STATE OF FLORIDA

BEFORE THE

PUBLIC SERVICE COMMISSION

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

# DIRECT TESTIMONY

# OF

# RANDY M. ALLEN

# ON REVENUE REQUIREMENT ISSUES

ON BEHALF OF THE

OFFICE OF PUBLIC COUNSEL

AND FLORIDA CITIZENS

NOVEMBER 16, 1992

EXETER

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see DN 14953-92

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Introduction and Scope

Q. Please provide your name and business affiliation.

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

Q. On whose behalf are you appearing?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Would you please explain Exhibit RMA-2?

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

Q. Would you please explain Exhibit RMA-3?

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

<u>Summary</u>

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

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

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

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

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

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

Q. How did you proceed with your analyses?

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

Q. How is the remainder of your testimony organized?

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

Software Costs

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

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

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

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

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

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

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

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

Further, the National Association of Accountants has concluded that

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

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

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

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

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

Promotional Activities

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

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

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

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

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

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

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

A. Absolutely not. A cost benefit analysis compares the cost of an expenditure to the incremental benefit received from the expenditure as opposed to the net profit resulting from the transaction. For example, let us assume the

Revenues are increased by [illegible] in rates

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

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

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

Q. How does this relate to promotional activities?

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

Q. Would you please summarize your adjustments?

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

Voluntary Enhanced Early Retirement (VEER) Program

Q. Would you please explain the VEER program?

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

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

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

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

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

Incentive Bonus Expense

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

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

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

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

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

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

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

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

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

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

<u>Employee Activities</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Would you please summarize your adjustment?

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

Postretirement Benefits

Q. Would you please explain SFAS No. 106?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Would you please summarize your recommendation?

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

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

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

Uncollectible Accounts Expense

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

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

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

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

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

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

Comparison of Effective Accrual Rates

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

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

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

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

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

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

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

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

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

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

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

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

Legal Settlement Claims

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

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

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

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

Outside Services

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

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

United States Telephone Association (USTA) Dues

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

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

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

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

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

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

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

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

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

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

Abandoned Property

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

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

Atlanta Golf Classic

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

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

Miscellaneous Non-Recurring Expenses

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

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

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

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

Q. What was the outcome of this discovery process?

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

Account No. 6122 - Furniture and Artwork (May 1991)

Expense furniture used in the Interexchange Carrier Point of Contact Office was prorated to Florida operations. Additionally, a large quantity of furniture was repaired and refurbished (Citizens' 8th Interrogatory, Question No. 138).

Account No. 6123 - Office Equipment (May 1991)

The Company purchased cargotainers used in the consolidation of offices in the marketing organization (Citizens' 8th Interrogatory, Question No. 139).

Account No. 6231 - Radio Systems Expense (November and December 1991)

The rental cost of equipment and the purchase of replacement parts for terrestrial microwave and non-cellular expenses declined. Additionally, the Company eliminated one work group and converted to cellular and mobile phones (Citizens' 8th Interrogatory, Question No. 144).

Account No. 6422 - Underground Cable Expense (September to November 1991)

Plant labor charges were higher than normal due to cable failures and cut ducts (Citizens' 8th Interrogatory, Question No. 150).

Account No. 6512 - Provisioning Expense (September and December 1991)

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

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

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

Q. Would you please summarize your adjustments?

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

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

Excess Deferred Income Taxes

Q. Would you please explain excess deferred income taxes?

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

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

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

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

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

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

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

Q. What is SFAS No. 109?

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

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

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

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

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

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

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

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

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

Q. Would you please summarize your adjustment?

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

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

<u>Interest Synchronization</u>

Q. Would you please explain interest synchronization?

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

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

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

Excess Pension Collections

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

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

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

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

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

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

<u>Attrition Analysis</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Can you provide an example of this effect?

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

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

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

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

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

Q. Would you please summarize this concern?

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

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

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

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

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

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

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

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

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

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

Q. How did you develop your adjustment?

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

Q. What was your next step?

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

Q. What was your final step?

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

<u>Attrition on OPC Adjustments</u>

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

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

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

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

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

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

Q. Does this conclude your testimony?

A. Yes, it does.

# APPENDIX A

## Expert Testimony and Other Services

## Presented by Randy M. Allen

Before Federal Commissions:

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

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

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

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

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

Before State Commissions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Before Legislative Bodies and Courts:

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

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

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

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

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

Before Municipalities:

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

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

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

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

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

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

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

STATE OF FLORIDA

BEFORE THE

PUBLIC SERVICE COMMISSION

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

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

ON BEHALF OF THE

OFFICE OF PUBLIC COUNSEL

AND FLORIDA CITIZENS

NOVEMBER 16, 1992

EXETER

Associates, Inc.

10801 Lockwood Drive
Suite 350
Silver Spring, MD 20901

SOUTHERN BELL TELEPHONE COMPANY

Summary of Operating Income
Average for Test Year 1991

(In Thousands)

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

SOUTHERN BELL TELEPHONE COMPANY

Determination of Revenue Increase
Average for Test Year 1991

(In Thousands)

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

Summary of Adjustments to Operating Income
Average for Test Year 1991

(In Thousands)

| | OPERATING REVENUES | Plant Specific Expenses | Depreciation | Other | FIT | State Income Tax | Attrition | MFR Amendment | Net Operating Income | Proforma Adjustment | Adjusted Net Operating Income |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revised Net Income Per Company | $2,202,801 | $567,279 | $524,617 | $639,603 | $75,396 | $18,024 | $41,874 | $28,421 | $391,935 | ($143,392) | $247,943 |
| OPC Adjustments: | | | | | | | | | | | |
| --------------- | | | | | | | | | | | |
| Software Expense | | ($17,995) | | | $5,782 | $990 | | | $11,223 | $0 | $11,223 |
| Promotional Advertising | | ($11,834) | | | $3,802 | $651 | | | $7,381 | $0 | $7,381 |
| Promotional Subscriptions | | ($627) | | | $201 | $34 | | | $391 | $0 | $391 |
| Voluntary Enhanced Early Retirement | | | | ($13,674) | $4,393 | $752 | | | $8,528 | $0 | $8,528 |
| Incentive Bonus | | | | ($18,043) | $5,797 | $992 | | | $11,253 | $0 | $11,253 |
| Employee Activities | | ($1,344) | | | $432 | $74 | | | $838 | $0 | $838 |
| Postretirement Benefits | | ($5,906) | | | $1,898 | $325 | | | $3,684 | $0 | $3,684 |
| Uncollectibles | $15,442 | | | | $4,962 | $849 | | | $9,631 | $0 | $9,631 |
| Legal Settlement Claims | | ($1,146) | | | $368 | $63 | | | $715 | $0 | $715 |
| Outside Services Performed | | ($3,177) | | | $1,021 | $175 | | | $1,982 | $0 | $1,982 |
| USTA Dues | | ($78) | | | $25 | $4 | | | $49 | $0 | $49 |
| Abandoned Property | | ($675) | | | $217 | $37 | | | $421 | $0 | $421 |
| Atlantic Golf Classic | | ($149) | | | $48 | $8 | | | $93 | $0 | $93 |
| Furniture & Artwork | | | | ($528) | $170 | $29 | | | $329 | $0 | $329 |
| Office Equipment | | | | ($493) | $158 | $27 | | | $307 | $0 | $307 |
| Radio Systems | | ($312) | | | $100 | $17 | | | $195 | $0 | $195 |
| Underground Cable | | ($996) | | | $320 | $55 | | | $621 | $0 | $621 |
| Provisioning | | ($5,858) | | | $1,882 | $322 | | | $3,654 | $0 | $3,654 |
| Excess Deferred Income Taxes | | | | | ($8,057) | | | | $8,057 | $0 | $8,057 |
| Interest Synchronization | | | | | $2,806 | $480 | | | ($3,286) | $0 | ($3,286) |
| Negative Attrition on Revenue Requirement | | | | | | | $16,915 | | $16,915 | $0 | $16,915 |
| Negative Attrition on OPC's Adjustments | | | | | | | $2,403 | | $2,403 | $0 | $2.403 |
| BellSouth Corporate Charges | | ($2,821) | | | $906 | $155 | | | $1,759 | $0 | $1,759 |
| BellCore Research & Development | | ($4,980) | | | $1,600 | $274 | | | $3,106 | $0 | $3,106 |
| Total OPC Adjustments | $15,442 | ($57,898) | $0 | ($32,737) | $28,831 | $6,315 | $19,318 | $0 | $90,249 | $0 | $90,249 |
| Total Adjusted Income | $2,218,243 | $509,381 | $524,617 | $606,866 | $104,227 | $24,339 | $61,192 | $28,421 | $481,584 | ($143,392) | $338,192 |

SOUTHERN BELL TELEPHONE COMPANY

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

(In Thousands)

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

SOUTHERN BELL TELEPHONE

Summary of Rate Base
Average for Test Year 1991

(In Thousands)

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

SOUTHERN BELL TELEPHONE COMPANY

Summary of Rate Base
Average for Test Year 1991

(In Thousands)

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

Docket No. 920260-TL
Exhibit RMA-2
Schedule 1

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Software Costs

(In Thousands)

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

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Promotional Advertising

(In Thousands)

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

Notes:

-----

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Promotional Subscriptions

(In Thousands)

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

Notes:

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Voluntary Enhanced Early Retirement Expenses

(In Thousands)

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

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

Docket No. 920260-TL
Exhibit RMA-2
Schedule 5

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Incentive Bonus Expense

(In Thousands)

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

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

RMA-8 - RMP 55
STAFF'S 1ST SET #2

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Employee Activities

(In Thousands)

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

Notes:

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Postretirement Benefits

(In Thousands)

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

Notes:
-----
(1) Per Amended Schedule A-1b.

Docket No. 920260-TL
Exhibit RMA-2
Schedule 8

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Uncollectible Accounts Expense

(In Thousands)

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Legal Settlement Claims

(In Thousands)

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

Notes:

-----

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Outside Services Performed

(In Thousands)

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

Notes:
-----
(1) Per Response to Citizen's 8th Interrogatory, Question No. 188. pg. RMA 103

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to USTA Dues

(In Thousands)

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

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

Docket No. 920260-TL
Exhibit RMA-2
Schedule 12

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Abandoned Property

(In Thousands)

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Atlantic Golf Classic

(In Thousands)

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

Notes:

-----

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Furniture and Artwork

(In Thousands)

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

Notes:

-----

(1) Per MR5 Report, 1991, Account No. 6122.

(2) Expense for May is Excluded.

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Office Equipment

(In Thousands)

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

Notes:

-----

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

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Radio Systems

(In Thousands)

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

Notes:

-----

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Underground Cable

(In Thousands)

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

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Provisioning

(In Thousands)

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Excess Deferred Income Tax

(In Thousands)

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Interest Synchronization Deduction

(In Thousands)

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

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

Docket No. 920260-TL
Exhibit RMA-2
Schedule 21

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Excess Pension Collections

(In Thousands)

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

Calculation of Growth and Inflation Factors

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

Calculation of Increment Per Access Line

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on Revenue Requirement

(In Thousands)

Calculation of Net Operating Income Per Access Line

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

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

SOUTHERN BELL TELEPHONE COMPANY

Adjustment to Negative Attrition on OPC's Adjustments

(In Thousands)

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

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

EXHIBIT RMA-3

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

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

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

REQUEST:

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

RESPONSE:

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

Nancy B. White

General Attorney

INFORMATION PROVIDED BY:

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

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

EXPENSE SUMMARY FOR FLORIDA DIAL SWITCH AND OTHER CIRCUIT AND RADIO

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

K CODES ONLY

| ROG ODE | DESCRIPTION | 1991 |
|---|---|---|
| BS | AUTOMATED ALTERNATE BILLING SERVICE | -474,883 |
| CB | ACCOUNT CODE BILLING/CALL ORGANIZER | |
| | ACCUPULSE | 99,463 |
| | ADVANCED INTELLIGENT NETWORK | 3,055 |
| ID | BROADBAND ISDN | |
| FC | REGIONAL BUSINESS OFFICE DIGITAL ACD | |
| SA | COMMON CHANNEL SIGNALING ACCESS CAPABILITY | 424,244 |
| SB | CCS7 BASIC NETWORK | 1,866,246 |
| CW | CANCEL CALL WAITING | 22,412 |
| | 1+ COIN EQUAL ACCESS | 261,512 |
| | CARRIER ID CODE EXPANSION | 118,828 |
| NM | CUSTOMER NETWORK MANAGEMENT | 31,906 |
| 7R | | 337,162 |
| | DIALING PLAN PROPOSAL | |
| | DIVERSITY - E911 | |
| | DIVERSITY - TANDEM | 447,591 |
| | EXTENDED COMMUNICATION SERVICE | |
| | ESSX ENHANCEMENTS | 1,411,542 |
| SX | ESSX | |
| | FRANCHISE | -9,020 |
| | GENERIC UPGRADES | 639,432 |
| 10 | GROWTH | 191,592 |
| N | INTEGRATED SERVICES DIGITAL NETWORK | 235,521 |
| | MEMORYCALL | 98,766 |
| 10 | MODERNIZATION - OTHER | 55,863 |
| A | OPEN NETWORK ARCHITECTURE | 773,333 |
| | OPERATOR SYSTEMS | 670,896 |
| | OPERATOR SERVICES MIGRATION | |
| SS | OPERATIONAL SUPP. SYST. AND MDF | |
| | RINGMASTER | 19,301 |
| H | REPLACEMENT OTHER SWITCH | |
| 1AE | 1AESS REPLACEMENT PROGRAM | 2,591,126 |
| ES | 2BESS REPLACEMENT PROGRAM | 416,652 |
| | HIGH SPEED DATA SERVICES (SMDS) | |
| | TOUCHSTAR | 2,415,917 |
| BP | USAGE BASED PRICING | 1,469 |
| | UTILITY TELEMETRY SERVICE | |
| | WATCHALERT | 8,060 |
| RTU | RIGHT TO USE FEES-EXPENSED | 3,521,354 |
| | INTEREXCHANGE CARRIER | |
| | WATCHALERT | 85 |
| 10 | MODERNIZATION | 17 |
| 59 | DIVERSITY - TANDEM | |
| | 800 SERVICE | |
| | 911 AND E911 EMERGENCY CODES | |
| | UNIDENTIFIED | 6,313,658 |

RMA-2

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

CAPITAL SUMMARY FOR FLORIDA DIAL SWITCH AND OTHER CIRCUIT AND RADIO

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

C CODES ONLY

| PROG CODE | DESCRIPTION | 1991 |
|---|---|---|
| AABS | AUTOMATED ALTERNATE BILLING SERVICE | 10,736 |
| ACP | ACCUPULSE | 171 |
| ADC | ANALOG TO DIGITAL CONVERSION | |
| AIN | ADVANCED INTELLIGENT NETWORK | |
| ATD | ACCESS TANDEMS | 2,470 |
| ATM | ALARM TELEMETRY | 17,550 |
| CCSA | COMMON CHANNEL SIGNALING ACCESS CAPABILITY | 12,600 |
| CCSB | CCS7 BASIC NETWORK | 301,484 |
| CDS1 | DS1 / MEGALINK | |
| CIC | CARRIER ID CODE EXPANSION | |
| CMVR | | -8,060 |
| DCM | DIGITAL CXR MODERNIZATION | |
| DLCI | DIGITAL LOOP CARRIER INTEGRATION | 94,700 |
| DTS | DIGITAL TEST SYSTEMS | -104,975 |
| DVTD | DIVERSITY - TANDEM | 27,160 |
| EMH | ESSX ENHANCEMENTS | |
| ESX | ESSX | 20,355 |
| FCH | FRANCHISE | 369,130 |
| GFN | GROWTH NEW PLANT AREA FEEDER | |
| GUG | GENERIC UPGRADES | 19,329 |
| ISDN | INTEGRATED SERVICES DIGITAL NETWORK | 2,959 |
| IXC | INTEREXCHANGE CARRIER | |
| MEM | MEMORYCALL | 99 |
| MIT | MOVING IMAGE TRANSPORT (VIDEO) | |
| ONA | OPEN NETWORK ARCHITECTURE | 215 |
| OPS | OPERATOR SYSTEMS | 70,599 |
| OSM | OPERATOR SERVICES MIGRATION | |
| OSS | OPERATIONAL SUPP. SYST. AND MDF | 56 |
| RTUC | RIGHT TO USE FEES - CAPITAL | 9,894 |
| R1AE | 1AESS REPLACEMENT PROGRAM | 185,042 |
| R2ES | 2ESS REPLACEMENT PROGRAM | 2,865 |
| SNPG | SUBSCRIBER - NON-PAIR GAIN | 21,125 |
| TEO | TEST EQUIPMENT OTHER | 15,000 |
| TRK | GROWTH TRUNKS | 17,196 |
| TST | TOUCHSTAR | 15,453 |
| USP | USAGE BASED PRICING | |
| WAT | WATCHALERT | 1,284 |
| 110 | EQPT BLDG DIAL WITH DIAL REPLACEMENT | |
| 911 | 911 AND E911 EMERGENCY CODES | 401 |
| | TOTAL | 1,104,848 |

RMA-3

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

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

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

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

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

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

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

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

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

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

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

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ITEM NO. 5
ATTACHMENT

# SHORT TERM INCENTIVE PLAN MATRICES

**FINANCIAL** (50% Weighting)

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

**SERVICE** (25% Weighting)

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

**STRATEGIC***

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

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

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

# EXECUTIVE SHORT TERM MEASUREMENT WEIGHTINGS

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

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



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# KEY SERVICE & REVENUE INDICATORS (KSRIs)

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

* Provisional first six months



RMA-7

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7/24/92

**APPENDIX A**
**INDIVIDUAL**
**INCENTIVE AWARD PLAN**

## 1.0 GENERAL

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

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

## 2.0. ELIGIBILITY

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

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

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

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

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

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

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

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

## 3.0 CANDIDATES

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

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

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



RMA-10

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

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

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

## 4.0 AWARD PAYMENT

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

## 5.0 SEPARATIONS

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

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

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

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

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

## 6.0 BENEFITS

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

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

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

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

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

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

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

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

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

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

7.0 TAXES, PERSONAL ALLOTMENTS

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

8.0 MINIMUM PAYMENT OBLIGATION

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



# Addition
* Revision



RMA-13

APPENDIX A
INDIVIDUAL
INCENTIVE AWARD PLAN

## 1.0 GENERAL

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

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

## 2.0. ELIGIBILITY

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

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

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

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

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

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

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

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

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

## 3.0 CANDIDATES

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

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

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

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

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

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

## 4.0 AWARD PAYMENT

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

## 5.0 SEPARATIONS

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

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

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

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

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

## 6.0 BENEFITS

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

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

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

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

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

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

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

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

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

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

## 7.0 TAXES, PERSONAL ALLOTMENTS

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

## 8.0 MINIMUM PAYMENT OBLIGATION

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



# Addition
* Revision



RMA-18

APPENDIX B
MANAGEMENT TEAM
INCENTIVE AWARD PLAN

## 1.0 GENERAL

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

## 2.0 PARTICIPANTS

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

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

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

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

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

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

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

- Employees who participate in the Executive Short Term Incentive Plan

- Temporary and occasional management employees



* Revision

1-1-92

RMA-19

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## 3.0 ELIGIBILITY

### 3.01 Actual MTIA Payment

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

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

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

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

### 3.02 Payment In Lieu Of An Actual MTIA

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

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

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

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

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

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

3.03 MTIAs for Bellcore Assigned Employees

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



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

3.04 Career Alternative Plan (CAP) MTIA Treatment

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

## 4.0 AWARDS

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

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

4.02 Award Computation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.12 Award Payment

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

## 5.0 BENEFITS TREATMENT

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

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

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

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

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

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

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

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

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

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



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## 6.0 TAXES, PERSONAL ALLOTMENTS

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

## 7.0 SEPARATIONS

Retirements

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

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

Resignations or Dismissals

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

Deaths

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

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



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## 8.0 LEAVES OF ABSENCE AND BENEFITS

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

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

# MANAGEMENT TEAM INCENTIVE AWARDS
# % OF STANDARD AWARD

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

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6-1-91

MTIA PRORATION SCHEDULE

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

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

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

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

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

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

1-1-92

## 1.0 GENERAL

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

## 2.0 PARTICIPANTS

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

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

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

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

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

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

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

- Employees who participate in the Senior Management Incentive Compensation Plan

- Temporary and occasional management employees



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## 3.0 ELIGIBILITY

### 3.01 Actual MTIA Payment

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

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

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

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

### 3.02 Payment In Lieu Of An Actual MTIA

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

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

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

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

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

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

3.03 MTIAs for Bellcore Assigned Employees

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

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

3.04 Career Alternative Plan (CAP) MTIA Treatment

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



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## 4.0 AWARDS

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

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

4.02 Award Computation

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

4.12 Award Payment

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



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## 5.0 BENEFITS TREATMENT

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

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

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

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

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

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

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

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

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

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

## 6.0 TAXES, PERSONAL ALLOTMENTS

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

## 7.0 SEPARATIONS

### Retirements

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

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

### Resignations or Dismissals

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

### Deaths

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

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

## 8.0 LEAVES OF ABSENCE AND BENEFITS

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

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



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# MANAGEMENT TEAM INCENTIVE AWARDS
## % OF STANDARD AWARD

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

RMA-41



6-1-91

## MTIA PRORATION SCHEDULE

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

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

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

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

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

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

1-1-92

APPENDIX A
MANAGEMENT TEAM
INCENTIVE AWARD PLAN

## 1.0 GENERAL

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

## 2.0 PARTICIPANTS

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

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

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

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

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

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

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

- Employees who participate in the Senior Management Incentive Compensation Plan
- Temporary and occasional management employees

## 3.0 ELIGIBILITY

3.01 Actual MTIA Payment

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

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

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

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

3.02 Payment In Lieu Of An Actual MTIA

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

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



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

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

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

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

3.03 MTIAs for Bellcore Assigned Employees

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

3.04 Career Alternative Plan (CAP) MTIA Treatment

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



RMA-46

## 4.0 AWARDS

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

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

4.02 Award Computation

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

4.12 Award Payment

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

## 5.0 BENEFITS TREATMENT

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

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

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

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

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

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

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

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

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

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

## 6.0 TAXES, PERSONAL ALLOTMENTS

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

## 7.0 SEPARATIONS

### Retirements

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

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

### Resignations or Dismissals

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

### Deaths

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

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

## 8.0 LEAVES OF ABSENCE AND BENEFITS

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

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

# MANAGEMENT TEAM INCENTIVE AWARDS
# % OF STANDARD AWARD

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

RMA-53

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6-1-91

## MTIA PRORATION SCHEDULE

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

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

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

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

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

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

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
FPSC Staff's First Interrogatories
May 27, 1992
Item No. 4
Page 1 of 1

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

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

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

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

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

Page 16, Schedules 6, 11 + 23



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

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

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

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

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

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

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

RMA-56

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

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

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

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

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

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

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

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

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

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

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

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

RMA-58

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

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

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

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

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

REQUEST:

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

RESPONSE:

Monthly balance of uncollectible account reserve (account 1181):

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

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

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

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

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

RMA-60

Page 27, Schedule 8



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

a. Billed Revenues

b. Actual write-offs net of recoveries

c. Bad Debt provision

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

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

RMA-61

# Uncollectible Accounts (1181, 1191 & 1201)

## Schedule B-4

Company: Southern Bell Telephone and Telegraph Company – Florida

For the Year Ended December 31, 1991

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

Footnotes:

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

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

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

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

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

RMA-62

# *Uncollectible Accounts (1181, 1191 & 1201)*

*Schedule B-4*

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

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

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

 RMA-63

*Uncollectible Accounts (1181, 1191 & 1201)*

*Schedule B-4*

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

## Notes for Schedule B-4

Footnote (a)

Respondents' Mode of Reporting in this Schedule:

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

Footnote (b)

Basis used to determine the accruals charged to Account 5301:

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

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

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

   by

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

Footnote (c)

Other Credits and Debits for uncollectible accounts:

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

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

RMA-64

# *Uncollectible Accounts (1181, 1191 & 1201)*

*Schedule B-4*

*Company: Southern Bell Telephone & Telegraph*

*For the Year Ended December 31, 1989*

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

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



RMA-65

Notes for Schedules B-4

Footnote (a):

Respondents' Mode of Reporting in this Schedule:

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

Footnote (b):

Basis used to determine the accruals charged to Account 5301:

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

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

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

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

   by

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

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

Footnote (c):

Other Credits and Debits for uncollectible accounts:

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

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

UNCOLLECTIBLE ACCOUNTS (ACCOUNT 1181 and ACCOUNT 1191)

Southern Bell Telephone & Telegraph-Florida
(Company)

Year Ended December 31, 1988

066 12/88
(Code) (mm yy)

FORM M SCHEDULE 21

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

141

RMA-67

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

Notes for Schedule 21

Footnote (a):

Other Debits to reserve for uncollectible accounts:

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



RMA-68

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Citizens' 8th Interrogatories
June 16, 1992
Item No. 138


REQUEST:

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

RESPONSE:

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

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

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

RMA-69

REQUEST:

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

RESPONSE:

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

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

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

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

BMA-70

REQUEST:

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

RESPONSE:

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

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

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

RMA-71

REQUEST:

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

RESPONSE:

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

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

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

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

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

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

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

BMA-72

Page 34



REQUEST:

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

RESPONSE:

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

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

150 W. Flagler Street
Suite 1901
Miami, Florida 33130

RMA-73

REQUEST:

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

RESPONSE:

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

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

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

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

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

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

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

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

Page 39, Schedule 21

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Citizens' 8th Interrogatories
June 16, 1992
Item No. 173


REQUEST:

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

RESPONSE:

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

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

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

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

RMA-76

Schedule 2



REQUEST:

Please provide a schedule breaking down total advertising expense contained in cost of service for the following categories and provide copies of such advertisements for each category.

a. Institutional
b. Promotional
c. Informational
d. Legal
e. Financial
f. Job Vacancies
g. Other (Explain)

RESPONSE:

Please see attached copy of MFR Schedule C-10 (page 2). Specifically in response to this request:

a. Institutional (corporate): Excluded from cost of service
b. Promotional (product): $ 11,833,912
c. Informational/Community Affairs: $61,700
d. Legal: None
e. Financial: Not separately categorized
f. Job Vacancies: Not separately categorized

Copies of advertising script for advertisements funded by BellSouth Corporation, and allocated in part to Southern Bell, have been previously provided in this docket in response to Citizens' Production of Documents Request No. 49 as well as Citizens' Production of Documents Request No. 111. The BellSouth advertisements are part promotional and part institutional. Attached as pages 3 through 9 are examples of the promotional advertisements run by Southern Bell.

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

RMA-77

Advertising Expenses
By Subaccount

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

Schedule C-10
Page 1 of 1
Witness Responsible

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

| Account/ Subaccount | (Product) Promotional | (Corporate) Institutional | Informational | Community Affairs | Intrastate Total |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 6613.0000 | 11,504,895 | | | | 11,504,895 |
| 6722.0000 | 329,017 | 533,131 | | | 862,148 |
| 6722.0000 | | | | 61,700 * | 61,700 |
| Affiliated Billing from BSS/BellCORE; included in overhead charges for various services | | 46,000 | | | 46,000 |
| | 11,833,912 | 579,131 | 0 | 61,700 | 12,474,744 |

* This amount includes both Community Affairs and Informational Advertising; breakdown not available.

State the company's proposed ratemaking treatment for accounts shown on this schedule:

The Institutional (Corporate) Advertising total in Column 3 has been excluded from ratemaking via proforma adjustments. All other amounts are included in ratemaking expenses.

pporting Schedules: Recap Schedules:

RMA-78

TUCKER WAYNE/LUCKIE & COMPANY

BellSouth Services
BSS BSL BO 4509
Business Sales

:60 Radio
9/20/91 BS04509/bss
AG/ju
"Interior
Decorators"
As Produced

ANNCR(V/O): Imagine three great interior designers trying to agree on a room's decor.

FRENCH WOMAN: First I would have Louis XIV furniture...

AMERICAN MAN: No! Early American!

ENGLISH WOMAN: No! No! Baroque!

AMERICAN MAN: Broke! You mean we'll have to fix it.

ANNCR: Collaboration never comes easy. Especially when it comes to business communications. Great individual parts don't necessarily make a great network.

FRENCH WOMAN: And on the mantle a bust of Napoleon!

ENGLISH WOMAN: No! No! Shakespeare!

AMERICAN MAN: C'mon! a bowling trophy there.

ANNCR: At Southern Bell (South Central Bell) we have the services to tie everything together. For example, our MemoryCall(R) Deluxe Voice Messaging Service answers your phone when you can't. And you don't have to buy or install any new equipment. So you achieve greater control, performance, and productivity with your business communications.

FRENCH WOMAN: And in front of the fireplace...

AMERICAN MAN: A bear skin rug!

ENGLISH WOMAN: What a grizzly idea!

ANNCR: Southern Bell (South Central Bell). Talk to us first. Call 1-800-522-BELL. We have the vision to put it all together.

\# \# \#

RMA-79

TUCKERWAYNE/LUCKIE&COMPANY

BellSouth Services
BSS BSL BO 4509
Business Sales

:60 Radio
9/20/91 BS04509/bss
AG/ju
"Hair Stylist
(pg.32)
As Produced

| | |
|---|---|
| ANNCR: | Imagine three great hair stylists trying to agree on one great coiffure. |
| PATSY: | I say we give it this cute little beehive look... |
| BEVERLY: | No! No! It should be a pompadour! |
| PATSY: | In a pig's eye! |
| FLO: | Uhhh...don't you mean pig tail? |
| ANNCR: | Collaboration never comes easy. Especially when it comes to business communications. Great individual parts don't necessarily make a great network. |
| BEVERLY: | Mon ami! Anything but pig tales! |
| PATSY: | Okay...ponytail! |
| FLO: | No! Ducktails! |
| BEVERLY: | Oh my! I think I could use a cocktail! |
| ANNCR: | At Southern Bell (South Central Bell) we've helped businesses meet their needs by designing the best, and most reliable fiber optics networks with superior transmission quality. It comes complete with built-in security, route diversity, and is monitored 24 hours a day by our communications experts. |
| FLO: | I say we shave it...put a safety pin in it...and call it Punk! |
| BEVERLY: | Oh please! That simply won't cut it! |
| ANNCR: | Southern Bell (South Central Bell). Talk to us first. Call 1-800-522-BELL. We have the vision to put it all together. |

# # #

RMA-80

TuckerWayne/Luckie&Company

BellSouth Services
BSS BSL BO 4509
Business Sales

:60 Radio
9/20/91 BS04509/bss
AG/lf
"Poets"
As Produced

ANNCR (V/O): Imagine three great poets trying to create one great poem.

EDNA ST. VINCENT MILLAY: My candle burns at both ends...

ALFRED LORD TENNYSON: ...right! As into the Valley of Death road the six hundred!

ELIZABETH BARRETT BROWNING: But you've ruined Edna's candle metaphor, Mr. Tennyson!

TENNYSON: Candle? I thought she said cannon.

ANNCR (V/O): Collaboration never comes easy. Especially when it comes to business communications. Great individual parts don't necessarily make a great network.

TENNYSON: My dear Mrs. Browning, what's wrong with cannons booming at both ends?

ELIZABETH: Let me count the ways!

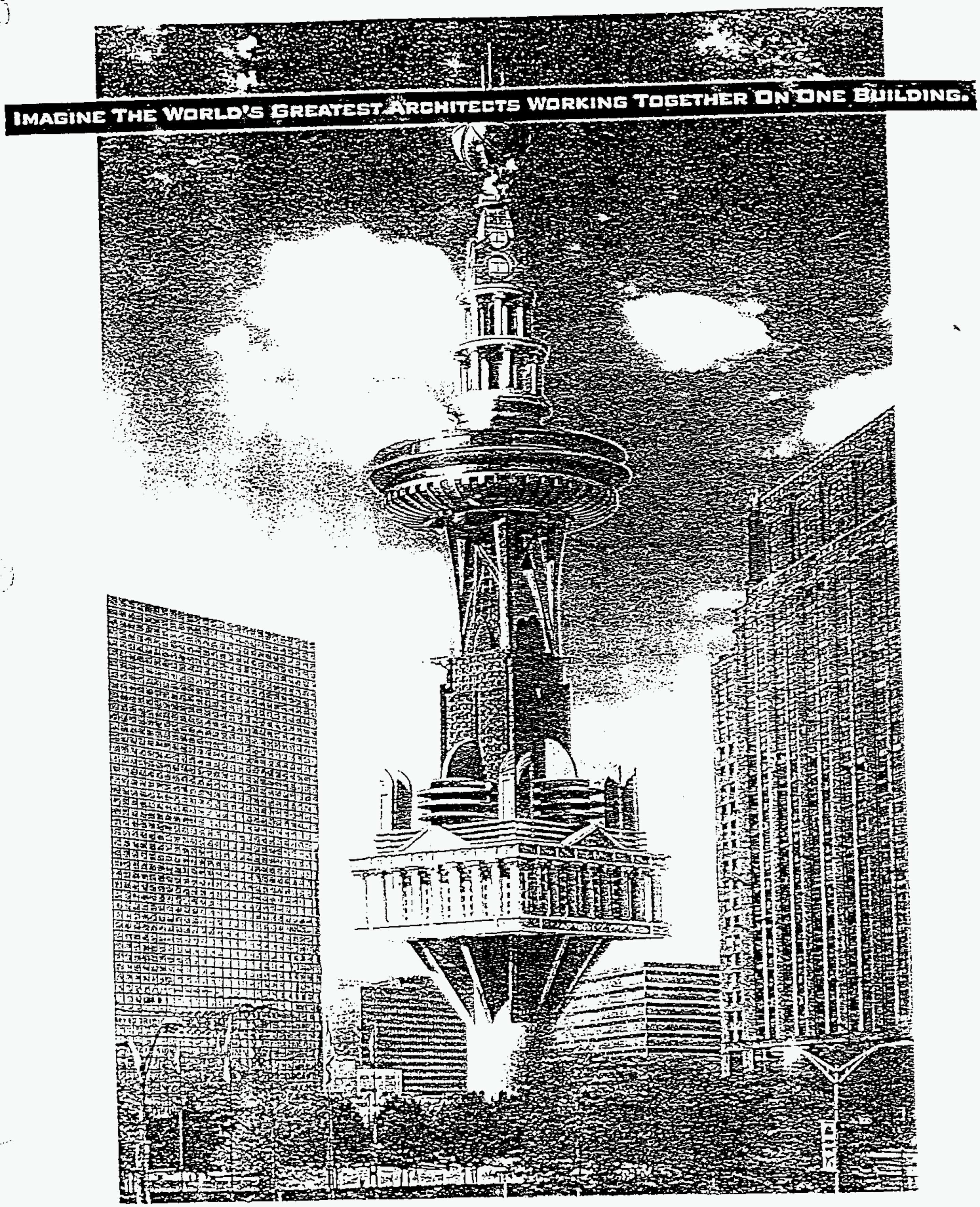
ANNCR: At Southern Bell (South Central Bell) we have the services to help tie everything together. For example, our new WatsSaver(SM) service, works with the equipment you already have in place to give every phone in your office simultaneous WATS access 24 hours a day, 7 days a week. Now at prices more affordable than ever.

TENNYSON: Yes...we'll have candles volleying and thundering!

EDNA: Ohhh, you and your beastly charge!

ANNCR(V/O): Southern Bell (South Central Bell). Talk to us first. Call 1-800-522-BELL.
We have the vision to put it all together.

RMA-81


IMAGINE THE WORLD'S GREATEST ARCHITECTS WORKING TOGETHER ON ONE BUILDING.

RMA-82

In theory it sounds great. But if they don't share the same vision, the result could be a blueprint for failure. In much the same way, it takes more than great components to make a great government communications network. That's where Southern Bell comes in. We have the depth of resources and the broad experience in government communications to help you look at your information systems as a whole. Our network designers can evaluate your specific applications and help you determine the most effective combination of communications services.

Saving tax dollars, state and local governments across the South are optimizing their networks while improving public services, through Southern Bell's strategic use of emerging technologies. Enhanced connectivity and compatibility help each resource do more. This allows economies of scale, easier sharing of information, and more effective interagency cooperation.

We can help you coordinate emergency response capabilities with group fax and handle peak loads of financial and statistical data with high-capacity digital bandwidths on demand. With televideo and imaging capabilities, police can receive fingerprint and photographic reports on the scene. Courts can use the same technology for televideo arraignments, and schools can broaden their curricula with distance learning.

For more great ideas on unifying your communications network, call Southern Bell first at 1 800 522-BELL. We can help you design a communications plan that's a strong foundation for better government.

WE HAVE THE VISION TO PUT IT ALL TOGETHER.

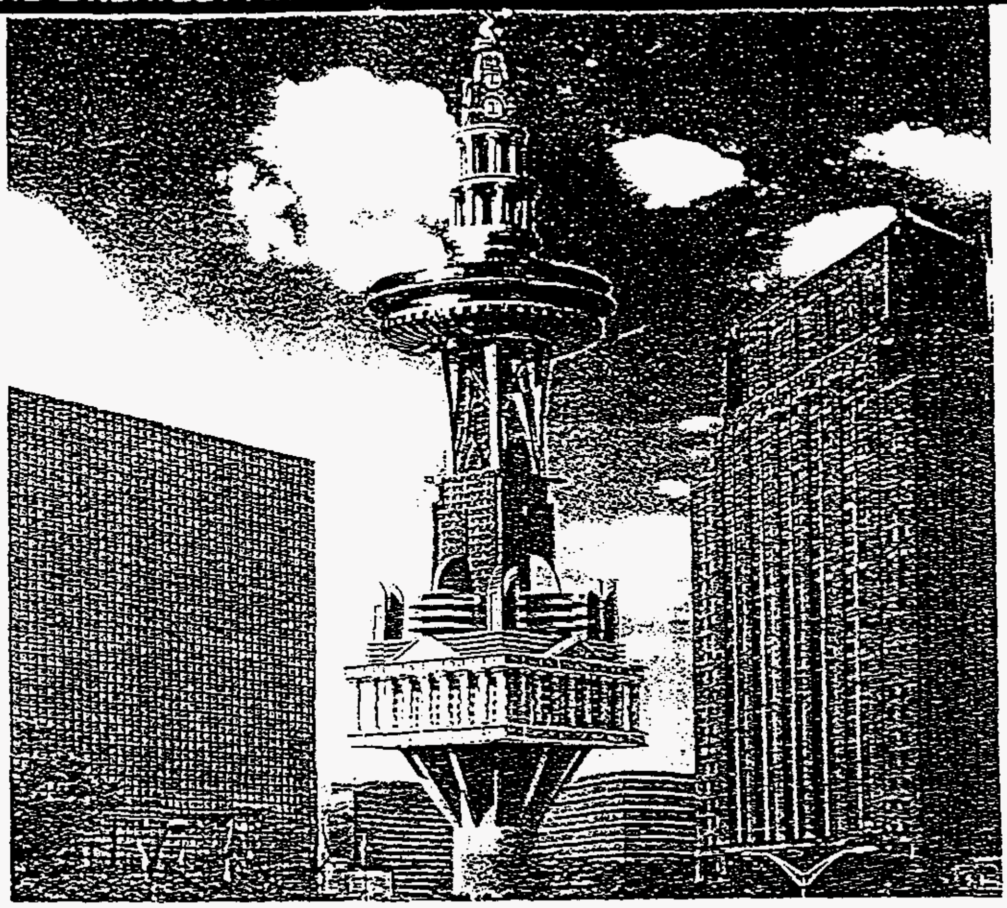
Southern Bell®

A BELLSOUTH COMPANY



RMA-83

# IMAGINE THE GREATEST ARCHITECTS WORKING TOGETHER ON ONE BUILDING.



In theory it sounds great. But if they don't share the same vision, the result could be a blueprint for failure.

In much the same way, it takes more than great components to make a great government communications network. We have the depth of resources and the industry-specific experience to help you look at your communications as a whole. We can evaluate voice, data, imaging and specialized applications to find the most effective combination for your specific needs.

A good example is how our network design center is helping state and local governments save tax dollars while improving public services. Through strategic use of emerging technologies, Southern Bell is optimizing government networks so each resource can do more. By allowing departments of public safety, transportation and education as well as law enforcement and other agencies to share the same network, these enhancements make it possible for government offices to take advantage of economies of scale and avoid duplication. The network can be easily updated so public services can benefit from the latest advances without large expenditures to replace obsolete equipment.

For more great ideas on unifying your communications network call Southern Bell at 1 800 522-BELL. We'll help you design a plan that's a strong foundation for better government.

WE HAVE THE VISION TO PUT IT ALL TOG...

Southern Bell

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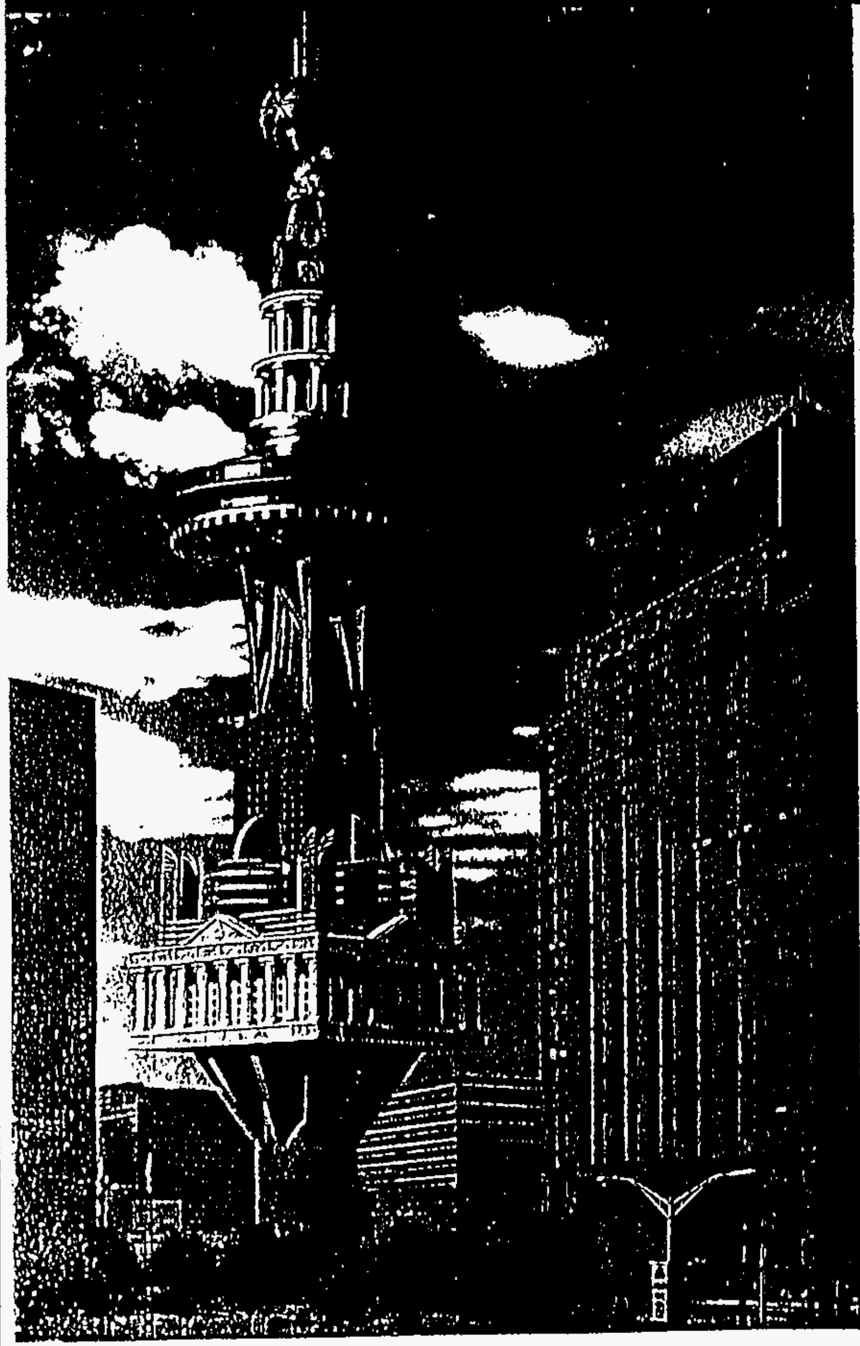
MAGINE THE WORLD'S GREATEST ARCHITECTS WORKING TOGETHER ON ONE BUILDING.



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Southern Bell®

A BELLSOUTH COMPANY



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Schedule 3



REQUEST:

Please provide the level of payments made to industry organizations other than membership dues included in cost of service along with a description of each payee organization or project.

RESPONSE:

Payments made to industry organizations other than membership dues could include subscriptions, which are categorized as follows:

(1) Subscriptions - General Company Benefit (EXTC 438):

Includes costs for voluntary payments made by the Company to or on behalf of trade, technical, professional and other non-company organizations that have as their purpose the betterment of the commercial and business interests of the community from which the company may reasonably expect to benefit. Representative organizations are:

Civic planning funds
Minority groups
Research bureaus
Taxpayers groups
Urban coalitions (local)
Vocations guidance institutes

(2) Subscriptions - Specific Organization Benefit (EXTC 441):

Includes costs for voluntary payments made by the Company to trade, technical, professional or other non-company organizations that provide benefits to the work of a specific company organization. These costs are charged to the appropriate operating account for that organization. Representative non-company organizations are:

Council for Financial Aid to Education (Public Relations expense)
Engineers Joint Council (Engineering expense)
Occupational Health Institute (Medical expense)
Wharton School - Center for Financial Research (Treasury expense)

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(3) Subscriptions - Stimulation of Business (EXTC 442):

Includes costs for voluntary payments made by the Company to trade, technical, professional or other non-company organizations that provide some stimulation or increase in business as a result of this activity. These payments are considered part of the company's advertising program. Representative organizations are:

Carnivals
Civic celebrations
Conventions
Fairs
Merchant associations

Attached is a printout showing the 1991 expenses for each of the above three categories, by payee. These amounts are summarized below:

| | EXTC 438 | EXTC 441 | EXTC 442 | TOTAL |
|---|---|---|---|---|
| SB - Headquarters | 117,990 | 31,645 | | $149,635 |
| Allocated to Florida | 51,337 | 13,769 | | 65,106 |
| Incurred by Florida | 621,960 | 5,893 | 5,000 | 632,853 |
| Florida Total | | | | 697,959 |
| Florida Intrastate | | | | 475,489 |

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

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BELLSOUTH TELECOMMUNICATIONS, INC
HQ EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CE | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 66120000 | 441 | 000077092 | E | VOID - CORRECTION VOUCHER | 07 | 80425 | 10,444.95 |
| | | 000101027 | A | DOUGHERTY COUNTY JAIL | 08 | 45275 | 700.00 |
| | | 000114651 | C | FLORIDA SHERIFFS ASSN | 07 | 08990 | 1,500.00 |
| | | | | | 12 | 01214 | 500.00 |
| | | 000123486 | C | SOUTHERN STATES CORRECTIONAL | 07 | 08960 | 1,000.00 |
| | | 000124594 | C | PAROLE ASSN OF GEORGIA | 07 | 15093 | 1,500.00 |
| | | 000124727 | F | SOUTHERN STATES CORRECTIONAL | 07 | 13607 | 1,000.00 |
| | | 000125178 | D | FLORIDA SHERRIFFS YOUTH | 07 | 18924 | 1,000.00 |
| | | 000125699 | I | FLORIDA AIRPORT MGRS ASSN | 08 | 27181 | 3,000.00 |
| | | 000125704 | G | GEORGIA PRISON WARDENS ASSN | 08 | 27182 | 500.00 |
| | | 000126197 | C | CIRCLE K CORPORATION-UPC/TRE | 08 | 34812 | 2,000.00 |
| | | 000127165 | I | GEORGIA SHERIFFS ASSN. | 09 | 48580 | 200.00 |
| | | 000127195 | F | NORTH CAROLINA CORRECTIONAL | 09 | 48579 | 250.00 |
| | | 000127225 | A | SOUTH CAROLINA CORRECTIONAL | 09 | 48581 | 1,500.00 |
| | | 004060727 | K | RETAIL GROCERS ASSOC. OF | 12 | 00706 | 500.00 |
| | | 004060976 | W | SOUTH CENTRAL BELL | 07 | L9379 | 750.00 |
| | | 004061762 | C | GEORGIA CORRECTIONAL ASSN | 12 | 00243 | 2,000.00 |
| *TOTAL ACCOUNT 66120000 | | | | | | | 28,844.95 |
| 67290000 | 441 | 000121716 | F | GEORGIA LABOR MANAGEMENT CONF | 05 | 25504 | 2,000.00 |
| 67289000 | 438 | 000012538 | E | GEORGIA SHERIFFS ASSOCIATION | 04 | 11001 | 2,000.00 |
| | | 000048787 | F | CENTRAL ATLANTA PROGRESS INC | 03 | 44011 | 4,000.00 |
| | | 000060700 | E | ATLANTA CHAMBER OF COMMERCE | 02 | 08585 | 500.00 |
| | | | | | 09 | 62266 | 5,000.00 |
| | | 000110143 | E | SOUTH CENTRAL BELL | 01 | L9054 | 2,500.00 |
| | | 000113317 | B | INAUGURATION 91 | 01 | 21280 | 12,500.00 |
| | | 000120180 | E | ASIS | 05 | 11962 | 300.00 |
| | | 000120399 | A | MCI CHARITY PRO AM | 05 | 12981 | 1,500.00 |
| | | 000120490 | I | GEORGIA SHERIFFS ASSN | 05 | 17666 | 500.00 |
| | | 000121283 | F | AMERICAN LEGISLATIVE EXCHANGE | 07 | 02124 | 1,041.66 |
| | | 000123041 | I | COUNCIL OF GOVERNORS' | 07 | 02134 | 3,333.33 |
| | | 000126409 | D | GOVERNOR'S COMMISSION ON | 08 | 38132 | 12,500.00 |
| | | | | | 12 | 21512 | 5,000.00 |
| | | 003077747 | E | AMERICAN LEGISLATIVE EXCHANGE | 09 | 15497 | 1,125.00 |
| | | 004052554 | E | WESTMINSTER SCHOOLS | 07 | 21260 | 250.00 |
| | | 004060976 | A | SOUTH CENTRAL BELL | 06 | L9333 | 5,000.00 |
| | | 004063036 | C | COLLINS CENTER FOR THE PUBLIC | 03 | 29257 | 30,000.00 |
| | | | | SESSIONS, WALTER U | 09 | 34722 | 25,200.20 |
| | | | | NOELL, PATRICIA A | 12 | T9048 | 40.00 |
| *TOTAL ACCOUNT 67289000 | | | | | | | 112,790.19 |
| TOTAL | | | | | | | 143,635.14 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 67220000 | 441 | 000723978 | A | HYATT REGENCY WESTSHORE | 06 | 51070 | 698.30 |
| 67250000 | 441 | 000069961 | B | PHYSICIANS' DESK REFERENCE | 10 | 10729 | 49.95 |
| 67209000 | 438 | 000011092 | D | VOID - CORRECTION VOUCHER | 04 | E0364 | .00 |
| | | | | | | E0379 | -500.00 |
| | | | | | 07 | E0426 | -300.00 |
| | | | | | | E0427 | .00 |
| | | | | | 10 | E0514 | 1,000.00 |
| | | | | | 11 | E0566 | 15,000.00 |
| | | 000044222 | E | "VOID" CASH BOOK | 06 | B0116 | -19.14 |
| | | 000092469 | F | SERVICE AMERICA CORPORATION | 08 | 22624 | 928.20 |
| | | | | | 11 | 37487 | 318.99 |
| | | 000101539 | E | CITY OF PALM BEACH GARDENS | 05 | 14396 | 500.00 |
| | | 000103900 | A | BAY COUNTY CHAMBER OF COMMERCE | 02 | 03165 | 7,500.00 |
| | | 000110181 | E | MORALE SUPPORT FUND | 04 | 06550 | 2,755.60 |
| | | | | | 08 | 23520 | 1,143.60 |
| | | 000110245 | H | CITY OF FORT ST LUCIE | 08 | 24791 | 500.00 |
| | | 000110706 | I | CCFFPA INC | 09 | 02693 | 240.00 |
| | | 000111719 | A | TUCKER AND ASSOCIATES | 01 | D0599 | -5,000.00 |
| | | 000111865 | B | NORTHEAST FLORIDA LEAGUE OF | 12 | 16317 | 820.00 |
| | | 000113043 | D | BROWARD SHERIFF'S ADVISORY | 01 | 44714 | 1,200.00 |
| | | 000113345 | C | FLORIDA ASSOCIATION OF | 10 | 08702 | 1,500.00 |
| | | 000113357 | H | DADE BROWARD GOVERNMENT | 01 | 20460 | 906.58 |
| | | 000113444 | D | F E C ZORAL | 01 | 18372 | 500.00 |
| | | 000113596 | A | SCHOOL BOARD OF BROWARD COUNTY | 01 | 23067 | 2,800.00 |
| | | 000113634 | A | UNITED NEGRO COLLEGE FUND INC | 01 | 22084 | 500.00 |
| | | 000113956 | G | BREVARD ECONOMIC DEVELOPMENT | 01 | 23471 | 10,000.00 |
| | | 000113969 | A | LITTLE CEASARS PIZZA | 01 | 20888 | 78.16 |
| | | 000114097 | I | MARTA FLORES | 01 | 43421 | 500.00 |
| | | 000114172 | F | COLUMBIA INSTITUTE | 01 | 43430 | 3,000.00 |
| | | | | | 09 | 00202 | 3,000.00 |
| | | 000114119 | A | FLORIDA INTERNATIONAL UNIVER | 01 | 20885 | 5,000.00 |
| | | 000114176 | A | ENGINEERS' FAIR | 01 | 43134 | 500.00 |
| | | 000114202 | E | RCCJ | 02 | 44713 | 250.00 |
| | | 000114396 | E | BAY COUNTY VOCATIONAL | 01 | 45279 | 200.00 |
| | | 000114509 | C | PEACE BROADCASTING CO INC | 01 | 44749 | 1,500.00 |
| | | 000114534 | A | DELRAY DUNES BETHESDA MEMORIAL | 01 | 44746 | 150.00 |
| | | 000114579 | I | ROTARY CLUB OF JUPITER | 01 | 44745 | 500.00 |
| | | 000114614 | A | TRUTHS INC | 01 | 44748 | 1,000.00 |
| | | | | | 07 | 22635 | 250.00 |
| | | 000114694 | D | NORTH PALM BEACH ELEMENTARY | 02 | 46967 | 500.00 |
| | | 000114765 | A | CITY OF LAUDERHILL | 02 | 50281 | 2,500.00 |
| | | | | | 07 | 15720 | 500.00 |
| | | 000114789 | A | JUNIOR ACHIEVEMENT | 02 | 49258 | 300.00 |

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FL EXTCS 430, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 67289000 | 430 | 000114992 | A | SISTRUNK HISTORICAL FESTIVAL | 02 | 55009 | 860.00 |
| | | 000115096 | A | SIR SPEEDY | 05 | 19451 | 79.50 |
| | | 000115231 | C | BETHUNE COOKMAN COLLEGE ALUMNI | 02 | 59845 | 1,000.00 |
| | | 000115282 | F | ANNIVERSARY CLASSIC | 02 | 58327 | 1,000.00 |
| | | 000115323 | E | VOLUNTEER CENTER OF CENTRAL | 02 | 56354 | 1,000.00 |
| | | 000115325 | C | DAVID POSNACK JEWISH | 02 | 57618 | 1,750.00 |
| | | 000115328 | E | PARAMOUNT ENGRAVING INC | 02 | 56267 | 463.92 |
| | | 000115333 | G | LAUDERDALE LUMBER | 02 | 56266 | 41.29 |
| | | 000115358 | D | ECLINE OFFICE & ART SUPPLY | 02 | 56268 | 146.14 |
| | | 000115359 | B | CVE MASTER MANAGEMENT CO INC | 02 | 58776 | 159.00 |
| | | 000115503 | E | AMERICAN SOCIETY OF PUBLIC | 02 | 00690 | 625.00 |
| | | 000115554 | H | LASERIMAGE PRINTING CO | 02 | 02290 | 2,000.00 |
| | | 000115887 | B | FOREST TRACE AT INVERRARY | 02 | 03127 | 175.00 |
| | | 000115897 | A | PUBLIX | 02 | 03129 | 500.00 |
| | | 000116176 | I | CHAMBER/TEE | 02 | 05559 | 100.00 |
| | | | | | 06 | 42949 | 500.00 |
| | | 000116197 | E | ORLANDO DRUG SEMINARS | 02 | 06929 | 200.00 |
| | | 000116211 | D | GREATER MIAMI HOST COMMITTEE | 02 | 02376 | 851.96 |
| | | 000116256 | I | ARVA PARKS & COMPANY | 02 | 04789 | 5,000.00 |
| | | 000116099 | F | DIRECT LINK II | 03 | 10133 | 1,000.00 |
| | | 000116909 | C | JACK PINCE DECORATIONS | 03 | 10134 | 333.03 |
| | | 000117061 | B | CRYSTAL LAKE COUNTRY CLUB | 03 | 11826 | 600.00 |
| | | 000117071 | A | BLACK ACHIEVERS PROGRAM/TEE | 03 | 11827 | 900.00 |
| | | 000117098 | D | DADE COUNTY DAY INC | 03 | 10706 | 5,000.00 |
| | | 000117253 | E | LEWIS WATKINS STUDIOS | 03 | 23440 | 200.00 |
| | | 000117259 | D | SO FLORIDA STATE HOSPITAL | 04 | 54144 | 300.00 |
| | | 000117519 | I | 1991 ENGINEERS WEEK BANQUET | 03 | 35771 | 300.00 |
| | | 000117659 | C | LEAGUE OF WOMEN VOTERS OF | 03 | 40076 | 594.00 |
| | | 000117664 | C | METRO DADE ABORT-A-PARK | 03 | 40121 | 5,600.00 |
| | | 000117903 | E | RADIO MAMBI WAQI 710 AM | 03 | 40003 | 500.00 |
| | | 000118076 | I | OCEANS OF NATIONS, INC. | 03 | 45654 | 527.09 |
| | | 000118162 | C | MANOLIN Y PILAR MARTINEZ | 03 | 47235 | 300.00 |
| | | 000118208 | F | ECHAY PHOTO COLOR | 03 | 47233 | 160.00 |
| | | 000118213 | H | STEPHEN'S CHICKEN RIBS & MORE | 03 | 47234 | 1,000.00 |
| | | 000118233 | G | VARADERO SUPERMARKET 410 | 03 | 47232 | 900.00 |
| | | 000118298 | E | SIR SPEEDY PRINTING CENTER | 03 | 48038 | 600.00 |
| | | 000118839 | A | PRESTIGE PRESS | 04 | 54275 | 2,805.05 |
| | | 000118907 | E | KEEP DADE BEAUTIFUL, INC. | 04 | 57681 | 1,500.00 |
| | | 000118927 | E | WESTFORD BANQUET CENTER AT | 04 | 57683 | 499.20 |
| | | 000119296 | D | KIWANIS CLUB OF FLAMINGO | 04 | 02064 | 3,500.00 |
| | | 000119335 | E | BREVARD COUNTY BOARD OF COUNTY | 04 | 01867 | 1,500.00 |
| | | 000119381 | G | PAPER MILL PRINTERS | 04 | 02798 | 101.00 |
| | | 000119396 | A | TILLIE ROTHSTEIN | 04 | 02787 | [illegible] |
| | | 000119423 | B | PENSACOLA CHAMBER OF COMMERCE | 04 | 03411 | 425.00 |
| | | 000119655 | I | MOONLIGHT PRESS | 04 | 02786 | 2,437.50 |

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FL EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 67289000 | 438 | 000119664 | A | SOROPTIMIST INTERNATIONAL OF | 04 | 07254 | 250.00 |
| | | 000119673 | E | PRIDE OF FORT LAUDERDALE ELKS | 04 | 048[illegible] | 1,000.00 |
| | | 000119955 | C | GEORGE TANDY | 04 | 08798 | 252.54 |
| | | | | | 09 | 50250 | 250.00 |
| | | 000120211 | H | GREATER DELRAY BEACH CHAMBER | 05 | 14385 | 1,000.00 |
| | | | | | | 39051 | 400.00 |
| | | 000120488 | B | FLORNADA GIRLS SOFTBALL | 05 | 13195 | 200.00 |
| | | 000120498 | A | METRO AUDIO VISUAL INC | 05 | 13193 | 2,000.00 |
| | | 000120509 | G | DAVID'S CUSTOM CATERERS | 05 | 13194 | 499.50 |
| | | 000120513 | E | SCHOOL BOARD OF BOUARD COUNTY | 05 | 15263 | 150.00 |
| | | 000120518 | F | ATALY GRAPHICS | 05 | 15264 | 342.45 |
| | | 000120523 | F | AMPROS | 05 | 13190 | 279.00 |
| | | 000120545 | I | MIAMI SHORES COUNTRY CLUB | 05 | 16322 | 500.00 |
| | | 000121040 | A | MIAMI LIGHT PROJECT/THE | 05 | 23677 | 1,000.00 |
| | | 000121090 | F | DADE LEAGUE OF WOMEN VOTERS OF | 05 | 23676 | 2,000.00 |
| | | 000121370 | A | DORAL OCEAN BEACH RESORT | 05 | 29519 | 500.00 |
| | | 000121418 | H | SHERATON BRICKELL POINT HOTEL | 11 | 45091 | 999.83 |
| | | 000121420 | E | BROWARD COUNTY PARKS VIDEO | 05 | 29515 | 500.00 |
| | | 000121475 | H | MIAMI-DADE CHAMBER OF COMMERCE | 05 | 29518 | 260.00 |
| | | | | | 11 | 50590 | 500.00 |
| | | 000121480 | H | MIAMI DADE COMMUNITY COLLEGE | 05 | 27330 | 5,000.00 |
| | | 000121485 | E | MIAMI FREEDOM | 05 | 27329 | 5,000.00 |
| | | | | | 08 | 26127 | 2,500.00 |
| | | 000121631 | F | HUGH'S CATERING | 05 | 31768 | 1,060.00 |
| | | 000121715 | G | HERNANDO COUNTY COMMITTE | 05 | 33423 | 72.00 |
| | | 000121760 | C | ST LUCIE COUNTY ECONOMIC | 12 | 58465 | 250.00 |
| | | 000121922 | I | THREE STAR PRODUCTIONS | 06 | 38678 | 2,500.00 |
| | | 000121970 | B | BOCA RATON POLICE DEPARTMENT | 06 | 39852 | 500.00 |
| | | 000122144 | I | MAYOR'S HOLIDAY FESTIVAL FOR | 06 | 39509 | 500.00 |
| | | 000122182 | I | PI SIGMA EPSILON | 06 | 43608 | 2,380.00 |
| | | 000122302 | C | HERNANDO COUNTY FREEDOM FEST | 06 | 38676 | 500.00 |
| | | 000122791 | G | 1991 SPORTS RECOGNITION DAY | 06 | 51694 | 250.00 |
| | | 000123037 | D | GREATER MIAMI HOTEL & MOTEL | 06 | 54618 | 1,000.00 |
| | | 000123456 | A | CHARK & ASSOCIATES | 07 | 59336 | 1,796.70 |
| | | 000123880 | G | CHRISTOPHER COLUMBUS ATHLETIC | 07 | 01615 | 250.00 |
| | | 000123903 | A | SOUTH FLORIDA FIREFIGHTER | 07 | 03021 | 250.00 |
| | | 000124219 | G | JENSEN BEACH TURTLE WATCH | 07 | 05581 | 500.00 |
| | | 000124286 | F | USA TODAY - MIRAMAR | 07 | 11539 | 380.00 |
| | | 000124436 | G | FLORIDA VOTERS LEAGUE INC | 07 | 11544 | 500.00 |
| | | 000124496 | A | NEIGHBORS FOR BETTER | 07 | 11543 | 1,000.00 |
| | | 000124702 | B | LAKE MARY CHAMBER OF COMMERCE | 07 | 14556 | 700.00 |
| | | 000124902 | E | DANIA CHAMBER OF COMMERCE | 07 | 18317 | 650.00 |
| | | 000124917 | F | NAIOP | 07 | 18318 | 250.00 |
| | | 000124923 | D | FLORIDA GOVERNMENT FOR THE | 07 | 14557 | 25,000.00 |
| | | 000124927 | E | DADE COUNTY ASSOCIATION OF | 07 | 18316 | 1,500.00 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 67209008 | 438 | 000125129 | G | MIAMI BEAT/THE | 08 | 79736 | 800.00 |
| | | 000125134 | G | NATIONAL ASSOCIATION OF WOMEN | 08 | 22621 | 1,000.00 |
| | | 000125194 | A | MIAMI SEAQUARIUM | 08 | 20739 | 416.48 |
| | | | | | 09 | 59363 | 1,049.40 |
| | | | | | | 59364 | 1,107.70 |
| | | 000125302 | & | GRIMALDI CANDIES | 09 | 22281 | 500.00 |
| | | 000125326 | I | ACADEMY TROPHIES SOUTH INC | 08 | 22277 | 2,450.00 |
| | | 000125645 | B | EAGLE LITHOGRAPHERS INC | 08 | 27723 | 1,691.69 |
| | | 000125757 | E | TOP HAT DELI CAFE | 10 | 33093 | 250.00 |
| | | 000125764 | A | MEET ME DOWNTOWN | 09 | 29493 | 2,000.00 |
| | | 000125769 | & | SCHOOL BOARD OF PALM BCH | 08 | 28491 | 1,000.00 |
| | | 000125776 | E | DANIA CHAMBER OF COMMERCE | 08 | 29409 | 500.00 |
| | | 000125936 | E | LATIN QUARTER ASSOCIATION | 11 | 50592 | 450.00 |
| | | 000126297 | A | MERRICK FESTIVAL | 08 | 34517 | 500.00 |
| | | 000126485 | E | BABY BUGGY BACK/THE | 08 | 37238 | 250.00 |
| | | 000126906 | I | FERNANDEZ BARADAT-JGR & | 09 | 44968 | 3,500.00 |
| | | 000126909 | C | ABA CONFERENCE | 09 | 44187 | 250.00 |
| | | 000126917 | D | BROWARD'S COMMITTEE OF ONE | 09 | 45910 | 10,000.00 |
| | | 000126959 | F | SUNRISE CHAMBER OF COMMERCE | 08 | 44134 | 625.00 |
| | | 000127013 | A | FT LAUDERDALE MARINA MARRIOTT | 09 | 46694 | 404.96 |
| | | 000127315 | & | PALM BCH CO. SHERIFF'S OFFICE | 09 | 52770 | 500.00 |
| | | 000127564 | C | BROWARD POLICE CHIEFS' ASSOC | 09 | 56224 | 100.00 |
| | | 000127572 | I | FLORIDA ASSOCIATION OF SCIENCE | 09 | 57735 | 600.00 |
| | | 000127579 | A | LEADERSHIP PALM BEACH COUNTY | 09 | 57253 | 500.00 |
| | | 000127638 | E | AMERICAN BUSINESS WOMEN'S | 09 | 54183 | 250.00 |
| | | 000127647 | F | NATIONAL ASSOCIATION FOR | 09 | 57736 | 500.00 |
| | | 000127665 | P | SHRINE CIRCUS FUND | 09 | 59522 | 500.00 |
| | | 000128334 | & | CHAMBER/THE | 09 | 04518 | 500.00 |
| | | 000128440 | E | DADE COUTY CITIZENS SAFETY | 10 | 10453 | 1,000.00 |
| | | 000128561 | H | MILA PROMOTIONS INC | 12 | 59920 | 840.05 |
| | | 000128740 | F | SUN-SENTINEL CIRCULATING | 10 | 14584 | 154.00 |
| | | 000129004 | & | HEMISPHERIC POLICY STUDIES | 10 | 18329 | 1,500.00 |
| | | 000129199 | F | MIAMI LAKES TECHNICAL | 10 | 17128 | 500.00 |
| | | 000129239 | & | UNIVERSITY OF NORTH FLORIDA | 10 | 20413 | 1,000.00 |
| | | 000129270 | E | TAMARAC CHAMBER OF COMMERCE | 10 | 22219 | 200.00 |
| | | 000129287 | I | NORTH MIAMI WINTER NATIONAL | 10 | 16939 | 100.00 |
| | | 000129651 | F | TREASURE COAST SPORTS | 10 | 26771 | 500.00 |
| | | 000129927 | & | SERIGRAPH CORPORATION | 10 | 34004 | 500.00 |
| | | 000129994 | & | BROWARD COUNTY GATOR CLUB | 10 | 30618 | 1,000.00 |
| | | 000129996 | E | DADE SOFTBALL BANQUET | 10 | 35306 | 1,200.00 |
| | | 000130100 | A | CORAL GABLES SR HIGH PTSA | 11 | 37770 | 2,000.00 |
| | | 000130119 | A | BROWARD CTY CHIEFS OF POLICE | 11 | 35814 | 1,750.00 |
| | | 000130145 | F | LOCAL INITIATIVES SUPPORT | 11 | 36767 | 5,000.00 |
| | | 000130150 | F | A J PROMOTIONS INC | 11 | 37462 | 4,215.00 |
| | | 000130193 | I | J C I WORLD CONGRESS | 10 | 35403 | 5,000.00 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 7289000 | 438 | 000130263 | E | SANTA ROSA CHAMBER OF CHAMBER | 11 | 35388 | 50.00 |
| | | 000130659 | F | CITY OF HOMESTEAD | 11 | 43923 | 350.00 |
| | | 000130660 | E | HEAVENLY PROMOTION | 11 | 48002 | 704.90 |
| | | 000130690 | A | IMPRESSIONS OF MIAMI INC | 11 | 45090 | 3,900.00 |
| | | 000130855 | A | ANTHONY ELIAS CATERING | 12 | 21184 | 164.50 |
| | | 000131122 | D | TOWN OF DAVIE | 11 | 54731 | 300.00 |
| | | 000131174 | E | KEY BISCAYNE CHAMBER OF | 11 | 54635 | 45.00 |
| | | 000131640 | E | MIAMI AIRPORT MARRIOTT HOTEL | 12 | 00439 | 1,861.41 |
| | | 000131726 | B | WJNC | 12 | 05013 | 500.00 |
| | | 000132068 | H | CLUB 19 | 12 | 11074 | 1,002.45 |
| | | 000132095 | A | PARTY STATION INC/THE | 12 | 09500 | 371.00 |
| | | 000132344 | C | ORANGE BOWL COMMITTEE | 12 | 15703 | 150.00 |
| | | 000132349 | B | OUR LADY OF LOURDES ACADEMY | 12 | 15702 | 300.00 |
| | | 000132412 | H | DADE BROWARD GOVERNMENT | 12 | 19006 | 600.00 |
| | | 000132427 | F | FLORIDA A & M UNIVERSITY | 12 | 17562 | 1,500.00 |
| | | 000132701 | D | PEQUENA HABANA LUZ Y | 12 | 24425 | 1,000.00 |
| | | 000132786 | E | COCONUT GROVE CHAMBER OF | 12 | 21186 | 400.00 |
| | | 000132876 | D | BLACK ECONOMIC DEVELOPMENT | 12 | 24301 | 5,000.00 |
| | | 000132878 | E | CONCESSION AIR | 12 | 25000 | 254.10 |
| | | 000132919 | B | DENNIS HACKET MEMORIAL SOCCER | 12 | 21185 | 1,500.00 |
| | | 003003097 | G | ORANGE BOWL COMMITTEE | 11 | 53151 | 25,000.00 |
| | | 003003266 | H | L AND M ENGRAVING AND TROPHY | 07 | 20739 | 200.00 |
| | | 003003849 | A | CORAL GABLES CHAMBER OF COMM | 08 | 26128 | 500.00 |
| | | 003006884 | E | NORTH DADE CHAMBER OF COMMERCE | 02 | 06411 | 1,000.00 |
| | | | | | 04 | 50719 | 3,000.00 |
| | | 003010887 | B | CENTRAL AUDIO VISUAL INC | 02 | 56262 | 810.90 |
| | | 003041963 | B | WSEL 42 | 08 | 22276 | 11,700.00 |
| | | 003042691 | & | A HOUSE OF TROPHIES INC. | 11 | 47992 | 499.50 |
| | | 003043510 | A | LATIN CHAMBER OF COMMERCE | 07 | 47236 | 250.00 |
| | | | | | 12 | 00440 | 1,000.00 |
| | | 003047030 | F | DADE COUNTY LEAGUE OF CITIES | 06 | 58744 | 500.00 |
| | | 003048085 | I | MIAMI AUDIO VISUAL MAYCO INC | 12 | 15704 | 337.93 |
| | | 003048128 | G | FLORIDA CHAMBER OF COMMERCE | 03 | 47290 | 1,000.00 |
| | | | | | 07 | 59327 | 500.00 |
| | | 003049130 | B | ISLAMORADA CHAMBER OF COMMERCE | 07 | 05939 | 400.00 |
| | | | | | 12 | 04940 | 300.00 |
| | | 003049286 | C | PIER 66 | 03 | 08899 | 337.19 |
| | | 003050036 | G | TROPHIES BY EPCO INC | 02 | 50279 | 530.22 |
| | | | | | 03 | 08900 | 375.93 |
| | | | | | 07 | 11384 | 66.60 |
| | | 003050201 | G | MIRAMAR PEMBROKE CHAMBER | 02 | 50280 | 500.00 |
| | | | | | 05 | 40335 | 250.00 |
| | | 003050488 | A | GREATER DELRAY BCH CHAMBER | 05 | 39853 | 1,200.00 |
| | | 003050802 | B | PALM BCH CHAMBER OF COMMERCE | 08 | 37957 | 275.00 |
| | | 003050869 | A | NORTHERN PALM BCH COUNTY | 04 | 03347 | 2,055.00 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 439, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 67289000 | 439 | 003050869 | A | NORTHERN PALM BCH COUNTY | 05 | 23975 | 500.00 |
| | | | | | 11 | 37489 | 1,200.00 |
| | | | | | 12 | 19245 | 2,250.00 |
| | | 003051379 | A | CORAL SPRINGS CHAMBER OF | 09 | 56017 | 200.00 |
| | | 003051428 | E | ROTARY CLUB OF BOCA RATON | 07 | 22619 | 100.00 |
| | | 003051617 | C | GREATER POMPANO BCH NORTH BRO- | 08 | 27722 | 100.00 |
| | | 003051904 | E | DAVIE COOPER CITY CHAMBER | 09 | 54369 | 700.00 |
| | | | | | 11 | 39305 | 1,000.00 |
| | | 003052626 | C | FLORIDA CHAMBER OF COMMERCE | 09 | 49820 | 250.00 |
| | | | | | 12 | 16319 | 5,000.00 |
| | | 003053591 | E | TRI-CITY COMMUNITY ASSOC INC. | 06 | 52866 | 5,000.00 |
| | | 003053768 | B | PATS TROPHIES | 11 | 39404 | 453.42 |
| | | 003054272 | E | NORTH MIAMI BEACH CHAMBER OF | 12 | 23542 | 87.98 |
| | | 003054634 | E | FLORIDA GOLD COAST CHAMBER OF | 01 | 23130 | 2,500.00 |
| | | | | | 12 | 56724 | 1,000.00 |
| | | 003056728 | C | SUNILAND PRESS INC. | 02 | 01327 | 3,295.26 |
| | | 003056871 | A | GREATER PLANTATION CHAMBER OF | 04 | 57682 | 250.00 |
| | | | | | 07 | 05017 | 200.00 |
| | | | | | 11 | 40903 | 600.00 |
| | | | | | 12 | 15526 | 1,500.00 |
| | | 003057730 | E | ANARA SHRINE CIRCUS PROJECT | 01 | 44750 | 500.00 |
| | | 003058228 | B | GREATER SOUTH DADE SOUTH MIAMI | 08 | 26129 | 350.00 |
| | | 003058441 | A | HOBE SOUND CHAMBER OF COMMERCE | 10 | 08629 | 100.00 |
| | | 003058729 | A | GREATER BOCA RATON CHAMBER OF | 01 | 44744 | 1,790.00 |
| | | | | | 04 | 01353 | 300.00 |
| | | | | | 07 | 22623 | 2,200.00 |
| | | | | | 09 | 52771 | 250.00 |
| | | | | | 10 | 22858 | 1,500.00 |
| | | | | | 11 | 47994 | 330.00 |
| | | | | | 12 | 05914 | 330.00 |
| | | [illegible] | E | BUSINESS DEVELOPMENT BOARD OF | 08 | 40865 | [illegible] |
| | | | | | 12 | 21917 | 10,000.00 |
| | | [illegible] | [illegible] | ST LUCIE CHAMBER OF COMMERCE | 04 | 64013 | 750.00 |
| | | 003062913 | C | STUART MARTIN COUNTY CHAMBER | 08 | 24700 | 500.00 |
| | | | | | | 29009 | 100.00 |
| | | | | | 10 | 35399 | 300.00 |
| | | 003063732 | F | GREATER SOUTH BREVARD/THE | 08 | [illegible] | 100.00 |
| | | | | | 10 | 28901 | 100.00 |
| | | 003063859 | K | GAINESVILLE AREA CHAMBER OF | 08 | 40727 | 500.00 |
| | | 003063950 | D | MIAMI LEADERSHIP ROUNDTABLE | 01 | 42609 | 5,000.00 |
| | | 003064063 | E | GUS LEVY | 07 | 22622 | 235.31 |
| | | 003064423 | A | SIGNATURE GARDENS LTD | 02 | 03126 | 391.60 |
| | | 003064695 | E | SHERATON DESIGN CENTER HOTEL | 02 | 42166 | 1,950.00 |
| | | | | | 04 | 04012 | 799.17 |
| | | | | | | 50133 | 4,091.94 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 77709000 | 438 | 003064695 | E | SHERATON DESIGN CENTER HOTEL | 06 | 49521 | 2,734.96 |
| | | 003064860 | D | GREATER BOYNTON BEACH | 10 | 22859 | 50.00 |
| | | | | | 12 | 15525 | 500.00 |
| | | 003065607 | H | DOWNTOWN ORLANDO PARTNERSHIP | 01 | 44710 | 400.00 |
| | | 003065906 | D | NORTH MIAMI CHAMBER OF | 11 | 50591 | 140.00 |
| | | 003066691 | A | EXEC WOMEN OF THE PALM BEACHES | 02 | 58329 | 850.00 |
| | | 003066700 | L | GREATER MIAMI CHAMBER OF | 01 | 20088 | 1,757.07 |
| | | | | | 03 | 44099 | 1,659.44 |
| | | | | | 04 | 54159 | 15,000.00 |
| | | | | | 05 | 23675 | 500.00 |
| | | | | | 12 | 22355 | 25,000.00 |
| | | 003067015 | B | BI-ADS INC | 02 | 56269 | 500.00 |
| | | 003067053 | C | A T BUS LINES INC | 08 | 31215 | 250.00 |
| | | 003067491 | E | KEY LARGO CHAMBER OF COMMERCE | 08 | 22290 | 500.00 |
| | | 003067818 | I | WOMENS EXECUTIVE CLUB | 04 | 01204 | 1,000.00 |
| | | 003068402 | A | CHAMBER OF COMMERCE | 05 | 29321 | 100.00 |
| | | 003069153 | I | SALES AND MARKETING EXECUTIVES | 01 | 22007 | 350.00 |
| | | 003070022 | C | MIAMI BEACH CHAMBER OF COMM. | 05 | 15205 | 2,000.00 |
| | | | | | 06 | 58762 | 1,000.00 |
| | | | | | 12 | 15705 | 1,000.00 |
| | | 003070717 | E | HOMESTEAD UTL DEPT CITY OF | 06 | 56275 | 3,500.00 |
| | | 003070996 | H | VISION COUNCIL INC | 10 | 35384 | 250.00 |
| | | 003071144 | D | CITY OF SWEETWATER | 10 | 35307 | 2,500.00 |
| | | 003071456 | B | BURDINES ROYAL PALM CAFE | 03 | 08901 | 185.50 |
| | | 003071643 | E | SUNCOAST CHAMBER OF COMMERCE | 11 | 47993 | 200.00 |
| | | 003072334 | L | GREATER FORT ST LUCIE/THE | 10 | 14376 | 350.00 |
| | | | | | 12 | 58463 | 500.00 |
| | | 003072361 | C | JENSEN BEACH CHAMBER OF | 04 | 02790 | 300.00 |
| | | | | | 10 | 26772 | 1,250.00 |
| | | 003072370 | D | BROWARD COUNTY CHIEFS OF | 10 | 22860 | 250.42 |
| | | 003072433 | L | COCOA BEACH AREA CHAMBER OF | 01 | 18651 | 80.00 |
| | | | | | | 20279 | 125.00 |
| | | | | | 03 | 41322 | 100.00 |
| | | 003072722 | F | SOUTH FLORIDA FAIR | 01 | 44747 | 1,500.00 |
| | | 003072840 | I | WEST ORANGE CHAMBER OF | 12 | 03057 | 300.00 |
| | | 003073213 | E | CITY OF MIAMI | 08 | 20737 | 1,482.00 |
| | | 003073232 | B | DOWNTOWN IMPROVEMENT BOARD | 11 | 43009 | 300.00 |
| | | 003073281 | B | GAINESVILLE AREA CHAMBER | 01 | 20927 | 3,500.00 |
| | | 003073615 | A | INSTANT SIGNS OF SOUTH | 12 | 02218 | 164.30 |
| | | 003074954 | E | HERNANDO COUNTY CHAMBER OF | 05 | 29520 | 506.25 |
| | | 003075600 | A | FLORIDA TAXWATCH INC | 12 | 26337 | 10,000.00 |
| | | 003076299 | A | FLORIDA HOSPITAL FOUNDATION | 02 | 56353 | 500.00 |
| | | 003076722 | B | METROPOLITAN ORLANDO URBAN | 01 | 44711 | 500.00 |
| | | 003076765 | A | MIAMI SENIOR HIGH BOOSTER CLUB | 07 | 59320 | 300.00 |
| | | 003076833 | L | AWARDS INC. JOHN MURLIN | 07 | 19639 | 78.50 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 430, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 67209000 | 430 | 003077170 | C | MILLER DAWKINS PICNIC FUND | 07 | 09711 | 5,000.00 |
| | | 003077519 | A | CRIME WATCH OF HALLANDALE | 07 | 65024 | 500.00 |
| | | 003077747 | H | AMERICAN LEGISLATIVE EXCHANGE | 03 | 46007 | 2,500.00 |
| | | 003078552 | A | MIAMI SHORES CHAMBER OF COMM. | 01 | 23529 | 250.00 |
| | | 003078626 | C | DADE COUNTY PUBLIC SCHOOLS | 02 | 56260 | 1,500.00 |
| | | | | | 05 | 31470 | 7,260.00 |
| | | 003078875 | F | BEACON COUNCIL | 02 | 59526 | 25,000.00 |
| | | | | | 03 | 42110 | 6,000.00 |
| | | 003079377 | D | LEAGUE OF WOMEN VOTERS OF | 11 | 47995 | 200.00 |
| | | 003079933 | B | ACADEMY TROPHIES & AWARDS INC | 05 | 14710 | 382.66 |
| | | 003080721 | H | MIAMI DADE COMMUNITY COLLEGE | 01 | 28987 | 5,000.00 |
| | | 003080907 | C | HYATT REGENCY | 01 | 23120 | 295.03 |
| | | 003081000 | F | BOARD OF COUNTY COMMISSIONERS | 07 | 04093 | 4,900.00 |
| | | 003081302 | F | DADE ECONOMIC FORUM | 01 | 18395 | 500.00 |
| | | 003082321 | E | PACE, INC. | 05 | P2464 | 700.00 |
| | | | | | | 27265 | 500.00 |
| | | | | | 10 | P2756 | 700.00 |
| | | | | | | 22861 | 450.00 |
| | | | | | 11 | 54639 | 300.00 |
| | | 003082455 | A | ACME PRESS | 02 | 00691 | 400.00 |
| | | 003082880 | A | JACKSONVILLE CHAMBER OF COMM | 07 | 19319 | 1,000.00 |
| | | 003083237 | B | TROPICAL AUDUBON SOCIETY INC | 01 | 44712 | 3,000.00 |
| | | 003083394 | A | ECONOMIC DEVELOPMENT | 01 | 22247 | 600.00 |
| | | 003084264 | E | ACTOR'S PLAYHOUSE | 07 | 20740 | 500.00 |
| | | 003084416 | A | X-ALBERTSONS | 02 | 55750 | 20.83 |
| | | 003084779 | B | PANTHEONS RESTAURANT | 02 | 53068 | 90.40 |
| | | 003084819 | F | ST THOMAS MORE PARISH | 08 | 41871 | 100.00 |
| | | 003085146 | C | HEMISPHERIC CONGRESS | 09 | 45934 | 9,000.00 |
| | | 003085866 | F | POMPANO ECONOMIC GROUP | 08 | 44953 | 600.00 |
| | | 003085910 | B | MIAMI SPRINGS CHAMBER OF COMM | 11 | 38375 | 100.00 |
| | | 003086033 | B | RIBBON 'N THINGS WHOLSALE | 10 | 14084 | 499.10 |
| | | | | | 11 | 47894 | 295.20 |
| | | 003086266 | H | WINTERFEST, INC. | 05 | 30140 | 10,000.00 |
| | | 003086373 | B | GREATER KEY WEST/THE | 10 | 14375 | 500.00 |
| | | 003086736 | A | BROWARD DAY TALLAHASSEE | 01 | 44715 | 4,300.00 |
| | | 003086867 | C | HIALEAH HOUSING AUTHORITY | 07 | 16025 | 800.00 |
| | | 003086984 | F | BIG BOWL CHARITY FUND, INC. | 02 | 03125 | 5,000.00 |
| | | 003087225 | C | MIAMI COALITION FOR A/THE | 04 | 57684 | 10,000.00 |
| | | 003087335 | A | CENTRAL PALM BCH COUNTY | 02 | 58328 | 1,000.00 |
| | | | | | 11 | 47901 | 800.00 |
| | | 003087977 | I | GREATER MIAMI NEIGHBORHOODS | 02 | 07179 | 7,500.00 |
| | | 003088005 | B | CITY OF BOYNTON BEACH | 02 | 47198 | 1,000.00 |
| | | 003088390 | E | CORAL GABLES EXECUTIVE/THE | 02 | 56264 | 702.51 |
| | | 003088419 | A | SUNRISE SYMPHONIC POPS | 02 | 53222 | 200.00 |
| | | 003088567 | G | COUNCIL FOR ECONOMIC | 06 | 42947 | 10,000.00 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 7729000 | 438 | 003088725 | A | FLORIDA REGIONAL MINORITY | 04 | 63779 | 500.00 |
| | | 003088778 | & | BETHUNE ELEMENTARY | 05 | 30151 | 500.00 |
| | | 003088850 | G | METROPOLITAN DADE COUNTY PARK | 05 | 29537 | 1,500.00 |
| | | 003088881 | D | DELRAY CITIZENS FOR DELRAY | 08 | 28492 | 300.00 |
| | | 003088897 | H | WOMEN'S EXECUTIVE CLUB | 07 | 13760 | 100.00 |
| | | 003088996 | H | PATCH REEF PARK TENNIS CENTER | 07 | 22620 | 500.00 |
| | | 003089020 | F | GREATER FT LAUDERDALE CHAMBER | 05 | 29576 | 2,250.00 |
| | | | | | 09 | 48404 | 690.00 |
| | | | | | 11 | 35815 | 250.00 |
| | | 003089055 | B | ORMOND BEACH CHAMBER OF | 02 | 55712 | 342.00 |
| | | | | | 12 | 16012 | 90.00 |
| | | | | | | 57930 | 310.50 |
| | | 003089065 | A | CITY OF HIALEAH | 05 | 33413 | 500.00 |
| | | 003089131 | A | JAX PRIDE | 03 | 49697 | 50.00 |
| | | 00308922? | I | KEY BISCAYNE CHAMBER OF | 06 | 42948 | 200.00 |
| | | 003089286 | C | LEADERSHIP SOUTH DADE | 12 | 15701 | 500.00 |
| | | 003089294 | G | CENTURY VILLAGE COFFEE SHOP | 02 | 56263 | 1,272.00 |
| | | 003089326 | G | GREATER MIAMI CHAMBER OF COMM | 07 | 05930 | 1,000.00 |
| | | 003089471 | A | COUNCIL PRESIDENT INSTALLATION | 07 | 20601 | 300.00 |
| | | 003089559 | C | GRIFFIN DISCOUNT TROPHIES | 06 | 51037 | 457.96 |
| | | 003089935 | E | GRASSY WATERS FESTIVAL | 10 | 34115 | 500.00 |
| | | 003089937 | A | GREATER ORLANDO CHAMBER OF | 05 | 33554 | 7,800.00 |
| | | 003090061 | G | HERNANDO COUNTY AIR FESTIVAL | 06 | 30675 | 500.00 |
| | | 003090159 | I | NECA PORTABLE CHEMICAL TOILETS | 01 | 42611 | 440.00 |
| | | | | | 03 | 40075 | 220.00 |
| | | | | | 04 | 03118 | 110.00 |
| | | | | | 05 | 29517 | 110.00 |
| | | | | | 09 | 52560 | 500.00 |
| | | 003090349 | F | COMPASSION NATIONAL CHILDRENS | 02 | 56261 | 250.00 |
| | | 003090487 | D | GREATER FT LDL CHAMBER OF COMM | 04 | 06549 | 1,500.00 |
| | | 003090515 | E | OCALA HILTON | 09 | 01969 | 500.00 |
| | | 003600767 | B | PENSACOLA AREA CHAMBER | 11 | 43009 | 200.00 |
| | | 003607136 | C | WASHINGTON COUNTY CHAMBER OF | 07 | 11585 | 200.00 |
| | | 003609477 | I | X-MARTIN COFFEE COMPANY | 05 | 16323 | 92.65 |
| | | 003642129 | E | SANTA ROSA COUNTY CHAMBER | 01 | 44716 | 80.00 |
| | | 003651727 | D | PORT ORANGE - SOUTH DAYTONA | 03 | 44098 | 240.00 |
| | | | | | 10 | 08710 | 240.00 |
| | | | | | 12 | 09931 | 56.00 |
| | | 003655073 | I | TROPHY CENTER/TPE | 04 | 06554 | 27.16 |
| | | 003656095 | A | FLORIDA CITRUS SPORTS ASSO INC | 07 | 07669 | 500.00 |
| | | 003657508 | B | ECONOMICS CLUB OF ORLANDO | 09 | 04523 | 662.50 |
| | | 003660309 | & | AWARDS UNLIMITED | 03 | 27346 | 607.05 |
| | | 003660823 | K | A-1 AWARDS COMPANY | 03 | 46000 | 62.60 |
| | | 003704453 | D | CITY OF FORT LAUDERDALE | 05 | 14717 | 400.00 |
| | | 003704836 | & | TRI CITY CHAMBER OF COMMERCE | 04 | 01205 | 250.00 |

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BELLSOUTH TELECOMMUNICATIONS, INC
FL EXTCS 438, 441 AND 442 YEAR 1991

| ACCOUNT | EXTC | PAYEE | CD | NAME | MO | SER # | AMOUNT |
|---|---|---|---|---|---|---|---|
| 67289000 | 438 | 003704836 | K | TRI CITY CHAMBER OF COMMERCE | 12 | 07173 | 750.00 |
| | | 003740376 | C | GREATER DEERFIELD BEACH CHAM- | 06 | 40098 | 395.00 |
| | | 003747829 | E | DILLARD HIGH SCHOOL | 02 | 55008 | 216.75 |
| | | | | | 12 | 59921 | 365.30 |
| | | 003747893 | K | CITY OF VERO BEACH | 07 | 05940 | 500.00 |
| | | 004059578 | G | ARA SERVICES INC | 04 | 06551 | 500.00 |
| | | 004062659 | K | MEMORIAL HOSPITAL | 11 | 40279 | 500.00 |
| | | | | LOPEZ,OSCAR D | 07 | T0998 | 217.50 |
| | | | | PASSMORE,CHARLES E | 09 | 25566 | 305.56 |
| | | | | NELSON,CHARLES C | 06 | 22273 | 1,649.45 |
| | | | | BRANIGAN,MICHAEL W | 03 | 50457 | 570.76 |
| | | | | | 04 | T3094 | 100.00 |
| | | | | BEATTY,ROBERT E | 08 | 55003 | 240.00 |
| | 441 | 000067629 | F | PIZZA HUT SE REGION | 07 | 10420 | 146.28 |
| | | 003080011 | D | S-HIALEAH CHAMBER OF COMMERCE | 02 | 55004 | 5,000.00 |
| | 442 | 003061163 | F | HIALEAH CHAMBER OF COMMERCE | 05 | 31469 | 5,000.00 |

*TOTAL ACCOUNT 67289000 632,106.53

TOTAL 632,852.78

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Schedule 4

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Staff's 1st Set of Interrogatories
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REQUEST: Did Southern Bell of Florida incur any severance pay associated with early retirement of employees or termination of employees due to office consolidations or implementation of any cost savings programs in 1991? If so, identify the total company and intrastate amount. Provide the company's requested rate-making treatment of this expense, if any exists.

RESPONSE: Yes. Southern Bell operations in Florida incurred expenses in connection with its Voluntary Enhanced Early Retirement (VEER) Programs in 1991. The following costs were incurred:

| | Florida Combined | Florida Intrastate |
|---|---|---|
| VEER 1991 | $12,627,603 | $ 9,627,524 |
| VEER 1991 Relocation | 5,259,739 | 4,010,125 |
| VEER 1990 (True-Up) | 47,100 | 35,910 |
| TOTAL | $17,934,442 | $13,673,559 |

The above costs are necessary and prudent costs of our business. As they are necessary and prudent costs, Southern Bell has included these costs in its operating expenses for calendar year 1991.

INFORMATION PROVIDED BY: H. A. Paisant
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RMA-99

Schedule 9



REQUEST: Please provide the following monthly data for each separate type of self-funded reserve for claims and damages from January 1988 to present and provide updates as additional data become available.

a. Accruals
b. Actual Claims
c. Balance

RESPONSE: a. The Company does not record accruals for self-funded reserves for claims and damages.

b. The following amounts are for Florida claims paid during 1988 through May, 1992. The amounts are listed by type of claim for 1988 and 1989. Subsequent to 1989, only total claims amounts are available.

| 1988 | Motor Vehicle | Motor Vehicle Related Personal Injury | Personal Injury | Property Damage | Vendor | Other |
|---|---|---|---|---|---|---|
| January | $ 5,780 | $10,370 | $22,375 | $ 8,318 | $3,600 | $ -- |
| February | 9,935 | 120 | -- | 10,100 | -- | 232 |
| March | 22,043 | 1,000 | 50 | 23,088 | -- | -- |
| April | 8,579 | 5,621 | 15,931 | 13,437 | -- | -- |
| May | 10,154 | -- | 3,500 | 8,536 | -- | -- |
| June | 12,481 | -- | 1,701 | 10,397 | 1,612 | -- |
| July | 3,495 | -- | -- | 7,693 | -- | -- |
| August | 13,284 | -- | -- | 10,841 | -- | 318 |
| September | 12,604 | -- | -- | 5,990 | 47 | -- |
| October | 17,471 | -- | -- | 8,010 | 4,523 | -- |
| November | 9,133 | -- | -- | 7,221 | -- | -- |
| December | 3,398 | -- | -- | 9,181 | -- | -- |

| 1989 | Motor Vehicle | Motor Vehicle Related Personal Injury | Personal Injury | Property Damage | Vendor | Other |
|---|---|---|---|---|---|---|
| January | $ 4,673 | $ -- | $ -- | $12,405 | $ -- | $ -- |
| February | 9,277 | -- | -- | 5,519 | -- | -- |
| March | 3,957 | -- | -- | 17,893 | -- | -- |
| April | 11,638 | -- | -- | 10,871 | -- | -- |
| May | 7,324 | -- | -- | 9,134 | 3,225 | -- |
| June | 6,600 | -- | -- | 7,224 | -- | -- |
| July | 9,108 | -- | -- | 7,315 | -- | -- |
| August | 14,566 | -- | -- | 12,370 | 1,910 | 127 |
| September | 9,278 | 17,250 | 2,400 | 12,715 | -- | -- |
| October | 15,034 | -- | -600 | 8,485 | 2,500 | -- |
| November | 16,355 | 125 | -- | 3,590 | -- | -- |
| December | 1,740 | -- | -- | 8,961 | -- | -- |

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| 1990 | Total Only |
|---|---|
| January | $188,717 |
| February | 9,653 |
| March | 25,493 |
| April | 36,131 |
| May | 38,460 |
| June | 104,830 |
| July | 58,760 |
| August | 23,088 |
| September | 5,676 |
| October | 14,096 |
| November | 41,209 |
| December | 303,140 |

| 1991 | Total Only |
|---|---|
| January | $ 37,380 |
| February | 47,887 |
| March | 109,766 |
| April | 31,370 |
| May | 53,971 |
| June | 56,443 |
| July | 67,416 |
| August | 44,800 |
| September | 43,402 |
| October | 92,098 |
| November | * |
| December | * |
| | |
| Total | $698,657 |

*Individual numbers & dollars for November & December not available, but "Total" includes all 12 months.

| 1992 | Total Only |
|---|---|
| January | $ 98,689 |
| February | 42,375 |
| March | 19,597 |
| April | 46,892 |
| May | 34,869* |
| June | |
| July | |
| August | |
| September | |
| October | |
| November | |
| December | |

*No figures available past 5/25 (Date of conversion to new system which is not yet fully operational)

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The following amounts represent claims settlements handled by the Legal Department for 1988 through May, 1992.

| 1988 | | 1990 | |
|---|---|---|---|
| January | $ 62,000 | January | $ 13,400 |
| February | 87,900 | February | (18,600) |
| March | 57,300 | March | 155,000 |
| April | 15,000 | April | 47,500 |
| May | 1,300 | May | 81,800 |
| June | 65,400 | June | 149,500 |
| July | 63,700 | July | 421,600 |
| August | 2,000 | August | 41,500 |
| September | 5,000 | September | 506,300 |
| October | 95,200 | October | 20,000 |
| November | 192,600 | November | 16,000 |
| December | 61,000 | December | 451,000 |
| TOTAL | $ 708,400 | TOTAL | $1,885,000 |

| 1989 | | 1991 | |
|---|---|---|---|
| January | $ 100 | January | $ 198,000 |
| February | 8,600 | February | 22,200 |
| March | 617,800 | March | 23,300 |
| April | 121,500 | April | 198,500 |
| May | 113,700 | May | 30,900 |
| June | 216,500 | June | 112,100 |
| July | 120,500 | July | 91,600 |
| August | 35,500 | August | 528,900 |
| September | 95,500 | September | 159,000 |
| October | 15,700 | October | 1,029,600 |
| November | 328,500 | November | 352,500 |
| December | 42,500 | December | 316,000 |
| TOTAL | $1,716,400 | TOTAL | $3,062,600 |

| 1992 | |
|---|---|
| January | $ 79,000 |
| February | 177,100 |
| March | 89,700 |
| April | 6,600 |
| May | 98,200 |

c. Because there are no accruals, there is no reserve balance.

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Schedule 10

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Citizens' 8th Interrogatories
June 16, 1992
Item No. 188


REQUEST:

Please provide the annual level of outside services expense from 1988 through 1991 and the amount included in cost of service.

RESPONSE:

Although it is unclear from the broad term "outside services expense" precisely what is meant by the question, Southern Bell is providing expense for contracted services including fee payments for surveys and appraisals; contracted labor for repair and upkeep of furniture, office equipment, and EDP equipment; and contracted plant labor and engineering work. The amounts included in operating expense for 1988 through 1991 are shown below (in thousands):

| | Total | Intrastate Expense |
|---|---|---|
| 1988 | $100,116 | $67,803 |
| 1989 | 93,405 | 60,455 |
| 1990 | 91,709 | 59,833 |
| 1991 | 109,323 | 72,121 |

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