

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of the ) DOCKET NO. 920260-TL  
Revenue Requirements and Rate )  
Stabilization Plan of Southern Bell )  
Telephone and Telegraph Company ) FILED 3/5/93  
\_\_\_\_\_ )

STAFF'S FIRST MOTION TO COMPEL COMPLETE AUDIT ACCESS

The Staff of the Florida Public Service Commission (staff) requests the Florida Public Service Commission to compel BellSouth Telecommunications, Inc., (BellSouth) d/b/a Southern Bell Telephone and Telegraph Company (Southern Bell or the Company) to provide complete audit access to information pursuant to the requirements of Section 364.183(1), Florida Statutes. In support staff avers that:

1. An audit team comprised of auditors from Florida and several other states, was formed to audit, among other things, Southern Bell's affiliate relationships. Pursuant to a vote at internal affairs, for purposes of the audit, the audit team is considered to be staff of the Florida Public Service Commission. The audit team's initial Data Request was made on October 26, 1992. Southern Bell failed to adequately respond and on February 2, 1993, the Commission voted to require the Company to respond to the Request in writing by February 10, 1993. In the February 10, 1993, Amended Response, Southern Bell objected to providing certain information. The material at issue falls into three categories: affiliate records, non-Florida data, and non-financial information.

AFFILIATE RECORDS

2. While the Company did agree to provide documents necessary to evaluate affiliate transactions and information regarding "chained" transactions, it objects to providing complete access to affiliate records. Southern Bell objects on the grounds that:

ACK \_\_\_\_\_  
AFA 4 (1) Southern Bell does not have possession, custody or  
APP \_\_\_\_\_ control of such information, (2) the entity that is in  
CAF 1 possession of such documents is not subject to the  
CMU \_\_\_\_\_ jurisdiction of this Commission and (3), in any event,  
CTR \_\_\_\_\_ such information is neither relevant nor reasonably  
EAS \_\_\_\_\_ calculated to lead to the discovery of admissible  
LEG 1 evidence (a) related to transactions or cost allocations  
L'J 6 amount these companies or (b) necessary to show that  
GFD \_\_\_\_\_ Southern Bell's Florida customers do not subsidize either  
ROH \_\_\_\_\_ Southern Bell's or its affiliates [sic] unregulated  
SEC 1 activities.  
WAS \_\_\_\_\_  
OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE  
02523 MAR-5 93  
FPSC-RECORDS/REPORTING

3. All of these arguments fail under Section 364.183(1), Florida Statutes which provides in part that:

The commission shall have reasonable access to all company records, and to the records of the telecommunications company's affiliated companies, including its parent company, regarding transactions or cost allocations among the telecommunications company and such affiliated companies, and such records necessary to ensure that a telecommunications company's ratepayers do not subsidize the company's unregulated activities.

4. The affiliate information is relevant because, in many instances, the basis for cost allocation entails multiple investment and expense accounts of affiliates. In order to assess the appropriateness of the basis for an affiliate transaction, market or fully distributed cost, an assessment of an affiliate's third party market needs to be conducted. Any limitation on audit access to affiliate records undermines the Commission's ability to meet its statutory obligation to protect against cross subsidy.

5. The Company provided inadequate responses to the following requests for financial statements and access to general ledgers which fit this category of material:

<u>Request No.</u>	<u>Affiliate</u>
1-019	BellSouth Information Networks
2-001	Sunlink (partner CSL Chastain)
2-002	BellSouth Capital Funding Corp.
2-004	BellSouth Resources Inc.
2-006	Data Serve Financial Services
3-008	BAPCO
3-016	LM Berry
3-016	Stephens Graphics
3-016	TechSouth
3-016	BellSouth Marketing Programs
3-016	Intelligent Media Services
3-023	BellSouth Enterprises Inc.

NON-FLORIDA DATA

6. Southern Bell objects to providing information regarding operations in states other than Florida. However, cost allocations, which have a significant effect on Florida operations, are based on state-by-state information. This issue was addressed in Order No. PSC-93-0071-PCO-TL, issued on January 15, 1993, which establishes that non-Florida data is relevant to evaluate cost allocation and cross subsidy issues. Moreover, the material is clearly within the access provisions of Section 364.183(1). Southern Bell's refusal to provide this information, in light of the aforementioned Order and Statute, attests to the Company's continuing efforts to impede the Commission's ability to regulate.

7. The Company provided inadequate responses to the following requests which fit this category of material:

<u>Request No.</u>	<u>Other State Data</u>
1-013	Fiber Based Trials
3-002	Director Revenue
3-007	Revenue Sharing Factor
3-011	BAPCO Allocation Matrix
4-009.1	Billing and Collection Data

NON-FINANCIAL INFORMATION

8. Southern Bell objects to providing non-financial information in response to some of the data requests on grounds of relevancy. These involve requests for information such as market and research studies. The material is relevant because in order to identify cross subsidization, auditors cannot restrict their review and analysis to financial information. This is because the likelihood of a service being non-regulated has a bearing on the ratemaking treatment of start up costs such as research and development. Moreover, it is a fundamental principle of auditing for auditors to maintain independence. If auditors are forced to demonstrate why a line of inquiry is taken, audit strategy and independence will be compromised. Furthermore, Commission access to records, as established by Section 364.183(1), is not limited to financial records.

STAFF'S MOTION TO COMPEL

DOCKETS NOS. 920260-TL, 900960-TL, 910163-TL, 910727-TL

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**WHEREFORE**, the staff of the Florida Public Service Commission requests that Southern Bell be compelled, to comply with Section 364.183(1), Florida Statutes, and provide complete audit access regarding the aforementioned requests.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive review of revenue requirements and rate stabilization plan of SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY.	)	DOCKET NO. 920260-TL
	)	
	)	
	)	
	)	
	)	
In re: Show cause proceeding against SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY for misbilling customers.	)	DOCKET NO. 900960-TL
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	)	
In re: Petition on behalf of Citizens of the State of Florida to initiate investigation into integrity of SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY's repair service activities and reports.	)	DOCKET NO. 910163-TL
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	)	
In re: Investigation into SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY's compliance with Rule 25-4.110(2), F.A.C., Rebates.	)	DOCKET NO. 910727-TL
	)	FILED: 03/05/93
	)	
	)	

CERTIFICATE OF SERVICE

I HEREBY CERTIFY copies of the attached STAFF'S MOTION TO COMPEL COMPLETE AUDIT ACCESS have been furnished by U.S. Mail on this 5th day of March, 1993, to the following:

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