OF PERIOD AMOUNTS RECORDED IN 1992 THAT ARE
13 APPLICABLE TO THE 1991 TEST YEAR; AND CHANGES IN
14 CERTAIN PROFORMA ADJUSTMENTS DUE TO COMPUTATIONAL
15 CORRECTIONS.

16

17 Q. HOW HAVE YOU ORGANIZED REID EXHIBIT NO. WSR-10 SO
18 THAT THE CHANGES FROM YOUR ORIGINAL SCHEDULE CAN BE
19 FOLLOWED THROUGH TO THE REVISED AMOUNTS?

20

21 A. ON REID EXHIBIT NO. WSR-10 I HAVE INSERTED A DOUBLE
22 ASTERISK NEXT TO ANY NEW OR REVISED PROFORMA
23 ADJUSTMENT. ON PAGES 4 THROUGH 18 OF THIS SCHEDULE
24 I HAVE INCLUDED THE REASON FOR EACH REVISION BELOW
25 THE DESCRIPTION OF THE PROFORMA. I HAVE ALSO SHOWN

1 UNDER EACH REASON, THE INCREMENTAL CHANGE IN THE
2 PROFORMA CAUSED BY THE REVISION.

3

4 Q. PLEASE SUMMARIZE THE EARNINGS RESULTS SHOWN ON YOUR
5 REVISED SCHEDULE.

6

7 A. AFTER UPDATING MY PRE-FILED DIRECT TESTIMONY FOR
8 ALL OF THE EVENTS WHICH HAVE TRANSPIRED SINCE
9 JULY 15, 1992, MY NEW ADJUSTED NET OPERATING INCOME
10 IS \$397,434,000; ADJUSTED RATE BASE IS
11 \$4,201,100,000; AND RETURN ON RATE BASE IS 9.46
12 PERCENT. THIS RETURN ON RATE BASE EQUATES TO A
13 13.68 PERCENT RETURN ON EQUITY USING THE CAPITAL
14 STRUCTURE AND COST RATES IN MR. BILL KECK'S
15 TESTIMONY.

16

17 Q. HAVE YOU REVISED THE 1991 SURVEILLANCE REPORT FOR
18 THESE SUBSEQUENT EVENTS?

19

20 A. YES. I HAVE ATTACHED A REVISED 1991 SURVEILLANCE
21 REPORT AS REID EXHIBIT NO. WSR-15 OF MY REBUTTAL
22 TESTIMONY.

23

24

25

1 COMPANY POSITION REGARDING OTHER ISSUES

2

3 Q. WHICH ISSUES ON THE FINAL ISSUE LIST DO YOU PLAN TO
4 ADDRESS WHICH HAVE NOT BEEN COVERED TO DATE?

5

6 A. I WILL PROVIDE HERE THE COMPANY'S POSITION
7 REGARDING ISSUES 2a, 14b, 14c, 14e, 15a, 15d, 15g,
8 25c, 25d AND 25e. THE COMPANY'S POSITION ON THE
9 VALUES FOR THE VARIOUS COMPONENTS OF RATE BASE,
10 OPERATING REVENUES, EXPENSES AND TAXES ARE INCLUDED
11 ON REID EXHIBIT NO. WSR-10 OR ON THE UPDATED MFR
12 SCHEDULES I HAVE ATTACHED TO MY TESTIMONY AS REID
13 EXHIBIT NO. WSR-16.

14

15 ISSUE 2a

16

17 Q. HAVE THE INVESTMENTS AND EXPENSES FOR VIDEO
18 TRANSPORT SERVICE BEEN APPROPRIATELY IDENTIFIED AND
19 ACCOUNTED FOR?

20

21 A. YES. SOUTHERN BELL HAS CERTAIN VIDEO TRANSPORT
22 TRIALS ONGOING IN FLORIDA AT HUNTERS CREEK AND
23 HEATHROW. THESE TRIALS ARE BEING CONDUCTED UNDER
24 INTERSTATE TARIFF. THE INVESTMENTS AND EXPENSES
25 ARE IDENTIFIED AND ASSIGNED TO AN INTERSTATE

1 NON-ACCESS CATEGORY AND ARE EXCLUDED FROM
2 INTRASTATE COST OF SERVICE.

3

4 ISSUE 14b

5

6 Q. HAS THE COMPANY ACCOUNTED FOR EMPLOYEE CONCESSIONS
7 APPROPRIATELY DURING THE TEST YEAR?

8

9 A. YES. THE COMPANY HAS HISTORICALLY PROVIDED ITS
10 EMPLOYEES WITH A REASONABLE LEVEL OF TELEPHONE
11 CONCESSION SERVICE. THESE CONCESSIONS ARE
12 INCORPORATED IN THE COMPANY'S TARIFFS AND HAVE LONG
13 BEEN ACCEPTED BY THE COMMISSION IN COST OF SERVICE
14 FOR SOUTHERN BELL. ACCOUNTING FOR THE CONCESSIONS
15 IS APPROPRIATELY RECOGNIZED AS A NETTING AGAINST
16 BILLED REVENUE. FOR EXAMPLE, IF THE CONCESSION WAS
17 40 PERCENT, THE EMPLOYEE WOULD BE BILLED AND
18 REVENUES WOULD BE RECOGNIZED AT 60 PERCENT OF THE
19 FULL TARIFF RATE FOR THE SERVICE. SOUTHERN BELL
20 HAS CONSISTENTLY FOLLOWED THIS ACCOUNTING TREATMENT
21 FOR MANY YEARS.

22

23 ISSUE 14c

24

25 Q. SHOULD AN ADJUSTMENT BE MADE TO INTRASTATE REVENUES

1 FOR THE TEST PERIOD TO RECOGNIZE ADJUSTMENTS TO
2 INTEREXCHANGE CARRIERS' (IXC) PERCENTAGE INTERSTATE
3 USAGE (PIU)?

4

5 A. NO. I HAVE ALREADY ADJUSTED THE TEST YEAR FOR ANY
6 IXC PIU TRUE-UPS WHICH HAVE BEEN IDENTIFIED AS
7 BEING RETROACTIVE TO 1991. NO FURTHER ADJUSTMENTS
8 ARE NECESSARY.

9

10

11 ISSUE 14e

12

13 Q. WHAT IS THE APPROPRIATE AMOUNT OF DIRECTORY
14 ADVERTISING REVENUE THAT SHOULD BE INCLUDED IN THE
15 TEST YEAR?

16

17 A. THE AMOUNT OF DIRECTORY ADVERTISING REVENUE THAT
18 SHOULD BE REFLECTED IN THE TEST YEAR IS
19 \$219,581,101 WHICH IS THE AMOUNT BOOKED DURING
20 1991. I PERFORMED THE CALCULATIONS ACCORDING TO
21 FLORIDA STATUTE 364.037 TO DETERMINE THAT NONE OF
22 THESE REVENUES SHOULD BE TREATED AS NON-REGULATED.
23 THE BOOKED AMOUNT IS, THEREFORE, THE APPROPRIATE
24 TOTAL.

25

1 ISSUE 15a

2

3 Q. ARE THE ALLOCATIONS TO NON-REGULATED OPERATIONS
4 REASONABLE?

5

6 A. YES. SOUTHERN BELL HAS FOLLOWED THE FCC'S PART 64
7 PROCEDURES WHICH ARE REFLECTED IN THE COMPANY'S
8 COST ALLOCATION MANUAL (CAM) TO ASSIGN REVENUES,
9 EXPENSES AND INVESTMENTS TO NON-REGULATED
10 OPERATIONS. THE COMPANY'S EXTERNAL AUDITOR,
11 COOPERS AND LYBRAND HAS AUDITED THE COMPANIES
12 APPLICATION OF THESE PROCEDURES, AND THE FLORIDA
13 COMMISSION HAS CONDUCTED AN EXTENSIVE INVESTIGATION
14 REGARDING THE CAM.

15

16 ISSUE 15d

17

18 Q. IS SOUTHERN BELL CORRECTLY SEPARATING THE REVENUES,
19 EXPENSES AND INVESTMENT IN ITS LINE IDENTIFICATION
20 DATA BASE (LIDB) OFFERING TO THE APPROPRIATE
21 JURISDICTION?

22

23 A. YES. SOUTHERN BELL IS REQUIRED TO FOLLOW FCC PART
24 36 RULES TO SEPARATE ITS REVENUES, EXPENSES AND
25 INVESTMENTS BETWEEN THE INTERSTATE AND INTRASTATE

1 JURISDICTIONS. THE COMPANY HAS CORRECTLY FOLLOWED
2 THESE RULES AND IT WOULD BE INAPPROPRIATE TO
3 SEPARATE THE LIDB AMOUNTS ON ANY OTHER BASIS.

4

5 ISSUE 15g

6

7 Q. HAS THE COMPANY PROPERLY EMPLOYED AN APPROPRIATE
8 EXPENSE/CAPITALIZATION RATIO FOR COMPENSATION?

9

10 A. YES. THE COMPANY'S PLANT LABOR, ENGINEERING AND
11 PAYROLL SYSTEMS ACCURATELY ACCOUNT FOR THE COST OF
12 ACTIVITIES WHICH ARE PROPERLY ASSIGNED TO CAPITAL
13 OR TO EXPENSE ACCOUNTS.

14

15 ISSUE 25c

16

17 Q. WHAT AMOUNT OF REVENUE IS SUBJECT TO DISPOSITION IN
18 1993 DUE TO ORDERS ISSUED IN DOCKET NO. 880069-TL?

19

20 A. SOUTHERN BELL'S POSITION IS THAT THE 1993 SET ASIDE
21 AMOUNT BASED ON DOCKET NO. 880069-TL IS
22 \$48,156,244. DETAILS CONCERNING THE CALCULATION OF
23 THIS AMOUNT ARE SHOWN ON REID EXHIBIT NO. WSR-13.

24

25 ISSUE 25d

1

2 Q. WHAT AMOUNT OF REVENUE, IF ANY, SHOULD BE REFUNDED?

3

4 A. NONE. SOUTHERN BELL'S 1991 RETURN ON EQUITY WAS
5 BELOW THE SHARING LEVEL OF 14 PERCENT. ALL 1991
6 AMOUNTS SUBJECT TO REFUND HAVE BEEN REFUNDED PER
7 ORDER 25367, OR HAVE BEEN INCORPORATED IN THE 1992
8 REFUND PER ORDER PSC-92-1412-FOF-TL.

9

10

11 ISSUE 25e

12

13 Q. SHOULD SOUTHERN BELL BE REQUIRED TO FILE, WITHIN 30
14 DAYS AFTER THE DATE OF THE FINAL ORDER IN THIS
15 DOCKET, AN UPDATED SCHEDULE TO REFLECT THE ACTUAL
16 RATE CASE EXPENSE.

17

18 A. NO. THE RATE CASE EXPENSE FOR THIS DOCKET HAS
19 OCCURRED OUTSIDE THE TEST YEAR. THE COMPANY HAS
20 NOT REQUESTED AMORTIZATION TREATMENT FOR THIS
21 EXPENSE AND THEREFORE, IT SHOULD NOT BE A CONTESTED
22 ISSUE IN THE CASE.

23

24 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

25

1 A. YES.

2

3

4

5

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INTRASTATE "PER BOOKS" AMOUNTS

SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY
 TRENDS IN FLORIDA REVENUE REQUIREMENTS 1984 - 1991

(000)

<u>ITEM</u>	1984	1985	1986	1987	1988	1989	1990	1991
<i>INTRASTATE REVENUE</i>	\$1,665,592	\$1,757,089	\$1,873,460	\$1,944,026	\$2,066,669	\$2,085,758	\$2,160,014	\$2,224,489
<i>DEPRECIATION EXPENSE</i>	232,826	249,325	310,125	377,382	478,042	472,114	503,048	546,255
<i>OTHER EXPENSE & TAX</i>	917,908	963,013	995,860	1,003,860	1,114,148	1,116,809	1,162,130	1,208,432
<i>TOTAL EXPENSES</i>	1,150,734	1,212,338	1,305,985	1,381,242	1,592,190	1,588,923	1,665,178	1,754,687
<i>INCOME TAXES</i>	179,823	196,065	211,854	180,680	108,449	101,077	99,272	91,352
<i>NET OPERATING INCOME</i>	335,035	348,686	355,621	382,104	366,030	395,758	395,564	378,450
<i>PLANT IN SERVICE</i>	3,843,753	4,166,294	4,527,174	4,892,415	5,404,006	5,847,093	6,245,469	6,400,778
<i>DEPRECIATION RESERVE</i>	589,685	723,386	909,736	1,177,746	1,505,614	1,881,696	2,229,179	2,315,365
<i>NET PLANT</i>	3,254,068	3,442,908	3,617,438	3,714,669	3,898,392	3,965,397	4,016,290	4,085,413
<i>OTHER INVESTMENTS</i>	89,333	163,925	102,589	57,695	69,266	62,408	74,917	29,096
<i>RATE BASE</i>	3,343,401	3,606,833	3,720,027	3,772,364	3,967,658	4,027,805	4,091,207	4,114,509
<i>AVERAGE ACCESS LINES</i>	3,329,379	3,480,215	3,653,951	3,882,952	4,096,329	4,310,989	4,511,804	4,663,857

PER AVERAGE ACCESS LINE

<i>INTRASTATE REVENUE</i>	\$500.27	\$504.88	\$512.72	\$500.66	\$504.52	\$483.82	\$478.75	\$476.96
<i>DEPRECIATION EXPENSE</i>	69.93	71.64	84.87	97.19	116.70	109.51	111.50	117.13
<i>OTHER EXPENSE & TAX</i>	275.70	276.71	272.54	258.53	271.99	259.06	257.58	259.11
<i>TOTAL EXPENSES</i>	345.63	348.35	357.42	355.72	388.69	368.58	369.07	376.23
<i>INCOME TAXES</i>	54.01	56.34	57.98	46.53	26.47	23.45	22.00	19.59
<i>NET OPERATING INCOME</i>	100.63	100.19	97.33	98.41	89.36	91.80	87.67	81.15
<i>PLANT IN SERVICE</i>	1154.50	1197.14	1238.98	1259.97	1319.23	1356.32	1384.25	1372.42
<i>DEPRECIATION RESERVE</i>	177.12	207.86	248.97	303.31	367.55	436.49	494.08	496.45
<i>NET PLANT</i>	977.38	989.28	990.01	956.66	951.68	919.83	890.17	875.97
<i>OTHER INVESTMENTS</i>	26.83	47.10	28.08	14.86	16.91	14.48	16.60	6.24
<i>RATE BASE</i>	1004.21	1036.38	1018.08	971.52	968.59	934.31	906.78	882.21

REVENUE REQUIREMENTS PER AVERAGE ACCESS LINE

<i>RETURN REQUIRED</i>	\$347,714	\$371,504	\$376,095	\$374,596	\$399,543	\$408,419	\$416,894	\$418,034
<i>ACTUAL RETURN</i>	335,035	348,686	355,621	382,104	366,030	395,758	395,564	378,450
<i>DIFFERENCE</i>	12,679	22,818	20,474	(7,508)	33,513	12,661	21,330	39,584
<i>EXPANSION FACTOR</i>	0.50308	0.49835	0.49941	0.55546	0.6093	0.60798	0.60889	0.605084
<i>ADDITIONAL REVENUE</i>	25,203	45,787	40,996	(13,517)	55,002	20,825	35,031	65,419
<i>REVENUE REQUIREMENT</i>	1,704,087	1,818,057	1,928,647	1,952,898	2,146,455	2,137,734	2,224,861	2,329,849
<i>REVENUE REQ./ACC.LN.</i>	511.83	522.40	527.83	502.94	523.99	495.88	493.12	499.55

INTRASTATE "ACHIEVED" AMOUNTS

SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY
TRENDS IN FLORIDA REVENUE REQUIREMENTS 1984 - 1991

(000)

ITEM	1984	1985	1986	1987	1988	1989	1990	1991
INTRASTATE REVENUE	\$1,649,564	\$1,745,768	\$1,856,705	\$1,935,421	\$2,064,115	\$2,077,064	\$2,170,238	\$2,231,366
DEPRECIATION EXPENSE	232,826	249,325	310,125	378,869	474,955	475,458	502,902	544,815
OTHER EXPENSE & TAX	917,374	960,983	994,815	1,006,932	1,109,627	1,115,302	1,156,902	1,205,331
TOTAL EXPENSES	1,150,200	1,210,308	1,304,940	1,385,801	1,584,582	1,590,760	1,659,804	1,750,146
INCOME TAXES	171,984	191,110	192,803	167,565	101,821	99,806	112,677	95,911
NET OPERATING INCOME	327,380	344,350	358,962	382,055	377,712	386,498	397,757	385,309
PLANT IN SERVICE	3,833,758	4,158,684	4,553,257	4,952,446	5,453,476	5,905,614	6,308,678	6,460,407
DEPRECIATION RESERVE	589,685	723,386	909,736	1,197,407	1,519,283	1,896,888	2,238,972	2,324,055
NET PLANT	3,244,073	3,435,298	3,643,521	3,755,039	3,934,193	4,008,726	4,069,706	4,136,352
OTHER INVESTMENTS	89,333	163,925	102,589	57,843	69,169	62,244	74,878	29,048
RATE BASE	3,333,406	3,599,223	3,746,110	3,812,882	4,003,362	4,070,970	4,144,584	4,165,400
AVERAGE ACCESS LINES	3,329,379	3,480,215	3,653,951	3,882,952	4,096,329	4,310,989	4,511,804	4,663,857

PER AVERAGE ACCESS LINE

INTRASTATE REVENUE	\$495.46	\$501.63	\$508.14	\$498.44	\$503.89	\$481.81	\$481.01	\$478.44
DEPRECIATION EXPENSE	69.93	71.64	84.87	97.57	115.95	110.29	111.46	116.82
OTHER EXPENSE & TAX	275.54	276.13	272.26	259.32	270.88	258.71	256.42	258.44
TOTAL EXPENSES	345.47	347.77	357.13	356.89	386.83	369.00	367.88	375.26
INCOME TAXES	51.66	54.91	52.77	43.15	24.86	23.15	24.97	20.56
NET OPERATING INCOME	98.33	98.95	98.24	98.39	92.21	89.65	88.16	82.62
PLANT IN SERVICE	1151.49	1194.95	1246.12	1275.43	1331.31	1369.90	1398.26	1385.21
DEPRECIATION RESERVE	177.12	207.86	248.97	308.38	370.89	440.01	496.25	498.31
NET PLANT	974.38	987.09	997.15	967.06	960.42	929.89	902.01	886.90
OTHER INVESTMENTS	26.83	47.10	28.08	14.90	16.89	14.44	16.60	6.23
RATE BASE	1001.21	1034.20	1025.22	981.95	977.30	944.32	918.61	893.12

REVENUE REQUIREMENTS PER AVERAGE ACCESS LINE

RETURN REQUIRED	\$346,674	\$370,720	\$378,732	\$378,619	\$403,139	\$412,796	\$422,333	\$423,205
ACTUAL RETURN	327,380	344,350	358,962	382,055	377,712	386,498	397,757	385,309
DIFFERENCE	19,294	26,370	19,770	(3,436)	25,427	26,298	24,576	37,896
EXPANSION FACTOR	0.50308	0.49835	0.49941	0.55546	0.6093	0.60798	0.60889	0.605084
ADDITIONAL REVENUE	38,352	52,915	39,586	(6,186)	41,731	43,255	40,362	62,629
REVENUE REQUIREMENT	1,701,238	1,813,874	1,910,498	1,951,521	2,130,505	2,151,329	2,240,390	2,333,936
REVENUE REQ./ACC.LN.	510.98	521.20	522.86	502.59	520.10	499.03	496.56	500.43

INTRASTATE "ACHIEVED" AMOUNTS
 ADJUSTED FOR CONSTANT DEPRECIATION
 SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY
 TRENDS IN FLORIDA REVENUE REQUIREMENTS 1984 - 1991

(000)

ITEM	1984	1985	1986	1987	1988	1989	1990	1991
INTRASTATE REVENUE	\$1,649,564	\$1,745,768	\$1,856,705	\$1,935,421	\$2,064,115	\$2,077,064	\$2,170,238	\$2,231,366
DEPRECIATION EXPENSE	323,186	350,577	383,840	417,491	459,728	497,843	531,822	544,815
OTHER EXPENSE & TAX	917,374	960,983	994,815	1,006,932	1,109,627	1,115,302	1,156,902	1,205,331
TOTAL EXPENSES	1,240,560	1,311,560	1,378,655	1,424,423	1,569,355	1,613,145	1,688,724	1,750,146
INCOME TAXES	127,735	141,527	156,705	150,861	107,550	91,383	101,794	95,911
NET OPERATING INCOME	281,269	292,681	321,345	360,137	387,210	372,536	379,720	385,309
PLANT IN SERVICE	3,833,758	4,158,684	4,553,257	4,952,446	5,453,476	5,905,614	6,308,678	6,460,407
DEPRECIATION RESERVE	634,865	864,372	1,138,206	1,482,045	1,815,619	2,196,803	2,564,539	2,664,082
NET PLANT	3,198,893	3,294,312	3,415,051	3,470,401	3,637,857	3,708,811	3,744,139	3,796,325
OTHER INVESTMENTS	89,333	163,925	102,589	57,843	69,169	62,244	74,878	29,048
RATE BASE	3,288,226	3,458,237	3,517,640	3,528,244	3,707,026	3,771,055	3,819,017	3,825,373
AVERAGE ACCESS LINES	3,329,379	3,480,215	3,653,951	3,882,952	4,096,329	4,310,989	4,511,804	4,663,857

PER AVERAGE ACCESS LINE

INTRASTATE REVENUE	\$495.46	\$501.63	\$508.14	\$498.44	\$503.89	\$481.81	\$481.01	\$478.44
DEPRECIATION EXPENSE	97.07	100.73	105.05	107.52	112.23	115.48	117.87	116.82
OTHER EXPENSE & TAX	275.54	276.13	272.26	259.32	270.88	258.71	256.42	258.44
TOTAL EXPENSES	372.61	376.86	377.31	366.84	383.11	374.19	374.29	375.26
INCOME TAXES	38.37	40.67	42.89	38.85	26.26	21.20	22.56	20.56
NET OPERATING INCOME	84.48	84.10	87.94	92.75	94.53	86.42	84.16	82.62
PLANT IN SERVICE	1151.49	1194.95	1246.12	1275.43	1331.31	1369.90	1398.26	1385.21
DEPRECIATION RESERVE	190.69	248.37	311.50	381.68	443.23	509.58	568.41	571.22
NET PLANT	960.81	946.58	934.62	893.75	888.08	860.32	829.85	813.99
OTHER INVESTMENTS	26.83	47.10	28.08	14.90	16.89	14.44	16.60	6.23
RATE BASE	987.64	993.68	962.69	908.65	904.96	874.75	846.45	820.22

REVENUE REQUIREMENTS PER AVERAGE ACCESS LINE

RETURN REQUIRED	\$341,976	\$356,198	\$355,633	\$350,355	\$373,298	\$382,385	\$389,158	\$388,658
ACTUAL RETURN	281,269	292,681	321,345	360,137	387,210	372,536	379,720	385,309
DIFFERENCE	60,707	63,517	34,288	(9,782)	(13,912)	9,849	9,438	3,349
EXPANSION FACTOR	0.50908	0.49835	0.49941	0.55546	0.6093	0.60798	0.60889	0.605084
ADDITIONAL REVENUE	120,670	127,455	68,658	(17,611)	(22,834)	16,200	15,500	5,535
REVENUE REQUIREMENT	1,783,556	1,888,414	1,939,570	1,940,096	2,065,940	2,124,274	2,215,528	2,276,842
REVENUE REQ./ACC.LN.	535.70	542.61	530.81	499.64	504.34	492.76	491.05	488.19

Southern Bell
Intrastate Rate Base and Net Operating Income Adjustments
(\$000)

Entry No.	Description	Rate Base Amounts	Operations Effect				Net Operating Income	NOI Effect of Rate Base Adj.	Total NOI Effect	Incr/(Decr) Revenue Requirements
			Revenues	Depreciation & Amort.	Other Expenses & Taxes	Income Taxes				
	Per Books - 1991	0 4,114,509	2,224,489	546,255	1,208,432	91,352	378,450			
1	Jurisdictional Separations Shifts									
	SPF 1991-1992	48,378	31	5,615	8,765	(6,056)	(8,293)	(4,489)	(12,782)	21,126
	SPF 1992-1993	48,378	31	5,615	8,765	(6,056)	(8,293)	(4,489)	(12,782)	21,126
	DEM 1991-1992	20,824	8	2,962	3,326	(2,684)	(3,596)	(1,932)	(5,528)	9,137
	DEM 1992-1993	10,510	4	1,481	1,664	(1,343)	(1,798)	(975)	(2,773)	4,583
	USF 1991-1992 **	0	0	0	(6,577)	2,475	4,102	0	4,102	(6,779)
	USF 1992-1993 **	0	0	0	2,847	(771)	(1,276)	0	(1,276)	2,109
	Sub-total	128,090	74	15,673	17,990	(14,435)	(19,154)	(11,885)	(31,039)	51,302
2	Reorganization of SB, SCB, BSS **	(22,721)	(7,600)	1,370	(18,771)	4,903	4,898	2,109	7,007	(11,578)
3	Capital Recovery Changes:									
	Expiring amortizations - 1992	8,850		(17,700)	0	7,392	10,308	(821)	9,487	(15,679)
	Expiring amortizations - 1993	13,892		(27,784)	0	11,417	16,367	(1,289)	15,078	(24,918)
	Represcription - 1992 **	(14)		28	0	(12)	(16)	1	(15)	24
	Represcription - 1993	3,021		(6,042)	0	2,483	3,559	(280)	3,279	(5,419)
	Sub-total	25,749	0	(51,498)	0	21,280	30,218	(2,389)	27,829	(45,992)
4	Implementation of SFAS 106(OPRBS)**	(1,644)		35	2,756	(1,050)	(1,741)	153	(1,588)	2,625
5	Implementation of SFAS 109 (Accounting for Income Taxes) **					1,883	(1,883)	0	(1,883)	3,111
6	Attrition **	(145,017)	23,667	12,763	(37,023)	19,490	28,437	13,464	41,901	(69,249)
7	Company Proposal									
	Switched Access Reduction		(4,911)		(60)	(1,826)	(3,025)	0	(3,025)	4,999
	Optional Expanded Local Service		(7,562)		(92)	(2,811)	(4,659)	0	(4,659)	7,699
	Interconnect Rate Reduction		(589)		(7)	(219)	(363)	0	(363)	600
8	Excess Plug Ins	(13,224)					0	1,227	1,227	(2,028)
9	WECO Tax Credits	33,366					0	(3,096)	(3,096)	5,117
10	BellSouth Services **	28,406	3,243	0	0	0	3,243	(2,636)	607	(1,003)
11	Bellcore Investment & Dividend **	5,121	791			89	702	(475)	227	(375)

0 Rate Base Amount Per Books changed due to a change in Cash Working Capital identified in the FPSC Audit.

** DENOTES CHANGES FROM 7/15/92 TESTIMONY (See Pages 4-12 for explanations.)

Southern Bell
Intrastate Rate Base and Net Operating Income Adjustments
(\$000)

Reid Exhibit No.
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Entry No.	Description	Rate Base Amounts	Operations Effect				Net Operating Income	NOI Effect of Rate Base Adj.	Total NOI Effect	Incr/(Decr) Revenue Requirements
			Revenues	Depreciation & Amort.	Expenses & Other Taxes	Income Taxes				
12	ENFIA	(1,497)	(1)		(448)	191	256	139	395	(653)
13	Reverse ENFIA	1,497	1		448	(191)	(256)	(139)	(395)	653
14	Other Rate Base Adj.	** 3,842						(357)	(357)	589
15	Out of Period Revenue & Settlements (Independent Company)	** 0	217		3	80	134	0	134	(222)
16	Out of Period Expenses	** 0	(3)	(1,401)	47	587	764	0	764	(1,263)
17	Out of Period Taxes	** 0	0	0	(1,124)	216	908	0	908	(1,501)
18	Other Out of Period Revenues	** 0	3,151	0	27	1,264	1,860	0	1,860	(3,074)
19	Other Regulated/Nonregulated Adjustments	** 0	559	(38)	364	113	120	0	120	(198)
20	Yellow Page Profits	0	0		0	0	0	0	0	0
21	Gains on Sale of Property	** (407)	109	0	(165)	103	171	38	209	(345)
22	Income Related to Temporary Cash Investments	0	1				1	0	1	(2)
23	Interest Recon. & AFUDC Debt	** 0				3,874	(3,874)	0	(3,874)	6,402
24	Interest Imputation	** 0				(1,704)	1,704	0	1,704	(2,816)
25	Lobbying Expense	0			(530)	199	331	0	331	(547)
26	Corporate Advertising Expense	0			(29)	11	18	0	18	(30)

** DENOTES CHANGES FROM 7/15/92 TESTIMONY (See Pages 4-12 for explanations.)

Southern Bell
Intrastate Rate Base and Net Operating Income Adjustments
(\$000)

Reid Exhibit No.
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Florida Docket 920260-TL
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Entry No.	Description	Rate Base Amounts	Operations Effect				Net Operating Income	NOI Effect of Rate Base Adj.	Total NOI Effect	Incr/(Decr) Revenue Requirements
			Revenues	Depreciation & Amort.	Expenses & Other Taxes	Income Taxes				
27	Abandoned Projects	0			675	(254)	(421)	0	(421)	696
28	Casualty Expense	** 45,030		13,494	(61)	(4,747)	(8,686)	(4,179)	(12,865)	21,261
29	Other Regulatory Adjustments	0			(1,855)	698	1,157	0	1,157	(1,912)
30	1992 Revenue Reduction due to expiring amortizations	0	(21,478)		(262)	(7,984)	(13,232)	0	(13,232)	21,868
31	Bond Refinancing	** 0			(2,175)	819	1,356	0	1,356	(2,241)
Total Adjustments		86,591	(10,331)	(9,602)	(40,292)	20,579	18,984	(8,026)	10,958	(18,107)
Adjusted Total		4,201,100	2,214,158	536,653	1,168,140	111,931	397,434	(8,026)	10,958	(18,107)

** DENOTES CHANGES FROM 7/15/92 TESTIMONY (See Pages 4-12 for explanations.)

Southern Bell
Intrastate Rate Base and Net Operating Income Adjustments

1. Jurisdictional Separations Shifts:

These adjustments reflect the incremental intrastate impact associated with the FCC's Part 36 rule changes regarding the subscriber plant factor (SPF) and dial equipment minute (DEM) factor. Also included is the incremental universal service fund (USF) recovery from the National Exchange Carrier Association (NECA).

Revision:

The USF portion of this adjustment was updated to reflect new data supplied by NECA in September and October, 1992.

Impact of Revisions (000)

Rate Base	0
NOI	(647)
Revenue Requirements	1,070

2. Reorganization:

This adjustment quantifies the intrastate operating impacts of consolidating Southern Bell, South Central Bell and BellSouth Services, Inc. into BellSouth Telecommunications, Inc. (BST) effective January 1, 1992. Also included is the impact of transferring the non-regulated customer premise equipment (CPE) line of business to BellSouth Business Systems effective January 1, 1992.

Revision:

This adjustment has been revised for the effect of updated VEER nonrecurring expenses, revised BellSouth Services Investment and Dividend adjustment (reverses No. 10), and the inclusion of marketing expenses identified in the reorganization impact study but omitted from the previous adjustment in error.

Impact of Revisions (000)

Rate Base	(4)
NOI	(3,161)
Revenue Requirements	5,227

3. Capital Recovery Changes:

This adjustment quantifies the incremental impact due to the Company's May 1, 1992 depreciation represcription filing with the Commission. Also included are the impacts of amortizations which are scheduled to expire in 1992 and 1993.

Revisions:

The revisions reflect: (1) additional expiring amortizations in 1992 for ESS-Analog central offices as a result of restating 1991 and 1992 amortization expense; (2) correction of the represcription impact on 1993 for General Support Assets on 5-year amortizations ending in 1992; and (3) partial offset to (1) and (2) of increasing amortizations in 1992 and 1993 due to Commission orders to amortize General Support assets over five, seven and ten years beginning in 1988.

(a) Expiring amortizations - 1992

	<u>Impact of Revisions (000)</u>
Rate Base	415
NOI	445
Revenue Requirements	(735)

(b) Expiring amortizations - 1993

	<u>Impact of Revisions (000)</u>
Rate Base	(6,330)
NOI	(6,599)
Revenue Requirements	10,907

(c) Represcription - 1993

	<u>Impact of Revisions (000)</u>
Rate Base	12,638
NOI	13,822
Revenue Requirements	(22,842)

Total impact of revisions to Capital Recovery Changes:

	<u>Impact of Revisions (000)</u>
Rate Base	6,723
NOI	7,668
Revenue Requirements	(12,670)

4. Implementation of SFAS 106 (OPEBs):
This adjustment quantifies the additional expense due to adoption of the accounting pronouncement for Other Post Employment Benefits (OPEBs) in 1993.

Revision:

This adjustment has been revised to incorporate the impact of the Working Agreement between Communications Workers of America and BellSouth Telecommunications, Inc. effective August 9, 1992 and to incorporate changes in census data for the benefit plans.

Impact of Revisions (000)

Rate Base	(1,066)
NOI	1,988
Revenue Requirements	(3,285)

5. Implementation of SFAS 109:
The Company anticipates adoption of the pronouncement for Accounting for Income Taxes in 1993. The impact of that adoption is based on the Company's proposal to amortize over four years the difference between the regulatory asset for previous tax flow through items and the liability related to the restatement of deferred tax balances for "unprotected" items.

Revision:

This adjustment has been updated based on revised estimates of the turnaround of previous flow-through amounts and the turnaround of depreciation-related unprotected excess deferred taxes.

Impact of Revisions (000)

Rate Base	0
NOI	919
Revenue Requirements	(1,520)

6. Attrition:

This adjustment reflects the results of a study performed by Mr. John McClellan related to the earnings trend of the Company. Mr. McClellan's study determines the expected revenue requirement improvement for the Company in 1993 relative to 1991 results.

Revision:

The attrition computation was updated to incorporate changes to 1991 adjusted achieved data.

Impact of Revisions (000)

Rate Base	(854)
NOI	587
Revenue Requirements	(969)

7. Company Proposal:

This adjustment reduces test period revenues for the changes in rates and rate structures that Southern Bell is proposing in conjunction with the price regulation plan. The specific changes included are 1) the optional expanded local service plan; 2) a reduction in switched access rates; 3) a reduction in the interconnection usage rate for mobile service providers; and 4) an economic development plan. A description of these changes is included in Nancy Sims' testimony.

8. Excess Plug-In Units:

This adjustment reduces rate base for the excess over 30-days supply on hand of plug-in units.

9. WECO Tax Credits:

Per Docket No. 820376-TP, Rule No. 25-14.010, the Florida Commission requires deferred taxes on intercompany transactions to be treated as zero cost capital instead of as a rate base reduction. To comply, this adjustment: (a) restores the original surviving Western Electric Company (WECO) taxes to plant accounts, (b) establishes a deferred tax account balance representing the unamortized WECO tax, and (c) adjusts the depreciation reserve by the cumulative WECO tax restoral.

10. BellSouth Services:

For 1991, Florida's portion of BellSouth Services, Inc.'s (BSSI) net income is added to regulated net income, and Florida's portion of Southern Bell's investment in BSSI is added to rate base. As part of the reorganization adjustment (No. 2), this adjustment is reversed since BSSI is no longer a separate company.

Revision:

The BellSouth Services dividend and investment amounts were revised to incorporate changes identified after year end, including a transfer of assets and a dividend adjustment due to 1991 income taxes booked in 1992.

Impact of Revisions (000)

Rate Base	4
NOI	105
Revenue Requirements	(173)

11. Bellcore Investment & Dividend:

An adjustment to include Florida's share of the Bellcore dividend in income and Bellcore investment in rate base was previously included in the BellSouth Services, Inc. adjustments on the Company's Surveillance Reports. Since the corporate reorganization effective January 1, 1992, Bellcore stock is owned directly by BellSouth Telecommunications, Inc. Therefore, for 1992 and forward, a specific adjustment for the Bellcore dividend and investment will be required.

Revision:

The amounts previously used were estimates of the 1992 amounts. These estimates have been revised based on actual 1992 activity through October, annualized.

Impact of Revisions (000)

Rate Base	3468
NOI	267
Revenue Requirements	(442)

12. ENFIA

In Docket 820294-TP, Order No. 12221, the Florida Commission decreased intrastate expenses each year due to the impact of Exchange Network Facilities for Interstate Access (ENFIA) minutes of use per line on the frozen Subscriber Plant Factor (SPF). This adjustment is no longer applicable after 1992, since the SPF factor is specified at 25% for 1993 and is reversed by adjustment No. 13.

13. Reverse ENFIA:

Since the ENFIA adjustment (No. 12) is phased out by the end of 1992, we have reversed the 1991 proforma adjustment.

14. Other Rate Base Adjustments:

This item includes adjustments to reflect Customer Dialed Account Recording (CDAR) and protocol conversion as regulated services for intrastate, adjustments to plant in services and depreciation reserve for various depreciation changes, and adjustments for various out-of-period entries affecting rate base.

Revision:

The revised amounts include the 1991 effects of an operator services separations retroactive adjustment booked in 1992. The effect of this adjustment was to increase interstate expenses and net plant and decrease intrastate expenses and net plant. (For the impact of expense changes, see No. 16 Out of Period Expenses.) The intrastate rate base effect is as follows:

Impact of Revisions (000)

Rate Base	(1626)
NOI effect of Rate Base Change	150
Revenue Requirements	(249)

In addition, rate base was adjusted for the effect of 1991 depreciation reserve adjustments booked in 1992:

Impact of Revisions (000)

Rate Base	218
NOI effect of Rate Base Change	(20)
Revenue Requirements	33

The total changes in Other Rate Base Adjustments are:

Impact of Revisions (000)

Rate Base	(1408)
NOI effect of Rate Base Change	130
Revenue Requirements	(216)

15. Out of Period Revenue & Settlements (Independent Company):

This adjustment is made to exclude revenue and settlement amounts with independent companies booked in the current year that are applicable to prior periods. Likewise, adjustments booked subsequent to 1991 but applicable to 1991 are included.

Revisions:

The adjustment was revised to include additional settlement amounts booked in 1992 which were applicable to 1991 as follows:

Impact of Revisions (000)

Rate Base	0
NOI	(647)
Revenue Requirements	1,069

16. Out of Period Expenses:

This adjustment is made to exclude from the test year any expenses booked during 1991 that are applicable to prior periods. Likewise, adjustments booked subsequent to 1991 but applicable to 1991 are included.

Revision:

Out of Period Expenses were revised for items identified since the 7/15/92 testimony filing as follows: (1) an Operator Services Separations Retroactive adjustment booked in 1992 switched expense from intrastate to interstate for 1991 (see No. 14 Other Rate Base Adjustments); (2) additional reimbursement from AT&T for retirees' medical expense received in 1992, applicable to 1991; (3) rebate from AT&T associated with an additional 2% discount on 1991 5ESSR switch growth purchases; (4) tax effect of reduced 1991 interest expense due to change in method of bond amortization booked in 1992; (5) reduction in 1991 expense for USTA dues because both 1991 and 1992 dues were expense in 1991; (6) revisions to 1991 depreciation expense booked in 1992 (see No. 14 Other Rate Base Adjustments).

(1) Operator Services Separations Retroactive Adjustment

Impact of Revisions (000)

Rate Base	
NOI	1,567
Revenue Requirements	(2,590)

(2) AT&T reimbursement for retirees' medical expense

Impact of Revisions (000)

Rate Base	
NOI	504
Revenue Requirements	(833)

(3) AT&T rebate for discount on switch purchases

Impact of Revisions (000)

Rate Base	
NOI	53
Revenue Requirements	(88)

(4) Tax effect of reduced interest expense

Impact of Revisions (000)

Rate Base	
NOI	(30)
Revenue Requirements	50

(5) Elimination of duplicate USTA dues expense for 1991

Impact of Revisions (000)

Rate Base	
NOI	78
Revenue Requirements	(129)

(6) Reduced depreciation expense for 1991

Impact of Revisions (000)

Rate Base	
NOI	160
Revenue Requirements	(264)

Total Adjustment to Out of Period Expenses:

Impact of Revisions (000)

Rate Base	
NOI	2,332
Revenue Requirements	(3,854)

17. Out of Period Taxes:

This adjustment removes any 1991 income tax expense which is applicable to prior periods. Also, included in this adjustment is an amount to adjust (decrease) 1991 intrastate gross receipts taxes.

Revision:

Income Taxes were revised for the amounts to adjust the books to the actual 1991 income tax returns filed in September and October, 1992. The adjustment was recorded in 1992, but applies to 1991:

Impact of Revisions (000)

Rate Base	0
NOI	1,631
Revenue Requirements	(2,696)

18. Other Out of Period Revenues:

This adjustment is to exclude test year revenues applicable to prior periods and to include subsequently booked revenues applicable to 1991. This includes all out of period revenue adjustments other than those in adjustment No. 15.

Revisions:

This adjustment was revised for items identified subsequent to 7/15/92 which were booked in 1992, but applied to 1991 as follows: (1) Increased revenue due to back billing to BellSouth Communications, Inc. for 1991; (2) Increased payments from AT&T for retirees' telephone concessions related to 1991; (3) adjustment to remove 1991 Dual Party Relay net receipts from regulated revenues; (4) completion of additional PIU audits resulted in reduction of 1991 revenues; and (5) adjustment to remove from expense municipal taxes paid on credit card calls which should have been billed to customers, but was not.

(1) Backbilling to BellSouth Communications, Inc.:

Impact of Revisions (000)

Rate Base	
NOI	75
Revenue Requirements	(124)

(2) AT&T payment for retirees' telephone concessions:

Impact of Revisions (000)

Rate Base	
NOI	593
Revenue Requirements	(980)

(3) Removal of Dual Party Relay receipts from revenue:

Impact of Revisions (000)

Rate Base	
NOI	(8)
Revenue Requirements	13

(4) Additional PIU audits:

Impact of Revisions (000)

Rate Base	
NOI	(600)
Revenue Requirements	992

(5) Municipal tax expense on credit card calls:

Impact of Revisions (000)

Rate Base	
NOI	132
Revenue Requirements	(218)

Total Other Out of Period Revenue:

Impact of Revisions (000)

Rate Base	
NOI	192
Revenue Requirements	(317)

19. Other Regulated/Nonregulated Adjustments:

Various adjustments related to the allocation of expenses to regulated versus nonregulated or vice versa are required as such adjustments become known through Cost Separations System (CSS) audits or retroactive corrections. Also reflected here are differences between Federal and state regulated treatment such as CDAR and Protocol Conversion expenses, and the disallowance of CAM audit fees for state purposes.

Revisions:

Other Regulated/Nonregulated adjustments were revised for items identified subsequent to 7/15/92. The net effect of these additional adjustments is to increase regulated net operating income by \$941.

Total Other Regulated/Nonregulated revisions:

Impact of Revisions (000)

Rate Base	
NOI	941
Revenue Requirements	(1,555)

20. Yellow Page Profits:

Per FPSC Rule No. 25-4.0405, a computation is made to determine whether any directory advertising revenues are required to be excluded from regulated income. Because 1991 gross profits were less than the 1982 adjusted amount, no adjustment was required.

21. Net Gains on Sale of Property:

In Docket No. 820294, Order No. 12221, the Florida Commission (FPSC) ruled that the net gain on sales of property upon disposition should be recorded above the line for rate making purposes. The FPSC determined that a five year average was appropriate to smooth out the erratic nature of these sales. This adjustment is made to comply with the FPSC order.

Revision:

The Company plans to discontinue its BellBoy Paging Service and sell the associated assets in 1993. The expected gain, averaged with amounts for the preceding five years, is the basis for the revised adjustment. We have also removed the current net revenues from this service, and added the expected increase in access revenues. In addition, the five year average gain adjustment was revised to exclude an uncollectibles factor as recommended by the FPSC auditors.

Impact of Revisions (000)

Rate Base	(407)
NOI	281
Revenue Requirements	(463)

22. Income Related to Temporary Cash Investments:

This adjustment is in compliance with Docket No. 820294, Order No. 12221, in which the FPSC ruled that interest income related to temporary cash investments should be moved above the line for rate purposes.

23. Interest Reconciliation & AFUDC Debt:

This adjustment is made to reconcile booked interest to the interest calculated on the debt components of capital structure. The adjustment is for the tax effect of the difference in the interest amounts.

Revision:

Interest Reconciliation was revised to incorporate all of the other changes being made.

Impact of Revisions (000)

Rate Base	
NOI	303
Revenue Requirements	(501)

24. Interest Imputation:

This adjustment imputes a hypothetical interest amount and resulting tax savings to the investment credit component of capital structure. The unamortized investment tax credit component is multiplied by the weighted cost of long term debt to determine the interest portion and then the appropriate tax factors are applied to determine the tax impact. This adjustment is in accordance with prior Commission treatment for this issue.

25. Lobbying Expense:

In several orders (No. 7926, No. 10449, and No. 12221) the FPSC has disallowed lobbying expense for rate making purposes. Lobbying expense incurred by Florida employees, or allocated to Florida from Southern Bell Headquarters is booked below the line to Account 7370 to the extent it meets the Part 32 Uniform System of Accounts definition of lobbying. However, to meet the more stringent FPSC disallowances, this adjustment is made to move additional amounts out of regulated expense for state purposes. In addition, the Florida intrastate portion of lobbying or legislative liaison expenses included in billings from BellSouth Corporation, BellSouth Services, or Bellcore are removed from regulated expenses as part of adjustment No. 29.

26. Corporate Advertising Expense:

This adjustment removes corporate advertising expenses incurred by Southern Bell from regulated expense per FPSC rulings in Docket No. 820294-TP. In addition, corporate advertising expense included in billings from BellSouth Corporation, BellSouth Services or Bellcore are removed from regulated expense as part of adjustment No. 29.

27. Abandoned Projects:

Abandoned projects in Docket No. 820294-TP and Docket No. 880069-TL were treated as an allowable expense for rate purposes. The purpose of this adjustment is to move expenses recorded below the line into regulated expense for rate purposes.

28. Casualty Expense:

This adjustment is made in accordance with prior Commission treatment to average the impact of casualty expenses. The adjustment amount is the difference between the five year average and the expense incurred in the current twelve month period for 1991.

Revision:

The casualty adjustment was revised to incorporate the expected impacts of Hurricane Andrew for 1993, based on five-year amortization of the expense, net of insurance reimbursement, and inclusion of the unamortized balance in rate base:

Impact of Revisions (000)

Rate Base	45,030
NOI	(12,903)
Revenue Requirements	21,324

29. Other Regulatory Adjustments:

The purpose of this adjustment is to remove from regulated expense certain costs included in billings from BellSouth Corporation, BellSouth Services, and Bellcore. The items being removed are not separately billed by these affiliates, but rather are included in overheads. Adjustments are made for the Florida intrastate portion of contributions, social and service membership dues, BellSouth Classic expense, lobbying/legislative liaison expenses, and corporate advertising.

30. 1992 Revenue Reduction due to Expiring Amortizations:

During 1992, customers are receiving a credit on their bills equal to one twelfth of \$44.9 million, which is the FPSC's estimate of the total to be returned to ratepayers for 1992. Included in this credit is \$21.868 million in reduced revenue requirements corresponding to amortizations which expired at the end of 1991. This adjustment removes the revenue associated with this issue from 1991 operations.

31. Impact of Bond Refinancing:

This item was added to reflect the impact of the Company's refinancing of bonds in June and July, 1992. The adjustment amount is a reduction in expense equal to the 1993 interest savings, netted against 1993 amortization of the cost of refinancing the debt over the 40 year life of the new bond issues as prescribed by Order No. PSC-92-1412-FOF-TL, dated December 7, 1992.

Impact of Revisions (000)

Rate Base	
NOI	1,356
Revenue Requirements	(2,241)

	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
1. BALANCE AT BEGINING OF YEAR	21,674,960	24,918,024	19,021,877	16,502,027
2. ADD. PROVISIONS FOR UNCOLL. MADE DURING YEAR	37,227,644	26,841,726	30,121,456	23,279,503
3. COLLECTION OF AMOUNTS PREVIOUSLY WRITTEN OFF	3,262,995	3,474,194	2,070,350	1,417,271
4. OTHER CREDITS	0	0	0	0
5. TOTAL CREDITS	40,490,639	30,315,920	32,191,806	24,696,774
6. UNCOLLECTIBLE WRITTEN OFF DURING YEAR	35,712,136	33,558,981	26,295,661	22,176,924
7. OTHER DEBITS	0	0	0	0
8. TOTAL DEBITS	35,712,136	33,558,981	26,295,661	22,176,924
9. BALANCE AT END OF THE YEAR	26,453,463	21,674,963	24,918,022	19,021,877
10. TOTAL OPERATING REVENUES FOR THE YEAR	3,182,469,056	3,150,558,505	3,062,398,769	3,028,350,543
11. NET WRITE OFFS DURING THE YEAR (LINE 6 MINUS LINE 3)	32,449,141	30,084,787	24,225,311	20,759,653
12. RATIO OF LINE 11 TO LINE 10	1.02%	0.95%	0.79%	0.69%
13. RATIO OF LINE 2 TO LINE 10	1.17%	0.85%	0.98%	0.77%
14. UNCOLL. WRITTEN OFF DURING THE YEAR FOR AFFILIAT	0	0	0	0

TOTAL UNCOLLECTIBLE WRITE OFFS

1. DIRECT WRITE OFFS & UNBILLABLES	4,876,720	3,795,396	2,205,544	1,364,497
2. NET BAD DEBT (WRITE OFFS MINUS RECOVERIES)	32,449,141	30,084,787	24,225,311	20,759,653
3. TOTAL WRITE OFFS (LINE 3 PLUS LINE 4)	37,325,861	33,880,183	26,430,855	22,124,150

	<u>Allen Adjustment</u>	<u>Allen Revised Adjustment</u>
1988 Level	\$ 76,403	\$ 76,403
1989 Level	65,233	65,233
1990 Level	62,017	62,017
1991 Level	<u>72,121</u>	<u>62,546</u>
Four-Year Total	275,774	266,199
Number of Years	4	4
Four Year Average	68,944	66,550
Requested Level	<u>72,121</u>	<u>62,546</u>
Adj to Outside Services	(3,177)	4,004
SIT (5.5%)	(175)	220
FIT (34%)	<u>(1,021)</u>	<u>1,287</u>
Adjustment to NOI	<u><u>\$ 1,982</u></u>	<u><u>(\$ 2,497)</u></u>

1993 SET ASIDE CALCULATION

1.	DEPRECIATION SET ASIDE		\$147,743,082	
2.	Depreciation expense	(123,757,423)		
3.	Rate Base effect	8,273,508		
4.	ITC Amortization	17,139,000	(98,344,915)	
5.	BHMOC Rate Reduction		(18,620,000)	
6.	MTS Rate Reduction		(25,600,000)	
7.	EAS Offsets		(1,208,500)	
8.	FASB 87 Set Aside		2,100,000	
9.	Interest Savings on Refinancing		1,949,000	
10.	Expiring Amortizations (NOTE 1)			
11.	1991		18,420,620	
12.	1992		21,868,551	
13.	SUBTOTAL		\$48,307,838	
14.	OEAS SET ASIDE		10,000,000	
15.	ALLTEL InterLATA Subsidy		334,000	
16.	OEAS Offsets		(9,486,505)	
17.	SUBTOTAL		847,495	
18.	OPTIONAL RESIDENTIAL MESSAGE RATE (NOTE 2)		(3,240,928)	
19.	BOND REFINANCING			
20.	Amortization of Refinancing Cost		(208,647)	
21.	Interest Savings		2,450,486	
22.	SUBTOTAL		2,241,839	
23.	TOTAL SET ASIDE		\$48,156,244	

NOTE 1: No additional expiring amortizations are shown pending the represcription order.

NOTE 2: Based on 1992 revenue impact

INDEX TO ADVERTISING EXAMPLES

Print: "You Wouldn't Answer the Door Without Looking
First" (Caller ID)

"Now Call Forwarding Comes Complete With This
Easy-To-Use Remote Control" (Remote Access to
Call Forwarding)

"Three ways to make your life easier:
Call Return - Repeat Dialing - Caller ID"

Direct Mail Insert: "Make Your Life a Touch Easier-
TouchStar services" (Repeat Dialing, Call Return,
Call Block, Call Tracing, Call Selector, and Preferred
Call Forwarding)

Radio: Ongoing One: Call Block, Call Forwarding, Ringmaster
Service & Repeat Dialing

Ongoing Two: Call Waiting, Call Return, Memorycall(sm)
Answering Service & Call Tracing

Ongoing Three: Saving Time (Three-Way Calling)

TV: (1) "Dog" (Call Waiting)
(2) "Fishing" (Call Forwarding)
(3) "Oldies" (RingMaster)
(4) "Plumber" (Repeat Dialing)
(5) "Hardy Family" ((RingMaster)
(6) "Grandpas" (Three-Way Calling)
(7) "Mr. Mom" (Caller ID)
(8) "Cleaning Lady" (Remote Access to Call Forwarding)
(9) "Dog II" (Call Waiting)
(10) "Wallpaper" (Return last incoming call)

YOU WOULDN'T ANSWER THE **DOOR** WITHOUT LOOKING FIRST.



Now you can see who's calling before you answer the phone, too, with Southern Bell's new Caller ID service. It sends the number of the person calling to a special display unit attached to your phone. That means you can know before you answer if it's someone you've been waiting to hear from, or someone you'd rather not—for \$7.50 a month. Order Caller ID by December 15 and save the \$9 connection charge. We'll take your order for the service and can give you information about purchasing the unit. Call 780-2144.



Now Call Forwarding Comes Complete With This Easy-To-Use Remote Control.

Reid Exhibit No.
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Introducing Remote Access To Call Forwarding.

Now you can bring your calls to where you are — or send them ahead to where you'll be. But you won't have to return home every time you need to change your forwarding number. You can transform just about any Touch-Tone phone into a handy remote control — to turn on or turn off your Call Forwarding service. Anywhere you go. Anytime of day. So you don't have to miss important calls along the way.

Remote Access to Call Forwarding is only \$5.20 a month. Order by December 15 and save the \$9 connection charge. Ask about rate discounts. Call 780-2144.



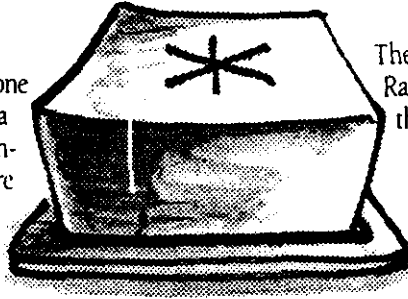
Southern Bell®

A BELLSOUTH COMPANY

Make Your Life A Touch Easier. Call On Us.

Three ways to make your life easier.

TouchStar[®] services from Southern Bell. Three remarkable phone services that will give many Pensacola area customers a new dimension in control, convenience, privacy and security.* And they're economical. Caller ID is \$7.50 a month.



The other services are \$4.00 a month each. Rate discounts apply when you order more than one service. So don't wait another day! **Make your life a touch easier.***

**Call On Us:
780-2144**

Call Return.

Calls back the number you missed, automatically.

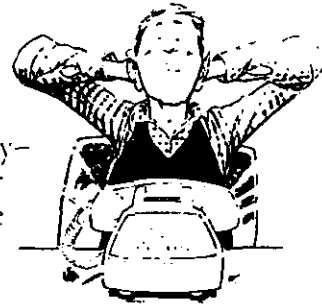
Don't you hate it when you rush for the phone and the caller hangs up just as you answer it? With Call Return, you won't have to rush for the phone again. Just press ***69** when you're ready, and your phone dials the number of the last person who called you.

Repeat Dialing.

Let your phone work, not you. You dial a number and it's busy - time after time. With Repeat Dialing, just press ***67** and go do whatever you like. Your phone automatically checks the busy number every minute for the next half hour. When the line is open, your phone lets you know with a special ring.

Caller ID.

Gives you the number that's calling, so you can decide when to answer. Wouldn't it be nice to be able to see the number of the person calling when the phone rings? With Caller ID service, the calling number appears on a special display unit attached to your phone. So you can decide how, when, or if you want to answer. (Display unit must be purchased separately.)



Save the \$9.00 connection charge if you order by December 15.



A BELLSOUTH COMPANY

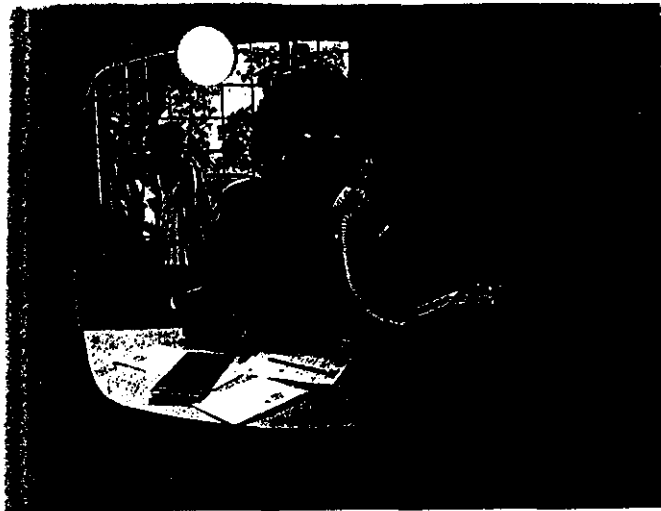
*TouchStar services are not available in all areas. Cannot be provided on all types of telephone service and works only on calls to your customers having TouchStar service capability. Additionally, Southern Bell may require an additional telephone number to be used for Call Return. Some calling numbers may not be supported. Service available during long distance charges. Business rates apply. TouchStar services are available to all customers. TouchStar services are available to all customers. TouchStar services are available to all customers. Ask about rate discounts. © 1992 Southern Bell.

© 1992 Southern Bell. TouchStar services are not available in all areas. Cannot be provided on all types of telephone service and works only on calls to your customers having TouchStar service capability. Additionally, Southern Bell may require an additional telephone number to be used for Call Return. Some calling numbers may not be supported. Service available during long distance charges. Business rates apply. TouchStar services are available to all customers. TouchStar services are available to all customers. TouchStar services are available to all customers. Ask about rate discounts. © 1992 Southern Bell.

*mc
OK... report
of this book
B*

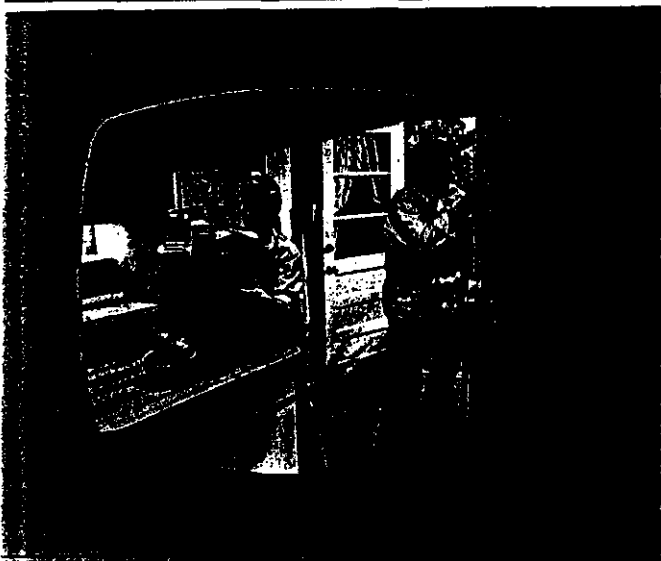
Make your
life a touch
easier.®

TouchStar® services



Repeat Dialing

You keep dialing a number and it's busy. And so are you. So leave the dialing to your phone. Just press *66 and Repeat Dialing automatically tries the number for you. Every minute for the next half hour, without tying up your line. Once the line is clear, your phone lets you know with a special ring. You can even use Repeat Dialing to check more than one busy telephone number at a time, or place a call to the last number you dialed, even if the number wasn't busy.



Call Return

Suppose you're just returning from shopping—arms full of packages—and you hear the phone ringing. Or maybe you've just stepped into the shower. You make a mad dash to the phone, but, just as you answer, the other party hangs up. Who was it? And how important was the call? With Call Return, you don't have to stop what you're doing or rush to the phone. When you're ready, just press *69 and your phone automatically dials the last number that called you. It's perfect for people who already have their hands full.

Call Tracing

You're fast asleep and the phone rings. It's an annoying or abusive call. You feel helpless. But now you can do something about it. With Call Tracing, simply press *37 the moment you hang up. When you do, the number of the person who has just called you and the time of the trace are sent to a Southern Bell office. Then call our Annoyance Call Center the next business day with the time and date you used Call Tracing and ask us to take appropriate action. The action we take varies, so ask for details. **You will not receive the number being traced.**

Call Selector

You want to be sure you don't miss an important call. From a special friend. Your spouse. Or your doctor. But you don't want to answer every time the phone rings. With Call Selector, you don't have to. You can know in advance when it's someone special by a distinctive ring. Just program the telephone numbers of those special people—up to six of them at one time—and Call Selector's special ring will let you know when one of them is calling. (And if you have Call Waiting too, there will be a matching distinctive tone if someone special calls while you're talking on the phone.)



Call Block

Sometimes, there are people you just don't want to talk to. With Call Block, when you receive an annoying call, you just hang up and enter a simple code. It stops the number that just called you from getting through to you again. Call Block also lets you program your phone to stop calls from up to six phone numbers that you select. Unwanted calls are stopped and the caller hears a prerecorded message. Calls will remain blocked until you reprogram your phone, giving you peace of mind.

Preferred Call Forwarding

Suppose you're visiting a neighbor. Or dining at your favorite restaurant. You're expecting one particular, important phone call, but you don't want to disturb your friends—or your dinner—with just any call. With Preferred Call Forwarding, you can forward the calls you want. You just select the telephone numbers of up to six special people whose calls you want to receive where you are. And only those calls will be forwarded—to whatever telephone number you wish—even to a long distance number.

**Southern Bell**2295 Parklake Drive N.E.
Atlanta, GA 30345

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TOUCHSTAR®

Special Limited Offer — order now and save the \$9.00 service connection charge!

Dear Customer:

Have you ever wondered what the little ☒ button on a touch-tone phone is for? That button is the key to TouchStar® services.— six amazing phone services that give you more control and security over your phone!

Get more control, convenience, security and privacy.

Repeat Dialing lets your phone work for you. It “redials” a busy number every minute for up to half an hour, leaving your phone line “open” to make or receive other calls.

Call Return dials the last number that called you, even if it stopped ringing before you could answer. Now you don't have to rush for the phone.

Call Tracing lets you do something about annoying or obscene calls. It can quickly trace abusive phone calls and forward the information to a Southern Bell office. Then you call our Annoyance Call Center the next business day with the time and date you used Call Tracing and ask us to take appropriate action. The action we take varies, so ask for details. **You will not receive the number being traced.**

Call Block lets you stop calls from people you don't want to talk to.

Call Selector can let you know when someone special is calling. Choose up to six “special” phone numbers. Calls from those numbers will produce one distinctive ring. And if you have Call Waiting, Call Selector even gives you one matching distinctive tone for those same six numbers.

Preferred Call Forwarding lets you program your phone so that only calls from up to six important numbers are forwarded to you! So wherever you go, you won't have to miss those special calls.

Save \$9.00.

Many Southern Bell customers have paid \$9.00 to connect TouchStar services. Now you can have yours connected *at no charge*. You pay nothing but the monthly rate when you order one or more of the TouchStar services now.
YOU PAY NOTHING FOR CONNECTION

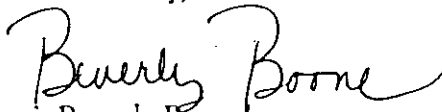
The monthly cost is so low.

You can order any of the TouchStar services for \$4 per month for the first service. Discounts apply for additional services.

Place your order today.

Make your life a touch easier® And get greater control of your phone. Order one, two or even all six TouchStar services, today. Just call toll free **1 800 331-2355, ext. 613**. Or fill out and return the enclosed postage-free reply card. Do it today — before this limited offer runs out.

Sincerely,



Beverly Boone
Manager, Direct Marketing Center

PS. TouchStar services work with most single-line telephones. You don't need any additional equipment or an installer visit. And you pay no service connection charge if you order now. Call toll free **1 800 331-2355, ext. 613**. Southern Bell's TouchStar Instructional Line explains in detail how to use these services. Call 780-2626.

†TouchStar services are not available in all areas, cannot be provided on all types of telephone service and work only for calls between customers having TouchStar service capability. Some calls may incur long distance charges. Repeat Dialing and Call Return must be sold together in some areas. The distinctive rings may not work with some telephones. Connection charge savings offer is for a limited time only.

Tucker Wayne/Luckie

600 Luckie Drive
P.O. Box 530584
Birmingham, Alabama 35253
205/879-2121

BELLSOUTH SERVICES
BSR-2001

Draft 5

ONGOING ONE
Y0BC-01993 AXSD-02003

Page 1
12/06/90 LWjb

SINGER: Dan Williams

As produced 12/5/90

SPOT #1: CALL BLOCK, CALL FORWARDING, RINGMASTER®
SERVICE & REPEAT DIALING

Reid Exhibit No.

SUPERS

LYRICS

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CALL BLOCK

MONKEY BUSINESS ON THE LINE.
CALL ON US®.
GET PEACE OF MIND.
BLOCK THAT CALL WHEN YOU WANT TO.
CALL ON US®.
THEY WON'T GET THROUGH.

CALL
FORWARDING

CALL ON US®.
WHEN YOU CAN'T BE THERE,
JUST FORWARD THE CALL ALMOST
ANYWHERE.

RINGMASTER®
SERVICE

DIFFERENT RINGS FOR DIFFERENT FOLKS.
SO YOU CAN TELL BY THE RING WHO THE
CALL IS FOR.

MAKE YOUR LIFE A TOUCH EASIER.SM
CALL ON US®.
WE'RE SOUTHERN (SOUTH CENTRAL) BELL.

REPEAT DIALING

BUSY SIGNALS GOT YOU DOWN.
CALL ON US®.
WE'LL TRY AGAIN.
SO HIT A FEW BUTTONS.
NO MORE FUSS.
WE'RE SOUTHERN (SOUTH CENTRAL) BELL.
CALL ON US®.

780-2144
(557-6400)

copy

BELLSOUTH SERVICES
BSR-2001

Draft 5

ONGOING TWO-APPLE
YOPC-02053 AKSO0206E

12/06/90 LWjb

Page 4

SINGER: Jimmy Hall

SPOT #2A: CALL WAITING, CALL RETURN, MEMORYCALLSM
ANSWERING SERVICE & CALL TRACING

SUPERS

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CALL WAITING

BUSY SIGNALS GETTING OLD.
CALL ON US[®].
COME IN FROM THE COLD.

CALL RETURN

CAN'T GET TO THE PHONE ON TIME.
CALL RETURN CALLS BACK THAT LINE.

MEMORYCALLSM
ANSWERING
SERVICE

THERE'S SO MUCH MORE TO YOUR
TELEPHONE.
WE'LL TAKE A MESSAGE IF YOU'RE NOT HOME.
ANSWER YOUR CALLS EACH AND EVERY TIME.
EVEN IF YOU'RE TALKING ON THE LINE.

MAKE YOUR LIFE A TOUCH EASIERSM.
CALL ON US[®].
WE'RE SOUTHERN (SOUTH CENTRAL) BELL.

CALL TRACING

HARASSING CALLS FROM WHO KNOWS WHO.
CALL ON US[®].
WE'LL HELP YOU.

SO HIT A FEW BUTTONS.
NO MORE FUSS.
WE'RE SOUTHERN (SOUTH CENTRAL) BELL.
CALL ON US[®].

780-2144
(557-6400)

copy

Tucker Wayne/Luckie

600 Luckie Drive
P.O. Box 530584
Birmingham, Alabama 35253
205/879-2121

BELLSOUTH SERVICES
BSR-2001

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ONGOING-THREE
Y082-02073 AXSD-02083

Page 5
12/06/90 LWjb

SINGER: Donna McElroy

SPOT #3: SAVING TIME

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WSR-14
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SUPERS

LYRICS

THREE-WAY
CALLING

GET EVERYBODY ON THE LINE.
CALL ON US°.
WE'LL SAVE SOME TIME.
A THREE WAY CALL, THAT'S ALL IT TAKES.
WHEN THERE IS NO TIME TO WASTE.

REPEAT DIALING

CALL ON US°.
WHEN YOU CAN'T GET THROUGH.
DON'T WASTE YOUR TIME, WE'LL DIAL FOR
YOU.
WE'LL LET YOU KNOW WHEN THE LINE IS
CLEAR.
CALL ON US°.
DON'T DESPAIR.

CALL
FORWARDING

SEND YOUR CALLS MOST ANYWHERE.
CALL ON US°.
WE WILL BE THERE.

CALL WAITING

DON'T MISS A CALL CAUSE YOU'RE ON THE
LINE.
TAKE TWO AT ONCE AND SAVE SOME TIME.

SO HIT A FEW BUTTONS.
NO MORE FUSS.
WE'RE SOUTHERN (SOUTH CENTRAL) BELL.
CALL ON US°.

780-2144
(557-6400)

copy

BELLSOUTH SERVICES/SCB/SC
BSR-2101A
Residence Sales CCS
Call Waiting
12/11/90 LD EFjb

Draft 1 Page 12 of 29
:30
"Dog" SBT & SCB-
Non Waiver
Page 1

video

audio

Open on dog outside in rain.

Pull back to reveal teenager on
telephone. Dog does tricks to
get teenager's attention.

SFX: THEATER LOBBY.
BUSY SIGNAL

MAN: Still busy, huh

WOMAN: Yea.

MAN: I'm sure she'll remember to
let the dog in.

WOMAN: Maybe, but I'll try
again.

MAN: Come on, the movie's
starting.

WOMAN: (GROAN) Honey, you
think she'll remember?

MAN: She's gotten a lot more
responsible.

WOMAN: Right, she'd never
leave...

MAN: No, she'd never leave the
dog out tonight. Come on.

WOMAN: Okay.

VISION

Tucker Wayne/Luckie

Tucker Wayne Luckie & Company
500 Luckie Drive
P.O. Box 7484-A
Birmingham
20578

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BELLSOUTH SERVICES/SCB/SC
BSR-2101A
Residence Sales CCS
Call Waiting
12/11/90 LD EFjb

Draft 1
:30
"Dog" SBT & SCB-
Non Waiver
Page 2

video

audio

Animation of Call Waiting

Animation of phone numbers:

SBT 780-2144

SCB 557-6400

Animation: Logo

ANNCR: Why be frustrated by a busy signal or miss an important call? With Southern Bell's (South Central Bell's) Call Waiting, every call gets through - so no one gets left out in the cold.

SFX: TOUCH-TONE SOUND

ANNCR VO: Make your life a touch easier.SM
Call On Us.*

Code

SCB YOBC-02093

SBT AXSO-02103

VISION

Tucker Wayne/Luckie

Tucker Wayne/Luckie
440 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35202
205-877-2058

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BELLSOUTH SERVICES/SCB/SC

BSR-2101B Page 1

Residence Sales CCS

Call Forwarding

12/11/90 LD EFjb

:30

Draft 1

"Fishing" SBT & SCB

Non Waiver

video

audio

Man and small boy on pier
fishing.

Phone ringing on pier. Man
answers.

SFX: OFFICE SOUNDS.

BOSS: Jane, where's Elliot?

SECRETARY: He's not here.

BOSS: But the Jones report's due
tomorrow!

SECRETARY: Maybe he stayed
home to work on it.

BOSS: Huh! The way he loves
fishing! I doubt it! Let's call!

SECRETARY: Okay.

SFX: PHONE DIAL

ANNCR: Why wait around the
house for important calls? With
Southern (South Central) Bell's Call
Forwarding, no matter where you
go...important callers always find
you on the line.

SFX: PHONE RING

ELLIOT: Hello?

VISION

Tucker Wayne/Luckie

Tucker Wayne Luckie & Company
630 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35233
205-870-1111

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WSR-14

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BELLSOUTH SERVICES/SCB/SC

BSR-2101B Page 2

Residence Sales CCS

Call Forwarding

12/11/90 LD EFjb

:30

Draft 1

"Fishing" SBT & SCB

Non Waiver

video

audio

Animation of Cali Forwarding.

Animation of phone numbers:

SBT 780-2144

SCB 557-6400

Animation: (Logo)

BOSS: Elliot, you're there!!

ELLIOT. Yeah, just needed a little peace and quiet for the Jones report.

SFX: TOUCH-TONE SOUND.

ANNCR VO: Make your life a touch easier.SM

Call On Us.®

Codes

SCB YOBC-02113

SBT AXSO-02123

VISION

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
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Birmingham, Alabama 35253
205/870-1111

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BELLSOUTH SERVICES/RING

BSR-2101D

RingMaster Page 1

12/11/90 LD DHjb

:30

Draft 1

"RingMaster" Non- "Oldies"
Waiver (SCB - SBT)

video

audio

Video is B&W footage that progresses from decades starting with the 40's. Scenes are of people answering the phone, finding out that it's not for them, then calling out for whomever it is for.

(Has a 40's look)

Man comes out of shower soaking wet to answer phone.

Super: 1942

(Has a 50's look)

Woman is interrupted by phone, realizes it is not for her and yells...

Super: 1956

(Has a 60's look)

Mother is at bottom of stairs, yells up to son.

Super: 1967

(MUSIC UNDER EACH SCENE FROM THAT PERIOD OF TIME)

VO: After years of answering the phone for other people..

(Telephone rings)

"It's for you."

(Ring)

"Harry, it's your office."

(Ring)

"Yes, Tommy, it's for you!"

(Ring)

TELEVISION

Tucker Wayne/Luckie

Tucker Wayne/Luckie Company
500 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35233
205/857-1111

Reid Exhibit No.

WSR-14

Florida Docket No. 920260-TL

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BELLSOUTH SERVICES/RING

BSR-2101D

RingMaster Page 2

12/11/90 LD DHjb

:30

Draft 1

"RingMaster" Non-Waiver (SCB - SBT)

video

audio

(Has a 70's look)

Husband wakes from nap to answer phone.

Super: 1973

(1990 look)

Footage is still B&W. Cut to a couple in their late 40's, reading.

→ NEW Super: 1991

As distinctive ring sounds, B&W turns to color. She reaches over and picks up phone.

Animation: RingMaster® Service

Animation of Phone Number:

SBT 780-2144

SCB 557-6400

Animation: Logo

Super: \$3.95 a month.

Not available in some areas.

Back to family. Father picks up and

It's your mother.

VO: ...South Central Bell (Southern Bell) offers RingMaster Service so you can tell who a call is for (distinctive ring) -- or not for -- before you answer it.

It's all in the way it rings.

Make your life a touch easier.SM
Call On Us.®

Codes

SCB YOBC-02153

TO VISION

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253
205/8

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WSR-14

Florida Docket No. 920260-TT

BELLSOUTH SERVICES/RING

BSR-2101D

RingMaster Page 3

12/11/90 LD DHjb

:30

Page 18 of 29

Draft 1

"RingMaster" Non-
Waiver (SCB - SBT)

video

audio

without answering, hands it back to
daughter who comes into frame.

SBT AXSO-02163

TELEVISION

Tucker Wayne/Luckie

Tucker Wayne/Luckie Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253

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BELLSOUTH SERVICES

BSR-2101E

TouchStar Service

12/11/90 LD jb

Page 1

:30

Draft 1

"Plumber" Non Waiver

video

audio

Locked shot, inside kitchen.
Children at kitchen table. MS
woman at kitchen sink. Phone is
visible beside her.

Cold water faucet springs a geyser-
like leak.

Woman attempts to stop leak with
her finger in the faucet.

She reaches for phone and dials it
as water continues to geyser out.

Woman puts pot over geyser.

Pot blows off, geyser is worse than
ever.

Cut to side angle, children enter
scene dressed in swim trunks and
carrying beach toys.

(SFX: WASHING DISHES)

(SFX: GUSHER!)

ANNCR (VO): When it's sink or
swim...

(SFX: BUSY SIGNAL)

ANNCR (VO): ...you can't be tied
to the phone
redialing a busy
number. But with
Repeat Dialing
from South Central
Bell (Southern
Bell), your phone
keeps dialing the
number for
you...then when the
line is clear...your
phone alerts you
with a special ring.

TELEVISION

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253

Reid Exhibit No.

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BELLSOUTH SERVICES

BSR-2101E

TouchStar Service

12/11/90 LD jb

Page 2

:30

Draft 1

"Plumber" Non Waiver

video

audio

Children continue to play as woman struggles with geysers. She answers ringing phone.

Cut to original camera angle, woman on phone.

Animation of Repeat Dialing.
Animation of phone number:

SBT 780-2144

SCB 557-6400

Animation: (Logo)

Supers: \$4 a month. Available to many South Central Bell (Southern Bell) customers in this area for most local calls.

(SFX: SPECIAL PHONE RING)

PLUMBER (VO): (FILTERED)
Noah's
Plumbing.

LADY: Bring the ark!

ANNCR (VO): South Central
(Southern) Bell
makes your life a
touch easier.SM
(PAUSE) Call On
Us.

SCB Codes
YOBC-02173

SBT AXSO-02183

television

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253
205/879-2121

BELLSOUTH SERVICES
BSR-2101G Page 1
RingMaster® Service
02/12/91 LD jh

Reid Exhibit No.
WSR-14
Draft 1 Florida Docket No. 920260-TL
Page 21 of 29
:30
"Hardy Family" BASE SPOT

video

audio

Overhead view of Hardy home.

ANNCR (VO): The Hardy Family
before RingMaster
service.

(SFX: REGULAR RING)

Everyone rushes to phone except Freddy.
With close-ups and cut-aways.

(SFX: REGULAR RING! -
CONTINUES)

MOM: I'll get it!

DAD: I'll get it!

SIS: (ANSWERING
PHONE) It's for
Freddy!

Time lapse. Repeat.

(SFX: REGULAR RING! -
CONTINUES)

MOM: I'll get it!

DAD: I'll get it!

SIS: (ANSWERING
PHONE) It's for
Freddy!

Same overhead view.

ANNCR (VO): Now with RingMaster
Service...

(SFX: SPECIAL RINGMASTER RING)

television

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
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Draft 1

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Page 22 of 29

BELLSOUTH SERVICES
BSR-2101G Page 2
RingMaster® Service
02/12/91 LD jh

:30

"Hardy Family" BASE SPOT

video

audio

Freddy rushes to phone, is pulled back by guitar cord.

(See animation attached)

ANNCR (VO): ..from South Central
(Southern) Bell,
different rings let them
know who the phone is
for...

(SFX: SPECIAL RINGMASTER RING!
- CONTINUES)

SIS: That's for nerd brain!

ANNCR (VO): ...before they answer...

ANNCR (VO): ...which works great...

(SFX: GUITAR CORD - BOING!)

ANNCR (VO): ...most of the time.
South Central
(Southern) Bell makes
your life a touch
easier.™ (PAUSE) Call
On Us™.

television

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Final Page 23 of 29

BELLSOUTH SERVICES

2 BSS BSR 2101I

Page 1

02/22/91 LD jh

:30 SCB/SB

"Grandpas" BASE SPOT

AS PRODUCED

video

audio

Small boy is handed telephone by mother.

Three-way shot of two grandfathers talking on phone to small boy.

See animation attached.

MOM: Go ahead grandpa's.

GRANDPA'S (TOGETHER): Guess what we got for your birthday.

SMITH: You first.

JAMES: We got you a great toy doggie.

SMITH: How nice, but grandpa Smith got you a real doggie.

JAMES: We also got him a bike.

SMITH: We got him a color TV.

ANNCR: Three-way Calling from South Central (Southern) Bell gets everyone on the line at one time. . . for some, the benefits are unlimited.

JAMES: We're talking him to the circus!

SMITH: Take him! We bought him the circus.
ROAR! Hear the tigers?

ANNCR: South Central (Southern) Bell makes your life a touch easier*. Call On Us.*

television

Tucker Wayne/Luckie*

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253
205/879-2121

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WSR-14

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BELLSOUTH SERVICES
BSR-2101H Page 1
Caller ID
02/12/91 LD LWjb

:30
"Mr. Mom" BASE SPOT

video

audio

A father is trying to feed baby in a high chair in the kitchen. In the background throughout the spot we see a four year old going back and forth. He is building something in the living room and is carrying a lot of stuff into the room.

Father hears phone ring. Cut to CU of phone and unit so we can see number displayed.

Time lapse indication.
He comes back empty-handed. Baby's spitting food out.

He looks at unit to see who's calling. The baby has thrown a big handful of food at him.

Kid in background is dragging more stuff into the living room.

Time lapse indication.

He comes back across and returns with a saw.

He sees his wife is calling.

(Music begins)
Father is talking to baby on camera, trying to get him to eat. Warm and friendly and fun.

SFX: (Ring! Ring!)

MR. MOM: That's Fred. I'll call him later.

Father talks to baby on camera.

SFX: (Ring! Ring!)

MR. MOM: Not Aunt Martha again. She'll talk all day.

(SFX: splat)

SFX: (Ring! Ring!)

MR. MOM: With Caller ID service from Southern (South Central) Bell, you can see the number that's calling before you pick up.

Please, please let it be her. YEAH!

television

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35255
205/970-2171

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BELLSOUTH SERVICES
BSR-2101H Page 2
Caller ID
02/12/91 LD LWjb

Draft 1

:30

"Mr. Mom" BASE SPOT

video

audio

1st Super (see attached)

There's a large crash and the father and baby turn to see the other child standing in the doorway looking like an angel.

(See animation attached)

SFX: (Sawing sounds off camera.)

MR. MOM: Hi, Hon. Everything's under control.

VO: Because you can't always drop what you're doing

SFX: (Sawing stops. Crash)

VO: When the phone rings.

MR. MOM: So, uh when are you coming home? Ha, ha, ha...

ANNCR VO: Make your life a touch easier.
(PAUSE)

Call On Us®.

Order now and save the "X" connection charge. (See "X" attached)

television

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253

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WSR-14

Florida Docket No. 920260-TL

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BELLSOUTH SERVICES

BSS BSR 2101K Page 1

03/13/91 LD jh

:30 SCB/SB

"Cleaning Lady" BASE SPOT

AS PRODUCED

video

audio

SFX: Vacuum

Open on cleaning woman after hours in office building...

Dusts off phone

Punches in her code for remote call forwarding...

Boss walks in, obviously working late.

Boss at desk while lady continues cleaning.

SFX: Phone rings

He answers, hands it to her puzzled.

Close up of her on phone.

Woman leaves office. Boss dismayed.

See animation attached.

ANNCR: Now South Central (Southern) Bell takes Call Forwarding a step further...with Remote Access to Call Forwarding.

It lets you bring your calls to you, or send them anywhere, from most touch-tone phones.

MAN: Hello? Betty? I'm sorry there's no Betty...

Buy ten thousand shares.

ANNCR: So now, you don't have to miss that important call.

South Central (Southern) Bell makes your life a touch easier. Call On Us. Order now and save "X". (See "X" attached)

television

Reid Exhibit No.

WSR-14

Florida Docket No. 920260-TL

Final Page 27 of 29

BELLSOUTH SERVICES

2 BSS BSR 2101J

Page 1

02/22/91 LD jh

:30 SCB/SB

"Dog II" BASE SPOT

AS PRODUCED

video

audio

Teenager on phone.

Dog performs tricks to get her attention.

Dog crawls by with saw.

Closeup of girl pushing switchhook.

Girl looks startled, glances at doorway.

Dog jumps through hole in door.

See animation attached.

MAN: Good, movie's about to start.

WOMAN: Hope she remembers to walk the dog.

MAN: I'm sure she will after she left him in the rain last time.

WOMAN: Yeah, she's learned her lesson.

MAN: Sure.

WOMAN: Right...

TOGETHER: Let's call.

ANNCR: With South Central (Southern) Bell's Call Waiting, you won't be frustrated by busy signals or miss an important call.

MAN: Honey...you did walk the dog?

GIRL: Ah, I don't think it's necessary.

ANNCR: It's perfect for life's little emergencies.

South Central (Southern) Bell makes your life a touch easier. Call On Us. Order now and save "X". (See "X" attached)

television

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253
205/879-2121

BELLSOUTH SERVICES
BSR-2101A
Call Return
02/06/91 LD jb

LD

Reid Exhibit No.
WSR-14
Draft 2 Florida Docket No. 920260-TL
Page 28 of 29
:30
"Wallpaper" BASE SPOT

video

audio

MS man on ladder trying to hang wallpaper. It's already beginning to come unraveled.

Man struggles to answer phone. We see it ringing in extreme corner of shot just out of reach.

Paper begins to entangle man as he continues to struggle for phone. He falls off ladder, steps in bucket, hits the floor.

He answers phone.

(SFX: PHONE DIALING)

MERV (VO): Who ya calling?

(SFX: PHONE RINGING)

FRED (VO): Charlie...promised I'd help him wallpaper.

MERV (VO): Ahh...he doesn't need help.

FRED (VO): No answer.

MERV (VO): Let's play golf.

FRED (VO): Still no answer.

MERV (VO): See? He's through.

FRED (VO): Okay! All right. Get your clubs.

(SFX: CLICK! PHONE HANGS UP.)
(SFX: MEN LEAVING.)

ANNCR (VO): Wrapped up in what you're doing? Let your phone call back the last person who called you, with South Central (Southern) Bell's Call Return. So you can...

(SFX: CHARLIE ANSWERS PHONE.)

television

Tucker Wayne/Luckie

Tucker Wayne/Luckie & Company
600 Luckie Drive
P.O. Box 7484-A
Birmingham, Alabama 35253
205/879-2121

BELLSOUTH SERVICES
BSR-2101A
Call Return
02/06/91 LD jb

Reid Exhibit No.
WSR-14
Draft 2 Florida Docket No. 920260-TL
Page 29 of 29
:30
"Wallpaper" BASE SPOT

video

audio

Then begins to punch in touchtone code.

(See animation attached)

GETS DIAL TONE)

ANNCR (VO): (CONTINUES)...take your
time...

(SFX: CHARLIE HITTING
TOUCHTONE)

(SFX: PHONE RINGS/CALLEE'S
PERSPECTIVE)

FRED (VO): Hello?

CHARLIE (MUFFLED): Help!

FRED (VO): Charlie?

ANNCR (VO): South Central (Southern)
Bell makes your life a
touch easier.* Call On
Us*.

Act now and get our
special offer.

television

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

REVISED 12/92

Page 1

Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

	(1) Total Company Columns (2 + 3)	(2) Interstate Toll	(3) Total Intrastate Columns (4 + 7)	(4) Intrastate Toll Columns (5 + 6)	(5) IntraToll Inter- territory	(6) Intra- territory	(7) Local
<u>AVERAGE RATE BASE</u>							
1. General Support	\$1,109,889	\$256,658	\$853,231	\$188,062	\$85,522	\$102,540	\$665,169
2. Central Office	3,190,166	839,793	2,350,373	558,816	255,727	303,089	1,791,557
3. Information Orig/Term	169,650	47,123	122,527	24,522	14,470	10,052	98,005
4. Cable and Wire Facilities	4,272,541	1,213,041	3,059,500	704,369	387,533	316,836	2,355,131
5. Amortizable Assets	<u>19,756</u>	<u>4,609</u>	<u>15,147</u>	<u>3,383</u>	<u>1,540</u>	<u>1,843</u>	<u>11,764</u>
6. Plant in Service	\$8,762,002	\$2,361,224	\$6,400,778	\$1,479,152	\$744,792	\$734,360	\$4,921,626
7. Accumulated Depreciation and Amortization	<u>3,207,528</u>	<u>892,163</u>	<u>\$2,315,365</u>	<u>535,179</u>	<u>272,006</u>	<u>263,173</u>	<u>1,780,186</u>
8. Net Plant in Service	\$5,554,474	\$1,469,061	\$4,085,413	\$943,973	\$472,786	\$471,187	\$3,141,440
9. Property Held for Future Use	327	88	239	55	28	27	184
10. TPUC (No IDC)	55,546	14,955	40,591	9,382	4,719	4,663	31,209
11. Acquisition Adjustments Working Capital Allowance	<u>0</u> <u>(19,701)</u>	<u>0</u> <u>(7,967)</u>	<u>0</u> <u>(11,734)</u>	<u>0</u> <u>(2,725)</u>	<u>0</u> <u>(1,087)</u>	<u>0</u> <u>(1,638)</u>	<u>0</u> <u>(9,009)</u>
13. Per Book Average Rate Base	\$5,590,646	\$1,476,137	\$4,114,509	\$950,685	\$476,446	\$474,239	\$3,163,824
14. % Distribution	100%	26.40%	73.60%	17.00%	8.52%	8.48%	56.59%
<u>ADJUSTMENTS TO AVERAGE RATE BASE</u>							
15. Adjustments for Achieved Rate Base			\$50,891				
16. Adjusted Achieved Rate Base			<u>\$4,165,400</u>				
<u>ADJUSTED ANNUALIZED/PRO FORMA YEAR END RATE BASE</u>							
17. Year End Rate Base per Books			4,082,213				
18. Adjustments for Year End Rate Base			<u>118,118</u>				
19. Adjusted Year End Rate Base			<u>\$4,200,331</u>				
<u>RATES OF RETURN</u>							
20. Average Per Book	9.63%	10.83%	9.20%	14.10%	12.83%	15.38%	7.72%
21. Average Adjusted Achieved			<u>9.25%</u>				
22. Adjusted Year End			<u>9.19%</u>				

FLORIDA PUBLIC SERVICE COMMISSION

TELEPHONE EARNINGS SURVEILLANCE REPORT

REVISED 12/92

Page 1A

Company : Southern Bell Tel. & Tel. Co.

12 Months Ended : December 31, 1991

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ADJUSTMENTS TO AVERAGE RATE BASE (000)	Plant In Service	Accumulated Depreciation and Amortization	Property Held for Future Use	ST Plant Under Construction	Acquisition Adjustment	Working Capital Allowance	Per Book Average Rate Base
1. Intrastate Rate Base per Books	\$6,400,778	\$2,315,365	\$239	\$40,591	\$0	(\$11,734)	\$4,114,509
INTRASTATE ACHIEVED ADJUSTMENTS							
2. Excess Plug-in Units	(13,224)	\$0	\$0	\$0	\$0	\$0	(\$13,224)
3. WECO Tax Credits	48,560	15,194	0	0	0	0	33,366
4. BellSouth Services	28,406	0	0	0	0	0	28,406
5. ENFIA	(2,397)	(934)	0	(18)	0	(16)	(1,497)
6. Other Rate Base Adjustments	(1,716)	(5,570)	0	(14)	0	0	3,840
7. Total Accounting Adjustments, Intrastate Achieved	\$59,629	\$8,690	\$0	(\$32)	\$0	(\$16)	\$50,891
8. Achieved Intrastate Rate Base	\$6,460,407	\$2,324,055	\$239	\$40,559	\$0	(\$11,750)	\$4,165,400
Intrastate Year End Rate Base per Books							
	\$6,491,752	\$2,423,129	\$168	\$24,432	\$0	(\$11,010)	\$4,082,213
INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS							
FPSC ADJUSTMENTS:							
10. Excess Plug-in Units	(\$13,224)	\$0	\$0	\$0	\$0	\$0	(\$13,224)
11. WECO Tax Credits	48,957	15,072	0	0	0	0	33,885
12. BellSouth Services	30,261	0	0	0	0	0	30,261
13. ENFIA	(2,397)	(934)	0	(18)	0	(16)	(1,497)
ANNUALIZING ADJUSTMENTS:							
14.							
15.							
16.							
17.							
18.							
PRO FORMA ADJUSTMENTS:							
19. Phase Down of SPF	78,076	30,206					47,870
20. Other Separations Changes	32,120	11,297					20,823
21.							
22. Total Accounting Adjustments, Intrastate Annualized	\$173,793	\$55,641	\$0	(\$18)	\$0	(\$16)	\$118,118
23. Intrastate Annualized/Pro Forma Year End Rate Base	\$6,665,545	\$2,478,770	\$168	\$24,414	\$0	(\$11,026)	\$4,200,331

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Total		Total	Intrastate			
NET OPERATING INCOME(000)	Company		Intrastate	Toll	IntraToll		
	Columns	Interstate	Columns	Columns	Inter-	Intra-	Local
	(2 + 3)	Toll *	(4 + 7) # **	(5 + 6)	territory	territory	
BOOKED REVENUE							
1. Basic Local Service Revenue	\$1,347,991	105	\$1,347,886	\$0	0	0	\$1,347,886
2. Network Access Revenue	1,023,387	752,254	271,133	271,133	258,635	12,498	0
3. Long Distance Revenue	331,806	994	330,812	330,812	0	330,812	0
4. Miscellaneous Revenue	347,373	32,774	314,599	19,786	16,249	3,537	294,813
5. Uncollectible Revenues	42,104	2,163	39,941	8,244	265	7,979	31,697
6. Net Booked Revenue	\$3,008,453	\$783,964	\$2,224,489	\$613,487	\$274,619	\$338,868	\$1,611,002
OPERATING EXPENSES							
7.							
8. Plant Specific Operation Expense	\$501,353	131,642	369,711	84,074	41,818	42,256	285,637
9. Plant Non-Specific Operations Exp	265,694	68,949	196,745	56,716	21,593	35,123	140,029
10. Depreciation and Amortization	723,697	177,442	546,255	127,598	63,154	64,444	418,657
11. Customer Operations Expense	380,617	73,120	307,497	74,429	28,012	46,417	233,068
12. Corporate Operations Expense	291,623	79,170	212,453	49,514	22,511	27,003	162,939
Other Income and Expense	(671)	(188)	(483)	(113)	(57)	(56)	(370)
14. Total Operating Expense	\$2,162,313	\$530,135	\$1,632,178	\$392,218	\$177,031	\$215,187	\$1,239,960
15. % Distribution	100%	24.52%	75.48%	18.14%	8.19%	9.95%	57.34%
OPERATING TAXES							
16. Federal Income Tax	123,610	47,445	\$76,165	\$48,193	21,477	26,716	27,972
17. State Income Tax	29,912	14,725	15,187	13,699	5,241	8,458	1,488
18. Other Taxes	154,262	31,753	122,509	25,312	9,742	15,570	97,197
19. Total Operating Taxes	\$307,784	\$93,923	\$213,861	\$87,204	\$36,460	\$50,744	\$126,657
NET OPERATING INCOME							
20. Per Book NOI	\$538,356	\$159,906	\$378,450	\$134,065	\$61,128	\$72,937	244,385
21. NOI Effect of Adjustments(Achieved)			6,859				
22. Adjusted Achieved NOI			\$385,309				
23. NOI Effect of Adjustments(Annual/Pro Forma)			510				
24. Annualized/Pro Forma NOI			\$385,819				

* Includes \$ 9,895,171 for Universal Service Fund

Above expenses include regulatory and legislative liaison expenses of \$ 835,000. See the Lobbying Expense proforma for the legislative and liaison expenses excluded for rate making purposes.

** This report includes(\$ 29,461,179) in revenue reductions and(\$ 2,500,000) in interest set aside for FPSC disposition.

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Company : Southern Bell Tel. & Tel. Co.

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12 Months Ended : December 31, 1991

	(1)	(2)	(3)	(4)	(5)	(6)
ADJUSTMENTS TO NET OPERATING INCOME	Basic Local	Inter-	Intra-	Misc	Uncollectible	Net
INTRASTATE REVENUE	Service	Territory	Territory	Revenue	Revenues	Booked
(000)	Revenue	Revenues	Revenue			Revenue
1. Total intrastate Revenue per Books	\$1,347,888	\$274,884	\$346,847	\$294,813	\$39,941	\$2,224,489

INTRASTATE ACHIEVED ADJUSTMENTS

OUT OF PERIOD ADJUSTMENTS:

2. Rev & Sett (Ind Co)		(320)	538			\$218
3. Expenses				(3)		(3)
4. MR & FR Taxes						0
5. Other Out of Period Revenue	2,093	(1,898)	0	2,956	0	3,151
6. Excess EAS Revenues per FPSC			0			0
7. FAS87				0		0
8.						
9.						
10. Other Reg/Nonreg Adjustments	559					559
11. Yellow Page Profits				0	0	0
12. Gains on Sales of Property	(291)					(291)
13. Income Related to Temp Cash Inv	1					1
Interest Reconciliation						0
Interest Imputation						0
16. ENFIA				(1)		(1)
17. Lobbying Expense						0
18. Corporate Advertising Expense						0
19. Abandoned Projects						0
20. Casualty Expense						0
21. BellSouth Services	3,243					3,243
22. Telephone Franchise Requirement						0
23. Other Regulatory Adjustments						0
24. Total Accounting Adjustments, Intrastate Achieved	\$5,605	(\$2,218)	\$538	\$2,952	\$0	\$6,877
25. Total Achieved Intrastate Revenue	\$1,353,491	\$272,666	\$347,385	\$297,765	\$39,941	\$2,231,366

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 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

	(1)	(2)	(3)	(4)	(5)	(6)
ADJUSTMENTS TO NET OPERATING INCOME	Basic Local	Inter-	Intra-	Misc	Uncollectible	Net
INTRASTATE REVENUE	Service	Territory	Territory	Revenue	Revenues	Booked
(000)	Revenue	Revenues	Revenue			Revenue
25. Total Achieved Intrastate Revenue	\$1,353,491	\$272,666	\$347,385	\$297,765	\$39,941	\$2,231,366

INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS

ANNUALIZING ADJUSTMENTS:

26.						\$0
27.						0
28.						0
29.						0
30.						0

31.						
32.						0

FPSC ADJUSTMENTS (PRO FORMA):

33.						0
34.						0

PRO FORMA ADJUSTMENTS:

Employee Level Adjustment						0
Nonrecurring Items						0
37. High Cost Universal Service Fund						0
38. Phase Down of SPF						0
39. Other Separations Changes						0

40. Total Accounting Adjustments, Intrastate Annualized	\$0	\$0	\$0	\$0	\$0	\$0
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41. Total Annualized Intrastate Revenue	\$1,353,491	\$272,666	\$347,385	\$297,765	\$39,941	\$2,231,366
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 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : Southern Bell Tel. & Tel. Co.

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12 Months Ended : December 31, 1991

	(1)	(2) Plant Specific Operations Expense	(3) Other Non-Plant Specific Oper. Exp.	(4) Depreciation and Amortization	(5) Customer Operations Expense	(6) Corporate Operations Expenses	(7) Other Income and Expenses	(8) Total Operating Expense
ADJUSTMENTS TO NET OPERATING INCOME								
INTRASTATE OPERATING EXPENSE								
(000)								
1. Total Intrastate Expense per Books	\$0	\$369,711	\$196,745	\$546,255	\$307,497	\$212,453	(\$483)	\$1,632,178
INTRASTATE ACHIEVED ADJUSTMENTS								
OUT OF PERIOD ADJUSTMENTS:								
2. Rev & Sett (Ind Co)								\$0
3. Expenses		1,172	130	(1,402)	(1,471)	187		(\$1,384)
4. MR & FR Taxes								0
5. Other Out of Period Revenue								0
6. Excess EAS Revenues per FPSC								0
7. FAS87								0
8.								
9.								
10. Other Reg/Nonreg Adjustments		(221)		(38)	(19)	(1,473)	2,070	319
11. Yellow Page Profits								0
12. Gains on Sales of Property							(167)	(167)
13. Income Related to Temp Cash Inv								0
14. Interest Reconciliation								0
Interest Imputation								0
ENFIA							(415)	(415)
17. Lobbying Expense						(530)		(530)
18. Corporate Advertising Expense					(29)			(29)
19. Abandoned Projects							675	675
20. Casualty Expense		(61)						(61)
21. BellSouth Services								0
22. Telephone Franchise Requirement								0
23. Other Regulatory Adjustments							(1,855)	(1,855)
24. Total Accounting Adjustments, Intrastate Achieved	\$0	\$890	\$130	(\$1,440)	(\$1,519)	(\$1,816)	\$308	(\$3,447)
25. Total Achieved Intrastate Expense	\$0	\$370,601	\$196,875	\$544,815	\$305,978	\$210,637	(\$175)	\$1,628,731

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 PHONE EARNINGS SURVEILLANCE REPORT

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Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ADJUSTMENTS TO NET OPERATING INCOME		Plant	Other	Depreciation	Customer	Corporate	Other	Total
INTRASTATE OPERATING EXPENSE		Specific	Non-Plant	and	Operations	Operations	Income an	Operating
(000)		Operations	Specific	Amortization	Expense	Expenses	Expenses	Expense
		Expense	Oper. Exp.					
25. Total Achieved Intrastate Expenses	\$0	\$370,601	\$196,875	\$544,815	\$305,978	\$210,637	(\$175)	\$1,628,731

INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS

ANNUALIZING ADJUSTMENTS:

26.								\$0
27.								0
28.								0
29.								0
30.								0
31.								0

FPSC ADJUSTMENTS (PRO FORMA):

32.								0
33.								0
34.								0

FORMA ADJUSTMENTS:

Employee Level Adjustment #								0
36. Nonrecurring Items						(14,947)		(14,947)
37. High Cost Universal Service Fund							(6,577)	(6,577)
38. Phase Down of SPF							14,380	14,380
39. Other Separations Changes							6,288	6,288
40. Total Accounting Adjustments, Intrastate Annualized	\$0	\$0	\$0	\$0	\$0	(\$14,947)	\$14,091	(\$856)

41. Total Annualized Intrastate Expense	\$0	\$370,601	\$196,875	\$544,815	\$305,978	\$195,690	\$13,916	\$1,627,875
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Due to reorganization this data is still being developed.

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 EPHONE EARNINGS SURVEILLANCE REPORT

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Company : Southern Bell Tel. & Tel. Co.

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12 Months Ended : December 31, 1991

	(1)	(2)	(3)	(4)	(5)
ADJUSTMENTS TO NET OPERATING INCOME				Total	
INTRASTATE OPERATING TA	Federal	State	Other Taxes	Operating	NOI
(000)	Income Tax	Income Tax		Taxes	
1. Total Intrastate Taxes per Books	\$76,165	\$15,187	\$122,509	\$213,861	\$378,450
INTRASTATE ACHIEVED ADJUSTMENTS					
OUT OF PERIOD ADJUSTMENTS:					
2. Rev & Sett (Ind Co)	69	12	3	\$84	\$134
3. Expenses	504	83	29	616	765
4. MR & FR Taxes	(3,211)	3,426	(1,124)	(909)	909
5. Other Out of Period Revenue	1,080	184	27	1,291	1,860
6. Excess EAS Revenues per FPSC				0	0
7. FAS87				0	0
8.					
9.					
10. Other Reg/Non-reg Adjustments	60	53	7	120	120
11. Yellow Page Profits	0	0	0	0	0
12. Gains on Sales of Property	(38)	(7)	(3)	(48)	(76)
13. Income Related to Temp Cash Inv	0	0	0	0	1
14. Interest Reconciliation	2,616	448		3,064	(3,064)
Interest Imputation	(1,356)	(232)		(1,588)	1,588
ENFIA	164	27	(33)	158	256
17. Lobbying Expense	170	29		199	331
18. Corporate Advertising Expense	9	2		11	18
19. Abandoned Projects	(217)	(37)		(254)	(421)
20. Casualty Expense	20	3		23	38
21. BellSouth Services				0	3,243
22. Telephone Franchise Requirement				0	0
23. Other Regulatory Adjustments	596	102		698	1,157
24. Total Accounting Adjustments, Intrastate Achieved	\$466	\$4,093	(\$1,094)	\$3,465	\$6,859
25. Total Achieved Intrastate Taxes	\$76,631	\$19,280	\$121,415	\$217,326	\$385,309

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 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

	(1)	(2)	(3)	(4)	(5)
ADJUSTMENTS TO NET OPERATING INCOME				Total	
INTRASTATE OPERATING TAXES	Federal	State	Other Taxes	Operating	NOI
(000)	Income Tax	Income Tax		Taxes	
25. Total Achieved Intrastate Taxes..	\$76,631	\$19,280	\$121,415	\$217,326	\$385,309
INTRASTATE ANNUALIZED/PRO FORMA ADJUSTMENTS					
ANNUALIZING ADJUSTMENTS:					
26.				\$0	\$0
27.				0	0
28.				0	0
29.					
30.					
31.					
32.				0	0
FPSC ADJUSTMENTS (PRO FORMA):					
33.				0	0
34.				0	0
PRO FORMA ADJUSTMENTS:					
35. Employee Level Adjustment				0	0
36. Nonrecurring Items	4,803	822		5,625	9,322
37. High Cost Universal Service Fund	2,113	362	0	2,475	4,102
38. Phase Down of SPF	(4,620)	(791)	0	(5,411)	(8,969)
39. Other Separations Changes	(2,020)	(346)	0	(2,366)	(3,922)
40. Total Accounting Adjustments, Intrastate Annualized.....	\$276	\$47	\$0	\$323	\$533
41. Total Annualized Intrastate Taxes..	\$76,907	\$19,327	\$121,415	\$217,649	\$385,842

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Company : Southern Bell Tel. & Tel. Co.

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AVERAGE CAPITAL(INTRASTATE) (000)	(1)	(2)	(3) #	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Average Per Books	Specific Adjustments	Pro Rata Adjustments	Adjusted Amount	% of Total	Floor	Cost Rate Sharing	Weighted Cost Ceiling	Floor	Weighted Cost Sharing	Rate Ceiling
1. Long Term Debt	1,047,327		(28,425)	\$1,018,902	24.46%		8.81%			2.15%	
2. Short Term Debt	182,651	75,516	(6,464)	231,703	5.56%		6.04%			0.34%	
3. Preferred Stock	0		0	0	0.00%		0.00%			0.00%	
4. Customer Deposits	54,382		(1,476)	52,906	1.27%		8.25%			0.10%	
5. Common Equity	2,015,267	21,275	(55,272)	1,981,270	47.57%	11.50%	14.00%	16.00%	5.47%	6.66%	7.61%
6. Investment Tax Credits	145,138	(3)	(3,939)	141,196	3.39%	10.58%	11.71%	13.56%	0.36%	0.40%	0.46%
7. Cost Free Capital	725,383	34,668	(20,628)	739,423	17.75%		0.00%			0.00%	
8. Total Capital	<u>\$4,150,148</u>	<u>\$131,456</u>	<u>(\$116,204)</u>	<u>\$4,165,400</u>	100.00%				8.42%	9.65%	10.66%

INTERNAL FUNDS

9. % Internal funds to construction expenditures after dividends (Total Company)	88.16%
10. Times interest earned (NI+Interest+Income Tax)/Interest (Total Company)	4.16
11. Long Term Debt / Capital (Intrastate)	32.26%
12. Short Term Debt / Capital (Intrastate)	5.01%
13. Average adjusted achieved return on equity (Intrastate)	13.17%
14. Adjusted year end return on equity (Intrastate)	13.04%

See Page 6 for details.

Reid Exhibit No.
WSR-15
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Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

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

1. Total Capital Per Books	1,431,531	222,318	0	54,382	2,754,550	193,824	967,332	\$5,623,937
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DESCRIPTION OF ADJUSTMENTS TO SPECIFIC SOURCES

2. Accrued Dividends					29,080			29,080
3. WECO Tax Credits							48,035	48,035
4. Accrual for Florida Refund		75,516						75,516
5. Investment Tax Credit						0		0
6. Sub-total of Specific Adjustments to Source	\$0	\$75,516	\$0	\$0	\$29,080	\$0	\$48,035	\$152,631

7. Adjusted Total Capital	\$1,431,531	\$297,834	\$0	\$54,382	\$2,783,630	\$193,824	\$1,015,367	\$5,776,568
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DESCRIPTION OF PRO RATA ADJUSTMENTS

8. Various Diff From Rate Base #	(28,202)	(5,868)	0	(1,071)	(54,840)	(3,818)	(20,004)	(\$113,803)
9.								
10.								
11.								
12. Sub-total of Pro Rata Adjustments to Source	(\$28,202)	(\$5,868)	\$0	(\$1,071)	(\$54,840)	(\$3,818)	(\$20,004)	(\$113,803)
13. Subtotal, Pro Rata Adjusted Total Capital	\$1,403,329	\$291,966	\$0	\$53,311	\$2,728,790	\$190,006	\$995,363	\$5,662,765
14. Interstate Separation Factor	\$384,427	\$60,263	\$0	\$405	\$747,520	\$48,810	\$255,940	\$1,497,365
15. Adjusted Jurisdictional Capital	\$1,018,902	\$231,703	\$0	\$52,906	\$1,981,270	\$141,196	\$739,423	\$4,165,400

See Page 6 for details.

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Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

CUSTOMER BILLING (000)	(1)	(2)	(3)
	Intrastate Toll Columns (2 + 3)	-----Intra toll----- Inter- territory Intra- territory	
ACCESS CHARGES :			
1. End User Charges	\$0	0	0
2. Capacity Charges (a)	717	717	0
3. MOU Charges To IXC's (b)	248,213	235,713	12,500
4. Special Access Charges (c)	19,276	19,276	0
5. Other (d)	621	622	(1)
6. Total Access Charges	<u>\$268,827</u>	<u>\$256,328</u>	<u>\$12,499</u>
OTHER CHARGES TO IXC'S :			
7. Operator Services (D.A.)	\$4,583	4,583	0
8. Billing and Collecting	13,312	13,312	0
9. Interexchange Lease	119	0	119
10. Total Other Charges to IXC's	<u>\$18,014</u>	<u>\$17,895</u>	<u>\$119</u>
CUSTOMER CHARGES (e) :			
11. MTS	\$255,265	0	255,265
12. WATS	25,260	0	25,260
Private Line-FX	59,483	0	59,483
Local Exchange	0	0	0
13. Miscellaneous	0	0	0
16. Total Customer Charges	<u>\$340,008</u>	<u>\$0</u>	<u>\$340,008</u>
17. Total Billing	<u>\$626,849</u>	<u>\$274,223</u>	<u>\$352,626</u>
18. Joint Transport Receipts (Payments)	<u>(\$87)</u>	<u>(\$87)</u>	<u>\$0</u>
19. Subsidy Fund Receipts (Payments)	<u>(\$2,676)</u>	<u>(\$2,264)</u>	<u>(\$412)</u>
20. Out-of-Period Billings	<u>(\$174)</u>	<u>(\$139)</u>	<u>(\$35)</u>
21. Intra-LATA Private Line Pool Revenue			<u>(\$11,053)</u>
22. Access Expense			<u>(\$2,048)</u> *
23. Other Settlements	<u>(\$12,111)</u>	<u>(2,261)</u>	<u>(9,850)</u>

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

(a) Busy Hour minutes of Capacity Charge.

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

(c) For Intrastate Interterritory Station Terminals.

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

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

* MABC Revenues were \$ 12,462 and MABC expenses were \$ 14,510 for twelve months ending December 31, 1991.

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Company : Southern Bell Tel. & Tel. Co.

Month Ended : December 31, 1991

	(1) Total Company Columns (2 + 3)	(2) Interstate Toll	(3) Total Intrastate Columns (4 + 7)	(4) Intrastate Toll Columns (5 + 6)	(5) IntraToll Inter- territory	(6) Intra- territory	(7) Local
NET OPERATING INCOME							
FOR THE MONTH ENDED (000)							
December 31, 1991							
BOOKED REVENUE							
1. Basic Local Service Revenue	\$118,451	9	\$118,442	\$0	\$0	\$0	\$118,442
2. Network Access Revenue	88,867	66,144	22,723	22,723	21,712	1,011	0
3. Long Distance Revenue	29,916	128	29,788	29,788	0	29,788	0
4. Miscellaneous Revenue	21,475	2,199	19,276	754	493	261	18,522
5. Uncollectible Revenues	2,264	69	2,195	448	9	439	1,747
6. Net Booked Revenue	\$256,445	\$68,411	\$188,034	\$52,817	\$22,196	\$30,621	\$135,217
OPERATING EXPENSES							
7.							
8. Plant Specific Operation Expense	40,210	10,415	29,795	6,802	3,272	3,530	22,993
9. Plant Non-Specific Operations Exp Depreciation and Amortization	19,319	4,991	14,328	4,160	1,543	2,617	10,168
10. Customer Operations Expense	60,055	14,243	45,812	10,626	5,202	5,424	35,186
11. Corporate Operations Expense	33,215	6,552	26,663	6,455	2,386	4,069	20,208
12. Other Income and Expense	27,811	7,368	20,443	4,725	2,071	2,654	15,718
13. Total Operating Expense	1	0	1	0	0	0	1
14. Total Operating Expense	\$180,611	\$43,569	\$137,042	\$32,768	\$14,474	\$18,294	\$104,274
15. % Distribution	100%	24.12%	75.88%	18.14%	8.01%	10.13%	57.73%
OPERATING TAXES							
16. Federal Income Tax	13,562	5,490	\$8,072	\$4,394	1,642	2,752	3,678
17. State Income Tax	2,025	782	1,243	566	193	373	677
18. Other Taxes	7,870	1,965	5,905	1,780	582	1,198	4,125
19. Total Operating Taxes	\$23,457	\$8,237	\$15,220	\$6,740	\$2,417	\$4,323	\$8,480
NET OPERATING INCOME							
20. Per Book NOI for the Month	\$52,377	\$16,605	\$35,772	\$13,309	\$5,305	\$8,004	\$22,463

FLORIDA PUBLIC SERVICE COMMISSION
TELEPHONE EARNINGS SURVEILLANCE REPORT

REVISED 12/92

Page 6

Company : Southern Bell Tel. & Tel. Co.
12 Months Ended : December 31, 1991

RECONCILIATION OF CAPITAL TO RATE BASE
(000)

<u>DESCRIPTION</u>	<u>COMBINED</u>	<u>INTRASTATE</u>
1. Long Term Plant Under Construction	(\$32,913)	(\$24,053)
2. Investments in and Advances to Affiliated Companies	(42,316)	(30,959)
3. Miscellaneous Physical Property	(7,700)	(5,634)
4. Other	(57,040)	(73,083)
5. Rate Base Adjustments		
A. Excess Plug-in Units	(17,950)	(13,224)
B. Bell South Services Investment	38,789	28,406
C. ENFIA	0	(1,497)
D. Out of Period Items	5,327	3,840
E. Total Rate Base Adjustments	26,166	17,525
Total	(113,803)	(116,204)

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

RATE STABILIZATION ORDER
 REPORT OF RATE CHANGES/EXOGENEOUS FACTORS/DEBT CHANGES/TECHNOLOGICAL CHANGES
 Intrastate Amounts
 (000's)

	Annual Revenue Requirement Impact	YTD Effective Portion for 1991	Cumulative Effect
All Price Changes, Exogeneous Factors > \$ 3 Million, Debt Refinancings and Major Technological Changes			
I. RATE CHANGES			
A. Rate Increases	\$17,586	\$17,586	\$45,467
B. Rate Decreases	(7,178)	(7,102)	(10,973)
Net	\$10,408	\$10,484	\$34,494
II. EXOGENEOUS FACTORS			
A. Depr increase due to USOAR Docket	(12,409)	(12,409)	(35,304)
B. Separations change	(7,422)	(7,422)	(20,411)
Net	(\$19,831)	(\$19,831)	(\$55,715)
III. DEBT REFINANCING			
A. Difference between forecast and actual	(\$1,319)	(\$1,319)	(5,295)
IV. MAJOR TECHNOLOGICAL CHANGES			
NONE			
Grand Net	<u>(\$10,742)</u>	<u>(\$10,666)</u>	<u>(\$26,516)</u>

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

REVISED 12/92

Page 7A

Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

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

All Price Changes,
 Exogeneous Factors > \$ 3 Million,
 Debt Refinancings and Major
 Technological Changes

	Annual Impact	YTD Effective Portion for 1991	Cumulative Effect
I.A. Rate increases (by service)			
1. Nonrecurring FX charges. Tariff offering GSST A-9, Eff. 7/11/88	\$2,465	\$2,465	\$8,628
2. Toll Terminals. Tariff offering GSST A-13. Eff. 1/1/89	2,086	2,086	6,258
3. Mobile Service. Tariff offering GSST A-3. Eff. 4/21/89	2,254	2,254	6,011
4. Custom Calling Services. Tariff offering GSST A-13, Eff. 9/1/89	10,000	10,000	23,333
5. Bad check charge. Tariff offering GSST A-2, Eff. 5/21/90	781	781	1,237
	<u>\$17,586</u>	<u>\$17,586</u>	<u>\$45,467</u>
I.B. Rate decreases (by service)			
1. Megalink service reduction. Private Line B-7. Eff. 8/8/88	(\$90)	(\$90)	(\$269)
2. WATS usage charge. Tariff offering GSST A-19, Eff. 10/20/89	(134)	(134)	(290)
3. Telephone Answering Serv DID. Tariff off GSST A-6,A-8. Eff 3/19/90	(182)	(182)	(319)
4. Saver Service. Tariff offering A-18,A-118. Eff. 8/1/90	(4,205)	(4,205)	(6,792)
5. PIC Change Charge. Access Tariff E-13. Eff. 9/4/90	(2,436)	(2,436)	(3,248)
6. Saver Service and WatsSaver Services. GSST Tariff A-18. Eff. 7/1/91	(104)	(52)	(52)
7. Mobile Service Provider Interconnection. GSST Tariff A-35, Eff 11/11/91	(27)	(3)	(3)
	<u>(\$7,178)</u>	<u>(\$7,102)</u>	<u>(\$10,973)</u>

- II.A. Depreciation differences due to the USOAR Docket.
 B. Separations change for revenue accounting procedures. The FCC mandated this change be effective on 4/1/89.
- III.A. Difference between actual long term debt cost rate and forecasted rate (per 10/19/90 Response to Staff's Interrogatory Item No. 7) for twelve month period ending 12/31/91, adjusted to exclude the effective portion of the 1991 interest savings associated with the 1989 refinancing of \$200M of 11.75% debentures.

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

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Page 8

Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

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

New Services	Effective Date	Estimated Annual Revenue Impact		
		Year 1	Year 2	Year 3
1. Key System cust allowed to partic as STS providers	3/5/88	\$0	\$0	\$0
2. TouchStar Service	8/8/88	131	6,151	13,775
3. Link-Up Florida	9/12/88	0	0	0
4. Pay Per View (Tic ketTaker)	5/15/89 *	64	67	
5. Private Line Tariff (Megalink Channel)	4/29/88	296	1,690	3,264
6. GeoServ	7/11/88	129	144	N/A
7. 2 Way Measured Tariff	12/2/88	28	109	
8. AccuPulse Service	1/9/89	3	59	
9. Switched Access AccuPulse Service	1/9/89	520	520	
10. ESSX Multi-Account Service	3/28/89	842	842	
11. Special Calling Features	8/15/89	224	1,409	
12. Intralata Only 800 Service	9/1/89	115	128	
13. Dial Backup Service	9/27/89	9	9	
14. 2400 bps Central Office Data Set	9/27/89	5	6	
15. Automatic Call Distribution(ACD-MIS)	10/9/89	1,847	1,847	
16. Switched Data Service	10/9/89	33	33	
Simplified Message Desk Interface(SMDI)	10/9/89	109	109	
Customer Network Management	11/13/89	19	58	
19. Station Message Detail Recording - Premises	12/1/89	1,013	1,013	
20. Area Communication Service (ACS)	12/19/89	23	23	
21. Billing & Collecting of Subscriber Surcharge	1/1/90	96		
22. Call Forwarding Busy Line	1/15/90	45		
23. Call Forwarding Don't Answer	1/15/90	108		
24. Inward Operator Services Access Service	2/15/90	154		
25. Central Office Local Area Network (CO LAN)	7/31/90	71		
26. Digital Elect Tandem Switching Features(DETS)	7/31/90	141		
27. IntraLATA 800 Service with DID	7/30/90	22		
28. Enhanced CCS Features	8/6/90	18		
29. Outgoing Only Service	8/31/90	0		
30. Exchange Line Data Service (ELDS)	11/30/90 #	181		
31. Pulselink Protocols (SNA/SDLC & X.32)	12/9/90	68		
32. Option 800 Service to Residence Customers	1/7/91 @	17		
33. New Megalink Svs Opt. Feature: Clear Channel Capabili	1/16/91	34		
Subtotal from Page 8A		7,285	0	0
Totals		\$13,650	\$14,217	\$17,039

* This service was previously provided under a limited service arrangement which was effective 11/16/87. As of 5/15/89, it was available as a permanent statewide offering. The annual revenue impact has been revised to reflect this tariff change.

This service was previously provided under a limited service arrangement which was effective 9/28/88. 9/28/88. As of 11/30/90, it was available as a permanent statewide offering.

@ This service was previously referred to as IntraLATA Only 800 Service.

FLORIDA PUBLIC SERVICE COMMISSION
 TELEPHONE EARNINGS SURVEILLANCE REPORT

REVISED 12/92

Page 8A

Company : Southern Bell Tel. & Tel. Co.
 12 Months Ended : December 31, 1991

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

New Services (Continued)	Effective Date	Estimated Annual Revenue Impact		
		Year 1	Year 2	Year 3
34. Digital Electronic Business Set (DEBS) Svs	2/25/91	138		
35. New Features for ESSX and Digital ESSX Service	2/28/91	394		
36. New Network Services (DNA)	3/11/91	583		
37. Digital ESSX - Optional Features	3/15/91	1,051		
38. Derived Data Channel Service (Miami LSO)	4/1/91	0		
39. Telecomm Service Priority (TSP) System	4/8/91	61		
40. Coin/Coinless Credit Card Service	5/28/91	304		
41. Operator Transfer Service	6/17/91	1,389		
42. Caller ID with Per Call Blocking	7/1/91		&	
43. Call Tracking - Bulk Calling Line ID	7/1/91	434		
44. Trunk Side Access Facility & ONA Services	9/2/91	783		
45. Public Inmate Calling Service (ICS) and Customer Provided Public Inmate Calling Svs	9/3/91	N/A	>	
46. New Equipment for Disabled Customers(at cost)	9/16/91	N/A		
47. ESSX ISDN Service	10/1/91	573		
48. Administrative Management Service (AMS)	10/4/91	141		
Bill Processing Service - Telemessaging	10/21/91	187		
ESSX - Caller ID, Blocking, Display	10/21/91	148		
51. Extended Communication Svs. (EXCS)	10/21/91	772		
52. Essx /Digital Essx Service Very Small	12/24/91	327		
Total (to Page 8)		\$7,285	\$0	\$0

& We are not able to quantify Caller ID with the effects of per call blocking. Semiannual reports for 24 months will be filed with the Commission.

> Services to be provided as requested by individual facilities to address desired calling limitations.

SOUTHERN BELL - FLORIDA OPERATIONS
 CALCULATION OF ANNUAL IDC RATE - DECEMBER 31, 1991 DATA
 REVISED 12/92

Cost of Capital(000)

	<u>Amount</u>	<u>% of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1. Long Term Debt	\$1,018,902	24.46%	8.80%	2.15%
2. Short Term Debt	231,703	5.56%	6.04%	0.34%
3. Equity	1,981,270	47.57%	13.20%	6.28%
4. Customer Deposits	52,906	1.27%	8.25%	0.10%
5. Cost Free Capital	739,423	17.75%	0.00%	0.00%
6. Job Dev. Inv. Credit	<u>141,196</u>	<u>3.39%</u>	0.00%	<u>0.00%</u>
7. Total Capital	\$4,165,400	100.00%		8.87%

Annual Percentage Rate Currently Used by Southern Bell 8.59%

Annual Rate per Calculation 12/31/91 8.87%

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

REVISED 12/92

Capital Structure

	<u>Unadjusted Amount</u>	<u>Reconciling Adjustment</u>	<u>Adjusted Capital Structure</u>
1. Long Term Debt	\$1,047,327	(\$28,425)	1,018,902
2. Short Term Debt	238,167	(6,464)	231,703
3. Equity	2,036,542	(55,272)	1,981,270
4. Customer Deposits	54,382	(1,476)	52,906
5. Cost Free Capital	760,051	(20,628)	739,423
6. Job Dev. Inv. Credit	<u>145,135</u>	<u>(3,939)</u>	<u>141,196</u>
Total	\$4,281,604	(\$116,204)	\$4,165,400

Average Rate Base per Books	\$4,114,509
Accounting Adjustments	50,891
Average Adjusted Rate Base	4,165,400

BellSouth Telecommunications, Inc.
Notification of Written Communications with the Federal Communications Commission,
the Financial Accounting Standards Board, or the Internal Revenue Service
Florida Public Service Commission Rule 25-4.017(7)
For the month ended January 31, 1992

REVISED 12/92

FILING DATE	AGENCY	SUBJECT	DESCRIPTION
01/02/92	FCC	Affiliate Transactions	Reply Comments
01/21/92	FCC	FCC Audit Notification Letter	Letter from FCC and Data Request
01/22/92	FCC	Transport Rate Structure & Pricing	Reply Comments
01/27/92	FCC	FCC Audit - Time Reporting	Response to Data Request

Rate Base
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell Telephone & Telegraph Co.
 Docket No. 920260-TL
 Test Year 1991

Schedule A-2a
 Page 1 of 1
 Witness Responsible W. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Line No.	Account (1)	Last Rate Case \$ Adjusted Intrastate (2)	Present Rate Case Adjusted Intrastate (3)	Increase Over Last Rate Case (4)	% Increase Over Last Rate Case (5)	Compound Annual Growth Rate (6)
1	General Support	916,593	852,153	(64,440)	-7.03%	-7.03%
2	Central Office	2,167,224	2,371,045	203,821	9.40%	9.40%
3	Info Orig./Term.	244,236	125,076	(119,160)	-48.79%	-48.79%
4	Cable & Wire Fac.	2,866,446	3,135,304	268,858	9.38%	9.38%
5	Amortizable Assets	50,390	17,786	(32,604)	-64.70%	-64.70%
6	Total Plant in Service	6,244,889	6,501,364	256,475	4.11%	4.11%
7	Less: Depreciation Reserve	2,063,852	2,375,445	311,593	15.10%	15.10%
8	Net Plant in Service	4,181,037	4,125,919	(55,118)	-1.32%	-1.32%
9	Plant Under Construction ST	30,879	42,247	11,368	36.82%	36.82%
10	Property Held for Future Use	144	244	100	69.44%	69.44%
11	Net Plant	4,212,060	4,168,411	(43,649)	-1.04%	-1.04%
12	Working Capital	0	32,690	32,690	0.00%	0.00%
13	Rate Base	4,212,060	4,201,100	(10,960)	-0.26%	-0.26%

* Last Rate Case amounts are 1990 forecasted data as reflected in Commission Order 20162 in Docket 880069-TL.

Supporting Schedules: A-2d, A-6a, A-6b, B-1b, B-2b

Recap Schedules: A-1a

Revised 12/18/92

Index of Intrastate Rate Base and Income Statement Adjustments
For Rate Case Purposes
(000)

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell
Docket No. 920260-TL
Test Year 1991

Schedule A-6a
Page 1 of 4
Witness Responsible W. S. Reid

Check Whether Data Is:
Historic [X] or Projected []
Average [X] or Year End []

Line No.	Entry No.	Description	Operations Effect							Total NOI Effect	Increased (decr.) Revenue Requirements	Portion Affecting Interim Period	Method to Define Interim Portion
			Rate Base Effect	Revenues	Expenses	Oper. Taxes	Income Taxes	Total					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		
		1 Excess Plug Ins	1,227	0	0	0	0	1,227	(2,028)	N/A	N/A		
		2 WECO Tax Credits	(3,096)	0	0	0	0	(3,096)	5,117	N/A	N/A		
		3 BellSouth Services	(2,636)	3,243	0	0	0	3,243	607	(1,003)	N/A		
		4 ENFIA	139	(1)	(415)	(33)	191	256	395	(653)	N/A		
		5 Other Rate Base Adj.	(357)	0	0	0	0	(357)	589	N/A	N/A		
		6 Out of Period Rev & Setl (Ind Co)	0	217	0	3	80	134	134	(222)	N/A		
		7 Out of Period Expenses	0	(3)	(1,383)	29	587	764	764	(1,263)	N/A		
		8 Out of Period MR & FR Taxes	0	0	0	(1,124)	216	908	908	(1,501)	N/A		
		9 Oth Out of Period Revenues	0	3,151	0	27	1,264	1,860	1,860	(3,074)	N/A		
		10 1992 Expiring Amortizations	(821)	0	(17,700)	0	7,392	10,308	9,487	(15,679)	N/A		
		11 1993 Expiring Amortizations	(1,289)	0	(27,784)	0	11,417	16,367	15,078	(24,918)	N/A		
		12 Other Reg./Nonreg. Adjustments	0	559	319	7	113	120	120	(198)	N/A		

Supporting Schedules: A-2a, A-2b, A-2d, A-2e, A-6b, B-1b, B-2b, C-1b

Recap Schedules: C-2b

Revised 12/18/92

Reid Exhibit No.
 MSR-16
 Florida Docket No. 920260-TL
 Page 2 of 14

Index of Intrastate Rate Base and Income Statement Adjustments
For Rate Case Purposes
(000)

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell
Docket No. 920260-TL
Test Year 1991

Schedule A-6a
Page 2 of 4
Witness Responsible W. S. Reid

Check Whether Data Is:
Historic [X] or Projected []
Average [X] or Year End []

Operations Effect												
Line No.	Entry No.	Description	Rate Base Effect	Revenues	Expenses	Oper. Taxes	Income Taxes	Total	Total NOI Effect	Increased (decr.) Revenue Requirements	Portion Affecting Interim Period	Method to Define Interim Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
	13	Yellow Page Profits	0	0	0	0	0	0	0	0	N/A	N/A
	14	Gains on Sale of Property	38	109	(167)	2	103	171	209	(346)	N/A	N/A
	15	Inc Rel to Teep Cash Inv	0	1	0	0	0	1	1	(2)	N/A	N/A
	16	Int Reconcil & AFUDC Debt	0	0	0	0	3,874	(3,874)	(3,874)	6,402	N/A	N/A
	17	Interest Imputation	0	0	0	0	(1,704)	1,704	1,704	(2,816)	N/A	N/A
	18	Lobbying Expense	0	0	(530)	0	199	331	331	(547)	N/A	N/A
	19	Corporate Advertising Expense	0	0	(29)	0	11	18	18	(30)	N/A	N/A
	20	Abandoned Projects	0	0	675	0	(254)	(421)	(421)	696	N/A	N/A
	21	Casualty Expense	(4,179)	0	13,433	0	(4,747)	(8,686)	(12,865)	21,261	N/A	N/A
	22	Other Regulatory Adj	0	0	(1,855)	0	698	1,157	1,157	(1,912)	N/A	N/A
	23	SPF 1991-1992	(4,489)	31	13,404	976	(6,056)	(8,293)	(12,783)	21,126	N/A	N/A
	24	SPF 1992-1993	(4,489)	31	13,404	976	(6,056)	(8,293)	(12,783)	21,126	N/A	N/A
	25	DEM 1991-1992	(1,932)	8	5,887	401	(2,684)	(3,596)	(5,529)	9,137	N/A	N/A

Supporting Schedules: A-2a, A-2b, A-2d, A-2e, A-6b, B-1b, B-2b, C-1b

Recap Schedules: C-2b

Revised 12/18/92

Reid Exhibit No.
 WSR-16
 Florida Docket No. 920260-TL
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Index of Intrastate Rate Base and Income Statement Adjustments
For Rate Case Purposes
(000)

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell
Docket No. 920260-TL
Test Year 1991

Schedule A-6a
Page 3 of 4
Witness Responsible M. S. Reid

Check Whether Data Is:
Historic [X] or Projected []
Average [1] or Year End []

Operations Effect												
Line No.	Entry No.	Description	Rate Base Effect	Revenues	Expenses	Oper. Taxes	Income Taxes	Total	Total NOI Effect	Increased (decr.) Revenue Requirements	Portion Affecting Interim Period	Method to Define Interim Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
	26	DEM 1992-1993	(975)	4	2,944	201	(1,343)	(1,798)	(2,773)	4,583	N/A	N/A
	27	USF 91-92	0	0	(6,577)	0	2,475	4,102	4,102	(6,779)	N/A	N/A
	28	USF 92-93	0	0	2,047	0	(771)	(1,276)	(1,276)	2,109	N/A	N/A
	29	SFAS 106 OPERS	153	0	2,791	0	(1,050)	(1,741)	(1,588)	2,625	N/A	N/A
	30	Reorganization	2,109	(7,600)	(18,065)	664	4,903	4,897	7,006	(11,578)	N/A	N/A
	31	Bellcore Inv & Divid	(475)	791	0	0	89	702	226	(374)	N/A	N/A
	32	Reverse ENFIA	(139)	1	415	33	(191)	(256)	(395)	653	N/A	N/A
	33	Expiring Amortizations	0	(21,478)	0	(262)	(7,984)	(13,232)	(13,232)	21,868	N/A	N/A
	34	1992 Impact of Represcription	1	0	28	0	(12)	(16)	(15)	24	N/A	N/A
	35	1993 Impact of Represcription	(280)	0	(6,042)	0	2,483	3,559	3,279	(5,419)	N/A	N/A
	36	SFAS 109 Acctg for Inc Taxes	0	0	0	0	1,883	(1,883)	(1,883)	3,111	N/A	N/A

Index of Intrastate Rate Base and Income Statement Adjustments
For Rate Case Purposes
(000)

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell
Docket No. 920260-TL
Test Year 1991

Schedule A-6a
Page 4 of 4
Witness Responsible W. S. Reid

Check Whether Data Is:
Historic [X] or Projected []
Average [X] or Year End []

Line No.	Entry No.	Description	Operations Effect						Total NDI Effect	Increased (decr.) Revenue Requirements	Portion Affecting Interim Period	Method to Define Interim Portion
			Rate Base Effect	Revenues	Expenses	Oper. Taxes	Income Taxes	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
	37	Attrition	13,464	23,667	(24,260)	0	19,490	28,437	41,901	(69,249)	N/A	N/A
	38	Propsd Sw Access Reduction	0	(4,911)	0	(60)	(1,826)	(3,025)	(3,025)	4,999	N/A	N/A
	39	Propsd Option Expnded Loc Serv	0	(7,562)	0	(92)	(2,811)	(4,659)	(4,659)	7,699	N/A	N/A
	40	Propsd Interconnect Rate Reduction	0	(589)	0	(7)	(219)	(363)	(363)	600	N/A	N/A
	41	Bond Refinancing	0	0	(2,175)	0	819	1,356	1,356	(2,241)	N/A	N/A
	42	Not used	0	0	0	0	0	0	0	0	N/A	N/A
	43	Not used	0	0	0	0	0	0	0	0	N/A	N/A
	44	Not used	0	0	0	0	0	0	0	0	N/A	N/A
	45	Not used	0	0	0	0	0	0	0	0	N/A	N/A
	46	Not used	0	0	0	0	0	0	0	0	N/A	N/A
	47	Not used	0	0	0	0	0	0	0	0	N/A	N/A
	48	Not used	0	0	0	0	0	0	0	0	N/A	N/A
	Total		(8,029)	(10,330)	(51,635)	1,742	20,579	18,984	10,955	(18,105)	N/A	N/A

Supporting Schedules: A-2a, A-2b, A-2d, A-2e, A-6b, B-1b, B-2b, C-1b

Recap Schedules: C-2b

Revised 12/18/92

Reid Exhibit No.
 MSR-16
 Florida Docket No. 920260-TL
 Page 5 of 14

Summary of Adjustments to Rate Base
 (Intrastate)
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell
 Docket No. 920260-TL
 Test Year 1991

Schedule B-2b
 Page 1 of 4
 Witness Responsible W. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Line No.	Entry No.	Description	Plant in Service	Depr. Reserve	Plant Under Construction	Property for Future Use	Materials & Supplies	Cash Working Capital	Total Investment Rate Base	Effect on NOI
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Unadjusted	6,400,778	2,315,365	40,591	239	27,570	(39,304)	4,114,509	N/A
	1	Excess Plug Ins	(13,224)	0	0	0	0	0	(13,224)	1,227
	2	WECD Tax Credits	48,560	15,194	0	0	0	0	33,366	(3,096)
	3	BellSouth Services	28,406	0	0	0	0	0	28,406	(2,636)
	4	ENFIA	(2,397)	(934)	(18)	0	0	(16)	(1,497)	139
	5	Other Rate Base Adj.	(1,715)	(5,570)	(14)	0	0	0	3,842	(357)
	6	Out of Period Rev & Setl	0	0	0	0	0	0	0	0
	7	Out of Period Expenses	0	0	0	0	0	0	0	0
	8	Out of Period MR & FR Tax	0	0	0	0	0	0	0	0
	9	Out of Period Revenue	0	0	0	0	0	0	0	0
	10	1992 Expiring Amortizatio	0	(8,850)	0	0	0	0	8,850	(821)
	11	1993 Expiring Amortizatio	0	(13,892)	0	0	0	0	13,892	(1,289)
	12	Other Reg./Nonreg. Adjust	0	0	0	0	0	0	0	0

Summary of Adjustments to Rate Base
 (Intrastate)
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell
 Docket No. 920260-TL
 Test Year 1991

Schedule B-2b
 Page 2 of 4
 Witness Responsible W. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Line No.	Entry No.	Description	Plant in Service	Depr. Reserve	Plant Under Construction	Property for Future Use	Materials & Supplies	Cash Working Capital	Total Investment Rate Base	Effect on NOI
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	13	Yellow Page Profits	0	0	0	0	0	0	0	0
	14	Gains on Sale of Property	(2,296)	(1,889)	0	0	0	0	(407)	38
	15	Inc Rel to Temp Cash Inv	0	0	0	0	0	0	0	0
	16	Int Reconcil & AFUDC Debt	0	0	0	0	0	0	0	0
	17	Interest Imputation	0	0	0	0	0	0	0	0
	18	Lobbying Expense	0	0	0	0	0	0	0	0
	19	Corporate Advertising Exp	0	0	0	0	0	0	0	0
	20	Abandoned Projects	0	0	0	0	0	0	0	0
	21	Casualty Expense	0	0	0	0	0	45,030	45,030	(4,179)
	22	Other Regulatory Adj	0	0	0	0	0	0	0	0
	23	SPF 1991-1992	77,478	30,206	598	2	506	0	48,378	(4,489)
	24	SPF 1992-1993	77,478	30,206	598	2	506	0	48,378	(4,489)
	25	DEM 1991-1992	31,874	11,297	246	1	0	0	20,824	(1,932)

Summary of Adjustments to Rate Base
 (Intrastate)
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell
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 Test Year 1991

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 Witness Responsible W. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Line No.	Entry No.	Description	Plant in Service	Depr. Reserve	Plant Under Construction	Property for Future Use	Materials & Supplies	Cash Working Capital	Total Investment Rate Base	Effect on NOI
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	26	DEM 1992-1993	16,035	5,648	123	0	0	0	10,510	(975)
	27	USF 91-92	0	0	0	0	0	0	0	0
	28	USF 92-93	0	0	0	0	0	0	0	0
	29	SFAS 106 OPEBS	441	55	105	0	0	(2,134)	(1,644)	153
	30	Reorganization	(22,554)	683	0	0	4,682	(4,166)	(22,721)	2,109
	31	Bellcore Inv & Divid	5,121	0	0	0	0	0	5,121	(475)
	32	Reverse ENFIA	2,397	934	18	0	0	16	1,497	(139)
	33	Expiring Amortizations	0	0	0	0	0	0	0	0
	34	1992 Impact of Represcrip	0	14	0	0	0	0	(14)	1
	35	1993 Impact of Represcrip	0	(3,021)	0	0	0	0	3,021	(280)
	36	SFAS 109 Acctg for Inc Ta	0	0	0	0	0	0	0	0

Summary of Adjustments to Rate Base
 (Intrastate)
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell
 Docket No. 920260-TL
 Test Year 1991

Schedule B-2b
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 Witness Responsible W. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Line No.	Entry No.	Description	Plant in Service	Depr. Reserve	Plant Under Construction	Property for Future Use	Materials & Supplies	Cash Working Capital	Total Investment Rate Base	Effect on NOI
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	37	Attrition	(145,017)	0	0	0	0	0	(145,017)	13,464
	38	Propsd Sw Access Reductio	0	0	0	0	0	0	0	0
	39	Propsd Option Expnded Loc	0	0	0	0	0	0	0	0
	40	Propsd Interconnect Rate	0	0	0	0	0	0	0	0
	41	Bond Refinancing	0	0	0	0	0	0	0	0
	42	Not used	0	0	0	0	0	0	0	0
	43	Not used	0	0	0	0	0	0	0	0
	44	Not used	0	0	0	0	0	0	0	0
	45	Not used	0	0	0	0	0	0	0	0
	46	Not used	0	0	0	0	0	0	0	0
	47	Not used	0	0	0	0	0	0	0	0
	48	Not used	0	0	0	0	0	0	0	0
		Adjusted Results	6,501,364	2,375,446	42,247	244	33,264	(574)	4,201,100	(8,029)

Operating Income Statement
Adjusted
Company Basis
(000)

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell Telephone & Telegraph Co.
Docket No. 920260-TL
Test Year 1991

Schedule C-1b
Page 1 of 1
Witness Responsible W. S. Reid

Check Whether Data Is:
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Average [X] or Year End []

Line No.	Description (1)	(3 + 4)	(5 + 8)	(6 + 7)	Intrastate Toll			Local (8)
		Total Company (2)	Interstate Toll (3)	Total Intrastate (4)	Intrastate Toll (5)	InterLATA (6)	IntraLATA (7)	
1.	Operating revenues	2,998,101	783,942	2,214,159	597,480	271,670	325,809	1,616,679
2.	Operating expenses	1,378,536	334,646	1,043,890	246,773	106,216	140,558	797,116
3.	Depreciation	678,848	142,195	536,653	121,185	59,678	61,507	415,468
4.	Taxes - Other	154,659	30,409	124,251	25,443	9,625	15,818	98,808
5.	Federal Income Taxes	205,450	89,336	116,113	67,376	32,782	34,594	48,737
6.	State Income Taxes	33,853	18,431	15,421	14,762	6,088	8,674	659
7.	Deferred Income Tax Net							
8.	Federal	(19,948)	(15,883)	(4,065)	(10,418)	(5,624)	(4,794)	6,353
9.	State	3,564	(1,306)	4,869	(784)	(468)	(315)	5,653
10.	Investment Tax Credit	(7)	5	(12)	(180)	(93)	(87)	168
11.	Amortization of ITC	(25,971)	(5,575)	(20,396)	(4,441)	(2,235)	(2,206)	(15,955)
12.	Total Operating							
13.	Expenses and Taxes	2,408,983	592,259	1,816,725	459,717	205,968	253,749	1,357,008
14.	Net Operating Income	589,118	191,684	397,434	137,763	65,702	72,061	259,671
15.	Rate Base	5,572,845	1,371,745	4,201,100	911,290	459,063	452,227	3,289,811
16.	Rate of Return			9.46%	15.12%	14.31%	15.93%	7.89%

Supporting Schedules: A-2d, A-2e, B-2a, B-2b

Recap Schedules: B-1b

Revised 12/18/92

Reid Exhibit No.
WSR-16
Florida Docket No. 920260-TL
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Summary of Adjustments to
Net Operating Income
(Intrastate)
(000)

Reid Exhibit No.
WSR-16
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FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell
Docket No. 920260-TL
Test Year 1991

Schedule C-2b
Page 1 of 4
Witness Responsible W. S. Reid

Check Whether Data Is:
Historic [X] or Projected []
Average [X] or Year End []

Operating Expenses and Taxes

Line No.	Entry No.	Description	Operating Revenues					Total Exp.	Other Taxes	Income Taxes		Deferred Income Taxes		Inv. Tax Credit	Inv. Amort of ITC	Expenses & Taxes (8 thru 15)	Net Total Oper. Income (7-16)	
			Local	Inter LATA	Intra LATA	Misc.	Uncoll			Total (2 thru 6)	State	Federal	State					Federal
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
		Unadjusted	1,347,886	274,884	346,847	294,813	39,941	2,224,409	1,632,178	122,509	18,851	156,765	(3,664)	(58,573)	(787)	(21,240)	1,846,039	378,450
		1 Excess Plug Ins	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		2 WECD Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		3 BellSouth Services	3,243	0	0	0	0	3,243	0	0	0	0	0	0	0	0	0	3,243
		4 ENFIA	0	0	0	(1)	0	(1)	(415)	(33)	27	157	0	0	0	7	(257)	256
		5 Other Rate Base Adj.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		6 Out of Period Rev & Setl	0	(321)	538	0	0	217	0	3	12	68	0	0	0	0	83	134
		7 Out of Period Expenses	0	0	0	(3)	0	(3)	(1,383)	29	83	497	0	0	0	7	(767)	764
		8 Out of Period MR & FR Tax	0	0	0	0	0	0	0	(1,124)	(1,146)	(25,840)	4,571	22,085	775	(229)	(908)	908
		9 Oth Out of Period Revenue	2,093	(1,898)	0	2,956	0	3,151	0	27	184	1,080	0	0	0	0	1,291	1,860
		10 1992 Expiring Amortizatio	0	0	0	0	0	0	(17,700)	0	0	0	444	6,312	0	635	(10,308)	10,308
		11 1993 Expiring Amortizatio	0	0	0	0	0	0	(27,784)	0	0	0	697	9,908	0	811	(16,367)	16,367
		12 Other Reg./Nonreg. Adjust	559	0	0	0	0	559	319	7	53	60	0	0	0	0	439	120

Supporting Schedules: A-6b

Recap Schedules: A-1a, A-2b, A-2e, C-1b

Revised 12/18/92

Summary of Adjustments to
 Net Operating Income
 (Intrastate)
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell
 Docket No. 920260-TL
 Test Year 1991

Schedule C-2b
 Page 2 of 4
 Witness Responsible W. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Operating Expenses and Taxes

Line No.	Entry No.	Description	Operating Revenues					Total Exp.	Other Taxes	Income Taxes		Deferred Income Taxes		Inv. Tax Credit	Inv. Amort of ITC	Expenses & Taxes (8 thru 15)	Net Total Oper. Income (7-16)	
			Local	Inter LATA	Intra LATA	Misc.	Uncoll			Total (2 thru 6)	State	Federal	State					Federal
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	13	Yellow Page Profits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	14	Gains on Sale of Property	(292)	0	272	129	0	109	(167)	2	16	92	(1)	(4)	0	0	(62)	171
	15	Inc Rel to Temp Cash Inv	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
	16	Int Reconcil & AFUDC Debt	0	0	0	0	0	0	0	0	566	3,308	0	0	0	0	3,874	(3,874)
	17	Interest Imputation	0	0	0	0	0	0	0	0	(249)	(1,455)	0	0	0	0	(1,704)	1,704
	18	Lobbying Expense	0	0	0	0	0	0	(530)	0	29	170	0	0	0	0	(331)	331
	19	Corporate Advertising Exp	0	0	0	0	0	0	(29)	0	2	9	0	0	0	0	(18)	18
	20	Abandoned Projects	0	0	0	0	0	0	675	0	(37)	(217)	0	0	0	0	421	(421)
	21	Casualty Expense	0	0	0	0	0	0	13,433	0	3	20	(177)	(4,593)	0	0	8,686	(8,686)
	22	Other Regulatory Adj	0	0	0	0	0	0	(1,855)	0	102	596	0	0	0	0	(1,157)	1,157
	23	SPF 1991-1992	0	0	0	32	1	31	13,404	976	(1,698)	(10,363)	909	5,309	0	(213)	8,324	(8,293)
	24	SPF 1992-1993	0	0	0	32	1	31	13,404	976	(1,698)	(10,363)	909	5,309	0	(213)	8,324	(8,293)
	25	DEM 1991-1992	0	0	0	8	0	8	5,887	401	(1,149)	(6,947)	804	4,696	0	(88)	3,604	(3,596)

Supporting Schedules: A-6b

Recap Schedules: A-1a, A-2b, A-2e, C-1b

Revised 12/18/92

Summary of Adjustments to
 Net Operating Income
 (Intrastate)
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell
 Docket No. 920260-TL
 Test Year 1991

Schedule C-2b
 Page 3 of 4
 Witness Responsible W. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Operating Expenses and Taxes

Line No.	Entry No.	Description	Operating Revenues					Total Exp.	Other Taxes	Income Taxes		Deferred Income Taxes		Inv. Tax Credit	Inv. Amort of ITC	Expenses & Taxes (8 thru 15)	Net Total Oper. Income (7-16)	
			Local	Inter LATA	Intra LATA	Misc.	Uncoll			Total (2 thru 6)	State	Federal	State					Federal
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	26	DEM 1992-1993	0	0	0	4	0	4	2,944	201	(575)	(3,474)	402	2,348	0	(44)	1,802	(1,798)
	27	USF 91-92	0	0	0	0	0	0	(6,577)	0	362	2,113	0	0	0	0	(4,102)	4,102
	28	USF 92-93	0	0	0	0	0	0	2,047	0	(113)	(658)	0	0	0	0	1,276	(1,276)
	29	SFAS 106 OPEBS	0	0	0	0	0	0	2,791	0	0	0	(153)	(897)	0	0	1,741	(1,741)
	30	Reorganization	(5,148)	0	0	(2,531)	(79)	(7,600)	(18,065)	664	719	4,198	40	(56)	0	2	(12,497)	4,897
	31	Bellcore Inv & Divid	0	0	0	791	0	791	0	0	13	76	0	0	0	0	89	702
	32	Reverse ENFIA	0	0	0	1	0	1	415	33	(27)	(157)	0	0	0	(7)	257	(256)
	33	Expiring Amortizations	(21,869)	0	0	0	(391)	(21,478)	0	(262)	(1,167)	(6,817)	0	0	0	0	(8,246)	(13,232)
	34	1992 Impact of Represcrip	0	0	0	0	0	0	28	0	0	0	(11)	(10)	0	(11)	16	(16)
	35	1993 Impact of Represcrip	0	0	0	0	0	0	(6,042)	0	0	0	152	2,155	0	176	(3,559)	3,559
	36	SFAS 109 Acctg for Inc Ta	0	0	0	0	0	0	0	0	0	0	(63)	1,945	0	0	1,883	(1,883)

Summary of Adjustments to
 Net Operating Income
 (Intrastate)
 (000)

FLORIDA PUBLIC SERVICE COMMISSION
 Company Southern Bell
 Docket No. 920260-TL
 Test Year 1991

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 Witness Responsible M. S. Reid

Check Whether Data Is:
 Historic [X] or Projected []
 Average [X] or Year End []

Operating Expenses and Taxes																		
Line No.	Entry No.	Description (1)	Operating Revenues					Total Exp. (8)	Other Taxes (9)	Income Taxes		Deferred Income Taxes		Inv. Tax Credit (14)	Inv. Amort of ITC (15)	Expenses & Taxes (8 thru 15) (16)	Net Total Oper. Income (7-16) (17)	
			Local (2)	Inter LATA (3)	Intra LATA (4)	Misc. (5)	Uncoll (6)			Total (2 thru 6) (7)	State (10)	Federal (11)	State (12)					Federal (13)
		37 Attrition	0	0	0	23,667	0	23,667	(24,260)	0	2,848	16,642	0	0	0	0	(4,770)	28,437
		38 Propsd Sm Access Reductio	0	13,000	0	0	(89)	(4,911)	0	(60)	(267)	(1,559)	0	0	0	0	(1,886)	(3,025)
		39 Propsd Option Expendd Loc	11,000	0	(18,700)	0	(138)	(7,562)	0	(92)	(411)	(2,400)	0	0	0	0	(2,903)	(4,659)
		40 Propsd Interconnect Rate	(600)	0	0	0	(11)	(589)	0	(7)	(32)	(187)	0	0	0	0	(226)	(363)
		41 Bond Refinancing	0	0	0	0	0	0	(2,175)	0	120	699	0	0	0	0	(1,356)	1,356
		42 Not used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		43 Not used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		44 Not used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		45 Not used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		46 Not used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		47 Not used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		48 Not used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Adjusted Results	1,336,873	267,665	328,957	319,899	39,235	2,214,159	1,580,543	124,251	15,421	116,113	4,869	(4,065)	(12)	(20,396)	1,816,725	397,434

Supporting Schedules: A-6b

Recap Schedules: A-1a, A-2b, A-2e, C-1b

Revised 12/18/92