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Nancy H. Sims  
Director - Regulatory Relations

RECORDS AND REPORTING

September 24, 1998

Mrs. Blanca S. Bayo  
Director, Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

980000A

Subject: Comments Regarding Study 2 (Fair and Reasonable Rates)  
Reference Docket No. 980733-TL

Dear Mrs. Bayo:

As required by the Florida Legislature, the Florida Public Service Commission (FPSC) is to report on four aspects of residential basic local telecommunications service with respect to "the fair and reasonable Florida residential basic local telecommunications service rate." The areas to be considered include: 1) affordability, 2) value of service, 3) comparable residential basic local telecommunications rates in other states, and 4) the cost of providing residential basic local telecommunications service in Florida

In preparation for the FPSC workshops, attached are comments prepared by Daonne Caldwell, Dr. William Taylor, and Dr. Robert Harris to discuss each of these areas. I would note that the testimony of Dr. Randall Billingsley and Mr. David Cunningham, pertaining to cost of capital and depreciation, respectively, is also attached. Due to the voluminous nature of the attachments to Mr. Cunningham's and Mr. Billingsley's testimony, they have not been attached. Both gentlemen submitted testimony on their topics as part of the Universal Service Docket 980696-TP, thus, the attachments are on file with the FPSC in this Docket. In addition, on behalf of BellSouth, GTE and Sprint, Don Perry has prepared comments regarding the value of service and affordability. Mr. Perry's comments will be transmitted separately by GTE.

Since each of these subjects are interrelated, each participant is not dedicated to one subject. However, each topic is addressed. Ms. Caldwell's comments are being filed in this proceeding on behalf of BellSouth. Ms. Caldwell will address the methodology and process used by BellSouth to develop the costs included in BellSouth's contribution analyses. Since costs are an integral part of the contribution analyses, Ms. Caldwell will also comment on the process used to calculate the contribution for each of the services contained in the FPSC Staff's data request. BellSouth's results for these categories of services are attached to Ms. Caldwell's comments.

Harris DOCUMENT NUMBER-DATE 10617 SEP 24 98  
Taylor DOCUMENT NUMBER-DATE 10616 SEP 24 98  
Caldwell DOCUMENT NUMBER-DATE 10615 SEP 24 98  
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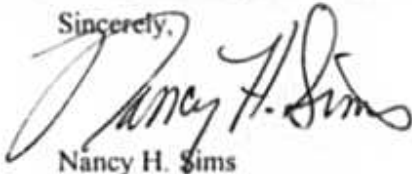
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Dr. William Taylor's comments are filed on behalf of BellSouth and Sprint. Dr. Taylor will respond to the value of service issue. In addition, Dr. Taylor will explain the relationship between cost and price and outline the appropriate costs to be used for pricing decisions. Comments filed by Dr. Robert Harris on behalf of BellSouth, GTE, and Sprint will complement Dr. Taylor's presentation with actual results from a BellSouth marketing perspective in addressing the affordability and value of service issues. Dr. Harris will also compare BellSouth's residential rates with those of other states, both within the BellSouth region and on a national basis.

If you have any questions or need any additional information, please call me.

Sincerely,

A handwritten signature in cursive script that reads "Nancy H. Sims". The signature is written in black ink and is positioned above the printed name.

Nancy H. Sims

cc: W. D'Haeseleer  
All parties of record  
R. G. Beatty  
William J. Ellenberg et

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Daonne Caldwell

BellSouth Telecommunications, Inc.

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Comments To the Florida Public Service Commission  
Special Project 980000A-SP

September 24, 1998

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FPSC-RECORDS/REPORTING

## **Comments by Daonne Caldwell**

### **Outline**

- I. Introduction
- II. Cost
  - A. Methodology
  - B. Cost Study Process
  - C. Recurring Cost Development
  - D. Nonrecurring Cost Development
  - E. Specific Cost Inputs
- III. Demand
- IV. Rates
- V. Contribution Analysis
- VI. Conclusion

**Comments of Daonne Caldwell - BellSouth Telecommunications, Inc.  
Florida Public Service Commission Special Project 980000A-SP**

**I. Introduction**

The Florida Legislature has ordered the Florida Public Service Commission to report on four aspects of residential basic local telecommunications service with respect to fair and reasonable rates by February 1999. The topics that must be covered include: (1) affordability, (2) the value of service, (3) comparable residential basic telecommunications rates in other states, and (4) the cost of providing residential basic telecommunications service in Florida. In an effort to ascertain empirical data to supplement their findings, the Commission Staff issued a Data Request dated June 19, 1998 requiring contribution analyses be conducted for a number of services offered to BellSouth customers:

- 1) Voice-grade, flat-rate residential local exchange service
- 2) Voice-grade, flat-rate single-line business local exchange service
- 3) ESSX/Centrex service
- 4) PBX trunk service
- 5) Multi-line circuit-switched business services – other
- 6) Intrastate switched access
- 7) IntraLATA toll
- 8) Selected vertical features for residence and business customers

Attached to these comments are BellSouth's published results for these categories of services. The results support BellSouth's (and most telecommunication providers') contention that basic residential service does not

cover its cost, i.e. it is being subsidized<sup>1</sup>. Dr. William Taylor is also filing comments in this proceeding on behalf of BellSouth and Sprint. Dr. Taylor will further expand on both the meaning of subsidization and on the impact it has in the telecommunications market in light of increased competition.

The Commission Staff defined a contribution analysis to be: (1) a comparison of the rates charged for a given service and their associated costs and (2) the difference between the total revenues generated by a service and the service's total cost. Thus, there are three basic input components to the contribution analyses conducted by BellSouth: the in-service quantities (demand), the rate, and the cost. The last category, cost, is where my expertise lies. As a director in the Cost Matters division of Finance and as the cost witness in the Local Arbitration Dockets, Universal Service Funding Dockets, and General Cost Dockets, I have been responsible for the cost studies for network interconnection, unbundled network elements, universal service, and local transport and termination. Thus, my comments are structured to principally address the methodology employed by BellSouth to determine the relevant cost for each of these services. However, I will also touch on rate and demand development and their relationship to the contribution results.

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<sup>1</sup> The percent contribution for Flat Rate Residential Service (1FR) ranges from - 85% in rate group 1 to - 50% in rate group 12 in Florida.

## **II. Cost**

### **A. Methodology**

An inherent part of any contribution analysis is the cost component. The Commission Staff's request defined the cost standard to be used as Total Service Long Run Incremental Cost (TSLRIC) per Section 364.3381 (2). The FPSC has defined TSLRIC as "the costs to the firm, both volume sensitive and volume insensitive, that will be avoided by discontinuing, or incurred by offering an entire product or service, holding all other products or services offered by the firm constant." (FPSC Order PSC-96-1579-FOF-TP, page 25)

To further expand on the definition of TSLRIC methodology, TSLRIC uses incremental costing techniques to identify the additional costs associated with providing a service. Incremental costs are based on cost causation and include all of the costs directly generated by expanding production, or alternatively, costs that would be saved if the production levels were reduced. The production unit could be an entire service, or a unit of a service.

Costs may be volume sensitive and/or volume insensitive. Volume sensitive costs are considered to be Long Run Incremental Costs (LRIC). LRIC identifies the price floor, i.e. the level below which rates cannot be set and still cover their direct costs. TSLRIC includes both volume sensitive and volume insensitive costs. TSLRICs are the basis for testing for subsidy since they represent the

minimum cost per unit that the service must recover.<sup>2</sup> Additionally, long run incremental cost studies ensure that the time period studied is sufficient to capture all forward-looking costs affected by the business decision being studied. Another corollary to the long-run principle is that all costs are variable in the long-run. The implication here is that all resources will exhaust and new purchases must be made to meet demand for the service or product.

A shared cost is incurred to produce a family of products but is not a direct cost of any one product of the family. In other words, these costs are those that can be attributed to the joint products and services taken together, on a cost-causative basis, but cannot be directly attributed to any one product by itself. An example of a shared cost is a right-to-use (RTU) fee that provides more than one vertical feature.

Common costs are costs that are incurred for the benefit of a firm as a whole, but not for the benefit of any individual product or family of products. Such costs do not change with changes in the firm's product mix or volume of output. Common costs are often referred to as overheads, and generally include, for example, executive, accounting and legal costs.

Shared and common costs are not included in costs produced for pricing decisions, i.e. in a TSLRIC study. Yet, shared and common costs are true costs

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<sup>2</sup> In Dr. Taylor's paper, he refers to TSLRIC as identifying the price floor. The subtle distinction is that he is referring to the price floor for the service, not the next unit of demand as is identified in a LRIC study. The point is that LRIC identifies the cost to produce one more unit to serve the next customer and ignores the fixed costs that are directly related to the service. In checking for subsidy TSLRIC is the appropriate test point.



to the company and should not be ignored<sup>3</sup>. Thus, in setting rates, consideration must be given to some level of contribution to the total costs of the corporation, i.e. the TSLRIC firm's shared and common costs. This is a point the Federal Communications Commission (FCC) recognized in establishing the Total Element Long Run Incremental Cost (TELRIC) methodology for unbundled network elements in their First Report and Order in CC Docket 96-98 (FCC Order) released August 8, 1996.

In determining the costs for each service included in the contribution analyses, BellSouth adhered to the TSLRIC methodology. The costs were: direct, long-run, and based on cost causation. Shared and common costs were excluded. Dr. Taylor highlights one of the areas of controversy related to the cost development for basic residential service, the treatment of loop costs. As he remarks, there are some proponents supporting the classification of the loop as a shared cost based upon the different uses of the loop. As he forcefully concludes, this violates the fundamental principle of cost causation. The reason customers subscribe to residential service is to gain access to the network, thus causing loop costs to be incurred by the provider. Thus, the loop is a direct cost of basic residential service and has legitimately been included in BellSouth's costs.<sup>4</sup>

## B. Cost Study Process

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<sup>3</sup> The result of setting all rates equal to TSLRIC would be the eventual failure of a company. There must be some contribution to the firm's shared and common costs in order to allow the company to remain solvent.

<sup>4</sup> The loop is only one component of basic residential service. Also included in this service is the non-traffic sensitive termination in the central office and facilities (e.g. interoffice cables and

BellSouth conducted cost studies to support the contribution analyses for most of the services outlined in the Commission Staff's data request. However, the ESSX/Centrex studies were not updated because ESSX® Service has been grandfathered in BellSouth. (ESSX® Service was replaced by MultiServ<sup>SM</sup> Service.) Both the ESSX® Service and MultiServ<sup>SM</sup> Service studies, used to support the costs in the contribution analyses for the Staff's ESSX/Centrex category, reflect the most currently available cost data. Let me emphasize, all the studies submitted as part of the contribution analyses follow the TSLRIC methodology as described above.

In the recently completed arbitration hearings (Dockets 960833-TP, 960846-TP, 960757-TP, and 971140-TP), BellSouth introduced the TELRIC Calculator® as a means of processing cost study data in a user-friendly, consistent manner. BellSouth used the TELRIC Calculator® to determine the TSLRIC of the following services: residential, single-line business, multi-line business, PEX, intrastate access, intraLATA toll, and vertical features filed in this proceeding. Exhibit DDC1 portrays the basic process flow incorporated into the model to develop two types of costs, recurring and nonrecurring.

Note in the diagram that one of the models that feeds the TELRIC Calculator® is the Benchmark Cost Proxy Model (BCPM) 3.1. The Loop Module of the BCPM

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switch resources) required to process local calls. It is odd that the "shared loop" advocates haven't extended their argument to these other areas of cost.

3.1 was used to produce the cable, feeder distribution interface (FDI) and digital loop carrier (DLC) investments by field reporting code for residence and business loops and PBX trunks. This is the same proxy model that was filed in Docket 980696-TP, Universal Service. However, this is not the model used to produce the loop investments in the arbitration dockets. In those studies, a sample was utilized to develop loop investments. Since this sample is only statistically valid at the state level, it would not allow the required differentiation needed to determine costs by rate group. Additionally, time and resource constraints made the option of obtaining another sample, valid at the rate group level, prohibitive.<sup>5</sup> Thus, the BCPM 3.1 was used in this proceeding. Attributes related to the network design capabilities of the BCPM 3.1 are discussed later in this document.

### **C. Recurring Cost Development**

Recurring costs are generally associated with the investments required to provide an item of plant. They include both capital and non-capital costs. Capital costs consist of depreciation, cost of money and income tax. Non-capital recurring costs are operating expenses and consist of maintenance, ad valorem taxes and gross receipts taxes.

The generic steps for developing recurring costs are listed below. The unique technical characteristics and physical make-up of the service are taken into

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<sup>5</sup> The sample obtained for the arbitration proceedings in Florida required over 15 weeks just to obtain, validate and input the data.

consideration.

Step 1: Determine the forward-looking network designs (architectures) which will be used to deploy the service. BellSouth network experts, BellSouth product and project managers, and the vendors providing the equipment contribute to this process in order to establish the appropriate architectures to be considered. Underlying this step is the definition of the service. This is a critical element of cost analysis, i.e. what is the cost object. Thus, the cost of residential basic service hinges upon its definition. BellSouth defines residential basic service to be the offering that provides residential customers access to the telephone network. Thus, the costs must reflect the equipment required to provide that access or connection: the network interface device, the loop (both cable and electronics), the termination in the switch, switch processing and interoffice facilities. Each category is directly caused by the customer's request for access to the network.

Step 2: Determine current material prices and/or investments for the items of plant used in each design. Material prices are obtained from BellSouth contracts with various vendors. These material prices reflect the discount levels negotiated by BellSouth.

Step 3: Apply telephone plant indices (TPIs), as appropriate, to determine base-year investments. Telephone plant indices estimate the changes in material price and/or installed investment over time. This step is only required if the material prices are not current, which occurs in very limited circumstances.

Step 4: Adjust the investments for utilization to account for spare capacity using the forward-looking objective utilization. BellSouth network experts determine the appropriate objective utilization levels. This is different than the utilization factors incorporated into the costs developed in arbitration. In those proceedings, actual fill was used instead of objective fill, as directed by the FCC's Total Element Long Run Cost (TELRIC) methodology.

Step 5: Weight the material prices of the different vendors, as appropriate, to determine a typical element price by plant account. The weighting percentages are based upon probabilities of occurrence determined by network experts.

Step 6: Apply inflation factors to the base-year material prices to convert the utilized material prices to prices representative of a three-year planning period (1998-2000). For some plant accounts this will increase the material price if the inflation factors are positive. However, for some accounts, e.g. digital circuit equipment, the levelized material price decreases from the base-year level due to deflation.

Step 7: Apply in-plant loadings to the material prices calculated in Step 6 to convert the material price to an installed investment that includes, in addition to the cost of the equipment, the cost of exempt material, engineering labor and installation labor. Application of these loadings follows the FCC's Part 32 accounting procedures that allow inclusion of specific labor costs and associated material costs in the capital accounts.

Step 8: Apply support loadings to the investments to determine investments for miscellaneous common equipment and power, land, buildings, poles and conduit, as appropriate. In the TELRIC Calculator®, the plant account code serves as the key, unlocking which loadings should be applied. For example, account 22C (metallic aerial cable) would be loaded for poles, but not with conduit.

Step 9: Convert the investments, developed by plant account, to annual costs by applying account-specific annual cost factors. The annual cost factors determine the capital costs (depreciation, cost of money, and income tax) and the operating expenses (plant specific expense, ad valorem taxes, and other taxes).

Additionally, the general support factor is applied to the investments to account for directly attributable expenses and associated investments that support the core network. Examples of the types of expenses included in the general support factor include motor vehicles, work equipment, office equipment, and central office general-purpose computers. The annual costs and the general support costs are summed by account and the costs for the various accounts and then added. Next the total is divided by 12 to determine the direct monthly cost.

Step 10: Multiply the monthly cost by the gross receipts tax factor.

Step 11: Apply the customer operations factor to the cost calculated in Step 10 to determine the TSLRIC. Customer operations cost includes retail costs

associated with providing service e.g., product management, sales, advertising, and billing and collections as well as the cost associated with general purpose computers.

The ESSX Service® and MultiServ<sup>SM</sup> Service studies do not contain the general support factor and the customer operations factor. Instead, at the time these studies were conducted, an administrative factor was used and is comparable.

#### **D. Nonrecurring Cost Development**

BellSouth's cost study also identifies nonrecurring costs, or one-time costs that are typically associated with installing or disconnecting a network service. The generic process for developing the nonrecurring costs is as follows:

Step 1: Determine the cost elements to be developed.

Step 2: Define the work functions.

Step 3: Establish work flows.

Step 4: Determine work times for each work function.

Step 5: Develop directly assigned labor costs for each work function (labor rate  $\times$  work time).

Step 6: Accumulate work function costs to determine the total nonrecurring costs for each cost element and add gross receipts tax.

Step 7: Apply the customer operations factor.

Converting the work times to cost is accomplished in the TELRIC Calculator©

where the direct labor rates and state-specific factors reside.

For the studies submitted in conjunction with this special project, nonrecurring costs reflect the activities required in processing a request for new service or for changes to an existing service. Thus, the applicable nonrecurring costs can be categorized as:

**Line connection** – costs associated with the connection of a line, trunk, or network access register (NAR).

**Line change** – costs for telephone number changes, station number changes, restoration of service temporarily denied, changes from loop start to ground start, changes in trunk direction, and changes from foreign central office to home wire center.

**Secondary service** – costs for transfer of responsibility, adding or rearranging line features, changes from residence to business, rearrangement of drop wire, protector, or network interface, and installing a network interface device (additional premises work charges apply).

**Premises work** – costs for rearrangement of a drop wire, protector, or network interface, and installing a network interface device.

#### **E. Specific Cost Study Inputs**

The inputs into the studies and the development of the factors, loadings, and labor rates are contained in the documentation submitted in response to the Commission Staff's data request. However, there are several general areas that I would like to highlight.



**Network Design** – An underlying principle to the TSLRIC methodology is that the costs will reflect a forward-looking, yet realistic environment. Thus, when considering network designs, the latest available equipment approved for use in BellSouth is included. For example, only digital switches were considered in developing usage and feature costs even though analog switches still function in the BellSouth network. Additionally, the material prices for the forward-looking equipment reflect both the latest discounts negotiated with vendors and the inflation/deflation trends for the study period.

As I have mentioned previously, the BCPM 3.1 was used to develop the loop-related investments. This model designs a network based upon state-of-the-art technology that is currently available for deployment. Several engineering criteria are incorporated in the BCPM to ensure compliance with the forward-looking methodology:

- 1). Total copper loop length from the customer to the central office is limited to 12,000 feet. If the loop length exceeds 12,000 feet, fiber cable is assumed in the feeder portion of the loop.
- 2). A combination of 26 and 24 gauge cable is used for distribution facilities.
- 3). Bridge tap is avoided by tapering cable sizes and placing Feeder Distribution Interfaces (FDIs).
- 4). Digital Loop Carrier (DLC) systems are used instead of analog copper facilities when fiber feeder is assumed or when population density is high.

These criteria not only ensure that the cost results reflect forward-looking costs, but also that they represent the least-cost alternative for providing voice-grade service.

This same forward-looking standard is incorporated into the development of time estimates used to determine nonrecurring costs. The input reflects productivity and process improvements anticipated in the future.

**Annual Cost Factors** – once the appropriate investment has been determined, the application of the annual cost factors determines the cost associated with that investment. Thus, the calculation of these annual cost factors at the field reporting code level impacts the results to a great extent. Incorporated into the TELRIC Calculator<sup>®</sup> is the Capital Cost Calculator that performs the mechanics behind the factor development. Two important inputs into the process are the cost of capital and the depreciation rate. BellSouth used an 11.25% cost of capital and forward-looking Florida depreciation rates consistent with the Universal Service cost study. Dr. Billingsley and Mr. Cunningham submitted testimony in Florida's Universal Service Docket 980696-TP supporting the cost of capital and depreciation rates, respectively. They, or their representatives, are available to address any concerns with these two items.

### **III. Demand**

In order to fulfill one of the definitions of contribution, "the difference between the total revenues generated by a service and the service's total cost", demand was a required input. BellSouth utilized customer-billing records to determine the number of customers. Besides being used to calculate total revenues and total cost, demand was used to determine the average rate. This was necessary because some of the services have a range of rates.

### **IV. Rates**

Even though cost is an inherent part of the rate setting process, the regulatory environment under which BellSouth operates also plays an important role in the eventual outcome. BellSouth has issued tariffs in Florida over a period of time. Thus, the rates included in these tariffs are of varying vintages. These rates, included in BellSouth's response, are reflections of an evolutionary process, from a rate-of-return to a market-driven rate setting process. We are now in the transition period from a monopolistic to a competitive world, but because of implicit contractual obligations forged under regulation, rate adjustments are limited for the time being. In fact this transitory phase is the driving force behind these proceedings, to answer the question what is a "fair and reasonable" rate? Additionally, one must ask, fair and reasonable to whom: the consumer, the ILEC, the competitor, to some or to all three? Dr. Taylor addresses the impact of these historic rates both to the consumer and to the company providing

telephone service. He interweaves the economic principles that steer rates either up or down with the obligations providers have to society as a whole.

#### **V. Contribution Analysis**

These analyses demonstrate the amount of contribution services provide toward the shared and common costs of the corporation. As I have mentioned previously, there is nothing wrong with showing a positive contribution. In fact, a positive contribution is necessary for a company to remain viable. However, when reviewing a contribution analysis, the tendency is to focus on individual results, i.e. looking for extremes. This practice can lead to false conclusions. For example if one were to center only on the positive contribution from residential vertical features without considering the negative impact of basic residential service one could falsely advocate reducing feature rates. Because of the low rates for basic residential service (below cost), residential vertical features are required to help subsidize the basic rate.

Another purpose of a contribution analysis is to identify subsidy. Since the costs presented follow the TSLRIC methodology, i.e. they reflect both the volume sensitive and volume insensitive costs of a service, if the contribution is positive the service is not being subsidized. However, if the contribution result is negative, the service (e.g. residential basic service) is being subsidized. Dr. Taylor explains why an analysis based on TSLRIC costs is the only valid test required for subsidization.

## **VI. Conclusion**

The contribution analyses provided by BellSouth in response to the Commission Staff's Data Request fulfill the requirements outlined in that request.

Furthermore the underlying cost studies follow the TSLRIC methodology adopted by this Commission as a cost standard for pricing decisions. Additionally, by adhering to the TSLRIC methodology, BellSouth has demonstrated that residential basic service is being subsidized by other services.

**Flat Residence Lines (IFR)**

**Recurring**

<u>Rate Group</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
1	675	\$ 7.30	\$ 47.79	\$ (40.49)	\$ 59,092	\$ 386,849	\$ (327,757)	-85%
2	4,599	\$ 7.70	\$ 58.47	\$ (50.77)	\$ 424,970	\$ 3,227,011	\$ (2,802,041)	-87%
3	65,890	\$ 8.10	\$ 39.63	\$ (31.53)	\$ 6,404,503	\$ 31,334,622	\$ (24,930,119)	-80%
4	121,034	\$ 8.40	\$ 33.51	\$ (25.11)	\$ 12,200,239	\$ 48,670,238	\$ (36,469,999)	-75%
5	249,387	\$ 8.80	\$ 33.16	\$ (24.36)	\$ 26,335,314	\$ 99,236,251	\$ (72,900,937)	-73%
6	301,824	\$ 9.15	\$ 28.72	\$ (19.57)	\$ 33,140,263	\$ 104,020,584	\$ (70,880,321)	-68%
7	243,266	\$ 9.50	\$ 26.93	\$ (17.43)	\$ 27,732,274	\$ 78,613,700	\$ (50,881,425)	-65%
8	82,306	\$ 9.80	\$ 24.18	\$ (14.38)	\$ 9,679,127	\$ 23,881,764	\$ (14,202,637)	-59%
9	328,551	\$ 10.05	\$ 24.82	\$ (14.77)	\$ 39,623,308	\$ 97,855,773	\$ (58,232,464)	-60%
10	365,255	\$ 10.30	\$ 23.87	\$ (13.57)	\$ 45,145,486	\$ 104,623,569	\$ (59,478,083)	-57%
11	225,505	\$ 10.45	\$ 24.23	\$ (13.78)	\$ 28,278,322	\$ 65,567,822	\$ (37,289,500)	-57%
12	1,188,462	\$ 10.65	\$ 21.40	\$ (10.75)	\$ 151,885,451	\$ 305,197,056	\$ (153,311,605)	-50%
<b>TOTAL</b>	<b>3,176,753</b>						<b>\$ (581,706,890)</b>	

**Non-recurring Charges**

<u>Rate Group</u>	<u>Annual Demand</u>	<u>Non-recurring Charge</u>	<u>Cost per/unit</u>	<u>Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
Ln Conn - 1st	834,114	\$ 40.00	\$ 53.37	\$ (13.37)	\$ 33,364,572	\$ 44,516,680	\$ (11,152,108)	-25%
Ln Conn - Addl	67,256	\$ 12.00	\$ 19.60	\$ (7.60)	\$ 807,073	\$ 1,318,219	\$ (511,146)	-39%
Ln Chg - 1st	143,178	\$ 23.00	\$ 7.50	\$ 15.50	\$ 3,293,089	\$ 1,073,833	\$ 2,219,255	207%
Ln Chg - Addl	2,049	\$ 11.00	\$ 4.92	\$ 6.08	\$ 22,538	\$ 10,081	\$ 12,457	124%
Sec SO Chg	221,565	\$ 10.00	\$ 6.88	\$ 3.12	\$ 2,215,652	\$ 1,524,368	\$ 691,283	45%
Prem Wk - 1st	2,745	\$ 25.00	\$ 27.09	\$ (2.09)	\$ 68,619	\$ 74,355	\$ (5,737)	-8%
Prem Wk - Addl	10,203	\$ 9.00	\$ 11.68	\$ (2.68)	\$ 91,825	\$ 119,169	\$ (27,344)	-23%
<b>TOTAL</b>							<b>\$ (8,773,338)</b>	
<b>GRAND TOTAL</b>					<b>\$ 420,771,715</b>	<b>\$ 1,011,251,944</b>	<b>\$ (590,480,229)</b>	<b>-58%</b>

BellSouth Telecommunications, Inc.  
 Undocketed Special Project 980000A-SP  
 FPSC Staff's 1st Data Requests  
 Division of Communications  
 June 19, 1998  
 Item No. 1 ( c ) REVISED 8/13/98  
 Attachment 1 of 1

**Flat Single Line Business (1FB)**

**Recurring**

Rate Group	Inservice Quantity	Monthly Rate	Monthly Cost per/unit	Monthly Contribution per/unit	Annual Revenue	Annual Cost	Annual Contribution	Percent Contribution
1	51	\$ 19.80	\$ 27.12	\$ (7.32)	\$ 12,001	\$ 16,438	\$ (4,437)	-27%
2	206	\$ 20.80	\$ 46.33	\$ (25.53)	\$ 51,328	\$ 114,328	\$ (63,000)	-55%
3	2,524	\$ 21.90	\$ 32.45	\$ (10.55)	\$ 663,258	\$ 982,772	\$ (319,514)	-33%
4	5,446	\$ 22.90	\$ 27.00	\$ (4.10)	\$ 1,496,630	\$ 1,764,586	\$ (267,956)	-15%
5	8,683	\$ 23.85	\$ 29.32	\$ (5.47)	\$ 2,484,997	\$ 3,054,931	\$ (569,934)	-19%
6	9,449	\$ 24.90	\$ 25.10	\$ (0.20)	\$ 2,823,374	\$ 2,846,052	\$ (22,678)	-1%
7	8,064	\$ 25.75	\$ 24.67	\$ 1.08	\$ 2,491,858	\$ 2,387,345	\$ 104,513	4%
8	2,208	\$ 26.60	\$ 23.58	\$ 3.02	\$ 704,681	\$ 624,676	\$ 80,005	13%
9	10,592	\$ 27.40	\$ 23.48	\$ 3.92	\$ 3,482,732	\$ 2,984,473	\$ 498,260	17%
10	9,912	\$ 28.00	\$ 21.59	\$ 6.41	\$ 3,330,565	\$ 2,568,103	\$ 762,461	30%
11	6,271	\$ 28.60	\$ 21.75	\$ 6.85	\$ 2,152,182	\$ 1,636,711	\$ 515,470	31%
12	43,936	\$ 29.10	\$ 20.39	\$ 8.71	\$ 15,342,407	\$ 10,750,229	\$ 4,592,177	43%
<b>TOTAL</b>	<b>107,341</b>						<b>\$ 5,305,368</b>	

**Non-recurring Charges**

Rate Group	Annual Demand	Non-recurring Charge	Cost per/unit	Contribution per/unit	Annual Revenue	Annual Cost	Annual Contribution	Percent Contribution
Ln Conn - 1st	15,308	\$ 56.00	\$ 88.37	#VALUE!	\$ 857,241	\$ 1,352,758	\$ (495,516)	-37%
Ln Conn - Addl	-	\$ 12.00	\$ 46.99	\$ 9.01	\$ -	\$ -	\$ -	0%
Ln Chg - 1st	436	\$ 38.00	\$ 14.04	\$ (2.04)	\$ 16,566	\$ 6,121	\$ 10,445	171%
Ln Chg - Addl	-	\$ 11.00	\$ 9.36	\$ 28.64	\$ -	\$ -	\$ -	0%
Sec SO Chg	9,779	\$ 19.00	\$ 13.20	\$ (2.20)	\$ 185,804	\$ 129,085	\$ 56,719	44%
Prem Wk - 1st	87	\$ 28.00	\$ 27.09	\$ (8.09)	\$ 2,422	\$ 2,343	\$ 79	3%
Prem Wk - Addl	527	\$ 9.00	\$ 11.68	\$ 16.32	\$ 4,743	\$ 6,155	\$ (1,412)	-23%
<b>TOTAL</b>							<b>\$ (429,685)</b>	
<b>GRAND TOTAL</b>					<b>\$ 36,102,788</b>	<b>\$ 31,227,106</b>	<b>\$ 4,875,682</b>	<b>16%</b>

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**Flat Trunks with Hunting  
 Recurring**

<u>Rate Group</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
1	4	\$ 40.06	\$ 34.48	\$ 5.58	\$ 2,151	\$ 1,852	\$ 300	16%
2	5	\$ 42.09	\$ 53.69	\$ (11.60)	\$ 2,525	\$ 3,221	\$ (696)	-22%
3	678	\$ 44.31	\$ 39.81	\$ 4.50	\$ 360,483	\$ 323,873	\$ 36,610	11%
4	1,229	\$ 46.34	\$ 34.36	\$ 11.98	\$ 583,260	\$ 506,621	\$ 176,639	35%
5	3,096	\$ 48.26	\$ 36.68	\$ 11.58	\$ 1,793,177	\$ 1,362,904	\$ 430,273	32%
6	3,454	\$ 50.38	\$ 32.46	\$ 17.92	\$ 2,088,427	\$ 1,345,580	\$ 742,847	55%
7	3,733	\$ 52.11	\$ 32.03	\$ 20.08	\$ 2,334,453	\$ 1,434,898	\$ 899,555	63%
8	1,507	\$ 53.82	\$ 30.94	\$ 22.88	\$ 973,486	\$ 559,637	\$ 413,849	74%
9	5,466	\$ 55.44	\$ 30.84	\$ 24.60	\$ 3,636,605	\$ 2,022,960	\$ 1,613,645	80%
10	10,348	\$ 56.66	\$ 28.95	\$ 27.71	\$ 7,035,974	\$ 3,594,978	\$ 3,440,996	96%
11	7,008	\$ 57.87	\$ 29.11	\$ 28.76	\$ 4,866,799	\$ 2,448,117	\$ 2,418,682	99%
12	31,756	\$ 58.88	\$ 27.75	\$ 31.13	\$ 22,437,846	\$ 10,574,902	\$ 11,862,944	112%
<b>TOTAL</b>	<b>68,287</b>					\$	<b>22,035,644</b>	



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**Flat Trunks without Hunting**  
**Recurring**

<u>Rate Group</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
1	3	\$ 33.66	\$ 34.38	\$ (0.72)	\$ 1,060	\$ 1,083	\$ (23)	-2%
2	-	\$ 35.36	\$ 53.59	\$ (18.23)	\$ -	\$ -	\$ -	0%
3	229	\$ 37.23	\$ 39.71	\$ (2.48)	\$ 102,509	\$ 109,337	\$ (6,828)	-6%
4	311	\$ 38.93	\$ 34.26	\$ 4.67	\$ 145,256	\$ 127,831	\$ 17,425	14%
5	602	\$ 40.55	\$ 36.58	\$ 3.97	\$ 293,137	\$ 264,438	\$ 28,699	11%
6	1,165	\$ 42.33	\$ 32.36	\$ 9.97	\$ 591,991	\$ 452,559	\$ 139,432	31%
7	1,615	\$ 43.78	\$ 31.93	\$ 11.85	\$ 848,544	\$ 618,867	\$ 229,677	37%
8	349	\$ 45.22	\$ 30.84	\$ 14.38	\$ 189,438	\$ 129,196	\$ 60,241	47%
9	1,445	\$ 46.58	\$ 30.74	\$ 15.84	\$ 807,534	\$ 532,924	\$ 274,610	52%
10	3,282	\$ 47.60	\$ 28.85	\$ 18.75	\$ 1,874,458	\$ 1,136,095	\$ 738,363	65%
11	2,045	\$ 48.62	\$ 29.01	\$ 19.61	\$ 1,193,153	\$ 711,916	\$ 481,237	68%
12	8,125	\$ 49.47	\$ 27.65	\$ 21.82	\$ 4,823,281	\$ 2,695,850	\$ 2,127,431	79%
<b>TOTAL</b>							\$ 4,090,264	

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**Flat Trunks**  
Non-recurring

<u>Rate Group</u>	<u>Annual Demand</u>	<u>Non-recurring Charge</u>	<u>Cost per/unit</u>	<u>Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
Ln Conn - 1st	957	\$ 56.00	\$ 88.37	\$ (32.37)	\$ 53,598	\$ 84,579	\$ (30,981)	-37%
Ln Conn - Addl	14,546	\$ 12.00	\$ 46.99	\$ (34.99)	\$ 174,555	\$ 683,527	\$ (508,972)	-74%
Ln Chg - 1st	156	\$ 38.00	\$ 14.01	\$ 23.96	\$ 5,928	\$ 2,190	\$ 3,737	171%
Ln Chg - Addl	727	\$ 11.00	\$ 9.36	\$ 1.64	\$ 7,992	\$ 6,800	\$ 1,191	18%
Sec SO Chg	2,201	\$ 19.00	\$ 13.20	\$ 5.80	\$ 41,812	\$ 29,049	\$ 12,764	44%
Prem Wk - 1st	8	\$ 28.00	\$ 27.09	\$ 0.91	\$ 212	\$ 205	\$ 7	3%
Prem Wk - Addl	108	\$ 9.00	\$ 11.68	\$ (2.68)	\$ 968	\$ 1,256	\$ (288)	-23%
<b>TOTAL</b>							\$ (522,542)	
<b>GRAND TOTAL</b>					\$ 57,370,611	\$ 31,767,246	\$ 25,603,365	81%

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**Flat Multi-Line Bus. with Hunting (IFB)**

Recurring

<u>Rate Group</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
1	27	\$ 26.20	\$ 27.22	\$ (1.02)	\$ 8,388	\$ 8,715	\$ (327)	-4%
2	145	\$ 27.53	\$ 46.43	\$ (18.90)	\$ 47,839	\$ 80,682	\$ (32,843)	-41%
3	5,763	\$ 28.98	\$ 32.55	\$ (3.57)	\$ 2,004,014	\$ 2,250,886	\$ (246,871)	-11%
4	11,816	\$ 30.31	\$ 27.10	\$ 3.21	\$ 4,297,603	\$ 3,842,463	\$ 455,140	12%
5	24,843	\$ 31.56	\$ 29.42	\$ 2.14	\$ 9,408,505	\$ 8,770,539	\$ 637,966	7%
6	31,678	\$ 32.95	\$ 25.20	\$ 7.75	\$ 12,525,390	\$ 9,579,357	\$ 2,946,032	31%
7	30,072	\$ 34.08	\$ 24.77	\$ 9.31	\$ 12,298,097	\$ 8,938,493	\$ 3,359,603	38%
8	10,636	\$ 35.20	\$ 23.68	\$ 11.52	\$ 4,492,663	\$ 3,022,337	\$ 1,470,326	49%
9	46,822	\$ 36.26	\$ 23.58	\$ 12.68	\$ 20,373,138	\$ 13,248,720	\$ 7,124,418	54%
10	65,320	\$ 37.06	\$ 21.69	\$ 15.37	\$ 29,049,003	\$ 17,001,427	\$ 12,047,576	71%
11	44,803	\$ 37.85	\$ 21.85	\$ 16.00	\$ 20,349,393	\$ 11,747,272	\$ 8,602,121	73%
12	237,666	\$ 38.51	\$ 20.49	\$ 18.02	\$ 109,830,405	\$ 58,437,419	\$ 51,392,986	88%
<b>TOTAL</b>	<b>509,589</b>						<b>\$ 87,756,129</b>	

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**Flat Multi-Line Bus. (1FB) without Hunting**  
**Recurring**

<u>Rate Group</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cos' per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
1	114	\$ 19.80	\$ 27.12	\$ (7.32)	\$ 27,062	\$ 37,067	\$ (10,005)	-27%
2	416	\$ 20.80	\$ 46.33	\$ (25.53)	\$ 103,901	\$ 231,430	\$ (127,529)	-55%
3	10,249	\$ 21.90	\$ 32.45	\$ (10.55)	\$ 2,693,346	\$ 3,990,826	\$ (1,297,480)	-33%
4	19,654	\$ 22.90	\$ 27.00	\$ (4.10)	\$ 5,400,823	\$ 6,367,783	\$ (966,960)	-15%
5	36,257	\$ 23.85	\$ 29.32	\$ (5.47)	\$ 10,376,885	\$ 12,756,825	\$ (2,379,940)	-19%
6	44,066	\$ 24.90	\$ 25.10	\$ (0.20)	\$ 13,166,835	\$ 13,272,593	\$ (105,758)	-1%
7	40,889	\$ 25.75	\$ 24.67	\$ 1.08	\$ 12,634,733	\$ 12,104,810	\$ 529,923	4%
8	14,450	\$ 26.60	\$ 23.58	\$ 3.02	\$ 4,612,516	\$ 4,088,839	\$ 523,677	13%
9	61,504	\$ 27.40	\$ 23.48	\$ 3.92	\$ 20,222,401	\$ 17,329,269	\$ 2,893,132	17%
10	77,908	\$ 28.00	\$ 21.59	\$ 6.41	\$ 26,177,177	\$ 20,184,473	\$ 5,992,704	30%
11	57,272	\$ 28.60	\$ 21.75	\$ 6.85	\$ 19,655,864	\$ 14,948,079	\$ 4,707,786	31%
12	293,517	\$ 29.10	\$ 20.39	\$ 8.71	\$ 102,496,057	\$ 71,817,684	\$ 30,678,373	43%
<b>TOTAL</b>	<b>656,296</b>						<b>\$ 40,437,923</b>	

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**Flat Multi-Line Business (1FB)**

**Non-recurring**

<u>Rate Group</u>	<u>Annual Demand</u>	<u>Non-recurring Charge</u>	<u>Cost per/unit</u>	<u>Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
Ln Conn - 1st	166,459	\$ 56.00	\$ 88.37	\$ (32.37)	\$ 9,321,698	\$ 14,709,972	\$ (5,388,274)	-37%
Ln Conn - Addl	212,158	\$ 12.00	\$ 46.99	\$ (34.99)	\$ 2,545,895	\$ 9,969,300	\$ (7,423,405)	-74%
Ln Chg - 1st	4,741	\$ 38.00	\$ 14.04	\$ 23.96	\$ 180,140	\$ 66,557	\$ 113,583	171%
Ln Chg - Addl	3,542	\$ 11.00	\$ 9.36	\$ 1.64	\$ 38,960	\$ 33,152	\$ 5,809	18%
Sec SO Chg	106,339	\$ 19.00	\$ 13.20	\$ 5.80	\$ 2,020,440	\$ 1,403,674	\$ 616,766	44%
Prem Wk - 1st	941	\$ 28.00	\$ 27.09	\$ 0.91	\$ 26,338	\$ 25,482	\$ 856	3%
Prem Wk - Addl	5,730	\$ 9.00	\$ 11.68	\$ (2.68)	\$ 51,574	\$ 66,931	\$ (15,357)	-23%
<b>TOTAL</b>							\$ (12,090,023)	
<b>GRAND TOTAL</b>					\$ 456,437,085	\$ 340,333,056		34%

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 Unaudited Special Project 982000A-SP  
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Intrastate Usage Sensitive Switched Access  
Recurring

<u>Service Description</u> (A)	6/97-5/98 Demand (B)	Rate (C)	Annual Revenue (D) = (B * C)	Cost Per Unit (E)	Total Cost (F) = (B * E)	Total Revenues Minus		Percent Contribution Per Unit (I) = (G/E)
						Total Costs (H) = (D - F)	Unit Costs (G) = (C - E)	
Common Transport Facility (minute miles)	46,993,107,207	\$0.000040	\$1,879,724	\$0.000020700	\$972,757	\$906,967	\$906,967	93.2%
Common Transport Termination (minutes)	1,988,471,245	\$0.000360	\$715,850	\$0.000242900	\$483,000	\$232,850	\$232,850	48.2%
Access Tandem Switching MOU	1,605,637,593	\$0.000500	\$802,819	\$0.001154800	\$1,854,190	(\$1,051,371)	(\$1,051,371)	-56.7%
Local Switching 1 - Premium	31,068,040	\$0.008760	\$272,156	\$0.002500800	\$77,695	\$194,461	\$194,461	250.3%
Local Switching 2 - Premium	7,965,829,767	\$0.008760	\$69,780,669	\$0.002500800	\$19,920,947	\$49,859,722	\$49,859,722	250.3%
Local Switching TGS - Transitional	17,683,446	\$0.005694	\$100,690	\$0.002500800	\$44,223	\$56,467	\$56,467	127.7%
Total Local Switching (Weighted Avg. Rate)	8,014,581,262	\$0.008753	\$70,153,514	\$0.002500800	\$20,042,865	\$50,110,650	\$50,110,650	250.0%
Total Usage Sensitive Switched Access			\$73,551,907		\$23,352,812	\$50,199,095	\$50,199,095	215.0%

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**FLORIDA**  
**IntraLata Toll Contribution Analysis**  
 December 1997 Demand and Revenue Data

<u>Service Description</u>	<u>Conversation</u>		<u>Cost Per MOU</u>	<u>Contribution Per MOU</u>	<u>Annualized Revenue</u>	<u>Annualized Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>
	<u>Minutes Of Use (MOU)</u>	<u>Average Revenue Per MOU</u>						
MTS	29,018,039	\$ 0.1296	\$0.006106	\$ 0.1235	\$ 45,144,084	\$ 2,126,210	\$ 43,017,874	2023%
OCP*	2,791,490	\$ 0.2846	\$0.006106	\$ 0.2785	\$ 9,534,033	\$ 204,538	\$ 9,329,495	4561%
WATS/800	1,955,008	\$ 0.1493	\$0.006106	\$ 0.1432	\$ 3,501,701	\$ 143,247	\$ 3,358,454	2345%
<b>TOTAL</b>	<b>33,764,537</b>				<b>\$ 58,179,819</b>	<b>\$ 2,473,995</b>	<b>\$ 55,705,823</b>	<b>2252%</b>

\*The company's mechanized data systems are not currently able to provide a summary of usage and revenue for Saver® Service Aggregated Plain accounts. Therefore, this service has been excluded from the analysis.

**Residence Features  
 (Non-Packaged)**

<u>Feature</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>	<u>Percent of Lines</u>
3-Way Calling	142,464	\$ 3.75	\$ 0.6236	\$ 3.13	\$ 6,410,864	\$ 1,066,084	\$ 5,344,780	501%	4.48%
Call Waiting	1,331,004	\$ 4.00	\$ 0.0082	\$ 3.99	\$ 63,888,170	\$ 130,971	\$ 63,757,199	48680%	41.90%
Call Forwarding Busy Line	172,212	\$ 1.00	\$ 0.0021	\$ 1.00	\$ 2,066,547	\$ 4,340	\$ 2,062,208	47519%	5.42%
Call Forwarding Don't Answer	307,894	\$ 1.00	\$ 0.0041	\$ 1.00	\$ 3,694,725	\$ 15,148	\$ 3,679,577	24290%	9.69%
Call Return	239,642	\$ 4.00	\$ 0.2603	\$ 3.74	\$ 11,502,836	\$ 748,547	\$ 10,754,289	1437%	7.54%
Repeat Dialing	4,551	\$ 4.00	\$ 0.2898	\$ 3.71	\$ 218,468	\$ 15,828	\$ 202,640	1280%	0.14%
Call Selector	809	\$ 4.00	\$ 0.0650	\$ 3.94	\$ 38,811	\$ 631	\$ 38,181	6054%	0.03%
Preferred Call Forwarding	317	\$ 4.00	\$ 0.0362	\$ 3.96	\$ 15,240	\$ 138	\$ 15,102	10950%	0.01%
Caller ID Deluxe	523,198	\$ 7.50	\$ 0.2230	\$ 7.28	\$ 47,087,794	\$ 1,400,077	\$ 45,687,717	3263%	16.47%
Custom Code Restrictions	682,888 *	\$ 0.30	\$ 0.0284	\$ 0.27	\$ 2,470,959	\$ 232,728	\$ 2,238,231	962%	21.50%
<b>TOTAL</b>					\$ 137,394,414	\$ 3,614,492	\$ 133,779,922	3701%	
<b>Flat Residence Lines</b>	3,176,753								

\* Due to the wide range of rates charged for these services, an average rate was calculated based on actual revenues and demand.



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**Residence Features  
 (Complete Choice)**

<u>Feature</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>	<u>Percent of Lines</u>
CALL FWD VARIABLE	259,637	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	33.46%
3 WAY CALLING	662,066	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	85.31%
CALL WAITING	300,277	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	38.69%
SPEED CALLING (8)	244,724	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	31.53%
SPEED CALLING (30)	187,972	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	24.22%
CALL FWD BUSY LINE	267,123	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	34.42%
CALL FWD DONT ANSWER	102,370	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	13.19%
CC CALL FWD BUSY LINE	570	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.07%
CC CALL FWD DONT ANSWER	1,356	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.17%
CFBL-MULTIPATH/CUST CTRL	-	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.00%
CFDA-MULTIPATH/CUST CTRL	2	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.00%
CFV-MULTIPATH/CUST CTRL	2	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.00%
RENOTE ACCESS-CFV	63,489	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	8.18%
CALL WAITING DELUXE	462,715	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	59.62%
CFDA-RING CONTROL	226,767	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	29.22%
CALL RETURN- PER LINE	677,220	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	87.26%
REPEAT DIALING- PER LINE	474,101	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	61.09%
CALL SELECTOR- PER LINE	147,820	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	19.03%
PRECALL FWD- PER LINE	35,452	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	4.57%
CALL BLOCK- PER LINE	457,761	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	58.98%
CALL TRACING- PER LINE	306,924	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	39.55%
CALLER ID-BASIC- PER LI	5,164	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.67%
CALLER ID-DELUXE-W/ACR	732,533	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	94.39%
CALLER ID-DELUXE-W/O ACR	4	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.00%
ANONYMOUS CALL REJECTION	9,204	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	1.19%
CUSTOM CODE RESTRICTION	269,259	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	34.70%
RM I- ADDL TELE NO	128,166	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	16.51%
RM II- 1ST ADDL TELE NO	40,079	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	5.16%
AUDIBLE - RESIDENCE	169,799	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	21.88%
AUDIBLE/VISUAL-RESIDENCE	148,077	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	19.07%
<b>Complete Choice Lines</b>	<b>776,070</b>								

**Residence Features**  
 (Area Plus with Complete Choice)

<u>Feature</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>	<u>Percent of Lines</u>
CALL FWD VARIABLE	9,553	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	29.93%
3 WAY CALLING	28,861	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	90.44%
CALL WAITING	11,300	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	35.41%
SPEED CALLING (8)	11,222	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	35.16%
SPEED CALLING (9)	10,017	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	31.39%
CALL FWD BUSY LINE	13,202	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	41.37%
CALL FWD DONT ANSWER	4,602	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	14.42%
CALL FWD BUSY LINE	43	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.13%
CC CALL FWD DONT ANSWER	96	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.30%
CFBL-MULTIPATH/CUST CTRL	-	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.00%
CFDA-MULTIPATH/CUST CTRL	-	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.00%
CFV-MULTIPATH/CUST CTRL	10	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.03%
REMOTE ACCESS-CFV	3,861	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	12.10%
CALL WAITING DELUXE	20,164	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	63.18%
CFDA-RING CONTROL	11,415	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	35.77%
CALL RETURN- PER LINE	29,080	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	91.12%
REPEAT DIALING- PER LINE	22,297	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	69.87%
CALL SELECTOR- PER LINE	8,123	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	25.45%
PREF CALL FWD- PER LINE	1,936	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	6.07%
CALL BLOCK- PER LINE	22,008	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	68.96%
CALL TRACING- PER LINE	15,645	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	49.02%
CALLER ID-BASIC- PER LI	245	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.77%
CALLER ID-DELUXE-W/ACR	30,347	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	95.09%
CALLER ID-DELUXE-W/O ACR	-	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	0.00%
ANONYMOUS CALL REJECTION	391	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	1.23%
CUSTOM CODE RESTRICTION	11,569	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	36.25%
RM I- ADDL TELE NO	1,042	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	22.07%
RM II- 1ST ADDL TELE NO	2,945	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	9.23%
AUDIBLE - RESIDENCE	7,807	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	24.46%
AUDIBLE/VISUAL-RESIDENCE	7,672	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	24.04%
<b>AP with CC Lines</b>	<b>31,913</b>								

**Business Features**  
 (Non-Packaged)

<u>Feature</u>	<u>Inservice Quantity</u>	<u>Monthly Rate</u>	<u>Monthly Cost per/unit</u>	<u>Monthly Contribution per/unit</u>	<u>Annual Revenue</u>	<u>Annual Cost</u>	<u>Annual Contribution</u>	<u>Percent Contribution</u>	<u>Percent of Lines</u>
3-Way Calling	40,784	\$ 4.00	\$ 0.0661	\$ 3.13	\$ 1,957,618	\$ 423,873	\$ 1,533,745	362%	1.28%
Call Waiting	130,774	\$ 5.80	\$ 0.0205	\$ 5.78	\$ 9,101,884	\$ 32,170	\$ 9,069,714	28193%	4.12%
Call Forwarding Busy Line	64,934	\$ 3.25	\$ 0.0021	\$ 3.25	\$ 2,532,410	\$ 1,636	\$ 2,530,774	154662%	2.04%
Call Forwarding Don't Answer	137,492	\$ 3.25	\$ 0.0041	\$ 3.25	\$ 5,362,180	\$ 6,765	\$ 5,355,416	79168%	4.33%
Call Return	48,492	\$ 5.00	\$ 0.3657	\$ 4.63	\$ 2,909,539	\$ 212,804	\$ 2,696,736	1267%	1.53%
Repeat Dialing	2,394	\$ 4.50	\$ 0.4304	\$ 4.07	\$ 129,262	\$ 12,363	\$ 116,899	946%	0.05%
Cr/A Selector	58	\$ 4.50	\$ 0.0702	\$ 4.43	\$ 3,159	\$ 49	\$ 3,109	6310%	0.00%
Preferred Call Forwarding	32	\$ 5.00	\$ 0.0427	\$ 4.96	\$ 1,920	\$ 16	\$ 1,904	11610%	0.00%
Caller ID Deluxe	41,294	\$ 9.99	\$ 0.3679	\$ 9.62	\$ 4,950,290	\$ 182,303	\$ 4,767,987	2615%	1.30%
Custom Code Restrictions	506,403	\$ 0.43	\$ 0.0284	\$ 0.40	\$ 2,594,121	\$ 172,582	\$ 2,421,539	1403%	15.94%
<b>TOTAL Flat Business Lines</b>	<b>1,273,226</b>				<b>\$ 29,542,384</b>	<b>\$ 1,044,563</b>	<b>\$ 28,497,821</b>	<b>2728%</b>	

\* Due to the wide range of rates charged for these services, an average rate was calculated based on actual revenues and demand.

# TSLRIC Calculation

