

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED DECEMBER 31, 1992

Field Work Completed

November 2, 1993

BELLSOUTH TELECOMMUNICATIONS, INC.

Miami, Florida

Dade County

Rate Case Audit

Docket 920260-TL

Audit Control Number 93-193-4-1




GABRIELA LEON
Audit Manager

Audit Staff

Iliana Piedra
Jamie Paurowski
Chris Holman

Minority Opinion

Yes ___ No ___
Yes ___ No J.P.
Yes ___ No ___



Kathy Welch
District Audit Supervisor
Miami

REVISED AS OF DECEMBER 1, 1993

Declassified 8/19/94

DOCUMENT NUMBER-DATE

13182 DEC-93

FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

Audit Purpose: We have applied the procedures described in Section II of this report to audit the schedules of Rate Base, Net Operating Income, and Capital Structure for the twelve month period ending December 31, 1992 for BellSouth Telecommunications, Inc. for rate case, FPSC Docket 920260-TL.

Scope Limitation: The exit conference was held November 10, 1993. This report is based on confidential information which is separately filed with the Commission Clerk.

The Company was asked to provide backup for 601 items(detailed backup is considered source information sufficient to determine reason for adjustment, description, and the calculation of the amount, documents from an outside source which were received by the company and started the recording or adjusting process) on June 13, 1993 on document record request #20. Because backup was insufficient for certain items several follow up questions were asked during the course of the audit. Several of these items were so complex that staff could not perform an adequate review in the time allowed and staff believes that separate audit investigations should be performed on these areas:

VEBA -Voluntary Employee Beneficiary Association
Lease Expenses allocations (CREMS)
Insurance Expenses
Benefits in account 6728 (Other General and
Administrative Costs)

II. AUDIT SCOPE:

The opinions contained in this report are based on the audit work described below. When used in this report **COMPILED** and **EXAMINED** means that audit work includes:

COMPILED – Means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted performed no other audit work.

EXAMINED – Means that the audit staff reconciled exhibit amounts with the general ledger; traced general ledger account balances to subsidiary ledgers; applied selected analytical review procedures; tested account balances to the extent further described; and disclosed any error, irregularity, or inconsistency observed.

RATE BASE: Compiled Rate Base. Compiled Plant in Service. Traced Rate Base Adjustments to supporting documentation and to proper Commission Orders.

Accumulated Depreciation is being audited by Pat Lee, Engineer Supervisor in Tallahassee.

Compiled Working Capital. Traced amounts to Company books.

Compiled Capital Structure accounts. Recalculated the components of the Capital Structure which are allocated from the Parent. Traced cost rates for all components to Company provided supporting documentation, and Commission orders.

BellSouth Telecommunications, Inc. has denied access to the following Coopers and Lybrand Workpapers because they have attorney client privileged information.

Legal/Rep. Letter Workpaper Reference

	<u>Workpaper</u>	<u>Type</u>	
State are F/S	12.1	Legal	Attorney client privilege
	5.1	Rep.	Attorney client privilege
BST Y/E	7.4	Legal Request	Attorney client privilege
	7.3	Legal Request	Attorney client privilege
	7.6 pg. 5	Rep.	Attorney client privilege
	16.8	Legal	Attorney client privilege
	16.9	Legal	Attorney client privilege
	16.10	Rep.	Attorney client privilege

DISCLAIM PUBLIC USE: This is an internal accounting report, prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance to their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: The schedules of Rate Base, Net Operating Income, and Capital Structure for the twelve month period ending December 31, 1992 represent BellSouth Telecommunications Inc. books and records maintained in substantial compliance with Commission Directives; The expressed opinions extend only to the scope of work described in section II of this report.

NET OPERATING INCOME: Examined Net Operating Income for the 12 month ended December 1992. Prepared an analysis of uncollectible expense. Staff prepared an analytical review for all expenses for years 1988–1992. The accounts with the largest variance from year to year and accounts that represented a high percentage of total expenses were sampled. A sample of 9 expense accounts were looked at for the following attributes:

- 1) Proper Amount
- 2) Proper Account
- 3) Proper test period
- 4) Proper documentation
- 5) Recurring Expense
- 6) Correct Cost Pool
- 7) Correct allocation from the Parent Company

Net Operating Income proforma adjustments were recalculated and traced to proper supporting documentation.

OTHER:

Reviewed Coopers and Lybrand audit workpapers for 1992. Reviewed all 1992 Internal Audit Reports and Board of Directors Minutes.

The forecast for 1993 is being reviewed by AFAD staff in Tallahassee.

Taxes are being audited by Ann Casseaux in Tallahassee.

Affiliate transactions and allocations between regulated and nonregulated accounts are being audited in a separate audit managed by Tim Devlin.

SCOPE LIMITATIONS:

REASONABLENESS OF REGULATED NONREGULATED SPLIT:

Due to time limitations, staff was not able to review the methodology and data used to determine the regulated nonregulated split for following accounts used in the sample:

6121.1 Land and Building Expense - Other
Cost Pool 2 - Sub Pool 2, 5

6728.9 Other General and Administrative - Other
Cost Pool 3

6612 Sales
Cost Pool 1 - Sub Pool 2

6725 Legal
Cost Pool 3, 4

Staff did not audit the Separations Systems.

AUDIT DISCLOSURE NO. 1

SUBJECT: MANAGEMENT STUDY

STATEMENT OF FACT: Arthur Andersen conducted a study called "Comptrollers: Optimizing Resource Effectiveness", dated May 1992. This study reports an estimate of the total savings to the Company of \$43,900,000 for the nine state area if the Company were to simplify the work, mechanize the work, and consolidate its operations. The reorganization announcement was made in November 1992 and it is attached. All changes are targeted for implementation by the end of 1994.

According to the Coopers and Lybrand workpapers, in 11/92, BST announced reduction of work force by 8,000 employees by 1996. Details of reductions have not been finalized but management has noted that a large portion of reduction will come from normal attrition without hiring new employees. As management has not identified the methods of achieving these reductions (and since all reductions may be achieved by attrition and layoffs anyway, which would result in no or little cost to the Company). BST has not accrued any amount for estimated severance costs at 12/31/92.

Costs associated with this reduction of \$2,708,500 were incurred in 1992 for a study by Arthur Andersen.

OPINION: If this study is implemented as planned, costs will be reduced and the Company may be in a sharing or refund situation.

COMPANY COMMENTS: See attached Company comments.

Southern Bell Telephone & Telegraph Company
Response to Rate Case Audit
November 11, 1993

Florida Update Audit
Audit Disclosure No. 1

Subject: Management Study

COMPANY POSITION: The \$43.9M represents the greatest possible savings over time if the Company were to adopt all of the consultant's recommendations. However, the Company recognized that it could not adopt all of the recommendations and this fact would necessarily reduce the possible savings. In addition, there are significant up-front costs of reorganization including relocation of employees and records and costs of separations program such as VEER and CTAP to create employee force reductions. These costs will be incurred in the early years before any cost savings are realized. We anticipate that any potential cost savings would materialize beginning in the 1995 timeframe.

The 8,000 employee reduction is a total Company number and the product of numerous re-engineering project initiatives. Many of these various initiatives are not yet underway, but are being considered for implementation in the future. Thus, the timing of such impacts contains a high degree of uncertainty.

CORE SAVINGS ANALYSIS

<i>FUNCTIONAL TEAM</i>	<i>SIMPLIFY WORK</i>	<i>MECHANIZATION</i>	<i>SIMPLIFY & MECHANIZE</i>	<i>CONSOLIDATION</i>	<i>TOTAL</i>
<i>CRIS</i>	114.8 FTE \$9.9M	44.0 FTE	23.7 FTE	94.0 FTE	276.5 FTE \$9.9M
<i>CABS, TOLL, MIC</i>	81.0 FTE	43.3 FTE		50.7 FTE	175.0 FTE \$6.4M
<i>CMR</i>	38.5 FTE	12.0 FTE		39.0 FTE	89.5 FTE \$3.2M
<i>PROPERTY & COST</i>	153.0 FTE	38.0 FTE	4.0 FTE	50.0 FTE	245.0 FTE \$9.2M
<i>PAYROLL, VOUCHERS, & CTO</i>	73.3 FTE	19.7 FTE		23.1 FTE	116.1 FTE \$4.5M
<i>ACCTG. SUPPORT & FINANCIAL ANALYSIS</i>	66.0 FTE			14.0 FTE	80.0 FTE \$4.4M
<i>CORPORATE BOOKS</i>			7.0 FTE	9.0 FTE	16.0 FTE \$0.8M
<i>METHODS & PROCEDURES</i>	83.0 FTE				83.0 FTE \$5.6M
<i>TOTAL SAVINGS</i>	609.6 FTE \$25.2M	157.0 FTE \$5.2M	34.7 FTE \$1.2M	279.8 FTE 12.3M	1,081.1 FTE \$43.9M

Data Represents Functional Areas (middle of savings range)

CORE

COMPTROLLERS REORGANIZATION ANNOUNCEMENT

Beginning in February, 1992, the Comptrollers Department began a re-engineering study. The purpose of the study was to identify work process changes that would simplify the work, make work activities more relevant to our business environment, and improve the cost effectiveness of the organization. The study was driven by several factors including the need to position ourselves more competitively, by establishing a lower cost, more flexible organization. The formation of BellSouth Telecommunications made it timely to pursue this opportunity.

The re-engineering study found that multi-million dollar economies could be gained. The recommendations range from relatively simple work elimination or streamlining to complex consolidation initiatives. The recommendations focus on such things as editing and error correction processes, duplication of work efforts, job work flow and organization structure.

Currently each of the nine states performs a variety of functions. Most of these functions will be consolidated.

The consolidation plans are as follows:

- .. Post-bill MIC (Message Investigation Center) will be consolidated into the existing fraud center in Columbia.
- .. Revenue Accounting (CRIS, CABS, Toll, Pre-Bill MIC) will be consolidated into one organization located in Birmingham.
- .. Centralized Mail Remittance (CMR) will be consolidated into three locations: New Orleans, Atlanta, and Charlotte.
- .. Bill Mailing will be consolidated into five locations: Jackson, Miami, Nashville, Charlotte, and Birmingham.
- .. Property and Cost will be consolidated into one location, Atlanta. The existing Regional Functions Group will remain in Birmingham.

10/28/92

COMPTROLLERS REORGANIZATION ANNOUNCEMENT

In addition, certain functions will be performed in each state. These are:

- .. Enhanced Billing Services (i.e., CLUB)
- .. State Billing Coordination
- .. Outside Plant Record Posting in the five western states
- .. Outside Plant Current Reconciliation, Credit Balance, Material Edits, and Tax Annexation in eight states

The conversion to this new organizational structure is a significant undertaking. Initial conversions will begin in first quarter, 1993. Completion of the new structure is anticipated by mid-1994.

The Company has a strong history of treating our employees well in these circumstances. And, we will continue to use sound policies in working with the individuals affected by these changes. We will be offering some voluntary transition programs for management. Also, the CWA has been informed about these changes. Our contract with them has specific steps to be followed in these situations and we will follow these procedures carefully.

Later today, we will have additional meetings to discuss the process for staffing the consolidated organizations and to discuss force management alternatives, including early exit incentive programs.

10/28/92

INTEGRATED SITE CONVERSION SCHEDULE

MO/YR	REVENUE					COST	DISB
	CRIS	CABS/MP	MIC	CMR	BILL MAILING		
NOV 92	AL	AL	AL			GA	TN-P
DEC 92							
JAN 93				GA/LA/NC	AL/NC/TN/SF		
					MS		
FEB 93							
MAR 93	MS				KY		AL/KY
APR 93		MS				AL	
MAY 93	GA		MS	TN	NF		LA/MS
JUN 93		GA		AL	GA	MS	
JUL 93	LA		GA		LA		
AUG 93		LA		NF		LA	
SEP 93	TN		LA	MS	SC	KY	
OCT 93		TN		KY		NC	
NOV 93	NF		TN	SF		SC/TN	
DEC 93		NF					
JAN 94	SC/KY		NF				
FEB 94		KY				FL	
MAR 94	NC		SC/KY				
APR 94		SC/NC					
MAY 94	SF		NC				
JUN 94		SF	SF				

AUDIT DISCLOSURE NO. 2

SUBJE OBSOLETE INVENTORY

STATEMENT OF FACT: In the sampled items related to account 6512 the following expenses were found:

	Amount	Date	
	-----	----	
Computer Spare Parts were written off	\$164,954.29	11/92	Sample item 219
Computer Spare Parts were written off	\$63,252.50	3/92	Sample item 208
Computer Spare Parts were written off	\$897.00		Same journal entry as item 208
Computer Spare Parts were written off	\$38,285.01		Same journal entry as item 208
Obsolete Equipment	\$356,361.65	7/92	Sample item 214
Inventory Adjustment from account 1220.1980 to account 6512.6000	\$88,001.06	6/92	Sample item 212
Inventory Adjustment from account 1220.1980 to account 6512.6000	(\$364,316.45)		Same journal entry as item 212
Inventory Adjustment from account 1220.1980 to account 6512.6000	(\$233,212.71)		Same journal entry as item 212
Inventory Adjustment from account 1220.1980 to account 6512.6000	(\$9,450.00)		Same journal entry as item 212
Inventory adjustment write off-Hardwire	\$185,821.50	12/92	Sample item 228
Material stocked in Jacksonville Warehouse approved for disposal through junking	\$664,444.11	12/92	Sample item 222
Material stocked in Jacksonville Warehouse approved for disposal through junking	\$214,785.77	12/92	Sample item 223
Material stocked in Jacksonville Warehouse approved for disposal through junking	\$242,965.51	12/92	Sample item 224

	\$1,412,789.24		

OPINION: The items written off may be nonrecurring and require adjustment. Internal control may need to be reviewed over the write off process.

The Company has removed two inventory adjustments in their proformas as out of period adjustments.

COMPANY COMMENTS: The Company provided a response on November 11, 1993, see following page. On November 17, 1993 another response was provided and is included on page 15.

Southern Bell Telephone & Telegraph Company
Response to Rate Case Audit
November 11, 1993

Florida Update Audit
Audit Disclosure No. 2

Subject: Obsolete Inventory

Write-downs of computer spare parts were identified in 1991. In the Company's response, we stated that, given the continuing improvements in computer technology, we expect similar adjustments to be recurring in the future. Therefore, it is not appropriate for this item to be performed.

Periodic physical inventories on warehouse inventory are performed as part of the Company's internal control procedures. As a result, these inventories identify materials which should be junked due to obsolescence and materials which should be junked due to surplus caused by lower usage which results from obsolescence or discontinued use by departments. These write-off's result from this process.

The Company may have additional comments on this disclosure at a later date.

Southern Bell Telephone & Telegraph Company
Response to Rate Case Audit
November 17, 1993

Florida Update Audit
Audit Disclosure No. 2

Subject: Obsolete Inventory

Computer Spare Parts

Write-downs of computer spare parts were identified in the Staff audit of 1991. In the Company's response, we stated that, given the continuing improvements in computer technology, we expect similar adjustments to be recurring in the future. Therefore, it is not appropriate for this item to be proformed.

Warehouse Inventory

Periodic physical inventories on warehouse inventory are performed as part of the Company's internal control procedures. As a result, these inventories identify materials which should be junked due to obsolescence and materials which should be junked due to surplus caused by lower usage which results from obsolescence or discontinued use by departments. These write-offs result from this process.

History of Inventory Adjustments

Below are shown the average inventory for account 1220 and the net amount of inventory adjustments for account 6512.6000 for the years 1988 through year-to-date 1993. It shows that the inventory adjustments are recurring in nature.

Year	Average 1220 Balance (000)	Inventory Adj 6512.6000 (Net) (000)	Percentage
1988	\$ 37,323	\$ (1,099)	(2.9) %
1989	40,563	492	1.2
1990	44,795	546	1.2
1991	46,313	5,606	12.1
1992	56,700	2,687	4.7
1993	55,455	1,244 Oct YTD	2.2

Prior to 1992, the central stock warehouse inventories were carried on the books of BellSouth Services; therefore, both the inventory balances and amount of inventory adjustments increased beginning in 1992. In 1991, the computer spare parts inventory write off added \$2,972 to the net inventory adjustments.

AUDIT DISCLOSURE NO. 3

SUBJECT: ADVERTISING EXPENSES

STATEMENT OF FACT: *This disclosure is being withdrawn.* Subsequent to the issue of the audit, staff was provided with the copies of the advertisements.

AUDIT DISCLOSURE NO. 4

SUBJECT: NET GAINS ON SALES OF PROPERTY

STATEMENT OF FACT: Gains on Sales of Property was adjusted on MFR C2B. Net sales on Sales of Property was a negative \$232,565 for the average of the last five years (from 1988 to 1992). For the year 1992, the amount was a positive figure of \$1,551.

All other years had losses on the sale of property ranging from (\$218,297) to (\$941,721).

OPINION: Staff suggests a separate audit over the property sales internal control be conducted to determine why the Company is usually operating at a loss in this area.

AUDIT DISCLOSURE NO. 5

SUBJECT: LOBBYING EXPENSE

STATEMENT OF FACT: The Company has adjusted Lobbying Expense by \$446,000 on MFR C2B. The supporting documentation revealed that this amount was derived by taking Lombardo's office and Rayner's office expense of \$524,489 and adding the office space of \$59,487 with \$14,300 of directly assigned expenses, to yield a total lobbying expense of \$598,276. the 97.37 percent regulated and 76.5955 intrastate percent is applied to give the \$446,000 adjustment. The adjustment did not include the amount of \$411,923 for Criser nor \$173,954 for Meiners. Charges of \$56,348 for office space for Criser and \$19,730 for Meiners were not part of this adjustment.

The Company has charged 10% of Meiners salary to account 7370 which is a nonregulated account. According to the Company Marshall Criser does exception time reporting for any lobbying activities. The Company has charged \$12,291 of his costs which include social activity costs to a nonregulated account.

OPINION: Tallahassee staff who work more closely with these employees need to determine if these allocations are adequate.

COMPANY COMMENTS: See attached Company comments.

Southern Bell Telephone & Telegraph Company
Response to Rate Case Audit
November 11, 1993

Florida Update Audit
Audit Disclosure No. 5

Subject: Lobbying Expense

COMPANY POSITION: The Company has been computing this type of lobbying adjustment since 1988, as a result of discussion with the Florida Audit staff and has never included an adjustment for Marshall Criser's expenses. Mr. Criser is not a registered lobbyist. Mr. Criser works in the Tallahassee Regulatory/Industry Relations office. He is responsible for strategic planning and evaluation of alternatives to accomplish regulatory objectives. In this capacity he reviews briefs, petitions, orders, rulings, tariffs and other documents to provide regulatory input and direction to other departments, and assists with testimony preparation for hearings before the PSC. He oversees strategy and implementation procedures related to settlement processes, network coordination, provisioning of end-to-end interLATA services and maintains interactive relationships with other Local Exchange Companies and IXC's in the state. Mr. Criser provides the primary interface between the Company and the Florida PSC staff, the Public Counsel and the Attorney General staff on industry issues, regulatory policy and framework, financial data, tariffs and related docket activity. His expenses have been and should be allowed for ratemaking purposes. In addition, Mr. Criser directly charges certain costs not allowable for ratemaking to a below-the-line account. In 1992, SB charged approximately \$12,300 for these activities below-the-line.

Beginning in 1992, Mr. Meiners charges a percent of his time and expenses directly below the line as Other Lobbying costs. Mr. Meiners is a registered lobbyist and a primary contact for the Company with members of the Legislature on both state and federal levels. However, Mr. Meiners also has significant responsibilities in the area of ongoing review and analysis of legislation for its impact on corporate operations. Therefore, the percent is determined by an analysis of the amount of time spent performing lobbying activities. In 1992, Mr. Meiners charged approximately \$26,000 as Other Lobbying costs out of ratemaking. In addition, he directly charged certain costs not allowable for ratemaking to a below-the-line account totaling approximately \$19,000. A total of \$104,000 was charged to Other Lobbying, and ultimately charged to Account 7370 for Florida for 1992; this amount included lobbying costs for Meiners as well as other personnel. Since these costs are already charged below the line, SB will no longer analyze his above-the-line costs to determine an exclusion amount.

CONCLUSION: No additional expense should be removed for Criser and Meiners.

SUMMARY OF LOBBYING COMPUTATION

1992	Above Line Percent Deemed Lobbying	Weighted Composite Percent	Intrastate Adjustment to Exp.
Florida Public Affairs Office			
Raynor	100.0000%		
Meiners	0.0000%		
		61.0402%	
Florida State Regulatory Office			
Lombardo	100.0000%		
Criser	0.0000%		
		33.6484%	
Other Lobbying - below the line			(446,200)
Grassroots Lobbying - FL			(104,256)
			(529,970)
Total Lobbying Adjustment			(1,080,426)
DC Federal Relations		61.0402%	(497,000)
DC Federal Regulatory		33.6484%	(175,000)
BS Grassroots			0
Included in Other Regulatory Adjustments			(672,000)

NOTE: Effective in 1992, Meiners charges directly to Account 7370 a percent of his costs deemed to be lobbying related. These are included in the Other Lobbying - Below the line amount.

AUDIT DISCLOSURE NO. 6

SUBJECT: UNCOLLECTIBLE REVENUE

STATEMENT OF FACT: *During the audit staff reviewed the calculation of uncollectible revenue for 1992. In trying to trace revenue used in the econometric model it was found that the Company was not following their own procedures for the revenue based used.*

On the day before the exit conference the Company provided insufficient documentation. The Company's revised response which is attached was provided two days after the exit conference.

Subsequent to the exit conference and the response provided by the Company, staff asked for additional backup on the write-offs made to account 5380 for the month of December 1992. Although the Company provided a written description of their procedures we never actually received sufficient backup to perform our audit in the time limits available.

OPINION: *The effect of the error above should be calculated by the Company and adjusted. If the Tallahassee staff is not able to review the write off calculation, a follow up audit needs to be performed.*

COMPANY COMMENTS: *See attached Company comments. Additional Company comments on the write-offs will be made at a later date.*

Southern Bell Telephone & Telegraph Company
Response to Rate Case Audit
November 11, 1993

FLorida Update Audit
Audit Disclosure No. 6

Subject: Uncollectible Revenue

The revenue base used in the econometric model prior to April, 1993 did not match the revenue base to which the uncollectible factor was applied. The main difference was that the model used billed revenue (without adjustments or accruals) instead of earned revenue.

The model was rerun using the correct revenues and produced a factor of 1.52% (vs. the 1.53% previously calculated). The correction would have resulted in very small deviations in the accruals (0.65%) and ROE (less than .01%).

The model produces a factor which approximates what the accrual should be. However, the results may be adjusted if management feels that such an adjustment is warranted. In fact, in December, 1992 a manual adjustment was made to reduce the uncollectible reserve by \$2,761,079. Thus, any revision to the factor would have had no effect on the eventual accrual for uncollectibles.

The 1992 revenues totaled	\$2,284,665,000
Accrual using 1.53%	\$34,955,375
Accrual using 1.52%	\$34,726,908
Accrual difference	\$228,467
Percentage difference	-0.654%

Revenue increase	\$228,467
Value of 100 basis points	\$32,778,000
ROE impact	0.007%

Rate Base Summary
Adjusted
(000)

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

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell Telephone & Telegraph Co.
Docket 920260-TL
Test Year 1993

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

Line No.	Rate Base Component (1)	(3 + 4) Total Company (2)	Interstate Toll (3)	(5 + 8) Total Intrastate (4)	(6 + 7) Intrastate Toll (5)	Intrastate Toll			Local (8)
						InterLATA (6)	IntraLATA (7)		
1.	Plant in Service	9,350,776	2,303,563	7,047,213	0	0	0		7,047,213
2.	Less Reserve for								
3.	Accumulated								
4.	Depreciation	4,019,358	978,070	3,041,288	0	0	0		3,041,288
5.	Net Plant in Service	5,331,418	1,325,493	4,005,925	0	0	0		4,005,925
6.	Plus Short-Term Plant								
7.	Under Construction on								
8.	which no Interest Was								
9.	Charged	45,237	11,014	34,223	0	0	0		34,223
10.	Plus Property Held for								
11.	Future Telephone Use	236	57	179	0	0	0		179
12.	Plus Working Capital								
13.	Allowance	(2,164)	(19,299)	17,135	0	0	0		17,135
14.	Other Items	0	0	0	0	0	0		0
15.	Rate Base	5,374,727	1,317,265	4,057,462	0	0	0		4,057,462

23

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

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

Rate of Return
Per Book, Adjusted and Proposed
(000)

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell Telephone & Telegraph Co.
Docket No. 920260-TL
Test Year 1993

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

Check Whether Data Is:
Historic or Projected
Average or Year End

Line No.	Account (1)	Intrastate Per Books (2)	Commission Basis Adjusted Results (3)	Earnings at Proposed Rates (4)	Company Basis Adjusted Results (5)	Earnings at Proposed Rates (6)
1.	Operating Revenues					
2.	Local Service	1,505,981	1,507,659	1,507,659	1,509,219	1,509,219
3.	InterLATA	314,410	314,410	314,410	314,410	314,410
4.	IntraLATA	343,444	340,144	340,144	335,149	335,149
5.	Miscellaneous	294,077	294,077	294,077	294,077	294,077
6.	Uncollectibles	39,973	39,917	39,917	39,859	39,859
7.	Total Operating Revenues	2,417,939	2,416,373	2,416,373	2,412,996	2,412,996
8.	Operating Expenses					
9.	Plant Specific	429,754	430,080	430,080	430,782	430,782
10.	Plant Nonspecific	217,758	217,758	217,758	217,758	217,758
11.	Depreciation	531,178	517,703	517,703	517,703	517,703
12.	Customer Operations	359,111	364,211	364,211	364,211	364,211
13.	Corporate Operations	219,593	225,922	225,922	241,037	241,037
14.	Other	0	(4,916)	(4,916)	1,084	1,084
15.	Total Operating Expenses	1,757,394	1,750,756	1,750,756	1,772,575	1,772,575
16.	Taxes					
17.	Federal income tax	105,940	111,810	111,810	103,730	103,730
18.	State income tax	25,174	25,563	25,563	24,180	24,180
19.	Other taxes	140,265	140,220	140,220	140,174	140,174
20.	Total Tax Expense	271,379	277,593	277,593	268,084	268,084
21.	Total Operating Expenses and Taxes	2,028,773	2,028,351	2,028,351	2,040,658	2,040,658
22.	Net Operating Income	389,166	388,022	388,022	372,338	372,338
23.	Rate Base (from Schedule A-2d)	4,150,119	4,086,599	4,086,599	4,057,462	4,057,462
24.	Rate of Return	9.36%	9.49%	9.49%	9.18%	9.18%

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Reconcile the total capital structure (as shown on Schedule D-1a) with the jurisdictional 13-month average rate base for the corresponding time period (as shown on Schedule B-3b). Provide this schedule for the test year, and the prior year if the test year is projected.

Type of Data Shown:
 Historical Test Year Ended 12/31/92
 Projected Test Year Ended ____/____/____
 Prior Test Year Ended ____/____/____
 Witness: W. S. Reid

COMPANY: Southern Bell

DOCKET NO. 920260-TL

Line No	Description	Long-Term Debt (1)	Short-Term Debt (2)	Preferred Stock	Customer Deposits	Common Equity (3)	Tax Credits Zero Cost	Tax Credits Weighted Cost	Deferred Inc. Taxes	Total
1	Total Southern Bell									
2	per Books (000)	6,180,435	655,602	0	120,811	11,464,529	564	645,732	3,730,232	22,807,706
3	Allocation Percentage	23.91%	23.91%	N/A	N/A	23.91%	N/A	N/A	N/A	N/A
4										
5	Florida	1,479,958	154,761	0	56,064	2,741,288	134	167,767	928,017	5,527,991
6	Allocation Percentage	99.21%	99.21%	N/A	98.19%	99.21%	99.62%	99.65%	99.74%	N/A
7										
8	Regulated Florida	1,468,327	155,529	0	55,050	2,719,744	134	167,178	923,609	5,489,570
9	Intrastate %	74.02%	74.02%	N/A	74.02%	74.02%	74.11%	76.08%	75.94%	N/A
10										
11	Intrastate, unadjusted	1,066,911	115,128	0	40,750	2,013,256	99	127,191	701,395	4,084,730
12	Specific Adjustments:									
13	a. Customer Deposits				15,314					15,314
14	b. WEDO Tax Credits								21,632	21,632
15	c. Accrual for FL Refund		5,647							5,647
16	d. Out-of-period Taxes								2,971	2,971
17	e. 1992 Depreciation Represcription								2,743	2,743
18	f. Exclusion of NQDCP								241	241
19										0
20										0
21										0
22										0
23										0
24										0
25										0
26										0
27										0
28										0
29										0
30										0
31										0
32	Subtotal	1,066,911	120,775	0	56,064	2,013,256	99	127,191	728,982	4,133,278
33	Pro Rata Adjustments	(20,981)	(2,331)	0	(1,082)	(38,862)	(2)	(2,455)	(14,072)	(79,785)
34										
35	Jurisdictional Cap Struct	1,065,930	118,444	0	54,982	1,974,394	97	124,736	714,910	4,053,493
36										
37	Percent of Total Capital	26.30%	2.92%	0.00%	1.36%	48.71%	0.00%	3.08%	17.63%	100.00%

(1) Includes total long-term debt from Schedule B-3b and Account 1407, Unamortized Bond Issuance Expense.
 (2) Includes accounts 4020, 4050, and 4060.
 (3) Includes Account 41202000, Accrued Dividends as follows: Southern Bell, 138,645; Florida Regulated, 32,891; Intrastate, 24,347.

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