

TESTIMONY
OF
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On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 920260-TL

PROPRIETARY

DOCUMENT NUMBER-DATE

12855 DEC-18

FPSC-RECORDS/REPORTING

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1 Q. What is your name and address?

2 A. Kimberly H. Dismukes, 111 West Madison Street, Room 812, Tallahassee,
3 Florida, 32399-1400.

4 Q. Do you have an appendix that describes your educational and occupational
5 history and your qualifications in regulation?

6 A. Yes. Appendix I, attached to my testimony, was prepared for this purpose.

7 Q. Do you have an exhibit in support of your testimony?

8 A. Yes. Exhibit__(KHD-1) contains 19 Schedules which support my testimony.

9 Q. What is the purpose of your testimony?

10 A. I will evaluate certain aspects of the transactions of BellSouth
11 Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company
12 (Southern Bell or the Company) with its affiliated companies.

13

14 My testimony is organized into eight sections. First, I explain the importance of
15 monitoring affiliate transactions. Second, I describe the FCC's rules for
16 monitoring affiliate transactions and cost allocations. Third, I present a brief
17 overview of the Company's organizational relationship with its parent company,
18 BellSouth Corporation (BellSouth or BSC), and its other affiliated companies and
19 subsidiaries and I describe each of the companies owned by BellSouth
20 Corporation and the services they provide. Fourth, I address BellSouth
21 Corporation's method of charging for services to its affiliates and describe the
22 associated problems. In this section of my testimony I also discuss several

1 adjustments due to overcharges from BellSouth Corporation. Fifth, I address other
2 affiliates charges' to the Company and recommend adjustments. Sixth, I discuss
3 services the Company provides to its affiliates and make recommendations.
4 Seventh, I discuss Bell Communications Research and its relationship with the
5 Company and make appropriate recommendations. Finally, eighth, I present a
6 summary of my recommended adjustments.

7 Importance of Monitoring Affiliate Transactions and Cost Allocations

8 Q. Let's turn to the first section of your testimony. Would you please explain
9 why it is important to closely monitor affiliate transactions?

10 A. Yes. In a situation involving the provision of services between affiliated
11 companies (or within one company that has both regulated and nonregulated
12 services), the associated transactions and costs do not represent arm's-length
13 dealings. Cost allocation techniques and methods of charging affiliates should be
14 frequently reviewed and analyzed to ensure that the company's regulated
15 operations are not burdened by the nonregulated ones.

16

17 Because of the affiliation between Southern Bell and the firms that contribute to
18 expenses included in the Company's cost of service, the arm's-length bargaining
19 of a normal competitive environment is not present in their transactions. Although
20 each of the affiliated companies is supposedly separate from Southern Bell,
21 relationships among the various companies are still close. All are members of one
22 corporate family with the same owners.

1 Furthermore, BellSouth Corporation, Southern Bell's parent, and its subsidiaries
2 share a very close bond: many of the employees of the parent and the
3 nonregulated subsidiaries are former Southern Bell and South Central Bell
4 employees. These facts, combined with the continued interaction among the
5 various entities, preclude any possibility of true arm's-length transactions.

6

7 It should also be kept in mind that the Company has a substantial degree of
8 monopoly power in its market. In turn, BellSouth has a great deal of control over
9 the Company; in the absence of regulation, there is no assurance that affiliate
10 transactions and allocations will not translate into unnecessarily high charges for
11 the Company's services. Without regulatory review, a large, diversified, partially
12 nonregulated firm like BellSouth or Southern Bell can undermine the regulatory
13 process and earn monopoly profits indirectly through the mechanism of affiliate
14 relationships and allocation of costs between regulated and nonregulated
15 operations.

16

17 Even when the methodologies for cost allocation and pricing have been explicitly
18 stated, close scrutiny of affiliate relationships is still warranted. Regardless of
19 whether or not the Company explicitly establishes a methodology for the
20 allocation and distribution of affiliate costs, there is an incentive for BellSouth
21 Corporation to overcharge costs to Southern Bell and to undercharge costs to its
22 nonregulated subsidiaries. Likewise, as long as Southern Bell is engaged in both

1 monopoly and nonregulated activities, it has the motive and ability to overcharge
2 its regulated monopoly operations and subsidize its more competitive nonregulated
3 ventures in order to underprice its competitors and gain market share.

4
5 Inappropriate treatment of affiliate transactions may take a variety of forms. One
6 is the misallocation of common costs. To the extent that the parent uses the same
7 plant, equipment, and personnel to serve both its regulated and nonregulated
8 activities, it has the incentive to overallocate the costs assigned to the former in
9 order to maximize the charges passed on to its captive ratepayers. This same
10 problem arises within the Company. Since Southern Bell provides both regulated
11 and nonregulated services, it has an incentive to overallocate costs to its regulated
12 operations and to underallocate costs to its nonregulated operations.

13
14 Another potential problem involves the underpricing of services that the regulated
15 entity provides to the nonregulated companies or nonregulated operations. Like
16 the overallocation problem, undercharging for specific services yields high returns
17 for the competitive ventures, while ratepayers absorb any shortfall. If the prices
18 for these services are set below the regulated company's direct costs, the
19 regulated ratepayers will be forced to absorb costs from which they derive no
20 benefit. Also, if the nonregulated subsidiaries or operations pay less than fair
21 market value for the services provided by the regulated company, they will
22 receive an unfair edge in the competitive marketplace.

1 Another abuse can result from the overcharging of services that the nonregulated
2 entity provides to the regulated company. Overcharging for services rendered to
3 the regulated operations yields high returns for the nonregulated operations or
4 companies at the expense of ratepayers.

5
6 Other abuses of affiliate transactions include the incurrence of costs at the parent
7 or affiliate level which are typically not allowed for regulatory purposes, like
8 contributions, lobbying, and advertising expenses. These costs are typically
9 allocated to the regulated operations and are often hard to detect at the affiliate
10 level. While these costs are sometimes captured and disallowed at the parent
11 level, the same is not true for other affiliates that allocate costs to the Company.
12 For example, BellSouth Advanced Networks, Inc. allocates costs to the Company
13 which appear to include contributions, PAC administration expenses, and
14 memberships.

15
16 Regulatory commissions should also be concerned about duplication of services.
17 In a large organization like Southern Bell with a parent company like BellSouth
18 Corporation, it is likely that duplicative services are provided. This is especially
19 true where BellSouth Corporation provides services to numerous subsidiaries
20 which are considerably smaller than the Company. While some services may be
21 necessary for the smaller companies, they are allocated to the Company
22 regardless of whether or not they are provided or needed at the Company level.

1 Finally, regulatory commissions should be concerned about the intangible benefits
2 (name recognition, personnel expertise, and financial stability) conveyed to the
3 unregulated operations and affiliates at no cost. These benefits can be substantial
4 and are largely the result of the regulated operations, yet no compensation is
5 awarded to the regulated operation for the conveyance of these benefits.

6 **Q. Does incentive regulation reduce the incentive to shift costs away from the
7 nonregulated entities and operations to the regulated operation?**

8 **A. No.** There are at least two reasons to believe that under incentive regulation the
9 Company has a greater incentive to engage in inappropriate cost shifting from the
10 nonregulated operations to the regulated operations. First, because the Company's
11 operations are not thoroughly examined under incentive regulation there is a
12 higher probability that the Company can get away with shifting costs to its
13 regulated operations. Under incentive regulation the Company is not subjected to
14 the rigors of a rate proceeding which often result in disallowances for excessive
15 costs (i.e., for inappropriate costs charged to the Company's regulated operations
16 which should be borne by the Company's nonregulated operations or the
17 nonregulated subsidiaries of either the Company or BellSouth.)

18
19 Second, due to the excess-revenue-sharing provisions in the incentive regulation
20 plan, Southern Bell can increase its profits and avoid sharing excess profits with
21 its customers if it shifts costs to its regulated operations (thereby lowering the

22

1 achieved return) and away from its nonregulated operations. Hence, I believe that
2 incentive regulation actually increases the motive for abuse of affiliate
3 relationships.

4 Federal Communication Commission's Rules

5 Q. Let's turn to the second section of your testimony. What rules have been
6 promulgated by the Federal Communications Commission (FCC) concerning
7 charges between affiliated companies?

8 A. In FCC Docket No. 86-111, the FCC established Part X rules, which are
9 supposed to govern the manner in which affiliates charge each other when subject
10 to the FCC's regulation. This order is known as the Joint Cost Order (JCO). The
11 Part X rules, also found in Section 32.27 of the FCC Code of Federal
12 Regulations, require the following pricing scheme:

13 Services provided to an affiliate pursuant to a tariff, including a
14 tariff filed with a state commission, shall be recorded in the
15 appropriate revenue accounts at the tariffed rate. Services provided
16 by an affiliate to the regulated activity, when the same services are
17 also provided by the affiliate to unaffiliated persons or entities,
18 shall be recorded at the market rate. When a carrier provides
19 substantially all of a service to or receives substantially all of a
20 service from an affiliate which [is] not also provided to unaffiliated
21 persons or entities, the services shall be recorded at [a] cost which
22 shall be determined in a manner that complies with the standards

1 and procedures for the apportionment of joint and common costs
2 between the regulated and nonregulated operations of the carrier
3 entity. [47 C.F.R. Section 32.27(d) (1990).]
4

5 The standards and procedures for the apportionment of joint and common costs
6 between the regulated and nonregulated operations of the carrier entity require the
7 use of fully distributed costs.
8

9 The FCC also established rules for the sale or transfer of assets between affiliated
10 companies. These rules require that assets transferred or sold to a regulated
11 telephone carrier be recorded on the books of the carrier at the lower of fair
12 market value or net book value. If the asset is sold or transferred from a
13 regulated telephone carrier to a nonregulated affiliate, the asset must be sold to
14 the affiliated company at the higher of fair market value or net book value.

15 **Q.** What are the FCC's rules with respect to charges between the regulated and
16 nonregulated operations of the Company and for charges between affiliates
17 for which there is no market or tariffed rate?

18 **A.** In this same order the FCC addressed cost allocations between the regulated and
19 unregulated operations of Tier I local exchange companies and AT&T. This order
20 addressed cost-accounting safeguards which were to function as a substitute for
21 separate regulated and nonregulated subsidiaries. Tier I local exchange companies
22 and AT&T were supposed to file cost allocation manuals in accordance with the

1 FCC-prescribed guidelines. After approval of the manuals, the FCC said it would
2 allow the Bell Operating Companies (BOCs) and AT&T to offer nonregulated
3 services without requiring these services to be provided from separate
4 subsidiaries. Accordingly, the BOCs and AT&T are now able to use plant,
5 operations, marketing, and general and administrative resources for both regulated
6 and nonregulated activities. According to the FCC's requirements, costs are
7 allocated according to a four-stage hierarchy: direct assignment, direct attribution,
8 indirect attribution, and unattributable.

9 Q. In your opinion, if the Commission can be assured that the Company follows
10 the FCC's rules, can it also be confident that Southern Bell's regulated
11 operations are not unfairly burdened by the Company's transactions with its
12 affiliates and the cost allocation techniques used?

13 A. No. Merely following the FCC's approach does not guarantee appropriate
14 treatment. Furthermore, this Commission is not bound by the FCC's rules for
15 purposes of regulating the Company. The FCC's rules, while helpful, are vague
16 and leave a lot of discretion to the utility. Consequently, even if the Company
17 followed the FCC's rules, this Commission could not be certain that Southern
18 Bell's regulated operations were not unfairly burdened by the affiliate
19 relationships. Additionally, there is little assurance that the FCC's oversight will
20 be adequate for purposes of detecting abuses.

21

22 Furthermore, the attestation audits conducted by the Company's outside

1 independent auditors should not be relied upon by the Commission for assurance
2 that the Company's cost allocation and pricing techniques are fair and reasonable.
3 These audits merely attempt to verify that the Company has followed the Cost
4 Allocation Manual (CAM) and thus the rules set forth by the FCC. As I discuss
5 later in my testimony, the CAM is woefully inadequate for purposes of
6 determining what methods the Company is using and cannot be relied upon for
7 evaluating the reasonableness of affiliate transactions. In addition, the attestation
8 audits, in my opinion are not as "independent" or "objective" as they should be.
9 In many instances the language used in the audits is not conclusive. For example,
10 in testing the transactions between BellSouth Advanced Networks, Inc. (BSAN)
11 and the Company, Coopers & Lybrand (the attestation auditor) concluded:
12 "BSAN is billing BST directly for only one project. As they are not charging any
13 rate of return in the FDC [fully distributed cost] calculation for the project, it
14 does not appear there are any potential JCO problems." Clearly such a statement
15 should not provide the Commission with any assurance that the charges from
16 BSAN to the Company are either in compliance with the FCC guidelines or that
17 they are fair and reasonable. Just because no return is being charged does not
18 mean that the cost allocation technique is reasonable or that the charges are
19 reasonable.

20
21 There was at least one instance where the auditors found the Company not to be
22 in compliance with the FCC's rules, yet the auditors believed that the affiliate

1 (BellSouth Enterprises) charges were within the "spirit" of the FCC's guidelines.

2 **BellSouth Corporation and its Subsidiaries**

3 Q. Let's turn to the third section of your testimony. Would you please explain
4 the organizational structure of the Company and Bellsouth Corporation?

5 A. Certainly. Page IV-1 of the BellSouth Cost Allocation Manual describes the
6 organizational relationship between BellSouth Corporation and its subsidiaries.
7 For convenience I have summarized this organizational chart on my Schedule 1.
8 As it shows, BellSouth owns four subsidiaries: BellSouth Telecommunications,
9 Inc. (BST) which operates Southern Bell and South Central Bell Telephone
10 Company, BellSouth Enterprises, Inc., BellSouth D.C., Inc., and BellSouth
11 Capital Funding Corporation. Within BellSouth Enterprises, Inc. there are four
12 corporate groups, each owning several subsidiaries. The groups within BellSouth
13 Enterprises, Inc. include the advertising and publishing group, the corporate
14 enterprises group, the mobile systems group, and the marketing, international and
15 corporate development group.

16 Q. Would you please describe each of the companies owned by Bellsouth
17 Corporation, the major services each provides, and how each interrelates
18 with Southern Bell?

19 A. Certainly. As mentioned earlier, Schedule 1 of my exhibit depicts the corporate
20 organizational chart of BellSouth Corporation. For convenience I have also
21 included Schedule 2, which sets forth a matrix of affiliate-charging relationships
22 between the Company and its various affiliates. Schedule 3 shows the amounts

1 charged by each affiliate to Southern Bell, South Central Bell, all other affiliates
2 of BellSouth, and nonaffiliates.¹ Schedule 4 shows that amounts charged by
3 BellSouth Telecommunications, Inc.² to its affiliates.

4
5 BellSouth Corporation provides services to and receives services from Southern
6 Bell. As shown on Schedule 3, during 1990, and 1991, BellSouth charged
7 Southern Bell \$69,969,000 and \$68,101,000, respectively. During 1992,
8 BellSouth charged BellSouth Telecommunications, Inc. \$99,777,000. The services
9 provided by BellSouth Corporation are essentially corporate in nature; they
10 include financial services, planning, legal services, public affairs, public relations,
11 accounting and tax services, executive support, security, and personnel services.

12
13 BellSouth D.C. is a corporation which represents BellSouth Corporation in
14 matters involving the Federal Government. All of BellSouth D.C.'s costs are
15 reimbursed by BellSouth Corporation. Thus BellSouth D.C.'s charges to Southern
16 Bell are indirect--that is they are charged through BellSouth. As shown on
17 Schedule 2, the Company provides several services to BellSouth D.C., including
18 telecommunications, aircraft, procurement of Bellcore services, and training.

19

20 ¹ Nonaffiliate information was apparently only provided if it was in the possession of Southern Bell.

21 ² In 1992 Southern Bell, South Central Bell, and BellSouth Services were merged to form BellSouth
22 Telecommunications, Inc.

1 BellSouth Capital Funding Corporation, a wholly-owned subsidiary of BellSouth
2 Corporation, provides financing services to BellSouth Enterprises and its
3 subsidiaries. This subsidiary provides no direct services to Southern Bell, nor
4 does it receive any services from Southern Bell.

5
6 BellSouth Enterprises is a holding company which provides planning, financial,
7 and staff support to BellSouth's nonregulated companies. It was established to
8 promote market development, resource allocation, and management of growth in
9 lines of business not involved in basic exchange or exchange access services. As
10 listed on Schedule 2, Southern Bell provides BellSouth Enterprises with numerous
11 services: telecommunications, personnel, medical services, data processing
12 services, support, aircraft, procurement, procurement of Bellcore services, data
13 processing, maintenance and upkeep of motor vehicles, training, and customer
14 refunds.

15
16 As shown on Schedule 4, during 1992, BST billed BSE \$680,000 for the services
17 it rendered. BSE was the fourth largest recipient of services provided by BST to
18 its affiliates. According to the CAM, BellSouth Enterprises does not provide any
19 services to the Company. Nevertheless, certain of BSE costs are charged to the
20 Company through chaining.

21
22

1 Q. Would you review the various operating groups organized under BellSouth
2 Enterprises?

3 A. Yes. The advertising and publishing group is primarily involved in the production
4 of telephone directories for South Central Bell and Southern Bell. Several of the
5 subsidiaries in this group provide services to and receive services from Southern
6 Bell. This is depicted in greater detail on Schedule 2.

7

8 The mobile systems group operates one of the largest cellular and paging systems
9 in the U.S. According to the CAM, two of its subsidiaries, BellSouth Cellular
10 Corporation (with its affiliates) and Mobile Communications Corporation of
11 America (with its affiliates) provide services to and receive services from
12 Southern Bell.

13

14 The corporate enterprises group provides leasing, training, and enhanced
15 communications and computer-related services. Three of the subsidiaries
16 comprising this group provide services to the Company: Sunlink Corporation,
17 BellSouth Resources, Inc., and BellSouth Information Systems, Inc. Likewise,
18 the Company provides services to them.

19

20 Finally, the international and corporate development group offers a variety of
21 communications services and products outside the U.S. The Company provides
22 services, other than telecommunications, to two of the affiliates in this group:

1 specifically, BellSouth International and Intelligent Messaging Services, Inc. The
2 Company, however, receives no services from any of the affiliates in this group.

3 Q. What about subsidiaries of BellSouth Telecommunications, Inc. What
4 transactions transpire between these companies?

5 A. As shown on Schedule 1, BST owns three subsidiaries, Bell Communications
6 Research, Inc. (the Company is a one-seventh owner of Bellcore, the remaining
7 owners are the six other Regional Bell Operating Companies), BellSouth
8 Products, and BellSouth Business Systems. BellSouth Business Systems in turn
9 owns six subsidiaries: BellSouth Advanced Networks, BellSouth Systems
10 Integration, BellSouth Communications, Inc., Dataserv, Inc. (and affiliates)
11 BellSouth Communication Systems, Inc. (and affiliates) and BellSouth Financial
12 Services Corporation.

13

14 BST provides services to all three of its primary subsidiaries. As shown on
15 Schedule 4, in 1992, BST charged \$212,000 to BellSouth Products for services
16 rendered, \$310,000 to BellSouth Business Systems for services rendered, and
17 \$5,000 to Bellcore for services rendered. With the exception of Bellcore, none
18 of these companies provided services or products to the Company.

19

20 The Company also provides considerable services to the subsidiaries of BellSouth
21 Business Systems. Schedule 4 shows that during 1992, the Company charged
22 Dataserv, Inc. \$14,000, BellSouth Financial Services \$25,000, BellSouth

1 Communications Inc. \$6,367,000, BellSouth Advanced Networks \$8,000, and
2 BellSouth Communications Systems, Inc. \$1,502,000.

3 BellSouth Corporation's Charges to Affiliates

4 Q. Let's turn to the fourth section of your testimony. Would you please describe
5 how BellSouth charges for services it renders to the Company?

6 A. Yes. BellSouth essentially arranges costs charged to its subsidiaries into two
7 groups. In the first are project costs, or costs that can be directly assigned to one
8 or more entities. In the second are Corporate Services costs (CSC) that are
9 allocated to BellSouth's subsidiaries rather than directly assigned. As shown on
10 Schedule 5, during 1988, 1989, 1990, and 1992³, BellSouth's project costs
11 amounted to \$12,073,000, \$11,775,000, \$12,259,500 and \$10,803,800,
12 respectively; and its Corporate Services costs amounted to \$107,295,000,
13 \$129,706,000, \$137,493,800, and \$122,921,200, respectively.

14
15 The amount of Corporate Services costs allocated to BST, or Southern Bell and
16 South Central Bell, amounted to \$93,964,000 in 1988, \$112,209,000 in 1989,
17 \$116,739,300 in 1990, and \$95,316,700 in 1992. The recent decline in charges
18 to BellSouth's regulated operations, i.e. the Company and South Central Bell, is
19 a function of both a decline in the overall BellSouth charges and fewer dollars
20 being allocated to the regulated operations than in prior years.

21
22

³ 1991 information was not provided to Public Counsel.

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As is evident from reviewing this Schedule, the vast majority of Corporate Service costs are charged to BellSouth regulated telephone operations. In 1988 the Company and South Central Bell were allocated 87.6% of BSC's corporate costs, in 1989 they were allocated 86.5%, in 1990 they were allocated 84.9%, and in 1992 they were allocated 77.5%.

During 1992, BellSouth allocated Corporate Service costs to three subsidiaries: BellSouth Telecommunications, Inc., BellSouth Business Systems, and BellSouth Enterprises. To distribute these costs BellSouth has developed 207 allocation factors (referred to as Factor Reference Numbers or FRNs). The FRNs are broken down into three categories: noncomposite (141), CX type (23), and composite (43). [Southern Bell Telephone and Telegraph Company, Response to OPC's Interrogatory 556.]

The first category consists of allocation factors made up of single statistics (e.g., capital, employees, operating expenses) or multiple statistics (e.g., 30% regulated investment and 70% BSE investment). Many of the multiple noncomposite factors include a percentage for the general allocator (discussed in greater detail below).

[Ibid.]

The second category, which is comprised of CX type factors, are used for

1 exception reporting, to allocate sporadic nonhomogeneous costs within a
2 responsibility code. In other words, a responsibility code may use a noncomposite
3 allocation factor to distribute most of its costs, but on occasion some charges may
4 be distributed using these CX type factors. CX type factors are made up of both
5 single and multiple statistics.

6
7 The third category, composite factors, is used to allocate the costs of top
8 management. These factors are developed by summing the costs allocated to the
9 employees who directly report to the managers.

10 Q. Do you see any problems with BellSouth's allocation factors?

11 A. Yes, I do. First, Southern Bell's Cost Allocation Manual is sorely deficient in
12 explaining how BellSouth's costs are allocated to its affiliates and subsidiaries.
13 There is no discussion of the allocation factors used, their development, or their
14 application--all of which are necessary in order for the Commission to properly
15 evaluate the reasonableness of the allocation method used by BellSouth. At a
16 minimum, the CAM should include BellSouth's cost allocation policies and
17 procedures, the allocator factors, and the cost assignment methodologies by
18 responsibility code.

19
20 Second, approximately 78% of BellSouth's Corporate Service costs were assigned
21 to BST. While BST obviously represents a large share of BellSouth's operations,
22 I question the fairness of an allocation method that results in such a large

1 allocation of common costs to BellSouth's predominately regulated operations. I
2 believe it fails to reflect the benefit that BellSouth's numerous subsidiaries are
3 obviously receiving from the shared services. Part of this problem is explained
4 next in the discussion of the general allocation factor.

5
6 Third, BellSouth uses the general allocator (FRN 100 and CX0006) to allocate
7 costs from many responsibility codes and also includes it as a component of many
8 of the noncomposite allocation factors. Consequently, this allocator drives much
9 of the BellSouth costs allocated to Southern Bell, South Central Bell, BellSouth
10 Enterprises, and BellSouth Business Systems. The general allocator is intended
11 to be used for accounts (responsibility codes) which are considered
12 "unattributable" and thus have no direct relationship to other observable factors.
13 BellSouth's general allocator is comprised of the subsidiaries' total operating
14 expenses, less the subsidiaries' cost of goods sold, and less BellSouth's
15 unattributable costs.

16 Q. Would you explain your concerns with the general allocator used by
17 BellSouth?

18 A. Yes. My concern with this allocation factor is that it does not reasonably
19 distribute the associated costs among BellSouth Telecommunications (i.e.
20 Southern Bell and South Central Bell) BellSouth Enterprises, and BellSouth
21 Business Systems. It is largely size driven; thus the bulk of these "unattributable"
22 costs are allocated to Southern Bell and South Central Bell, despite the possibility

1 that the benefits received by each company may not be proportionate. In other
2 words, use of this factor implicitly assumes that the larger the affiliate the greater
3 its received benefit from the performance of a particular function within
4 BellSouth. For example, the Public Relations department of BellSouth uses the
5 general allocator for several responsibility codes. According to the CAM the
6 functions included in this category of expenses include public relations related to
7 financial advertising and media information. [BellSouth Corporation, CAM,
8 Section V, p. 4; and Southern Bell Telephone and Telegraph Company, Response
9 to OPC's Document Request 467.]

10
11 The use of a size-based allocator is analogous to charging a 210-pound man twice
12 as much to see a movie as a 105-pound woman is charged, merely because he is
13 double her weight. Since they see the same movie, it is reasonable to assume that
14 they have received the same quantity of service and should pay the same price.
15 Similar logic ought to apply to many of the services that are being distributed
16 using the general allocator: sheer size ought to be irrelevant.

17
18 This size-based approach ignores the possibility that relatively new competitive
19 companies like BellSouth Information Systems, Inc., BellSouth Cellular
20 Corporation, Intelligent Messaging Services, Inc., Cooperative Healthcare
21 Networks, Inc., and others, might benefit disproportionately from corporate
22 public relations, advertising and the like.

1 Similarly, small companies, like, Intelligent Media Ventures or BellSouth
2 Personal Communications, Inc., which presumably have a small amount of direct
3 expenses could benefit disproportionately from this factor. In such a case,
4 allocations based on size have little connection with the actual benefits derived.

5
6 The newest companies are the least known by the public and thus tend to derive
7 the greatest benefit from the name recognition and other goals achieved by
8 corporate advertising and public relations. Similarly, the firms operating in the
9 most competitive markets are likely to receive greater benefit from advertising
10 and public relations programs than the regulated telephone companies, which
11 continue to enjoy a high degree of monopoly power within their markets.

12
13 Yet, under the general allocation approach, Southern Bell and South Central Bell
14 have absorbed vastly more public relations costs (approximately 83%) than
15 BellSouth's numerous unregulated subsidiaries. The same basic concept holds true
16 for the executive department, the corporate secretary department, the
17 comptroller's department, the corporate planning department, the assistant
18 secretary corporate counsel's department, the federal relations department, and
19 the corporate affairs department.

20
21 As shown on Schedule 6, all of these departments use the general allocator to
22 distribute a large portion of their costs; yet the newer and more competitive firms

1 are likely to benefit disproportionately from the existence of these functions.

2

3 Comparison of this factor with some of the other allocation factors used by
4 BellSouth also raises questions. For example, the allocation factor represented by
5 the total number of employees in each of the three organizations for the month
6 of June 1992 was 13.8% for BellSouth Enterprises, 80.0% for Southern Bell and
7 South Central Bell combined and 6.3% for BellSouth Business Systems, Inc. The
8 total operating expenses allocation factor was 15.7% for BellSouth Enterprises,
9 78.7% for Southern Bell and South Central Bell combined, and 5.6% for
10 BellSouth Business Systems, Inc.. The allocation factor made up of key managers
11 is 33.0% for BellSouth Enterprises, 61.8% for Southern Bell and South Central
12 Bell combined, and 5.2% for BellSouth Business Systems, Inc.

13

14 By contrast, the general allocation factor for the same month was 12.6% for
15 BellSouth Enterprises, 82.5% for Southern Bell and South Central Bell and 4.9%
16 for BellSouth Business Systems, Inc. [Southern Bell Telephone and Telegraph
17 Company, Response to OPC's Interrogatory 556.] Clearly, the general allocation
18 factor allocates a smaller share of the costs to BellSouth's unregulated operations
19 than do these other allocation factors.

20

21

22

1 Q. Why does the general allocator apportion such a disproportionately large
2 share of costs to BellSouth Telecommunications, Inc, if it is based upon all
3 expenses which are supposedly based upon more objective measures?

4 A. One of the reasons is the fact that included in the general allocator are expenses
5 associated with human resource services which provides labor relations,
6 relocation, wages and salaries, and pensions and benefits services. This expense
7 category is largest category incurred by BellSouth. Many of the allocation factors
8 used to allocate these costs are employee related. As would be expected, Southern
9 Bell and South Central Bell have the most employees and thus are allocated the
10 most costs. In this particular instance this is not necessarily unreasonable.

11

12 However, because this expense category is so large, it has a tendency to dominate
13 the general allocator. Clearly, the number of employees of a company has little
14 or no relationship to the benefits received from public relations, executive, and
15 legal services rendered. Indeed, according to the Company such expenses are not
16 related to anything. As such, it is not reasonable, in my opinion, to include in the
17 allocation factor an account which is dominated by the number of employees.

18

19 Another reason the general allocator apportions such a large share of costs to the
20 Company, stems from the fact that many of the other factors used by BSC are
21 also size driven. These include such items as total operating expenses, total
22 capital, total equity, and others where, due to its size, BST would receive the

1 largest allocation.

2

3 A third reason stems from the possible bias of the individuals making up the
4 allocation factors. For many BSC charges, the individuals that charge to a
5 responsibility code decide what the allocation factor should be. Under the
6 circumstances where BellSouth owns both regulated and nonregulated companies,
7 individuals may consciously or unconsciously tend to develop allocation factors
8 that allocate more costs to the regulated companies. This would have the overall
9 effect of maximizing BSC's profits.

10 Q. What are your conclusions about the general allocator?

11 A. In my opinion, BellSouth's general allocation factor is not a reasonable measure
12 of the distribution of benefits that are likely to be received from the centralized
13 services provided by BellSouth. A better alternative would be a factor which
14 gives some percentage weight to an equal distribution of costs to the three
15 receiving entities. For example, a more reasonable factor than the general factor
16 currently used by BellSouth would be one which gives 50% weight to net
17 operating expenses (i.e., the current BellSouth general allocator) and 50% weight
18 to an equal sharing among the major companies--25% to BellSouth Enterprises,
19 25% to Southern Bell, 25% to South Central Bell, (i.e. 50% to BellSouth
20 Telecommunications, Inc.) and 25% to BellSouth Business Systems. Such an
21 allocation factor for the month of June 1992 would assign 18.8% of BellSouth's
22 "unattributable" costs to BellSouth Enterprises, 66.3% to Southern Bell and South

1 Central Bell combined, and 14.9% to BellSouth Business Systems, Inc. [Southern
2 Bell Telephone and Telegraph Company, Response to OPC's Interrogatory 556.]

3 **Q. Who benefits the most from these unattributable costs?**

4 **A.** It is clear that BellSouth's unregulated companies benefit more from the functions
5 performed by BellSouth which are classified as unattributable than the small
6 fraction which is allocated to them. Many of the costs which are classified as
7 unattributable and allocated using the general allocator relate to very indirect
8 functions which are performed--like those of the Chairman and Chief Executive
9 Officer. While many of the functions he performs may be necessary for a
10 company the size of BellSouth Corporation, any direct link between many of the
11 functions he performs and the benefits transferred to the Company are remote at
12 best. A review of his travel strongly suggests that he spends most of his time in
13 a public relations mode--which promotes the overall virtues of BSC--not the
14 telephone operations per se. Given the competitive nature of BSC's unregulated
15 companies and, for many of them, their new entry into the market place, the
16 public relations and civic functions performed by Mr. Clendenin should be
17 beneficial.

18 **Q. What other executives allocate their charges using the general allocator?**

19 **A.** The Vice Chairman, the Director of Media Relations, the Director of Corporate
20 and Educational Affairs, the Director of Educational Affairs, the Director of

1 Planning⁴, the Director of Legislative Affairs, the Director of Legislative Policy,
2 the Director of Congressional Affairs, and the Directors of Federal Regulatory
3 all allocate their charges using the general allocator.

4 Q. What do you recommend with respect to the use of the general allocator?

5 A. In my opinion, the Commission should require the Company to change the
6 allocation factor to the one that I recommend. This distribution will also help
7 alleviate the problem identified above with respect to impact of the human
8 resources department and other size-based discriminations.

9
10 For the year 1992 I have determined the allocation factor that, in my opinion,
11 should be used to allocate these "unattributable" costs. As shown on Schedule 7,
12 my recommended allocation factor for 1992, which is based upon an average of
13 each of the 12 month allocation factors, would allocate 19.28% of unattributable
14 costs to BellSouth Enterprises, 66.32% to BellSouth Telecommunications, and
15 14.40% to BellSouth Business Systems.

16 Q. Have you quantified the impact of your allocation factor, if it were
17 substituted for the Company's general allocator?

18 A. Yes, I have. If the Commission agrees with my recommendation, the costs
19 allocated to the Company using this factor would be reduced by \$798,655 for
20

21 ⁴ Actually the Director of Corporate Planning using the composite of direct reports, but since all
22 direct reports use the general allocator, the effective allocation factor used by this individual is the
23 general allocator.

1 1992. As shown on Schedule 6, in 1992, BST was allocated 77.44% of BSC
2 corporate service costs. Changing to the allocation factor to the one that I
3 recommend would still allocate 73.82% of BSC corporate service costs to BST.
4 For BST it would reduce expenses by \$4,363,235.

5
6 Since BSC does not prepare a budget at the level needed to perform this same
7 calculation for the budgeted test year, I recommend that the Commission use the
8 1992 data to adjust projected test year expenses. The overall level of BSC
9 expenses charged to the Company in 1992 and 1993 is approximately the same.
10 Thus, using 1992 data, as I have in other areas, will produce a reasonable and
11 accurate result under the circumstances.

12 Q. Let's turn to another subject. Would you address the issue of ownership
13 costs?

14 A. Yes. Ownership costs can be classified as those which are a function of BSC's
15 parent company and investor roles. Examples of ownership costs include senior
16 executives who are concerned with managing the overall diversified group of
17 companies owned by BSC and with providing overall guidance to BSC and its
18 subsidiaries. In addition to the ownership/investor aspect of these executives,
19 many of them perform a significant amount of corporate public relations work
20 which is more beneficial to the nonregulated subsidiaries of BSC than to Southern
21 Bell.

22

1 Other examples of ownership costs include the costs associated with the corporate
2 secretary, corporate planning, cash management, and corporate counsel. These
3 departments are primarily responsible the maintaining the legal company, the
4 administration of its corporate responsibilities, and external legal affairs. Many
5 of these ownership costs are duplicative of the costs incurred by BST.

6 **Q. Have you quantified the impact of your proposed disallowance for ownership
7 costs?**

8 **A. Yes, I have. My recommended expense adjustments are shown on Schedule 8. In
9 total I recommend disallowance of \$973,967 of BSC expenses which should be
10 characterized as ownership costs and/or not appropriate for recovery from
11 ratepayers.**

12
13 As shown, under the heading of BSC Executives, I propose disallowing 50% of
14 the costs charged to the Chief Executive Officer's responsibility code (Mr.
15 Clendenin), the Vice Chairman's responsibility code (Mr. Holding), the Executive
16 Vice President and General Counsel's responsibility code (Mr. Alford), and the
17 Executive Vice President of Governmental Affairs' responsibility code (Mr.
18 McGuire). In total, my adjustment reduces the Company's intrastate operating
19 expenses by \$507,218.

20

21 These senior executives are only involved in a very indirect manner in providing
22 specific technical and management guidance to Southern Bell. These individuals

1 are primarily concerned with board strategic policies and promoting the image of
2 BSC.

3

4 For example, according to the Company's response to OPC's Interrogatory 34,
5 the CEO is:

6 To provide leadership to the Board of Directors in carrying out its
7 collective responsibility for the management of the assets, business
8 and affairs of BellSouth Corporation.

9

10 To strategically plan, organize, manage and control the total
11 operations of BellSouth Corporation and its subsidiaries in ways
12 that result in the optimum in cost effective service, the required
13 growth in revenues and earnings, and expansion into new
14 international markets and new business lines, while maintaining
15 compliance with applicable regulatory guidelines, Board policy
16 standards, and maintenance of a viable existence within the
17 competitive marketplace. [Southern Bell Telephone and Telegraph
18 Company, Response to OPC's Interrogatory 34.]

19

20 The Vice Chairman's basic functions are:

21 To provide strategic guidance to the company's financial and
22 corporate planning process and to human resources and public

1 relations areas in order to anticipate, prepare for and respond to
2 business demands in ways that assure the company a competitive
3 and profitable posture in the marketplace. [Ibid.]

4
5 The Executive Vice President of Governmental Affairs' position is described as
6 follows:

7 Accountable for developing and implementing corporate policy to
8 achieve favorable public policy decisions at the federal level; for
9 apprising senior management of developments that may impact
10 such public policy decisions; for directing corporate actions to
11 influence the course of these developments; and for enhancing the
12 goals while enhancing the stature of the company as the leader in
13 the telecommunications industry. [Ibid.]

14
15 Finally, the Executive Vice President and General Counsel is responsible for
16 providing the management of BSC and its subsidiaries with legal counsel, advice
17 and representation through direction of the BSC's legal departments, functional
18 direction and coordination of subsidiary legal departments, and supervision of all
19 outside counsel employed by BellSouth companies. This person is to participate
20 in the overall management, guidance, and policy making for BSC and to make the
21 legal functions operate as one for all companies. [Ibid.]

1 Q. Have you reviewed any documents which suggest that BSC emphasizes its
2 nonregulated operations when making presentations?

3 A. Yes. In a speech given to the financial community in New York, in January 1992,
4 Mr. Clendenin emphasized BellSouth Corporation's diversified operations. For
5 example, Mr. Clendenin spoke about wireless service:

6 Domestic and international wireless are indeed key components of
7 BellSouth's growth strategy. And, we're well positioned in these
8 emerging markets, both geographically and from a marketing
9 standpoint.

10

11 We can offer the customer almost anything on the wireless
12 continuum--from tone-only paging, to fast-handoff, to fully
13 featured cellular. In between are numeric and alphanumeric
14 paging, mobile data, and experimental Personal Communications
15 Services, or PCS.

16

17 Mr. Clendenin spoke about acquisitions:

18 ...we were active in the acquisitions market last year.
19 Domestically, we finalized deals with GTE, Graphic Scanning and
20 McCaw.

21

22 As part of the RAM Broadcasting joint venture I'll talk more about that

1 later, we have a deal pending that will give us a majority of the non-
2 wireline license in Honolulu. [Southern Bell Telephone and Telegraph
3 Company, Response to OPC's Document Request 794.]

4
5 Mr. Clendenin also addressed BSC's operations in Argentina, Mexico, Venezuela,
6 Uruguay, Chile, New Zealand, Denmark, and Australia.

7
8 In another speech given in Orlando, in November 1992, Mr. Clendenin continued
9 to speak about BSC diversified efforts and many of the same subjects addressed
10 in New York. Mr. Clendenin addressed the shifting of the focus of BSC.

11 And all of these strategic responses to the opportunity that change
12 has created, I think, show that we are in fact shifting the long term
13 drivers of our corporation. [Ibid.]

14
15 Mr. Clendenin explained how in 1983, BellSouth Enterprises represented only a
16 single digit percentage of BSC's equity value. By 1992, BSE represented
17 approximately one-third of BSC's equity value. And, by the year 2001, BSC
18 estimates that BSE will represent about 60% of BSC's equity value. [Ibid.]

19
20 I have included in my exhibit, as Schedule 9, this entire speech. It gives a clear
21 sense that while the regulated telephone operations are still important to BSC,
22 many of the nonregulated diversified operations are receiving considerable

1 attention from BSC's executives. Furthermore, it also shows that in the future,
2 BSC intends for the nonregulated operations to dominate the makeup of
3 BellSouth's operations. Clearly, such a strategy cannot be accomplished without
4 substantial effort on the part of BSC's top management.

5 Q. Have you reviewed any other information which indicates that these senior
6 executives' costs should not be born by Florida's ratepayers?

7 A. Yes. Schedule 10 of my exhibit sets forth Mr. Clendenin's use of the executive
8 corporate aircraft. This schedule shows the dates of Mr. Clendenin's flights, his
9 itinerary, the miles flown, the passengers, and the purpose of the trip. A review
10 of this schedule clearly demonstrates that much of Mr. Clendenin's travel time
11 is spent not promoting the regulated telecommunication operations, but in
12 promoting the overall corporate image of BSC. In the past this Commission has
13 determined that corporate "image" advertising is not appropriately recoverable
14 from ratepayers. I view Mr. Clendenin's public relations/image enhancement
15 efforts in the same light.

16

17 Below I have listed the purpose of every fifth flight taken by Mr. Clendenin:

18

Speak to financial community;

19

Visit family of J.B. Campbell, Director of BellSouth Board;

20

Attend unveiling of C. F. Baily's portrait;

21

Speak at Jefferson County public school administrators retreat;

22

Attend meeting of the business council;

- 1 Talk at Western Kentucky University;
- 2 Attend function honoring deceased BellSouth Director;
- 3 Speak to Boy Scouts;
- 4 Attend meeting with regional Bell Operating Companies CEOs;
- 5 Make speech to Boy Scouts;
- 6 Attend shareholders meeting;
- 7 Meet with Governor and attend broadband network function; and
- 8 Speak at Point of Lights conference.

9

10 As can be seen from reviewing both the above list and Schedule 10, Mr.
11 Clendenin does not spend the majority of his travel time on the regulated arm of
12 BSC. To the contrary, at least from his travel, it appears that Mr. Clendenin
13 spends a great deal of time promoting the overall image of BSC.

14

15 Schedule 11 of my exhibit summarizes vouchers that I selected from BSC's
16 transaction journal. Many of the vouchers that I selected relate to travel and
17 entertainment expenses of BSC's executives. (It is important to note that the
18 transaction journal has no explanation as to the purpose of an expense being
19 incurred, except for the account that it is being charged to. Thus, while my
20 selection was geared toward certain miscellaneous expense accounts, I had no
21 knowledge of the purpose of the expense.)

22

1 Page 9 of this Schedule shows all of the expense vouchers that were pulled
2 relating to Mr. Clendenin. Like the corporate aircraft, much of Mr. Clendenin's
3 travel expenses are related to enhancing BSC's public image, or are related to
4 other public and civic activities. For example, Mr. Clendenin's travel includes
5 expenses for meeting with the Regional Bell Operating Companies (RBOCs) to
6 discuss legislative matters, for meeting with the news media, for attending a
7 Junior Achievement breakfast for Atlanta business leaders, for attending the Boy
8 Scouts National Council meeting, and for meeting with the New York Times
9 Editorial staff.

10 Q. So far you have only addressed Mr. Clendenin. Have you reviewed any
11 documents which suggest that activities of the other senior executives are not
12 entirely beneficial to the Company?

13 A. Yes. Vouchers examined which related to Mr. Holding are shown on page 7 of
14 Schedule 11. Mr. Holding's responsibility code, HEOHOO, shows several
15 questionable items which indicate that he serves, at least in part, in a public
16 relations/entertainer role. Furthermore, his travel and expense activities would
17 appear to have little to do with the regulated telecommunications operations of
18 BSC. As shown on Schedule 11, Mr. Holding incurred expenses for such items
19 as golf green fees at the Atlanta Athletic Club to discuss issues in the
20 telecommunications industry; for 1992 Atlanta Hawks NBA playoff tickets; for
21 1992-93 season tickets for the Atlanta Hawks; and for 1992-93 Georgia Tech
22 season basketball tickets. In addition to these expenses, the Company refused to

1 provide other vouchers requested (specifically six) claiming that the costs are not
2 charged to Southern Bell and thus are not relevant. Presumably, if the costs are
3 not charged to Southern Bell, then the activities engaged in by Mr. Holding are
4 also not related to Southern Bell. In my opinion, a review of the few selected
5 travel and entertainment vouchers of Mr. Holding, combined with the Company's
6 admission that much of his travel is not related to BST, demonstrates that little
7 of his efforts is beneficial to the regulated telecommunications operations of BSC.

8
9 No travel or entertainment vouchers were requested for Mr. McGuire, the
10 Executive Vice President of Governmental Affairs, and only one was requested
11 with regard to Mr. Alford, the Executive Vice President and General Counsel.
12 For the latter, as depicted on page 8 of Schedule 11, the expense voucher related
13 to Mr. and Mrs. Alford attending the ABA annual meeting in San Francisco and
14 numerous bar dues that were submitted with this expense reimbursement.

15 Q. Why are you recommending that only 50% of these cost be disallowed as
16 opposed to 100%?

17 A. My 50% recommendation reflects the decision made by the Commission
18 concerning these types of expenses in at least one other rate case where 50% of
19 ownership costs were disallowed.

20
21 In addition, while I believe that only a small fraction of these expenses benefits
22 Southern Bell and the Florida intrastate ratepayers, my 50% disallowance reflects

1 a conservative estimate. I believe that a 50% disallowance is reasonable and gives
2 the Company the benefit of the doubt.

3 Q. Would you explain why you believe that 50% of the costs charged to
4 Corporate Planning should not be charged to Florida ratepayers?

5 A. The Corporate Planning department is involved in strategic planning issues and
6 the identification of BSC business opportunities. The Corporate Planning
7 department also develops models of BellSouth's financial performance for use in
8 financial strategic planning.

9
10 Some recent strategic issues analyzed by this department show that their functions
11 are diverse and not primarily related to the regulated telecommunications
12 business. These include: the overall BSC position and direction on information
13 services; the overall BSC position and direction on wireless services; the overall
14 BSC vision and direction in the global telecommunications and information
15 industry; the implication for BSC and its businesses of the long term trend in the
16 telecommunications and information industry; BSC's position on intelligent
17 network services; the opportunities that exist in the healthcare and education
18 markets; the indicators that best measure BSC's progress toward meeting its short
19 and long-term business goals; how do BSC and other institutions link technology
20 and planning with strategic business planning; what should BSC's strategies be
21 relative to emerging wireless technologies; the impact of wireless technology on
22 BSC's current paging business; what should BSC's strategies be regarding

1 manufacturing assuming relief from the Modified Final Judgement (MFJ); and
2 how are BSC's business strategies linked to participation in technology standards
3 with respect to wireless technologies. [Southern Bell Telephone and Telegraph
4 Company, Response to OPC's Interrogatory 239.]

5
6 A recent quote from BSC's Vice President of Strategic Planning, Mr. Charles C.
7 Miller, III, also yields some insight into this department. When the Virginia
8 Supreme Court recently ruled that Bell Atlantic could provide cable service, Mr.
9 Miller was quoted as saying "We have planned for this possibility."

10
11 Finally, a review of some of the expense vouchers for this department supports
12 the department's emphasis on diversification and the nonregulated operations of
13 BSC. For example, BSC spent in excess of \$10,000 to send someone to Hong
14 Kong, Shanghai, Tokyo, Melbourne, Canberra and Sydney, Australia, in
15 connection with strategy development, which apparently had nothing to do with
16 regulated telephone service in Florida. This department spent \$23,338 for a study
17 concerning cable TV and wireless threats and opportunities.

18
19 The material that I have reviewed indicates that while the Corporate Planning
20 department of BSC provides a great deal of strategic planning service, only a
21 small portion deals with the regulated telecommunications industry. For this
22 reason I believe that it would be reasonable for the Commission to disallow 50%

1 of this department's expenses. As shown on Schedule 8, this results in a reduction
2 to the Company's test year intrastate operating expenses of \$358,735.

3 Q. Would you address your adjustment for the treasury and cash management
4 function?

5 A. Yes. The Treasury department of BSC, which is where the cash management
6 functions are performed, provides a range of services including pension
7 administration, investor relations, cash management and financing support. Those
8 functions within this department, which manage BSC's cash, investments, and
9 borrowings, should be considered ownership costs--costs that are either redundant
10 to costs incurred at BST or which would not be incurred by ratepayers in the
11 absence of the holding company arrangement. For example, in response to
12 OPC's interrogatories 379 and 380, the Company indicated that it develops and
13 coordinates its own cash forecasts without dependence on BSC and that it
14 coordinates its own banking relations without dependence upon BSC.

15

16 Since BST has the capabilities to manage its own cash and performs its own
17 banking relations, it would be unfair to require ratepayers to pay for this expense
18 twice because of the BSC/BST holding company arrangement. Accordingly, I
19 recommend that 25% of the costs associated with cash management be
20 disallowed. The 25% disallowance is designed to estimate the amount of expenses
21 that are redundant or not beneficial to BST. I have used a lesser percentage for
22 this function than for the others because there appear to be necessary functions

1 that could not be performed in the absence of BSC, or would be required at the
2 BST level if BST were not owned by BSC. As shown on Schedule 8, this
3 recommendation reduces the Company's intrastate expenses by \$68,815.

4 **Q. Would you discuss the Assistant Secretary/Corporate Counsel department
5 and why you believe a portion of these expenses should be disallowed?**

6 **A.** Yes. This department's functions include maintaining the total corporate structure
7 as a viable entity, providing support to the Board of Directors of BSC, and
8 providing other support to subsidiaries on matters of special expertise in the
9 corporate governance area. This department supports the BSC parent legal entity
10 and should be considered an ownership cost. In addition, many of the costs
11 incurred by this department are duplicative of costs incurred at the BST level. For
12 example, both BST and BSC must support their respective Board of Directors.

13
14 As shown on Schedule 8, I recommend that the Commission disallow 50% of the
15 costs charged to this department, or \$39,199 on a Florida intrastate basis.

16 **Q. Has this Commission adopted similar adjustments in other proceedings?**

17 **A.** Yes. I am aware of one other telephone rate case where this Commission reduced
18 expenses for such ownership costs. Specifically, in a United Telephone Company
19 of Florida rate case, in Order No. 24049, the Commission disallowed 50% of
20 such ownership costs. In that docket the Commission concluded that costs for
21 senior executives, costs for business development and strategic planning, certain
22 costs for the treasury department, and costs for the corporate secretary have

1 attributes of both owner/investor and management costs. As such the Commission
2 concluded that 50% of the cost of such expenses should be disallowed for
3 ratemaking purposes.

4 Q. Let's turn to another subject. Would you discuss the Company's other
5 regulatory adjustments?

6 A. Yes. The Company's 1993 budgeted test year removes \$2,676,000 associated with
7 various expenses charged from BellSouth Corporation and Bellcore. The
8 Company's adjustment consists of the following: \$269,000 for BellSouth
9 Corporation contributions; \$80,000 for Bellcore contributions; \$30,000 for
10 BellSouth social and service dues; \$4,000 for BellSouth Services dues; \$164,000
11 for the BellSouth Golf Classic; \$731,000 for the BSC Federal Relations
12 department; \$164,000 for the BSC Federal Regulatory department; \$552,000 for
13 BSC image advertising; \$51,000 for Bellcore advertising; and \$631,000 for
14 expenses associated with sponsorship of the Olympics.

15
16 To estimate the amount to remove from the projected test year the Company
17 merely used the actual 1991 adjustments and inflated them for two years growth
18 to arrive at the adjustment applicable to 1993.

19 Q. Do you believe there are additional adjustments that fit under this category
20 of other regulatory adjustments which the Company has not made?

21 A. Yes, I do. I am proposing six adjustment above and beyond those proposed by
22 the Company. They are depicted on Schedule 12. As shown, I recommend an

1 adjustment of \$213,723 for BSC corporate advertising, \$506,436 for BSC's
2 Corporate Affairs department, \$255,985 for BSC's D.C. Public Relations
3 department, \$501,615 for BSC legal expenses associated with antitrust and MFJ
4 matters, \$34,134 for BSC sponsorships, \$56,384 for BSC donations, and \$42,717
5 for Bellcore memberships.

6 Q. Let's discuss each of these separately. Would you begin with the adjustment
7 for advertising?

8 A. Yes. This Commission routinely disallows expenses associated with corporate
9 image advertising. The Company has made an adjustment to remove \$552,000 of
10 BSC image advertising. My proposed adjustment removes the remainder of BSC
11 advertising expenses charged to the Company. The Company apparently believes
12 that the remainder of the advertising costs relate to product specific
13 advertisements and thus are appropriate for recovery from ratepayers. I disagree.
14 I have reviewed the advertisements which the Company believes should be
15 included in test year expenses. In my opinion, these BSC advertisements are just
16 as much designed to boost BSC's image as those that the Company itself
17 disallowed.

18
19 The Company apparently believes that because a specific product was mentioned
20 in the advertisement it is allowable for ratemaking purposes. I have included as
21 Schedule 13 of my exhibit the advertisements for which the Company requests
22 recovery of the costs from ratepayers. A review of these advertisements, in my

1 opinion, clearly depicts a corporate image advertising campaign and as such
2 should not be recovered from ratepayers. Accordingly, I recommend that the
3 Commission disallow an additional \$213,723 associated with image advertising..

4 Q. Would you discuss your adjustment for Corporate, Educational, and External
5 Affairs?

6 A. Yes. Within the Public Relations department there are four sections which incur
7 costs that should not be charged to ratepayers. They are: Corporate Affairs,
8 Educational Affairs, Executive Support, and External Affairs. A review of the
9 Cost Assignment Forms used by the individuals that work in these departments
10 indicates the nature of the services performed.

11

12 For example, the director of corporate and educational affairs performs the
13 following functions: oversees Bellsouth's interest in education and in support for
14 local, regional, and national issues of community interest; directs the BellSouth
15 Foundation which provides financial support to education in the southeast;
16 coordinates the Global Leaders program; and directs the corporate contributions
17 and membership programs. [Southern Bell Telephone and Telegraph Company,
18 Response to OPC's Document Request 469.]

19

20 The operations manager for executive services and employee communications
21 performs the following functions: implements and coordinates stockholder
22 meetings, the BellSouth Golf Classic, executive conferences; provides staff

1 support for CEO and other presentations on public relations matters; provides
2 employee communications articles for publication in newspapers and magazines;
3 and coordinates public relations planning. [Ibid.]

4
5 The director of external affairs performs several functions including: supporting
6 employee involvement in community and civic volunteer efforts; developing
7 BellSouth arts program and an in-kind contributions policy and program;
8 developing a contributions policy handbook and corporate membership directory;
9 providing staff support to the CEO for his external activities such as Chairman
10 and Executive Board Committee Member of the U.S. Chamber of Commerce,
11 member of the Unity Way's Board of Governors, Business Roundtable, Boy
12 Scouts of America, Woodruff Arts Center, Atlanta Historical Society, etc.;
13 managing all fund raising efforts related to the CEO's external activities including
14 the National Alliance of Business, the U.S. Chamber of Commerce, the JFK
15 Center for Performing Arts and National Junior Achievement. [Ibid.]

16
17 In my opinion the costs incurred for this department do not provide a direct
18 tangible benefit to Florida ratepayers. This department largely supports the social
19 and civic activities of BSC, the benefits of which would enure to the overall
20 corporate image of BSC. This Commission has in the past ruled that the cost
21 associated with image enhancement should not be borne by ratepayers.
22 Accordingly, I recommend that the Commission disallow \$506,436 of this

1 department's costs which are charged to the Company's intrastate operations.

2 Q. Would you discuss your adjustment for media and public relations?

3 A. Yes. I have made two adjustments. One for the media relations section within
4 the Public Relations department and one for the Vice President of Public
5 Relations. Concerning the former, this section discloses financial, regulatory,
6 legislative, and policy information concerning BSC. The functions performed by
7 the staff manager of media relations include: providing information on new
8 services and products; educating national consumer groups; writing letters to
9 editors; media training, and writing and editing articles for use in trade
10 magazines.

11

12 Concerning the latter, a review of the types of expenses charged to the Vice
13 President of Public Relation's responsibility code indicate that these costs are not
14 appropriately recovered from ratepayers. This Vice President spends his time
15 promoting the corporate image of BSC, which is not an expense which should be
16 recovered from ratepayers. As shown on Schedule 11, page 8, the Vice President
17 of Public Relations, Mr. Yarbrough, spends a great deal of time traveling around
18 the country enhancing BSC's image.

19

20 During 1992, a sample of his business expenses includes: a trip to Washington
21 D.C. to attend a media relations meeting and a Points of Light Foundation
22 Meeting; a dinner meeting with the University of Georgia's Vice President for

1 development and university relations, to see if BSC could do anything for him
2 (Mr. Clendenin and Mr. Yarbrough are trustees for the university); attendance
3 at the Arthur Page Board meeting and Ad Council Finance Committee meeting;
4 representation of BSC at the Houston Advertising Federation to judge entrants for
5 the Addy Awards; attendance at several Ad Council meetings; and attendance at
6 the Civilian Public Affairs Committee of West Point.

7
8 The expenses charged to both the Media Relations and the Vice President of
9 Public Relations departments should not be charged to ratepayers as they receive
10 little direct benefit from the functions performed in these departments.
11 Accordingly, I recommend that the Commission adjust the Company's intrastate
12 expenses by \$255,985.

13 Q. Would you discuss your proposed adjustment for legal expenses associated
14 with Modified Final Judgement (MFJ) and antitrust matters?

15 A. Yes. BSC's legal department has a group of lawyers that represent BSC in MFJ
16 and antitrust legal matters. The Cost Assignment Form filled out by these
17 lawyers shows that they perform functions such as providing legal advice on
18 matters relating to the MFJ and general antitrust matters.

19
20 In my opinion, these costs should not be passed on to ratepayers unless the Company
21 can demonstrate that the antitrust matters relate to the Company's regulated
22 operations and that no antitrust laws have been violated. To the extent that the

1 Company or BSC engaged in activities that were or are in violation of antitrust
2 laws, the associated expenses to defend the Company from such illegal actions,
3 should be absorbed by stockholders not ratepayers. To the extent that matters are
4 still pending and no determination has been made with respect to such alleged
5 violations, then these expenses should be deferred until such a determination is
6 made. In other words, I believe that the Company, through BSC, should be
7 allowed to defend itself against antitrust allegations; however, these expenses
8 should not be recovered from ratepayers until a decision is made that no
9 violations took place.

10

11 With respect to MFJ matters, I also do not believe that such legal costs should be
12 charged to ratepayers. Requests for waivers and other legal actions concerning the
13 MFJ would be mostly related to the nonregulated operations of BSC or the
14 Company. To the extent that some MFJ waiver requests are related to the
15 Company's regulated telephone operations then I believe that the Company bears
16 the burden of showing this and providing the related expense quantification. In
17 the absence of such a showing, I believe it would be reasonable for the
18 Commission to disallow all such expenses.

19

20 As shown on page 2 of Schedule 12, I recommend that the Commission disallow
21 \$501,615 of legal expenses related to antitrust and MFJ matters.

22

1 Q. What is your next adjustment that falls under the category other regulatory
2 adjustments?

3 A. As shown on page 2 of Schedule 12, the next adjustment concerns expenses
4 incurred by BSC for sponsorships, other than the BellSouth Golf Classic and the
5 Olympics. In response to OPC's interrogatory 1071, the Company indicated that
6 BSC sponsored the following events in 1992 and 1993: Stennis Center for Public
7 Service, Yaarab Shrine Circus, Greater Atlanta Chamber of Commerce
8 Foundation, Inc., ORFUN, National Federation of Independent Business, Center
9 for Workforce Preparation, National Alliance of Business, Business &
10 Technology Alliance, Backstage Productions, Inc., Disability Law Foundation,
11 Minority Enterprise Development Agency, Chattahoochee Rowing Regatta/Atlanta
12 Rowing Club, National Education Goals Plan, Domestic Leadership Council,
13 Tennessee Host Committee, Project Open Hand/Atlanta, Strom Thurmond
14 Education Fund, The National Black Gazette, Black Progress Review, and
15 National Educational Computing Conference.

16
17 I see little difference between contributing money to these events and making a
18 charitable contribution or sponsoring the BellSouth Golf Classic or the Olympics.
19 Accordingly, I recommended that the portion of these expenses which have been
20 charged to the Company be removed from test year expenses. As shown on
21 Schedule 12, I recommend disallowing \$34,134.

22

1 Q. What is your adjustment for BSC donations?

2 A. In 1992 BSC made \$360,000 in donations as follows: \$100,000 to the Carter
3 Center, Inc.; \$60,000 to the Robert W. Woodruff Arts Center, Inc.; \$20,000 to
4 the Ida Cason Callaway Foundation; \$20,000 to Emory University School of
5 Medicine; and \$160,000 to the Millsaps College. For the reasons discussed with
6 respect to sponsorships, I do not believe that these expenses should be charged
7 to Florida's ratepayers. As shown on Schedule 12, the Florida intrate portion of
8 these expenses is \$56,381.

9 Q. Would you discuss your adjustment for Bellcore memberships?

10 A. Yes. According to the Company's response to OPC's interrogatory, Bellcore does
11 not isolate social and service membership dues. All amounts are booked as
12 professional membership dues. As such, the Company made no adjustment to
13 remove these expenses from the test year. In 1992 Bellcore spent \$1.7 million on
14 such memberships.

15

16 Schedule 13 of my exhibit is a list of membership dues paid by Bellcore in 1992.

17 I have underlined those that I do not believe should be passed onto customers.

18 The distinction I made was to allow memberships which appeared to be related
19 to professional activities and telecommunications, like engineering associations
20 and the telecommunications industry association. Those that I did not allow
21 include contributions to universities, chambers of commerce, junior leagues,
22 travel associations, and other associations which appeared to have no relation to

1 telecommunications or benefit to the ratepayers of Florida. Accordingly, I am
2 recommending that the Commission disallow \$42,717 for Bellcore memberships
3 which have been charged to the Company.

4 **Q. As part of its other regulatory adjustments, the Company is making an**
5 **adjustment for aircraft expenses. Have you evaluated this adjustment?**

6 **A. To the extent possible. According to Mr. Reid's updated testimony the Company**
7 **is proposing to remove \$26,000 of expenses related to corporate aircraft. In his**
8 **deposition, Mr. Reid knew little about the proposed adjustment; however, he did**
9 **know that it related to removing spouse travel. He did not know, however, if it**
10 **included the travel associated with spouses of BSC employees. Despite the**
11 **lateness of Mr. Reid's updated testimony, the Company refused to provide as a**
12 **late filed deposition exhibit, the workpapers, calculations, and other documents**
13 **backing up this adjustment. Thus, I could not evaluate any analysis undertaken**
14 **by the Company.**

15 **Q. Would you address the Company's ownership of aircraft and its intended**
16 **use?**

17 **A. Yes. The Company owned nine airplanes until July 1992, when it sold two.**
18 **According to the Company's response to OPC's interrogatory 660, Southern Bell**
19 **and its affiliates, including BSC and BSC's nonregulated affiliates, use the aircraft**
20 **for two purposes: executive service and shuttle service.**

21
22 **The Company explained that executive service is used to provide officers of**

1 certain BellSouth companies, upon their request, transportation to business
2 meetings primarily throughout the United States. This transportation is supposedly
3 provided to save valuable time for key officers of the business.

4
5 Shuttle service is scheduled passenger transportation for employees between
6 Atlanta and Birmingham. According to the Company, the shuttle service operates
7 four daily round-trip flights which result in savings over commercial airfares,
8 employee time, and overnight travel expenses.

9 **Q. Have you reviewed the Company's aircraft utilization reports?**

10 **A. Yes, I have. While the executive flight service is used for business, it is often**
11 **used for purposes that do not benefit Florida ratepayers. In many instances**
12 **executive flight services is used to transport executives and their spouses to**
13 **functions that are not necessary for purposes of operating the regulated telephone**
14 **business. The aircraft is used to transport executives who give speeches and**
15 **presentations to groups that are not related to the telephone business. They are**
16 **often used as transportation to such functions as retirement parties, funerals, the**
17 **BellSouth Golf Classic, Christmas parties, and to attend non-Bell board meetings.**

18 **Q. Can you give some examples of flights that you believe are not appropriate**
19 **for recovery from ratepayers?**

20 **A. Yes. As I mentioned earlier, Mr. Clendenin's travel is shown on Schedule 10. As**
21 **I indicated, much of his travel is for image enhancement purposes and as such is**
22 **not appropriate for recovery from ratepayers.**

1 In addition to Mr. Clendenin and other executives use this service for other
2 purposes that do not directly benefit ratepayers. Some examples include:

- 3 * the spouses of three BST executives attending the first ladies
4 luncheon in Washington;
- 5 * Mr. and Mrs. Lacher attending the Bellmont Abby Board of
6 Trustees meeting;
- 7 * Four executives (two with their spouses) attending the retirement
8 function of R. B. Howard;
- 9 * Five executives (all with their spouses) attending the retirement
10 function of T. L. Cloars;
- 11 * Two BST executives (both with spouses) attending the national
12 annual Boy Scouts meeting;
- 13 * A BST executive (with spouse) attending the Wofford Board
14 Meeting;
- 15 * Three Florida BST executives (Lacher, Anthony, and Lombardo)
16 attending a meeting to discuss legislative affairs;
- 17 * Six BSC and BST executives attending a congressional meeting and
18 speaking at a governmental affairs conference;
- 19 * Two BSC executives attending the BellSouth Classic;
- 20 * BST executives attending a Chamber meeting;
- 21 * A BST executive speaking at a rotary function;
- 22 * Mr. Lacher's attendance at Grand Jury hearings;

1 * BST executives attending an Olympic update meeting; and

2 * Numerous executives attending Christmas parties.

3 Q. Are these flights more cost effective than flying on commercial airlines?

4 A. No. Flights for the executive aircraft service cost \$9.90 a mile. This compares
5 to commercial flights ranging from approximately \$.25 a mile to \$1.50 a mile.
6 The shuttle service, however, may be comparable to commercial flights.
7 Nevertheless, the Company has not prepared a cost/benefit study to evaluate the
8 cost of its executive or shuttle service relative to commercial airfares. [Southern
9 Bell Telephone and Telegraph Company, Response to OPC's Document Request
10 307.]

11

12 Furthermore, with the exception of one airplane, the fill rate of the Company's
13 aircraft is very low. For example, in 1990 the average seating capacity of the
14 planes currently owned by the Company, excluding the Beech Craft Model 1900,
15 was 7.67 passengers. The average number of passengers flying was 2.18, for a
16 fill rate of 28.5%. In 1991 the figures were comparable, with a 7.67 person
17 seating capacity and 2.32 persons flying--or a fill rate of 30.2%.⁵ The
18 Company's Beech Craft Model 1900 tended to have a much higher fill rate. For
19 1990 it was 70.5% and for 1991 it was 71.1%.

20

21
22

⁵ 1992 information was not available at the time of the filing of this testimony. Discovery is still outstanding.

1 Q. Why does the Company believe that the cost of its corporate aircraft is cost
2 effective and properly charged to Florida ratepayers?

3 A. In response to OPC's interrogatory 44, the Company gave a couple of reasons for
4 the assumed efficiency of the corporate aircraft. Specifically,

5 Corporate aircraft play a crucial role in the efficient management
6 of BellSouth operations. Two factors considered are 1) the
7 flexibility of the aircraft schedules and 2) time saved by
8 employees. The corporate aircraft provide several regularly
9 scheduled flights to the majority of cities where BellSouth has a
10 presence. For instance, there are two flights each morning from
11 Birmingham to Atlanta. This allows employees to choose the time
12 he needs to leave based on his business schedule. There are also
13 two return flights in the afternoon which allows for maximum use
14 of time and avoids unnecessary overnight lodging expenses. Also,
15 by flying only to the cities where BellSouth employees are
16 conducting business, delays caused by having to change planes and
17 unnecessary intermediary stops can be avoided. [Response to
18 OPC's Interrogatory 44.]

19
20 The Company's response appears to be geared toward defense of its shuttle
21 aircraft, not its executive aircraft. Nevertheless, its reasons are weak, at best. For
22 example, the Company claims that it benefits because there are two direct flights

1 from Birmingham to Atlanta and two direct return flights. Delta, however, offers
2 three direct flights in the morning and four direct return flights in the
3 afternoon/evening. Clearly, the shuttle is of no benefit over commercial airlines,
4 with respect to frequency of flights.

5
6 The Company also explains that its corporate aircraft carries critical material that
7 needs to be transported from one city to another in a short time frame. My
8 review of the executive aircraft flights found only a few instances of this activity,
9 including one just to transport the luggage of executives and their spouses.

10
11 The final reason given in the Company's response was that the corporate aircraft
12 can speedily transport employees in emergency situations. While this may be
13 true, these instances are rare (from reviewing the flight logs) and can hardly
14 justify seven corporate aircraft.

15 **Q. Have you made an adjustment for the aircraft expenses charged to the**
16 **Company?**

17 **A. Yes, I have. As shown on Schedule 19, I am recommending that the Company's**
18 **intrastate expenses be reduced by \$650,000. Because I did not have all of the**
19 **information necessary to determine the precise adjustment that should be made,**
20 **I have estimated the adjustment at this time. I will revise my estimate when I**
21 **obtain the information needed for more precise calculation.**

22

1 My estimate is based upon the total expenses charged to the Company for its
2 airplanes, plus a return on the investment. This amounted to \$2,263,056. I then
3 assumed that of the total number of flights taken by the Company's employees,
4 plus those charged to the Company via BST headquarters and BSC, 50% were
5 related to executive aircraft. Using this assumption, I determined that the
6 Company was charged for 114,296 miles of executive ridership. I then allowed
7 the Company to recover \$1.00 per mile per passenger⁶, or \$4.176 per flight⁷,
8 for use of the executive aircraft. This produced an allowable expense of \$477,300
9 and an adjustment of \$650,000. In my opinion, if the Company wants to continue
10 to incur these expenses, then approximately \$650,000 should be borne by
11 stockholders, not ratepayers.

12 Q. Let's turn to your next subject. Would you discuss the return on investment
13 (ROI) that BSC charges the Company?

14 A. Yes. In 1992 BellSouth Corporation began charging the Company a return on
15 investment for assets used to provide common services to the Company.
16 According to the Company, the return charged is based upon the FCC's allowed

17 ⁶ The \$1.00 per person was chosen because it was somewhat less than the high end of commercial
18 airfares. It is less than the \$1.50 per mile because the executive aircraft service is used in many
19 instances for events which are not appropriate to recover from ratepayers and to transport spouses
20 and other nonemployees of Southern Bell.
21
22

23 ⁷ The \$4.176 was derived by examining the weighted average fill rate on the Company's aircraft.
24 For 1991, the Company's corporate aircraft carried 4.17 persons per mile.

1 return which during 1992 was 11.25% on an after-tax basis and 15.78%⁸ on a
2 before-tax basis. As shown on Schedule 15, this return is considerably higher than
3 the overall rate of return OPC's witness Rothchild is recommending.

4
5 In my opinion, the Commission should not require Florida ratepayers to provide
6 a return on investment to BSC which is higher than the return allowed by this
7 Commission. Schedule 15 of my exhibit depicts the calculations necessary to alter
8 the return allowed on BSC's investment and the appropriate adjustment that
9 should be made. Page 1 of this schedule shows the adjustment for 1992 and page
10 2 shows an estimate for the budget year 1993.

11
12 In the past this Commission has not allowed a parent company to charge for a
13 return higher than the return allowed by the Commission. In the United
14 Telephone Company of Florida rate case, Order No. 24049-TL, the Commission
15 stated:

16 We agree that United should have to pay no more return on parent
17 investment that it does on its own.... We find appropriate a return
18 on parent investment of no more than 9.82% to be appropriate.

19 This represents the weighted average cost of capital in this case.

20 [Order No. 24049-TI, p. 29.]

21 * The difference between the 15.78% figure and the 15.96% figure shown on Schedule 15 relates
22 to the 1993 change in the corporate income tax rate.

1 I agree with the Commission's decision in the United case and believe that it
2 should be applied in the instant case. Accordingly, using the 1993 data, I
3 recommend that the return on investment charged to the Company's Florida
4 intrastate operations be reduced by \$122,928. ..

5 Q. What is the next adjustment that you recommend with respect to expenses
6 charged to the Company by BSC?

7 A. The next adjustment that I recommend relates to legal expenses charged to the
8 Company by BSC. During an on-site review of BSC documents I requested
9 several vouchers for expenses incurred by BSC. A summary of these expenses is
10 reflected on Schedule 11. For the legal bills that I requested, the Company or
11 BSC decided to redact all descriptions that would allow one to judge the purpose
12 of the legal service and whether or not such expenses should be charged to
13 ratepayers. In addition, while at BSC's offices, I requested a copy of one of
14 BSC's four transactions journals to further evaluate these and other expense
15 vouchers. To date the transactions journal has not been provided, but it is
16 apparently supposed to be provided. Likewise, the Company indicated that it
17 would provide additional information concerning the legal bills; however, it
18 would not provide the actual descriptions of the tasks performed by the outside
19 attorneys that billed BSC.

20

21 For purposes of this direct testimony, I am recommending that the Commission
22 disallow all legal expenses charged to the Company by BSC. My recommendation

1 is based upon the fact that it was the Company's decision to redact the most
2 relevant information on the legal bills and despite ample time, the Company has
3 failed to properly and timely respond to discovery. My adjustment includes the
4 labor of BSC attorneys as well as expenses for outside legal services. My
5 recommendation results in an adjustment of \$1,259,616 to the Company's test
6 year intrastate operations.

7 Q. Why have you disallowed all of the legal expenses as opposed to just those
8 associated with outside legal services?

9 A. Because in order to isolate the amount related to outside legal services I need
10 BSC's transactions journal. If the Company produces the documents OPC has
11 requested, I will revise by adjustment if appropriate.

12 Q. Would you discuss your next adjustment?

13 A. Yes. Schedule 11 of my exhibit depicts a summary of each of the vouchers that
14 I requested while at an on-site document review at BST headquarters. A review
15 of this Schedule and the associated vouchers indicate that several of the expenses
16 are not appropriate for recovery from ratepayers. In fact, with respect to some
17 of the expenses, the Company has admitted that the expense should not have been
18 charged to the ratepayers.

19

20 Schedule 11 arranges the expense vouchers by responsibility code, shows the
21 account that was charged, and gives a description of the expense. Considering the
22 fact that I selected only a few of the thousands of transactions that occur within

1 BSC, I was surprised at the number of expenses which should not be charged to
2 ratepayers. These expenses included such items as a \$100,000 contribution (of
3 which \$500,000 will be paid in total) to The Carter Center, Inc. (the former
4 President) for a Pavilion; \$6,700 for commemorative gifts to retiring board
5 members; \$9,890 for spouse travel; golf greens fees; \$17,347 for sporting event
6 tickets; and foreign travel in connection with projects that do not appear to be
7 related to the regulated telecommunications business; and excessive travel
8 expenses, like a \$300 dinner for just two people.

9
10 For ease of reference, I have boxed in those expenses where the Company
11 agreed the costs should not be charged for Florida's ratepayers⁹. I have shaded
12 those expenses that deserve further scrutiny and do not appear to relate to the
13 regulated telecommunications business.

14 Q. Have you made an adjustment to remove the expenses you believe should not
15 be passed onto ratepayers?

16 A. Yes, but I have not completed my analysis. In my opinion it would not be
17 appropriate to make an adjustment just for those expenses for which I received
18 a voucher. Clearly there are other expenses, for which no voucher was pulled,
19 that would fall into the same category. I requested a copy of the BSC's
20 transactions journal so that I could evaluate the inappropriate expenditures in light

21 ⁹ The Company claimed that the vouchers were misclassified and that a credit would be issued to
22 subsidiaries. The misclassification was, however, not caught or corrected until after the voucher
23 was requested. Any credits would not be reflected in the test year.

1 of the total expenses charged by an individual to a particular account. It was my
2 intent to made an adjustment to the entire account based upon the inappropriate
3 expenses that I discovered. However, despite ample time, the Company has not
4 yet provided the transactions journal. For purposes of acknowledging that an
5 adjustment will be made, Schedule 19 of my exhibit includes an adjustment of
6 \$100,000 for these miscellaneous expenses.

7 Q. What is the next adjustment you propose?

8 A. As shown on Schedule 19, I recommend that the Commission reduce the
9 Company's test year expenses by \$18,800 to reflect a reduction in BSC Project
10 Costs budgeted in 1993. In response to OPC's interrogatory 1074, the Company
11 indicated that one of the projects that BSC had budgeted for 1993 was canceled.
12 Accordingly, I recommend that this project be removed from test year expenses.

13 Q. Would you discuss the lease of the Campanile building by BellSouth
14 Corporation?

15 A. Yes. BellSouth Corporation and some of its subsidiaries lease office space from
16 1155 Peachtree Associates, which is a joint venture between BellSouth
17 Corporation and CA Fourteenth Investors, Ltd. [Lease between 1155 Peachtree
18 Associates and Coopers and Lybrand.] BellSouth Corporation owns 80% of 1155
19 Peachtree Associates, so clearly any lease arrangements between BellSouth
20 Corporation and 1155 Peachtree Associates should be considered an affiliate
21 transaction. The Campanile building provides premier office space in downtown
22 Atlanta and is used as the headquarters for BellSouth Corporation and BellSouth

1 Enterprises.

2

3 Schedule 16 of my exhibit shows the square footage leased by each company,
4 which leases space at the Campanile Building. As depicted on this schedule the
5 majority of the office space is leased to BellSouth Corporation (67.2%) and its
6 affiliates (5.4%). The remainder is leased by unaffiliated companies with the
7 largest share leased by Coopers & Lybrand (16.3%)--BSC's auditors.

8

9 During 1991, 1992, and for the budget year 1993, BSC paid 1155 Peachtree
10 Associates the following amounts for leased office space at the Campanile
11 building: \$7,518,000, \$7,479,000, and \$8,746,000, respectively. The increased
12 lease expense in 1993 is associated with a rent increase of \$5.00 per square foot.
13 Other BSC affiliates paid \$443,000 in 1991 and \$385,000 in 1992. Nonaffiliates
14 paid \$2,054,000 in 1991 and \$2,214,000 in 1992. Budgeted 1993 information was
15 not available for BSC nonaffiliates and other affiliates. [Southern Bell Telephone
16 and Telegraph Company, Response to OPC's Interrogatory 663.]

17

18 The Company is charged for a portion of the BSC lease expense through BSC's
19 overhead charges. For the years 1991, 1992, and for the budget year 1993, the
20 Company's intrastate operations were charged \$708,000, \$725,000 and \$773,000,
21 respectively for BSC's lease of the Campanile building. [Southern Bell Telephone
22 and Telegraph Company, Response to OPC's Interrogatory 1024.]

1 According to the Company's response to OPC's interrogatory 1102, BSC does not
2 allocate the entire cost of the Campanile lease to the Company. Instead, a portion-
3 -or \$5.56 per square foot, for a total of \$1,428,000 per year, is retained by
4 BellSouth. The Company claims that in order to be in compliance with the FCC's
5 Joint Cost Order rules regarding a market billing rate, the lease cost retained is
6 the difference between the major nonaffiliate, i.e. Coopers & Lybrand (C&L),
7 and the BellSouth Corporation lease rate. In other words, in order to be in
8 compliance with the JCO, BSC can only charge the prevailing market rate if a
9 substantial outside market exists where the services or products are sold to
10 nonaffiliated parties. Apparently, BSC believes that the Coopers & Lybrand lease,
11 for approximately 16% of the office space, constitutes a substantial outside
12 market. In response to OPC's interrogatory 678, the Company explained that the
13 C&L Campanile lease is the one used by BellSouth to verify the prevailing
14 market rate.

15
16 In the 1992 attestation audit, Coopers & Lybrand made the following observations
17 with respect to the treatment of the Campanile lease:

18 BellSouth, in a joint venture with Carter & Associates (1155
19 Ptree), leases and manages the Campanile Building. The building
20 is leased to both affiliates and nonaffiliates. Approximately 18%
21 of the floor space is leased to nonaffiliates, thus it is deemed that
22 there is a substantial outside market and prevailing market price is

1 appropriate to compare the actual lease rates.

2

3 In comparisons made between the BellSouth lease and the largest
4 nonaffiliate lease the Company determined that over the life of the
5 lease, there would be overcharges to BellSouth which would be
6 passed to its subsidiaries through overhead allocations. In order to
7 ensure that these additional costs were not passed to its subs,
8 BellSouth set up a unique project code which retains these costs at
9 Headquarters.... In the BellSouth analysis ..., the BellSouth lease
10 was compared to the nonaffiliate lease on a straight line basis over
11 the life of the lease. It is C&L's belief that while this method is
12 not unreasonable, to get a true sense of the economics of a lease,
13 it should be analyzed using net present value. [Coopers & Lybrand
14 Attestation Audit.]

15 Coopers & Lybrand explained that even though they felt the net present value
16 method was superior, the method used by BellSouth was not unreasonable and
17 thus no adjustments were necessary.

18 Q. Assuming the C&L lease rate comparison is valid is there a problem with the
19 way it was performed by BSC?

20 A. Yes. As noted by C&L, the BSC comparison ignored the time value of money.
21 In other words, the analysis performed by BSC to determine the amount of costs
22 which should be retained initially examined only the total dollars paid over the

1 life of one lease compared to the other lease. This approach fails to take into
2 consideration several important differences between the C&L lease and the BSC
3 lease.

4
5 For example, under the terms of the C&L lease, [REDACTED]

6 [REDACTED]. This same benefit was not bestowed on
7 BSC. Similarly, there was a significant difference between tenant

8 [REDACTED] which were paid for by the lessor. Under the C&L lease, the tenant

9 [REDACTED] but under the BSC lease the

10 [REDACTED] Another significant difference

11 between the two leases involved [REDACTED] Under the C&L lease a

12 [REDACTED] was negotiated-

13 [REDACTED] Each of these concessions

14 affected the cash flow of C&L during the first two years of the life of the lease.

15 As such, they were extremely valuable.

16
17 Not only are there differences in these factors, but the rent per square foot

18 between C&L and BSC is different. For example, during the first five years of

19 the lease with BSC, the rent per square foot [REDACTED] During the last five years

20 it [REDACTED] per square foot. C&L on the other hand received free rent during the

21 first two years of the lease, and the rent for the remaining years is [REDACTED] in

22 1989, \$ [REDACTED] in 1990, [REDACTED] in 1991, [REDACTED] in 1992, [REDACTED] in 1993,

1 in 1994 [redacted] in 1995, an [redacted] in 1996. BSC's failure to take the numerous
2 differences between the two leases appropriately into consideration by evaluating
3 the cash flows of each lease and then taking into account the time value of money,
4 is a serious deficiency in the comparison. This results in the flawed establishment
5 of the retainage amount of [redacted] per square foot.

6
7 Subsequent to establishing the [redacted] per square foot retainage amount, BSC
8 performed another analysis which did properly take into consideration the time
9 value of money. This comparison showed that over the life of the lease, the
10 amount retained by BSC should have been [redacted] per square foot. It is unclear if
11 or how the Company plans to resolve the discrepancy between the two retainage
12 amounts.

13
14 In a memo evaluating the methods used to determine the amount that should be
15 retained, the author suggested two ways the discrepancy could be resolved. The
16 first was to book a retroactive adjustment on BSC's books and issue a credit to
17 the subsidiaries for the excessive charges. The second was to increase the
18 retainage amount to [redacted] per square foot on a going forward basis. The author
19 recommended the latter option. It is unclear however, what option, if any, BSC
20 chose.

21
22 An analysis of the lease expense charged to the Company implies that the

1 retainage amount was not increased to \$ [redacted] since the amount charged to the
2 Company increased in 1993. This is not logical since the amount of space leased
3 by BSC did not change from 1992 to 1993. As such, with the amount being
4 retained supposedly increasing by 100%, one would logically expect the amount
5 charged the Company in 1993 to go down. However, as mentioned earlier the
6 amount allocated to the Company actually increased by \$48,000.

7 Q. What about the leases with the other tenants. How do these rates compare to
8 BSC's rates?

9 A. Although Public Counsel requested the leases of all tenants in the Campanile
10 building, the Company only provided the leases for BSC, BellSouth Enterprises,
11 and BellSouth Information Systems¹⁰. Nevertheless, the leases with BellSouth
12 Enterprises and BellSouth Information Systems, Inc. (BSI) reveal some troubling
13 information. The lease with BellSouth Enterprises showed a lease rate of only
14 [redacted] per square foot. The lease with BellSouth Information Systems showed a
15 lease rate of only [redacted] per square foot during the first five years of the lease
16 and [redacted] during the five years of the lease.

17
18 While there may be some differences between the other lease terms and the
19 quality of the office space between the BSC leases and the BSE and BSI lease, the
20 significant disparity in lease rates is troubling.

21 ¹⁰ The Company provided the lease for Coopers & Lybrand during an on-site review of voluminous
22 documents, but would not allow Public Counsel to make a copy of it.

1 It is also disturbing that the Company would not provide the leases for the other
2 nonaffiliated tenants. It would be quite revealing if these lease terms were
3 considerably more favorable than the terms for BSC.

4 Q. Do you believe the Commission should be concerned about the lease
5 arrangement with BSC and 1155 Peachtree Associates?

6 A. Yes. Clearly this is an affiliate transaction that should be closely scrutinized by
7 the Commission. BellSouth Corporation has already admitted that it pays more
8 to lease office space than does Coopers & Lybrand. But even adjusting the lease
9 rate down to be allegedly comparable to the rate paid by Coopers & Lybrand is
10 not sufficient to ensure that Southern Bell's customers are not unfairly paying an
11 excessive rate for housing the corporate operations of BSC.

12
13 There are several problems with the lease between BSC and 1155 Peachtree
14 Associates. First, basing the BSC lease on the lease rate paid by C&L does not
15 conform to the FCC's JCO rules, unless one believes that 16% to 18% represents
16 a "substantial" outside market. The Company is not even sure what constitutes
17 a substantial outside market as defined by the FCC. In response to an OPC
18 interrogatory, the Company gave the following response concerning the FCC's
19 substantial outside market test:

20 The FCC has not defined "substantial outside market" and has not
21 prescribed a "test." The FCC has, however, addressed this in
22 general terms in Part 32.27(d) of the FCC rules: "Services

1 provided by an affiliate to the regulated activity, when the same
2 services are also provided by the affiliate to unaffiliated persons or
3 entities, shall be recorded at the market rate.

4
5 Furthermore, the FCC has generally stated that market rate
6 "applies only if the nonregulated affiliate also supplies the same
7 services to nonaffiliated users in a sufficiently large number of
8 cases to establish prevailing company prices." [Southern Bell
9 Telephone and Telegraph Company, Response to OPC's
10 Interrogatory 909.]

11
12 Recently, the FCC proposed to tighten its accounting rules governing affiliate
13 transactions. One area the FCC is focusing on concerns the use of "prevailing
14 company pricing" for affiliate transactions. In initiating a new docket, the FCC
15 tentatively decided to establish a threshold for when affiliate transactions can be
16 recorded using the price paid by third party nonaffiliates. Under the current
17 proposal, an unregulated affiliate could only use the prevailing market price when
18 the unregulated affiliate sells at least 75% of its output to nonaffiliates. Without
19 a doubt the use of the C&L lease does not fall near the FCC's proposed standard.

20
21 One of the reasons given for tightening the existing rule is that it ignores the
22 distinctions between an arm's length transaction and an affiliate transaction. The

1 latter are generally captive customers where the transaction involves lower
2 marketing costs and less business risk than an arms-length transaction. This
3 difference is not built into the price if it is based upon the prevailing market rate..
4

5 In its Notice of Proposed Rule Making, issued October 20, 1993, the FCC
6 addressed its concerns:

7 In a competitive market, companies devote extensive resource to
8 retaining and attracting customers. Depending on the nature of the
9 market, these efforts include sales presentations, advertising
10 campaigns, discounts for volume purchases or long-term
11 commitments, and other inducements. Each competitor's goal is to
12 persuade independent entities to pick its goods or services over
13 those of other potential suppliers. A supplier that fails to match its
14 competition risks losing its customers.

15
16 Affiliate transactions take place in a difference environment.
17 Because affiliates are under common control, they are often
18 captive customers of each other. As a result sales between
19 affiliates usually do not require extensive marketing efforts and
20 generally involve lower transactional costs than sales to
21 nonaffiliates, In may instances, moreover, the affiliate relationship
22 reduce the supplier's business risks.... In these circumstances, we

1 question whether affiliate transactions are sufficiently similar to
2 transaction among non-affiliates to justify the continue use of
3 prevailing company prices as a valuation method for affiliate
4 transactions. [FCC, Docket No. 93-251, October 20, 1993.]

5
6 These distinctions are certainly applicable to the lease between BSC and 1155
7 Peachtree Associates--there should be little if any marketing costs for obtaining
8 the lease and very little business risk.

9
10 Second, as mentioned above, when determining the amount of the lease expense
11 that should be retained by BSC, the analysis performed was deficient and failed
12 to properly consider the time value of money.

13
14 Third, the office space at the Campanile building is prime office space--even
15 more extravagant than the Company's office space in Atlanta. There is no need
16 for such expensive office space to be charged to ratepayers.

17
18 Fourth, the differences in lease rates between BSC and the other nonregulated
19 affiliates which lease space in the Campanile building is troubling. One must
20 question why there is such a substantial discount for BSC's nonregulated
21 subsidiaries, yet for BSC which passes the majority of its expenses onto the
22 Company no such discount is present.

1 Q. Do you have a recommendation that would solve some of these concerns?

2 A. Yes, I do. I have two recommendations. First, I recommend that the Commission
3 reduce the lease charged to BSC by 10% to reflect the fact that the marketing
4 costs and business risk associated with the lease should be minimal. This would
5 reduce BSC lease expense for the Campanile building b _____ and the
6 amount charged to the Company's intrastate operations in 1993 by \$104,777.
7 Second, I recommend that the Commission reduce the lease amount allocated to
8 the Company to reflect the increased retainage of _____ to put the BSC lease in
9 terms comparable to the Coopers & Lybrand lease. This adjustment would reduce
10 the 1993 lease expense allocated to the Company by \$93,380. In total I
11 recommend that the Commission reduce the 1993 lease expense charged the
12 Company's intrastate operations by \$198,157. This would produce a lease
13 expense charged the Company's Florida intrastate operations of \$574,843.

14 Other Affiliates' Charges to Southern Bell

15 Q. Let's turn to the fifth section of your testimony. Are you proposing any
16 adjustments concerning billings from affiliates, other than BellSouth
17 Corporation?

18 A. Yes, I am. I am recommending three adjustments. The first concerns the leasing
19 arrangements between the Company and Sunlink Corporation. The second
20 concerns the return on investment billed by BellSouth Communications, Inc and
21 BellSouth Communications Systems, Inc. The third concerns income earned from
22 BellSouth Travel Services.

1 Q. Let's discuss each of these separately. Would you please discuss the lease
2 arrangement with Sunlink

3 A. Certainly. Sunlink is a subsidiary of BSE which provides real estate brokerage,
4 and development service for both affiliated and nonaffiliated companies. Sunlink
5 also provides facilities planning, space planning, interior design and construction
6 management. Sunlink also owns various warehousing facilities which it leases to
7 its affiliates. [Southern Bell Telephone and Telegraph Company, Cost Allocation
8 Manual.] Sunlink's operations have grown significantly over the three years,
9 especially with respect to transactions with BellSouth Telecommunications, Inc.
10 For example, in 1990, Sunlink charged BST \$2,400 by 1992 the charges had
11 increased to \$3.3 million.

12
13 The Company alleges that Sunlink prices the leased office space at fully
14 distributed cost or less. In reality, Sunlink has negotiated contract rates with the
15 Company. The Company, however, justifies these rates because it asserts that the
16 leases are below fully distributed costs.

17
18 The Company leases three facilities directly from Sunlink and is charged
19 indirectly for at least one other. The direct transactions involve the Ojus
20 Warehouse, a Jacksonville Warehouse, and a St. Augustine Warehouse.
21 Indirectly, the Company pays for a portion of the BellSouth Colonnade building
22 in Birmingham. [Southern Bell Telephone and Telegraph Company, Response

1 to OPC's Interrogatory 907, Supplemental.] In addition to these leases, some
2 costs for leases with Sunlink are chained into the Company's operating expenses
3 through charges from other affiliates.

4
5 Coopers & Lybrand, in their annual 1992 attestation audit determined that while
6 leases for the warehouse space and the Colonnade building were not in
7 conformance with the JCO they were in "the spirit" of the JCO because they were
8 priced at less than fully distributed cost. In their audit, C&L wrote:

9 In 1990 it was determined that Sunlink did not have an outside
10 market for warehouse space leased to affiliates. Since there is no
11 prevailing market rate set by nonaffiliates, the lease rate must be
12 in accordance with the standards set forth in Part 64.901 (fully
13 distributed cost). Sunlink has interpreted this to mean that over the
14 life of the lease, they will not bill an affiliate more than fully
15 distributed cost. [Coopers & Lybrand Attestation Audit.]

16 Coopers & Lybrand concluded that the FDC would be more than the lease
17 amount actually charged, thus no adjustment was deemed necessary. [Ibid.]

18 **Q.** Did you find any problems with lease arrangements between Sunlink and the
19 Company?

20 **A.** Yes, I found several. The lease arrangements between Sunlink and the Company
21 are not simple leases in that Sunlink owned the property and the Company
22 decided to rent. With respect to the St. Augustine warehouse lease, the Company

1 (actually BellSouth Services) originally owned the property upon which the
2 warehouse is built. In 1988, BellSouth Services purchased the property for
3 \$142,637 and in the same year BellSouth Services sold the property to Sunlink
4 for \$187,395. [Southern Bell Telephone and Telegraph Company, Response to
5 OPC's Interrogatory 906 and Document Request 676.] BellSouth Services also
6 awarded a bid to Sunlink for a build-to-suit-lease-back arrangement for the St.
7 Augustine warehouse. There are several problems with this arrangement. First,
8 the Company conducted no studies or made no determination that the price paid
9 by Sunlink for the property upon which the warehouse is located was priced at
10 fair market value. [Southern Bell Telephone and Telegraph Company, Response
11 to OPC's Document Request 677.] Second, the Company conducted no
12 cost/benefit studies to show that the built-to-suit-lease-back arrangement was the
13 most cost effective option available to the Company¹¹. [Southern Bell Telephone
14 and Telegraph Company, Response to OPC's Document Request 679.] Third,
15 because the Company allegedly evaluates the reasonableness of the lease rate
16 charged by Sunlink using a fully distributed cost methodology, the price of land
17 sold to Sunlink becomes a consideration in the analysis performed by the
18 Company. The Company used the price paid by Sunlink, but this price is more
19 than the price paid by BellSouth Services. A strong argument can be made that

20
21
22
23

¹¹ The Company did provide some basic cost comparisons in response to OPC's document request 679, however, the documents provided were comparisons of the bids received by all bidders for the build-to-suit-lease-back arrangements, not an analysis of the costs and benefits of leasing versus owning the warehouse and associated property.

1 the lower cost paid by BellSouth Services should be included in the fully
2 distributed cost calculations.

3
4 Concerning the lease for the Jacksonville warehouse, again there are
5 complications. The arrangements for this lease began in 1986 with the
6 consolidation of two warehouses--one in Jacksonville and one in Miami. To
7 effectuate the consolidation the Company planned on moving its Miami inventory
8 to the Jacksonville location and added an additional 200,000 square feet to the
9 Jacksonville warehouse. The consolidation necessitated leaving approximately
10 100,000 square feet of warehouse space at the Miami location vacant or the
11 Company would need to re-lease or sublease the space. According to the
12 Company's response to OPC's interrogatory 905, this space has never been re-
13 leased or subleased.

14
15 In connection with expanding the facilities at the Jacksonville location, BellSouth
16 Services hired Sunlink to initially construct an additional 100,000 square feet of
17 warehouse space. No other companies were asked to bid on the project.
18 Apparently, a subsequent expansion of this facility was also part of the
19 consolidation plan. Again, for this second expansion, Sunlink was the only
20 company asked to bid on the project. However, according to some documents
21 produced by the Company, Sunlink could not perform the services in a timely
22 manner, which necessitated that the Company award the contract to other

1 contractors--again without any kind of competitive bidding. [Southern Bell
2 Telephone and Telegraph Company, Response to OPC's Document Request 675.]

3 Q. Did you evaluate the fully distributed cost analysis performed by BellSouth
4 Corporation or Sunlink which was endorsed by Coopers & Lybrand?

5 A. Yes, I did and I found several problems with the analysis. I am surprised that
6 Coopers & Lybrand acquiesced to the calculations performed by BSC.

7
8 One omission is BSC's failure to examine the relationship between fully
9 distributed cost and the lease payments by taking into consideration the time value
10 of money. Neither BSC nor C&L give any reason for this omission. Yet, when
11 evaluating a lease at the Chastain complex (which is not charged to Florida),
12 C&L specifically indicated tha

13
14 Coopers & Lybrand
15 further explains that

16
17 [Coopers & Lybrand Attestation Audit.] It is unclear why C&L would see the
18 superiority of taking into consideration the time value of money when evaluating
19 these cash flows, but feel that it is acceptable to ignore it when evaluating the
20 cash flows from a fully distributed cost comparison to the cash flows from the
21 annual lease payments.

22

1 Another problem, in my opinion, concerns the return on investment used for the
2 fully distributed cost calculations. BSC used the FCC's authorized overall rate of
3 return. However, two of the leases affect only Southern Bell's Florida
4 operations--over 75% of which is intrastate. Rather than use the rate of return
5 approved by the FCC, I believe that the return approved by this Commission
6 would produce more accurate results for purposes of establishing the ratemaking
7 treatment of these expenses in Florida.

8
9 Third, two of the comparisons made by BSC (for the Jacksonville and St.
10 Augustine warehouses) include allocated costs. According to C&L:

11 The client includes certain "allocated costs" in the warehouses'
12 FDC calculations. These are overhead type costs incurred by
13 Sunlink that are tracked through the FDC system in place for the
14 warehouses. The client believes it appropriate to include theses
15 costs, as they are true costs of maintaining the warehouses. C&L
16 does not take exception. (Note that these charges are not CAM
17 type charges which [would be] billed to the warehouses; these are
18 indirect and unattributable cost[s] resident [at] Sunlink which
19 [should be] included in [the] FDC calculation.) [Coopers &
20 Lybrand Attestation Audit.]

21
22 In my opinion there are several problems with including these "allocated costs"

1 in the fully distributed cost analysis. First, C&L did not judge the reasonableness
2 of these costs or if they are appropriate for ratemaking purposes. Second, these
3 costs may be overhead costs which have little or nothing to do with the lease of
4 the warehouse space. Third, for both of these warehouse leases, the amount of
5 allocated costs increased dramatically, raising serious questions about the
6 legitimacy of the expenses. From 1984 to 1992 this category of expense increased
7 by 326%--or over 40% annually. Certainly such repeated cost increases would not
8 go unnoticed in the context of reviewing the expenses of a regulated company.
9 Fourth, there is no discussion in the C&L workpapers about how the costs were
10 allocated or if the method was reasonable. (For example, if BSC/Sunlink only
11 allocated these costs to lease arrangements that did not have an outside prevailing
12 market rate, this would clearly be unreasonable.) Fifth, there is not an adequate
13 explanation of why this type of cost was included in the Jacksonville and St.
14 Augustine warehouse comparisons, but was excluded in the Colonnade office
15 building comparison. Clearly, if as C&L attests, these costs are unattributable,
16 they should be allocated to not only the warehouse property, but all property
17 leased by Sunlink.

18
19 The next problem with the analysis conducted by Sunlink and supported by C&L,
20 is that it examined the fully distributed cost versus the lease cost only over the
21 period since inception of the lease until 1992. Thus, all years beyond 1992 were
22 ignored. This is a critical error. Under the fully distributed cost calculations the

1 cost would be higher during the earlier years of the property's life and lower
2 during the later years. Thus, it is not surprising that under the method used by
3 Sunlink, the lease payments are less than fully distributed costs. This could
4 present a regulatory dilemma if Sunlink decides to sell the property during the
5 later years of the lease. If Southern Bell continued to lease the property from a
6 third party at the established lease rate, no one would question it. But, in reality
7 if the property had not been sold, Southern Bell would have received a reduction
8 in the contracted lease rate. Furthermore, any gains on the sale of the property
9 would most likely not be flowed back to Southern Bell and its ratepayers. While
10 the sale of such property is not known with certainty, it has apparently been
11 contemplated.

12
13 Fifth, when making its comparisons, Sunlink added to the lease payments
14 property taxes. It also included property taxes in the fully distributed cost
15 calculations. Since property taxes should be identical under both comparisons, I
16 see no reason to include them at all. Furthermore, since Sunlink prepared its
17 analysis on a cost per square foot basis, it was difficult to verify the lease cost
18 per square foot because Sunlink included an unidentifiable amount for property
19 taxes. Rather than use a distorted lease cost per square foot, I believe it would be
20 easier and as accurate just to remove the property taxes from both analyses. As
21 discussed below this is the approach that I took.

22

1 Q. Have you done a comparison which corrects for the flaws that you have
2 addressed?

3 A. Yes, I have. I have made several comparisons which are depicted, with the
4 associated assumptions, on Schedule 17. As shown, under all but one group of
5 assumptions, an adjustment to the Company's expenses are necessary to make the
6 cost of this lease equal to or less than fully distributed costs. The amount varies
7 between no adjustment under conditions most comparable to Sunlink's
8 calculations to an adjustment of \$347,449 under conditions least comparable to
9 Sunlink's calculations.

10

11 This Schedule has two basic groups of comparisons. The top part of the Schedule
12 shows the adjustments that would be required if the Company renews its lease for
13 the two five-year renewal terms. The bottom part of the Schedule shows the
14 adjustments that would be required if Southern Bell did not renew its lease for the
15 two five year-renewal periods.

16

17 In my opinion, the most valid comparison is the one that assumes the Company
18 will renew its lease. Under the circumstances there would appear to be no reason
19 for the Company not to renew the lease. Furthermore, examining the lease
20 compared to fully distributed costs over this longer time period more closely
21 approximates what it would have cost the Company, had it owned the property
22 itself.

1 All comparisons that I made evaluated the present value of the cash flow streams
2 under fully distributed costing and under the lease terms using a discount rate of
3 10%. I then levelized the present value of each option to determine the annual
4 difference between fully distributed cost and the lease payments. If the levelized
5 lease payments are less than fully distributed cost over the life of the lease, then
6 no adjustment for ratemaking purposes is necessary. However, if the levelized
7 lease payments are more than fully distributed cost over the life of the lease then
8 an adjustment for ratemaking purposes is necessary.

9
10 As shown on Schedule 17, under the most favorable set of assumptions, depicted
11 under the first column as alternative one, assuming the Company renews the
12 lease, an adjustment to the Company's intrastate operating expenses of \$165,234
13 is required. This adjustment results from four primary differences between the
14 analysis I performed and the one performed by Sunlink: it considered the time
15 value of money; it evaluated the options over the life of the lease assuming
16 renewal; it changed the return on investment to the return authorized by this
17 Commission; and it removed property taxes¹².

18
19 Column two shows an adjustment of \$249,007 is required. The only difference
20 between this column and column one is that I removed the "allocated costs"

21 ¹² This change from the Company's assumption should have no impact on the relationship between
22 the lease or fully distributed cost; but is itemized for completeness.
23

1 included by Sunlink under the fully distributed cost calculations. For the
2 numerous reasons addressed above, I believe it is appropriate to remove these
3 "allocated costs".

4
5 Column three differs from the previous column with respect to one assumption.
6 That is, I reduced the value of the land included in the fully distributed
7 calculations for the first six years of the lease. I reduced the value of the land
8 from \$426,842 to \$275,494 because in 1990 Sunlink sold a portion of the land
9 that was attributed to the warehouse. Clearly, the land was not needed to house
10 the warehouse or it would not have been sold. As such the cost of this sold land
11 should not have been included in the fully distributed cost calculations. As shown
12 under this set of assumptions, an adjustment of \$260,520 is required.

13
14 Alternative four is the one that I recommend. It differs from alternative three, in
15 one respect--for the years 1993 and beyond, to calculate the return on investment
16 allowed under the fully distributed cost calculations, I used the return
17 recommended by OPC witness Rothchild. As shown, alternative four produces
18 an adjustment of \$295,030.

19
20 Alternative five shows an adjustment of \$347,449. This alternative is the same as
21 alternative four but ignores the years when fully distributed costs are greater than
22 the lease cost. This logic follows the reasoning of Sunlink and BSC--that is, as

1 long as the lease cost is less than fully distributed cost no harm is done. In other
2 words, I examined the levelized present value of the two alternatives only over
3 the years when the cost of the lease was greater than fully distributed cost. While
4 this comparison is the most favorable to ratepayers, I believe that alternative four
5 examines the two options in the most accurate way.

6
7 In addition to this adjustment, I also recommend that the Commission exclude
8 from test year expenses the lease associated with the unused Miami warehouse
9 space. Clearly, the property is not used and useful. As such the cost should not
10 be included in customers' rates. As shown on Schedule 19, I recommend reducing
11 the Company's test year expenses by \$54,030.

12 Q. Did you make a similar comparison for the St. Augustine lease?

13 A. Yes, I did. The results of my analysis indicated that for this particular lease
14 arrangement the lease expense was slightly less than fully distributed cost.
15 However, I would note that if the analysis was conducted over the life of the
16 property, it would most likely show that fully distributed cost is less than the
17 lease arrangement.

18 Q. What about the Colonnade building which is allocated to the Company? Were
19 you able to perform a similar analysis?

20 A. No. I did not receive a copy of the lease therefore I could not perform the
21 required analysis. I have, however, requested a copy of the lease. I will update
22 my testimony, if my subsequent analysis shows that an adjustment is required.

1 Q. Let's turn to the next subject. Would you address the return on investment
2 charged by BellSouth Communications, Inc.?

3 A. Yes. As discussed earlier with respect to BellSouth Corporation, I recommend
4 making an adjustment to the amount of return on investment billed to the
5 Company by BCI. The Company indicated in its response to OPC's interrogatory
6 516 that return on investment information charged by affiliates other than BSC
7 was not readily available. I find it interesting that all of the information necessary
8 to determine the charge for the return on investment charged by BCI was made
9 very readily available to the Company's auditors Coopers & Lybrand. It was from
10 their audit workpapers that I obtained the information concerning the ROI charged
11 by BCI. Likewise, I find it troubling that the information concerning BellSouth
12 Communications System, Inc., BellSouth Information Systems, and Sunlink was
13 provided to the Staff in its Audit of the Company's affiliate transactions.

14
15 As was the case with BSC, BellSouth Communications, Inc. charges the Company
16 a pretax return on investment (_____ As shown on page 3 of Schedule 15,
17 I have reduced this return to the equivalent pretax return recommended by OPC's
18 witness Rothchild of 11.41%. Since I did not have the budgeted 1993 return on
19 investment to be charged the Company by BCI, I used 1992 data to estimate the
20 adjustment to test year expenses. As shown on Schedule 14, the Florida intrastate
21 return on investment charged by BCI wa _____ Using the rate of return
22 recommended by OPC produces a return on investment of _____.

1 Accordingly, the Company's test year expenses should be reduced by

2

3 I am also recommending an adjustment for BellSouth Communications Systems,
4 Inc., (BCS) based upon the information provided in response to the Staff's Audit
5 Request 2-155. The Company did not provide the level of investment, but it did
6 provide the amount of the return charged to the Company. The amount charged
7 by BCS is almost identical to the amount charged by BSC and the percentage
8 return on investment should be identical. Accordingly, I believe that it would be
9 reasonable to make an adjustment for the return charged by BSC, in proportion
10 to the adjustment for BCI. In response to the Staff's Audit, the Company
11 indicated that BST was charged a return on investment of _____ by BCI in
12 1992 and \$2,101,000 by BSC in 1992. Thus, BCS's return was _____ of the
13 return charged by BCI. Applying this ratio to the adjustment for BCI produces
14 a downward adjustment for BellSouth Communications Systems' return on
15 investment of \$123,075.

16 **Q. Would you discuss the adjustment for BellSouth Travel Services?**

17 **A.** Certainly. BellSouth Travel Services is a travel agency that provides travel
18 services to all of the BellSouth companies. According to the Company's response
19 to OPC's interrogatory 1064, BellSouth Travel Services is a dedicated travel
20 office owned and operated by Carlson Travel Network in accordance with a
21 contract with BST. BST's contract with Carlson states that all commissions and
22 overrides earned by Carlson through this dedicated branch shall cover all

1 operating expenses plus a management fee for handling the BST contract. Any
2 remaining revenue is earned by BST.¹³ During 1992 the Company's intrastate
3 share of this revenue was \$341,481. The Company however, did not include any
4 of this revenue in its 1993 budget. Accordingly, I recommend that the
5 Commission increase the Company's 1993 intrastate revenues by \$341,481.

6 Company Charges to Affiliates

7 Q. Let's turn to the next section of your testimony. What services does BST
8 provide to its affiliates?

9 A. As shown on Schedules 2 and 4, BST provides numerous services to its affiliates.
10 In total, BST-Florida charged its affiliates \$10,404,938 for services rendered.

11
12 Examples of the services provided include, telecommunications services,
13 advertising services, human resource services, accounting and financial services
14 and administrative and general services. As shown on Schedule 4, the largest
15 category of services falls under the category of administrative and general
16 services. The majority of the services the Company provides to these affiliates is
17 supposed to be priced at fully distributed cost.

18 Q. Have you made any adjustments for services the Company provides to its
19 affiliates?

20 A. I am recommending one adjustment. However, the fact that I am only

21 ¹³ If revenues do not cover expenses, BST must make up the shortfall. The Company indicated that
22 this did not occur in 1992 and it is not expected to occur in 1993.

1 recommending one adjustment should not be taken as an endorsement of the
2 method used by the Company to charge its affiliates or of the amount BST
3 charges. To the contrary, I have reviewed documents which suggest to me that
4 the Commission should be concerned about these charges.

5

6 The adjustment that I propose relates to the return on investment for providing
7 services to the Company's affiliates. According to the Company's response to
8 OPC's interrogatory 1063, the Company is not permitted by the FCC to charge
9 its affiliates a return on investment for use of common plant and equipment.

10 Specifically, the Company stated:

11 In Paragraph 328 of CC Docket No. 86-111, the Federal
12 Communications Commission (FCC) eliminated the feature
13 whereby nonregulated activities would compensate the regulated
14 accounts for the use of non-network common investments by
15 calculating an appropriate compensation. [Southern Bell Telephone
16 and Telegraph Company, Response to OPC's Interrogatory 1063.]

17

18 Even though the FCC apparently does not permit the Company to charge a return
19 on investment for the use of common plant and equipment, this should not
20 prevent this Commission from imputing such a return. Clearly, the Company's
21 affiliates should not be allowed to use this common plant and equipment without
22 compensation to the Company.

1 I have estimated the adjustment required, since the Company did not know how
2 such an adjustment should be calculated. In interrogatory 1277, OPC asked the
3 Company to provide the amount of return on investment that it would charge for
4 use of common facilities were it not for the FCC's paragraph 328. The
5 Company's response was:

6 Southern Bell objects to this request on the basis that the response
7 calls for speculation on the part of the Company, which
8 speculation the Company is not required to perform. [Southern
9 Bell Telephone and Telegraph Company, Response to OPC's
10 Interrogatory 1277.]

11
12 My adjustment was estimated by taking the total revenue and expense credits
13 received by BST from its affiliates and comparing it to BST's total revenue. This
14 comparison showed that BST's affiliates account for about .34% of the
15 Company's total revenue. I used this ratio to apply to the Company's Florida net
16 general plant and equipment. I then multiplied this amount, \$2,367,353, by OPC
17 witness Rothchild's recommended pretax rate of return to arrive at an
18 approximation of the return the Company should charge its affiliates. This
19 produced an intrastate return on investment charge to affiliates of \$208,000. I also
20 recommend that an adjustment be made for the associated depreciation. Similar
21 calculations show that the depreciation expense that should be charged to affiliates
22 is \$235,000. Accordingly, as shown on Schedule 19, I recommend that the

1 Commission increase the Company's intrastate test year revenues by \$443,000.

2 Bellcore

3 Q. Let's turn to the seventh section of your testimony. Would you describe in
4 greater detail the services provided by Bellcore?

5 A. Yes. Bellcore was organized in October 1983 to provide many of the services
6 previously performed under the license contract fee arrangement with AT&T.
7 Bellcore primarily provides services to the seven Bell Regional Holding
8 Companies, and through them to the various Bell Operating Companies. These
9 services include applied research, operations technology, software technology and
10 systems, information networking services, and network technology. Applied
11 research is devoted to advancing telecommunications technology. Operations
12 technology deals with the planning and development of new technologies that
13 impact network operations. Software technology and systems provides software
14 design and programming services. Information networking services is concerned
15 with enhancing the existing network as well as implementing new and emerging
16 technologies. Network technology helps maintain the existing network.

17 Q. Do you see any potential problems with respect to Bellcore and the costs that
18 it charges to the Company?

19 A. Yes, I do. In particular, I question the practice of charging current customers for
20 applied research and other long-term Bellcore projects that do not benefit the
21 customers in the year they are incurred. The fruits of such research are realized
22 over many years and may take the form of new or enhanced products or services.

1 If the latter then happen to become part of the future unregulated operations of
2 Southern Bell, their research costs will have been charged to regulated customers,
3 but their benefits will accrue entirely to the stockholders of Southern Bell.

4
5 Similar concerns were addressed in the NARUC report on Bell Communications
6 Research released in November 1988. In that report it was noted that certain
7 research projects performed by Bellcore could benefit future unregulated services
8 at the expense of regulated customers:

9 Currently, the operating companies are barred from manufacturing
10 and from using their phone lines to distribute their own
11 information products. The restrictions on their role in providing
12 information services, however, were eased in the September court
13 ruling, Civil Action No. 82-0192. This change, along with the
14 possibility of the removal of the other restrictions in the future,
15 create the possibility of the research funded by current ratepayers
16 resulting in byproducts which will be spun off to non-regulated
17 subsidiaries at no cost. [NARUC, Report on Bell Communications
18 Research, p. 210.]

19
20 Clearly, to the extent that the regulated operations of the Company pay for the
21 research and development of a product or service that will be unregulated in the
22 future, the Company's unregulated operations are inappropriately benefiting from

1 the regulated operations.

2

3 Similar conclusions were reached in the more recent NARUC Report on the
4 Review of Bellcore Technical Work Efforts released in November 1992. In that
5 report, the Audit Team recommended three different ways of treating Bellcore
6 projects for ratemaking purposes. First, projects directly attributable to
7 competitive services are recommended to be taken below the line and not
8 recovered from the general body of ratepayers. Second, projects related to
9 noncompetitive or potentially competitive services should remain above the line.
10 Third, projects treated as above the line should be capitalized if they are directly
11 attributable to potentially competitive services or are common to noncompetitive
12 and potentially competitive services. All other projects treated as above the line
13 should be expensed. [NARUC, Report on the Review of Bellcore Technical Work
14 Efforts, pp. ii-iii.]

15

16 The Audit Team's rationale for its recommendations stemmed from the concern
17 that current customers could potentially pay for future services where the
18 revenues and expenses would be taken below the line. Specifically, the Team
19 wrote:

20

21

22

Within the context of Bellcore, the problem with expensing R&D
costs is one of fairness to current ratepayers. By expensing all of
Bellcore's costs, consumers of today's noncompetitive

1 telecommunications service are, in effect, paying for the
2 development of service to be introduced in the future. To the
3 extent that such future services are classified as competitive and
4 the associated costs and revenues taken below the line, consumers
5 of today's noncompetitive services will not be able to share in any
6 profits from the sale of these future services, even though they are
7 currently funding their development. Hence, we believe that in
8 certain instances Bellcore's product costs should be capitalized so
9 that the costs of developing future competitive services will be
10 borne by consumers of these services. [Ibid., p. 22.]

11 Q. Can you give an example where the Company through Bellcore has expended
12 funds on research and development for products or services which may be
13 unregulated in the future?

14 A. Yes. The BOCs have placed advertisements in national newspapers announcing
15 Bellcore's design of a product that the Company is prohibited from offering due
16 to the restrictions of the MFJ. In response to OPC document requests 443 and
17 444, the Company provided advertisements sponsored by BellSouth associated
18 with its "grassroots lobbying" efforts. One such ad addresses the research efforts
19 associated with video windows:

20 The companies' research organization has designed an
21 experimental prototype that would allow for interactive,
22 life-like meetings between groups of people in separate

1 locations. The meetings would take place using
2 high-quality, large screen "video windows." But
3 government restrictions forbid the regional Bell companies
4 from developing or manufacturing the components
5 necessary for this invaluable technology. [Response to
6 OPC's Document Requests 443 and 444.]

7
8 Similarly, several of the Bellcore projects deal with the research and development
9 (R&D) of technologies that will benefit future services and products. To the
10 extent this R&D results in or enhance services and products (or byproducts) that
11 are unregulated, then ratepayers' dollars will have been spent on behalf of the
12 Company's stockholders.

13
14 Two areas where Bellcore is expending considerable resources are fiber optics
15 and the technology necessary to provide broadband services. Neither of these
16 technologies is needed to provide basic local exchange or long-distance service
17 to the end user. In fact, their further development will increase the Company's
18 ability to offer new enhanced services like video programming, video on demand,
19 videotext, and gateway services--all easily provided in a unregulated environment.
20 Other areas include Personal Communications Services (PCS), Advanced
21 Intelligent Network, and Information Networking Architecture. Research and
22 development in these areas will also allow the Company to provide new revenue

1 producing services.

2 Q. Do you believe there are Bellcore projects that should not be recovered from
3 current ratepayers?

4 A. Yes. I have prepared Schedule 18 showing the project numbers, project titles, and
5 dollars budgeted by Southern Bell on these projects for 1993. I have reviewed
6 the Bellcore Project Profiles and the Cost/Benefit Analysis performed on these
7 projects and believe that the cost of these projects are not properly recovered
8 from current customers. I have grouped the projects into several classifications.
9 The first is a distinction between projects which are classified as Applied
10 Research and projects which fall under other Bellcore programs, like planning and
11 engineering and technical analysis.

12
13 Within these two groups, I have broken the projects into subcategories. As shown
14 on Schedule 18, under the Applied Research Group, I have four subcategories:
15 Personal Communications/Wireless, Information Services,
16 SONET/ATM/Information Networking Architecture/Video, and Fiber/Broadband.
17 Under the Other group, I have four subcategories: Personal
18 Communications/Wireless; Fiber: Information Networking Architecture;
19 Advanced Intelligent Network; and Video/BISDN.

20
21 A review of these project profiles reveal Bellcore's involvement in several
22 activities, such as video services and high definition TV, that relate to more than

1 the provision of telecommunications services and promise to bring substantial
2 benefit to future services provided by the BOCs. Other areas in which Bellcore
3 is expending efforts includes personnel communications services and the
4 development of future information services. These future services will potentially
5 be provided in a unregulated environment. As such, it is my opinion that the
6 associated costs should not be charged to current ratepayers. It would be patently
7 unfair to charge today's customers for R&D that may benefit highly profitable
8 unregulated products and services of the future.

9 Q. Would you describe some of the projects listed under each of the categories
10 that you have established?

11 A. Yes. The first group are applied research projects dealing with Personal
12 Communications and Wireless Technologies. Recently there has been considerably
13 debate over the future of Personal Communications Services and how it will
14 affect the local exchange Customers. Some, like AT&T, argue that PCS is a
15 complement to local exchange services and others, like the local exchange
16 companies argue that it is a threat to local exchange service. Whether or not PCS
17 will be offered in a regulated or unregulated environment is not certain. However,
18 the possibility exists that the Company will be a provider of PCS and that it will
19 be offered in an unregulated environment at some point in the future.

20

21 The two applied research projects that fall under the PCS/Wireless category are
22 numbers 321408 and 321302. The first project, Personal Communications

1 Applications, is described by Bellcore as follows:

2 We investigate new end-to-end services and application concepts
3 to meet the communications needs of people on the move. The
4 goal of the research is to identify new and emerging voice, data,
5 and multimedia applications that can be accessed independently of
6 physical location, and to the maximum extent possible within the
7 constraints of the CPE and access facilities being used. Such
8 applications represent potential opportunities for new revenue
9 generation for our clients. [Southern Bell Telephone and Telegraph
10 Company, Response to OPC's Document Request 793.]

11

12 The second project, Wireless Access, is described in the project profile as
13 pertaining to the investigation of various options for wireless access systems and
14 technologies for providing: (1) economical alternative fixed distribution networks,
15 and (2) new voice and data services (personal communications services) that are
16 flexible and portable.

17

18 Both of these projects, in my opinion, support research and development efforts
19 that may in the future benefit services which are not regulated. During 1993, the
20 Company budgeted to spend \$161,100 on these two projects.

21 Q. Would you discuss the next group labeled as information services?

22 A. Yes. This group includes four projects: trustworthy networks, ease of use,

1 information systems, and speech technology applications. Each of these projects
2 deals with potential information services.

3

4 The first project, trustworthy networks is described by Bellcore as providing the
5 Bellcore Client Companies (BCCs) with the capabilities necessary to maintain
6 trustworthy networks and provide secure communications. This project includes
7 providing methods and prototypes for secure storage, transmission and processing
8 of digital data, whether voice, data, image or video. The project is described as
9 supporting the strategic themes of robust networks and operations, new
10 information services, personal nomadic communications, and information access.

11

12 The second project, ease of use, is supposed to make software used by the
13 Bellcore Client Companies easier to use. It also is described as supporting the
14 strategic themes of enterprise efficiency, advanced voice and messaging
15 capabilities, and video dial tone and beyond. Bellcore notes that it expects the
16 ease of use project to provide strategic advantage for the owners in new
17 telecommunications products and services in the future. Some of the past year's
18 accomplishments included: demonstrations for possibilities of EMAIL for the
19 masses; design of new kinds of audiotext services; and broadcasting a good-
20 quality TV signal from a talk or seminar.

21

22 The next project, information services, is described as seeking to reduce costs by

1 designing effective systems to deliver multimedia information electronically,
2 rather than on paper. The project supports the Bellcore strategic themes of
3 enterprise efficiency and new information services.

4
5 The project, speech technology applications, has the objective of applying
6 technologies of speech recognition and speech synthesis in innovative ways to
7 expand the utility of the voice network while also reducing costs. The themes
8 supported by the project include enterprise efficiency, robust networks and
9 operations, advanced voice and messaging capabilities, and new information
10 services.

11 Q. Would you address the category labeled SONET, ATM, Information
12 Networking Architecture, and video?

13 A. Yes. This group contains eight Bellcore projects. Synchronous Optical Networks
14 (SONET) is the technology necessary to deliver video and multimedia services.
15 It will eventually become the primary avenue for transporting broadband ISDN
16 services. ATM, Asynchronous Transfer Mode is a "new multiplexing and
17 switching technology that combines the best aspects of Time Division
18 Multiplexing (TDM) and packet multiplexing." [Southern Bell Telephone and
19 Telegraph Company, Response to Staff Audit Request 1-125.] According to a
20 white paper prepared by BST, this technology is to be used for a variety of
21 purposes including the fluctuating bandwidth requirements of video compression,
22 high definition television and advanced television and for multi-media

1 communications. Information Networking Architecture (INA) is the technology
2 which makes delivery of many different telecommunications services possible.
3 Past examples include customer calling features. Future services include network
4 automatic call distribution and area wide Centrex. [NARUC, Report on the
5 Review of Bellcore Technical Work Efforts.] Video includes research aimed at
6 enhancing the transmission of potential future video services, like video on
7 demand and teleconferencing.

8
9 The first project, network control, aims to provide the BCCs with network
10 architectures and control systems that ensure high service reliability at an
11 acceptable cost. Research activities included: prototype planning tools for SONET
12 and ATM networks and network and software prototypes for the information
13 networking architecture. The final test of this project was described as follows:

14 The ultimate final exam will occur when our clients are able to
15 offer their customers reliable, competitively priced broadband
16 services and where their network and operations costs are less than
17 their competitors. [Southern Bell Telephone and Telegraph
18 Company, Response to OPC's Document Request 793.]

19
20 Broadband is a descriptive term for evolving digital telephone technologies that
21 will offer households and businesses a single switched facility offering integrated
22 access to voice, high-speed data services, and video service on demand, including

1 one way and two way color television and interactive information services.

2

3 The next project, digital subscriber line technology, is described as research
4 aimed at identifying and resolving technical issues that may limit techniques from
5 increasing the bandwidth capacity of copper loops to levels which are needed to
6 transport new services such as video-on-demand, interactive multimedia or video
7 teleconferencing. This project supports the theme video dial tone and beyond.

8

9 Project 321306, SONET/ATM technology, is also related to research concerning
10 video and data communications. This project addresses roadblocks that must be
11 resolved if the BCCs are to capitalize on the opportunity provided by
12 SONET/ATM to support video and data communications. The theme is also video
13 dial tone and beyond.

14

15 The next project, visual communications systems, is geared toward research
16 dealing with improvements and standardization of video compression coding for
17 use with videophone, video teleconferencing, multimedia, entertainment video or
18 high definition television. This project also supports the theme video dial tone and
19 beyond.

20

21 The next project, telepresence networking applications is described by Bellcore
22 to: "conceive, analyze, prototype, and understand the end user needs, end user

1 benefits, social impacts, and communications needs of communication applications
2 which substitute for physical presence." [Ibid.] The theme is advanced voice and
3 messaging capabilities, personal nomadic communications and information access,
4 video dial tone and beyond and new information services.

5
6 The messaging & information access applications project, according to Bellcore,
7 is trying to:

8 Conceive, analyze, prototype, and understand the end user needs,
9 end user benefits, social impacts, and communication needs of
10 multimedia messaging and information access applications. These
11 applications involve various combinations of text, data, images,
12 voice clips, video clips, and audio clips and represent potential
13 opportunities for new revenue generation for our clients. They
14 include video-on-demand, networked multimedia information
15 retrieval, secure electronic forms, and multimedia electronic mail.

16 [Ibid.]

17
18 The next two projects, network operating systems and internetworking, like their
19 predecessors, are related to research for the advancement of advanced voice and
20 messaging capabilities, personal nomadic communications, public data
21 networking, video dial tone and beyond, and new information services.

1 The Florida intrastate 1993 budget for these eight projects is \$963,000.

2 Q. Would you please describe the projects under the heading fiber/broadband?

3 A. Yes. All of the projects under this category support research and development
4 efforts concerning fiber optics and broadband technology, both of which will
5 produce future revenue opportunities for Southern Bell.

6
7 For example, the first project, economic business decision support, includes
8 research in such areas as: pricing and cost allocation methodologies for broadband
9 telecommunications networks and developing methodologies and software tools
10 which aid in predicting the demand for new products and services. Likewise, the
11 second project, design of broadband multimedia networks, is geared toward
12 research necessary to design, engineer, provision, and control the currently
13 emerging and future broadband multimedia networks. The third project, loop
14 connection technology, deals with research concerning optical fiber and wireless
15 technology into the access network. The fourth project, high-speed networking,
16 is concerned with researching high-speed networking in order to identify new
17 revenue producing opportunities for SMDS, frame relay, cell relays, Broadband
18 ISDN, and ISDN. The fifth project, lightwave systems, deals with research for
19 lightwave technologies that will meet the demand for services such as broadband.
20 The final project in this group, fiber-in-the-loop, relates to such research topics
21 as low-cost options for cable installation, evaluating the fiber/coax option and
22 SONET/ATM to the curb options, and to provide guidance for cost reductions

1 and evolution to video dial tone and beyond. The Florida intrastate 1993 budget
2 for this category of research is \$617,700.

3 Q. The remainder of the projects are not related to Applied Research. Would
4 you please address the first group dealing with personal communications and
5 wireless communications?

6 A. Yes. The first three projects, operations planning for PCS, PCS demo testing, and
7 PCS access services deal with research concerning the BCCs strong desire to use
8 their wireline infrastructure and intelligent networks to support the provision of
9 PCS. Even though access will most likely be provided in the regulated
10 environment, I still believe these costs should not be passed onto current
11 customers for two reasons. First, the research is geared toward enhancing future
12 revenue and as such the costs should be charged to future customers. Second, the
13 Company, one of its affiliates, or a company acquired in the future, may provide
14 PCS in an unregulated environment. The information gained through this research
15 could be transferred to these future operations at the expense of current
16 customers. Accordingly, I do not believe that these costs should be charged to
17 current customers.

18
19 The fourth and fifth projects, wireless interconnection service development and
20 wireless interconnection, both have the objective of helping BellSouth
21 Telecommunications create and market services and provide interconnection
22 arrangements that result in increased revenues. These projects resulted from the

1 perceived need to identify and respond to the needs of customers of wireless
2 carriers. Like my concerns with respect to the PCS access, this project has
3 similar problems. First they are supposed to generate future revenues. Second,
4 it would seem that by identifying the needs of customers of wireless carriers, the
5 Company could potentially enhance the revenues/profitability of its cellular
6 affiliates, without them providing any contribution to this research effort. For
7 these reasons, I do not believe that these projects' costs should be charged to
8 current ratepayers.

9 Q. The next group of projects is labeled fiber. Would you please discuss the
10 research and development being undertaken with respect to these projects?

11 A. Yes. As can be determined from reading the titles of each of these projects the
12 primary thrust of the research relates to fiber in the loop (FITL). One of these
13 projects, FITL basic platform and evolution requirements, is described as
14 providing the generic requirement and standards to support fiber in the loop. First
15 generation fiber in the loop will support basic telecommunications services and
16 have the potential to support a broad range of future services over fiber in the
17 distribution systems. These projects are described as providing research and
18 development efforts related to future products.

19
20 The use of fiber in the loop and to the curb is not necessary for the provision of
21 basic telecommunications services. Using fiber in this capacity will enhance the
22 Company's ability to provide new and enhanced services, such a video dial tone,

1 video on demand, and others which have the potential to be provided in an
2 unregulated environment. As I have stated previously, current customers should
3 not be forced to pay for this research and development--it should be deferred and
4 paid for by future customers and those who will benefit the most from it.

5
6 For the budget year 1993, the Company has projected that it will spend \$245,300
7 on these projects.

8 **Q. What about the next project which falls under the Information Networking**
9 **Architecture category. What services will be provided with the research and**
10 **development resulting from this project?**

11 **A. According to the project profile for project number 1R501N, deployment of INA**
12 **is expected to increase BCC's revenues, lower costs, meet public policy**
13 **objectives, and improve the quality of customer interaction. INA is expected to:**
14 **provide a common, cost-effective approach for generic management of vendor**
15 **and technology-specific implementation of information networking capabilities;**
16 **stimulate development of networked application and end-user demand for**
17 **information networking services; improve the underlying cost model for**
18 **developing new services through a common approach to network and operations**
19 **that provides for a more consistent view of the network; offer services**
20 **consistently, independent of the user's geographic location; and numerous other**
21 **benefits. As discussed earlier, services available with this technology has the**
22 **potential of being provided in a competitive unregulated market. As shown on**

1 Schedule 18, the Company expects to spend \$111,400 on this project in 1993.

2 Q. What is the Advanced Intelligent Network?

3 A. The Advanced Intelligent Network is described as "an evolving, service-
4 independent network architecture that provides important new capabilities for the
5 rapid creation of customizable telecommunications services." [Southern Bell
6 Telephone and Telegraph Company, Response to OPC's Document Request 793.]
7 It is intended to enhance opportunities in the voice services market; to support
8 development of personal communications services and information services; and
9 to possibly serve as the network control technology to support future initiatives
10 such as broadband and multimedia applications. This group contains four projects
11 with a total 1993 budget of \$786,700.

12 Q. The next group of projects is labeled Video/BISDN. Is there any difference
13 between the research undertaken with these projects and the ones described
14 under the applied research category?

15 A. The research undertaken is not the same. Nevertheless, the fruits of the research
16 and development are similar--it will potentially be unregulated services and
17 products that benefit from this research and development.

18
19 Several of these projects also concern video dial tone services which is a possible
20 Southern Bell offering that will allow residential customers to gain access to, to
21 interact with, and to view entertainment, educational, games, multimedia, video
22 in the home. Each of these projects is concerned with services that will potentially

1 be offered in an unregulated environment. Until such a determination is made as
2 to their status, the research and development costs should not be recovered from
3 customers. As shown on Schedule 18, the Company's 1993 budget includes
4 \$373,900 for these six projects.

5 Q. What is the total of all of these projects?

6 A. As shown on Schedule 18, the Florida intrastate budget for these projects is
7 \$3,850,600. This compares to a total 1993 Bellcore budget for Southern Bell's
8 Florida intrastate operations of \$32,552,800. The amount of Bellcore costs that
9 I recommend not including in the Company's test year expenses amounts to less
10 than 12% of the total Bellcore budgeted expenditures.

11 Q. Have you reviewed any documents which show that the Company's goal is to
12 become an important player in these new services and how they prefer them
13 to be regulated?

14 A. Yes. The Company's 1994-98 Strategic Plan addresses these services. For
15 example, the Company notes that while it is "firmly rooted as a primary regional
16 wireline provider of voice and data telephony, the company has the capability to
17 participate in newly-forming markets brought about by the merging of voice,
18 data, and video." [Southern Bell Telephone and Telegraph Company, Response
19 to OPC's Document Request 789.]

20

21 The Company notes that while it intends to continue to expand and improve its
22 narrowband network, it intends to expand capacity beyond narrowband wireline

1 to broadband and wireless services in profitable special networks. [Ibid.]

2
3 With respect to its goal of influencing its regulators the Company has the
4 following strategies:

5 Aggressively pursue pure price regulation from state regulators,
6 remaining flexible to more value-creating operations if appropriate.

7 Seek improvements in FCC price cap plan that eliminate earnings
8 sharing, maintain reasonable productivity offset, and provide
9 additional pricing flexibility. Seek MFJ relief. Obtain parity with
10 cable TV in serving similar markets. Pursue opportunity for PCS
11 license. [Ibid.]

12
13 Finally, the Company identifies one of the critical issues it needs to address as the
14 "[n]eed to offer competitive services on [an] unregulated basis." [Ibid.]

15
16 The Company's strategic plans are consistent with many of the research and
17 development efforts being undertaken by Bellcore. Southern Bell's plans
18 demonstrate its goal to provide new services and to do so in an unregulated
19 environment. The Commission should be concerned about the many implications
20 of requiring current ratepayers to fund the research and development of
21 technologies that will result in the provision or enhancement of new services that
22 may not be provided in a regulated environment.

1 Q. You have indicated that these costs should not be recovered from current
2 ratepayers. How do you propose that they be treated by the Commission?

3 A. I recommend that the Commission require the Company to defer these expenses
4 for either recovery at a later date or expensing below the line at a later date.
5 Since there is uncertainty about whether or not these projects will benefit future
6 nonregulated operations, it is only appropriate that such costs be deferred for later
7 recovery. If the Company can demonstrate in the future that the research and
8 development costs have benefitted regulated ratepayers through the provision of
9 regulated services, then it would be appropriate for such costs to be recovered
10 from future customers. However, if the Company cannot demonstrate such a
11 benefit, then the costs should be expensed below the line. There may be instances
12 where some allocation between above the line and below the line might be
13 necessary. However, this can be determined when there is more certainty with
14 respect to the conditions under which the resulting services and products will be
15 provided.

16
17 I also believe that the Company should be compensated for the time value of
18 money by earning a return on the project costs that have been deferred. This
19 would not be a current return, but would be accrued on the projects until a
20 determination by the Commission is made with respect to their recoverability
21 from current ratepayers. This would be analogous to Allowance for Funds Under
22 Construction which is used by electric and telephone companies to accrue

1 carrying costs while a project is under construction. The accrual here would be
2 different in that the Company could not recognize the accrual as income until it
3 is determined by the Commission to be appropriately recovered from ratepayers.
4 The mechanism could be entitled Allowance for Research and Development Funds
5 (ARDF). In other words, the Company would keep track of the costs incurred on
6 the projects that I have identified and accrue a return on its "investment" equal
7 to the overall rate of return allowed by the Commission. If the Commission
8 allows the Company to collect these costs from future customers, then the
9 Company should be allowed to recover the associated carrying costs. If the
10 Commission determines that the costs should not be recovered from future
11 customers then the Company would need to write these expenses off against
12 income. In my opinion, allowing the Company to recover a carrying cost on these
13 expenditures should remove the associated disincentive for the Company to
14 investment in future R&D efforts that might be beneficial to customers.

15 Q. In Docket No. 890190-TL, where you made a similar proposal, the Company
16 argued that waiting until after a project is completed before determining its
17 regulatory treatment was not a practical solution because it did not account
18 for projects (applied research) that did not result in a product or service.
19 Would you care to comment on this argument?

20 A. Yes. I do not believe that it applies to the existing situation, at least to any
21 significant extent. The projects that I have identified all relate to certain types of
22 future products or services most of which will most likely be provided in the

1 future. It is just a matter of time.

2

3 To the extent that a project results in absolutely no product or service, or even,
4 a benefit to a product or service, then I believe it would be fair for the costs of
5 such projects to be recovered from ratepayers, but only if the Commission
6 believes that such research efforts were in the public interest. The recovery of
7 such costs, however, would be contingent upon the Company demonstrating that
8 such research was a prudent expenditure and undertaken for the anticipated
9 benefit of its regulated body of customers.

10 Conclusions

11 Q. Let's turn to the last section of your testimony. Do you have a Schedule
12 which summarizes the adjustments that you recommend?

13 A. Yes. Schedule 19 of my exhibit lists each of the adjustments that I recommend
14 and the impact on the Company's intrastate revenues or expenses. I have
15 developed two sets of adjustments. The first, shown under the column labeled
16 "No Change to General Allocator" assumes that the Commission does not adopt
17 my recommendation concerning changing the general allocator used to allocate
18 BSC costs to the Company. The second, shown under the column labeled
19 "Change to General Allocator", assumes that the Commission adopts my
20 recommendation with respect to changing the general allocator. It was necessary
21 to produce these two sets of adjustments because several of the adjustments that
22 I recommend are allocated using the general allocator. As shown on this

1 Schedule, my recommendations reduce the Company's expenses by \$10,443,779
2 if the Commission does not adopt my general allocator recommendation and by
3 \$10,082,842 if the Commission adopts my general allocator recommendation.

4 Q. Does this complete your direct testimony, prefiled on November 8, 1993?

5 A. Yes, it does.

APPENDIX

OF

KIMBERLY H. DISMUKES

1 APPENDIX I

2 QUALIFICATIONS

3

4 Q. What is your educational background?

5 A. I graduated from Florida State University with a Bachelor of Science degree in
6 Finance in March, 1979. I received an M.B.A. degree with a specialization in
7 Finance from Florida State University in April, 1984.

8 Q. Would you please describe your employment history in the field of Public
9 Utility Regulation?

10 A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm
11 specializing in the field of public utility regulation. While at Ben Johnson
12 Associates, I held the following positions: Research Analyst from March 1979
13 until May 1980; Senior Research Analyst from June 1980 until May 1981;
14 Research Consultant from June 1981 until May 1983; Senior Research Consultant
15 from June 1983 until May 1985; and Vice President from June 1985 until April
16 1992. In May 1992, I joined the Florida Public Counsel's Office, as a
17 Legislative Analyst III.

18 Q. Would you please describe the types of work that you have performed in the
19 field of Public Utility Regulation?

20 A. Yes. My duties have ranged from analyzing specific issues in a rate proceeding
21 to managing the work effort of a large staff in rate proceedings. I have prepared
22 testimony, interrogatories and production of documents, assisted with the

1 preparation of cross-examination, and assisted counsel with the preparation of
2 briefs. Since 1979, I have been actively involved in more than 160 regulatory
3 proceedings throughout the United States.

4

5 I have analyzed cost of capital and rate of return issues, revenue requirement
6 issues, public policy issues, and rate design issues, involving telephone, electric,
7 gas, water and wastewater, and railroad companies.

8

9 In the area of cost of capital, I have analyzed the following parent companies:
10 American Electric Power Company, American Telephone and Telegraph
11 Company, American Water Works, Inc., Ameritech, Inc., CMS Energy, Inc.,
12 Columbia Gas System, Inc., Continental Telecom, Inc., GTE Corporation,
13 Northeast Utilities, Pacific Telecom, Inc., Southwestern Bell Corporation, United
14 Telecom, Inc., and U.S. West. I have also analyzed individual companies like
15 Connecticut Natural Gas Corporation, Duke Power Company, Idaho Power
16 Company, Kentucky Utilities Company, Southern New England Telephone
17 Company, and Washington Water Power Company.

18 **Q. Have you previously assisted in the preparation of testimony concerning**
19 **revenue requirements?**

20 **A. Yes. I have assisted on numerous occasions in the preparation of testimony on a**
21 **wide range of subjects related to the determination of utilities' revenue**
22 **requirements and related issues.**

1 I have assisted in the preparation of testimony and exhibits concerning the
2 following issues: abandoned project costs, accounting adjustments, affiliate
3 transactions, allowance for funds used during construction, attrition, cash flow
4 analysis, construction monitoring, construction work in progress, contingent
5 capacity sales, cost allocations, decoupling revenues from profits, cross-
6 subsidization, demand-side management, depreciation methods, divestiture, excess
7 capacity, feasibility studies, financial integrity, financial planning, incentive
8 regulation, jurisdictional allocations, non-utility investments, fuel projections,
9 mergers and acquisitions, pro forma adjustments, projected test years, prudence,
10 tax effects of interest, working capital, off-system sales, reserve margin, royalty
11 fees, separations, settlements, and resource planning.

12
13 Companies that I have analyzed include: Alascom, Inc. (Alaska), Arizona Public
14 Service Company, Arvig Telephone Company, AT&T Communications of the
15 Southwest (Texas), Blue Earth Valley Telephone Company (Minnesota),
16 Bridgewater Telephone Company (Minnesota), Carolina Power and Light
17 Company, Central Maine Power Company, Central Power and Light Company
18 (Texas), Central Telephone Company (Missouri and Nevada), Consumers Power
19 Company (Michigan), C&P Telephone Company of Virginia, Continental
20 Telephone Company (Nevada), C&P Telephone of West Virginia, Connecticut
21 Light and Power Company, Danube Telephone Company (Minnesota), Duke
22 Power Company, East Otter Tail Telephone Company (Minnesota), Easton

1 Telephone Company (Minnesota), Eckles Telephone Company (Minnesota), El
2 Paso Electric Company (Texas), General Telephone Company of Florida, Georgia
3 Power Company, Kentucky Power Company, Kentucky Utilities Company, KMP.
4 Telephone Company (Minnesota), Idaho Power Company, Oklahoma Gas and
5 Electric Company (Arkansas), Kansas Gas & Electric Company (Missouri),
6 Kansas Power and Light Company (Missouri), Mad Hatter Utilities, Inc.
7 (Florida), Mankato Citizens Telephone Company (Minnesota), Michigan Bell
8 Telephone Company, Mid-Communications Telephone Company (Minnesota),
9 Mid-State Telephone Company (Minnesota), Mountain States Telephone and
10 Telegraph Company (Arizona and Utah), Northwestern Bell Telephone Company
11 (Minnesota), Potomac Electric Power Company, Public Service Company of
12 Colorado, Puget Sound Power & Light Company (Washington), South Central
13 Bell Telephone Company (Kentucky), Southern Union Gas Company (Texas),
14 Southern Bell Telephone & Telegraph Company (Florida, Georgia, and North
15 Carolina), Southern States Utilities, Inc., Southern Union Gas Company,
16 Southwestern Bell Telephone Company (Oklahoma, Missouri, and Texas), St.
17 George Island Utility, Ltd., Tampa Electric Company, Texas-New Mexico Power
18 Company, Tucson Electric Power Company, Twin Valley-Ulen Telephone
19 Company (Minnesota), United Telephone Company of Florida, Virginia Electric
20 and Power Company, Washington Water Power Company, and Wisconsin
21 Electric Power Company.

22 Q. What experience do you have in rate design issues?

1 A. My work in this area has primarily focused on issues related to costing. For
2 example, I have assisted in the preparation of class cost-of-service studies
3 concerning Arkansas Energy Resources, Cascade Natural Gas Corporation, El
4 Paso Electric Company, Potomac Electric Power Company, Texas-New Mexico
5 Power Company, and Southern Union Gas Company. I have also examined the
6 issue of avoided costs, both as it applies to electric utilities and as it applies to
7 telephone utilities.

8 Q. Have you testified before regulatory agencies?

9 A. Yes. I have testified before the Arizona Corporation Commission, the
10 Connecticut Department of Public Utility Control, the Florida Public Service
11 Commission, the Georgia Public Service Commission, the Missouri Public
12 Service Commission, the Public Utility Commission of Texas, and the
13 Washington Utilities and Transportation Commission. My testimony dealt with
14 revenue requirement, financial, and class cost-of-service issues concerning AT&T
15 Communications of Southwest (Texas), Cascade Natural Gas Corporation
16 (Washington), Central Power and Light Company (Texas), Connecticut Light and
17 Power Company, El Paso Electric Company (Texas), Kansas Gas & Electric
18 Company (Missouri), Kansas Power and Light Company (Missouri), Houston
19 Lighting & Power Company (Texas), Mountain States Telephone and Telegraph
20 Company (Arizona), Southern Bell Telephone and Telegraph Company (Florida
21 and Georgia), Puget Sound Power & Light Company (Washington), and Texas
22 Utilities Electric Company.

1 I have also testified before the Public Utility Regulation Board of El Paso,
2 concerning the development of class cost-of-service studies and the recovery and
3 allocation of the corporate overhead costs of Southern Union Gas Company and
4 before the National Association of Securities Dealers concerning the market value
5 of utility bonds purchased in the wholesale market.

6 **Q. Have you been accepted as an expert in these jurisdictions?**

7 **A. Yes.**

8 **Q. Do you belong to any professional organizations?**

9 **A. Yes.** I am a member of the Eastern Finance Association, the Financial
10 Management Association, the Southern Finance Association, the Southwestern
11 Finance Association, the Florida and American Water Association, and the
12 National Society of Rate of Return Analysts.

13

EXHIBITS
OF
KIMBERLY H. DISMUKES

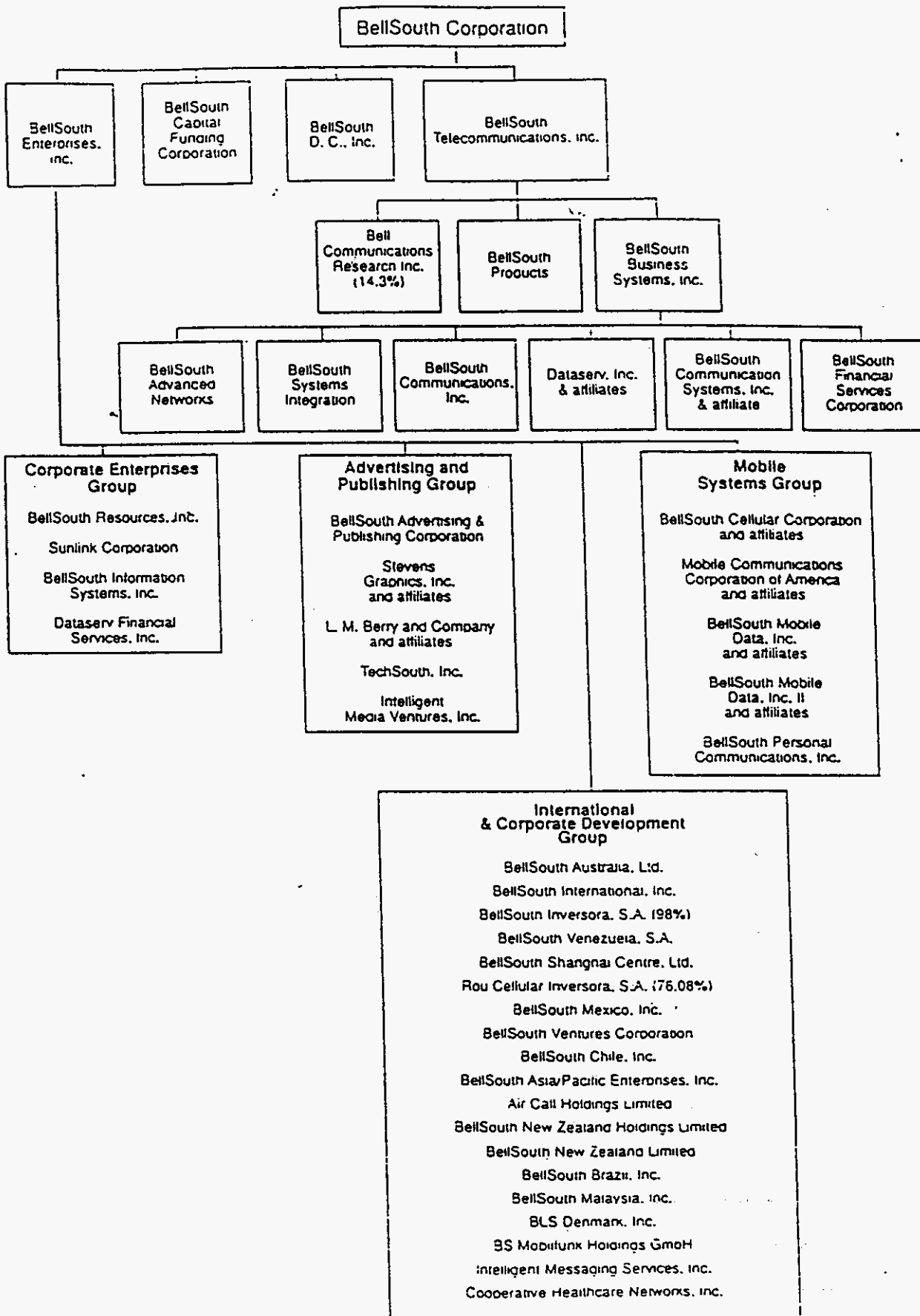
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Southern Bell
Docket No. 920260-TL
Exhibit (KHD-1)
Schedule 1
Cover Page
Witness: Dismukes

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BellSouth Corporate Structure



Southern Bell Telephone and Telegraph Company Affiliate Services From Southern Bell to Affiliates Matrix I										
	BSC	BSP	BBS	BCI	BCS	FINS	DATASERV	Bell Core	BSDC	BSE
Telecommunications Services Including Official Communications	X	X		X	X			X		X
Telecommunications Services			X			X	X		X	
Customer Billing Services					X	X				
Shared Office Space	X	X	X	X	X			X		
Security for Buildings	X									
Legal Services	X	X	X	X	X	X	X			
Medical Services	X		X	X	X					X
Production of Corporate Videos	X									
Personnel Services	X			X						X
Support Services	X	X	X	X	X			X		X
Aircraft	X	X	X	X	X	X			X	X
Procurement and Provisioning Services	X	X		X	X					X
Procurement of Bellcore Services	X			X					X	X
Use and Maintenance of General Purpose Computer Systems	X	X		X	X	X				
Internal Auditing		X	X	X	X	X	X			
Joint Use of Trouble Reporting					X					
Enhanced Voice Messaging				X						
BOC/SIS Database Usage (1)								X		
Data Processing Services										X
Maintenance and Upkeep for Motor Vehicles Leased by BSE										X
Training	X	X		X	X	X			X	X
Labor Relations					X					
Customer Referrals		X		X	X					X
Treasury and Accounting Support	X	X	X	X	X	X	X			
Marketing Support	X	X		X	X					
Regulatory Support	X									
General Corporate Services			X							
Human Resources	X		X	X	X					
Incidental CPE Maintenance, Installation and Testing				X						
Service Manager Customer Support					X					
Bill Inserts		X								
CPE Installation, Maintenance, and Testing					X					
Non-Basic Inside Wiring					X					
Miscellaneous Administrative Services						X				

(1) The database resides in BST and billing is based upon actual usage. Bellcore handles billing to the other regions.

Southern Bell Telephone and Telegraph Company
Affiliate Services
From Southern Bell to Affiliates
Matrix II

	BSCC	MCAA	BSMD
Telecommunications	X	X	X
Network Access for Cellular Customers	X		
Network Access for Paging Customers		X	
Training	X		
Aircraft	X		
Marketing Support	X	X	

Southern Bell Telephone and Telegraph Company
Affiliate Services
From Southern Bell to Affiliates
Matrix III

	BIS	BRI	*BSAN	SUNLINK	BSI	*BSSI	CHN	IMSI
Telecommunications	X		X	X	X	X	X	X
Support Services	X				X			
Capability for Protocol Conversion			X					
Network Technical Support					X			
Marketing Support	X		X		X			X
Training	X	X			X			
Aircraft	X				X			
Procurement and Provisioning Services					X			
Loaned Employees					X			
Use and Maintenance of General Purpose Computer Systems			X					
Billing and Collection								X
Customer Billing Data			X					
Consulting Services		X						
Treasury and Accounting Support			X			X		X

*BellSouth Business Systems Subsidiary

Southern Bell Telephone and Telegraph Company					
Affiliate Services					
From Affiliates to Southern Bell					
Matrix IV					
	SGI	LMB	BAPCO	TSI	IMVI
Telecommunications	X	X	X	X	X
Data Systems			X		
Legal Services			X		
Security Services			X		
Personnel Services			X		
Billing and Collecting, Subscriber Listing Data, Directory Delivery Information, and Directory Publishing Rights			X		
Training	X		X		
Aircraft	X		X		
Procurement and Provisioning Services			X		
Procurement of Bellcore Services			X		
Marketing Support			X		
Corporate TV			X		

Southern Bell Telephone and Telegraph Company										
Affiliate Services										
From Affiliates to Southern Bell										
Matrix V										
	BSC	BSP	BBS	BCI	BCS	FINS	DATASERV	Bell Core	BSDC	BSE
Financial Services	X									
Regional Planning Services	X									
Personnel Services	X									
Legal	X									
Public Affairs Involving Federal Regulatory and Federal Legislative Activities	X									
Public Relations	X									
Accounting Support	X							X		
Regulatory Support								X		
Tax Services	X									
Executive Support	X									
Security	X									
Joint Use of Trouble Reporting					X					
Sale of Computer Parts							X			
Marketing Services, National Security & Emergency Preparedness								X		
Procurement Support, Support Services, Quality Assurance								X		
Information Systems Support								X		
Technical Training								X		
Leasing of Equipment						X				
Network Services								X		
Sales Activities for Business Customers for Telecommunications										
Network Products and Services				X						
Customer Presentations, proposals preparation					X					
Sales and Marketing Support					X					
Incidental Network Maintenance and Testing					X					
Technical Support, Call Receipt, Remote Testing					X					
Alarm Monitoring					X					
Government Compliance				X						

Southern Bell Telephone and Telegraph Company
Affiliate Services
From Affiliates to Southern Bell
Matrix VI

	BSCC	MCCA	BSMD
Sales of Equipment	X		
Rental of Equipment	X	X	
Maintenance on Equipment	X	X	
Cellular Mobile Service	X		
Paging Service		X	
Paging Service Combined with Equipment Rental		X	
Paging Service Provided Through Agency Agreements		X	

Southern Bell Telephone and Telegraph Company
Affiliate Services
From Affiliates to Southern Bell
Matrix VII

	BIS	BRI	BSAN	SUNLINK	BSI	BSSI	CHN
Electronic Mail			X				
Leased Office Space and Warehouse Space				X			
Maintenance of Job Bank Data Base	X						
Provides Hardware and Applications Software Support in a Time Share Environment	X						
Support and Access to Office Automation System	X						
Enhanced Data Services			X				
Licensed Software Products and Maintenance					X		
Systems Integration and Support			X				

Southern Bell Telephone and Telegraph Company
Affiliate Services
From Affiliates to Southern Bell
Matrix VIII

	SGI	LMB	BAPCO	TSI	IMVI
Compiling, Publishing, and Delivery of White Page Directories and Collection Services			X		
Advertising Design Services			X		
Sales and Storage of Foreign and Extended Area Directories			X		
Excess Postage and Extraordinary Directory Delivery Charges			X		
Custom Covers			X		
Advertising Through Promotional Insert Plan ("Delivers More")			X		
Directories of Other Telephone Companies		X			
Telemarketing Services		X			
Printing of Business Products	X				

BellSouth Corporation
Summary of Affiliate Charges

1990	South Central	Southern Bell Telephone	BellSouth Telephone	Other Affiliates	Non Affiliates	Percentage to BellSouth Telephone	Percentage to Other Affiliates	Percentage to Non Affiliates
BellSouth Corporation	\$51,169,280	\$69,968,610	\$121,137,890	\$27,884,719	\$2,042,605	80.19%	18.46%	1.35%
Bellcore	63,112,100	91,547,900	154,660,000	2,316,700		98.52%	1.48%	0.00%
BellSouth Communications, Inc.	1,906,955	6,220,883	8,127,838	4,355,924		65.11%	34.89%	0.00%
BellSouth Communications Sys.	393,173		393,173			100.00%	0.00%	0.00%
BellSouth Advertising & Pub.	2,458,450	1,630,218	4,088,668			100.00%	0.00%	0.00%
BellSouth Mobility	173,369	1,662,962	1,836,331	584,643		75.85%	24.15%	0.00%
Dataserv	3,493,130	2,928,258	6,421,388	7,277,316		46.88%	53.12%	0.00%
BellSouth Financial Services	1,633,191	3,050,749	4,683,940	12,245		99.74%	0.26%	0.00%
BellSouth Information Systems	478,274	2,810,959	3,289,233	45,419,799		6.75%	93.25%	0.00%
L.M. Berry	71,185	384,698	455,883	81,536,492		0.56%	99.44%	0.00%
BellSouth Advanced Networks	40,364	34,144	74,508	388,172		16.10%	83.90%	0.00%
BellSouth Human Resources	1,156,684	2,738,656	3,895,340	2,215,665		63.74%	36.26%	0.00%
Tri-Data Systems	40	25,293	25,333			100.00%	0.00%	0.00%
Stevens Graphics	106,517	259,458	365,975	112,039,785		0.33%	99.67%	0.00%
BellSouth Enterprises		1,481	1,481			100.00%	0.00%	0.00%
Techsouth Inc.		4,200	4,200			100.00%	0.00%	0.00%
Sunlink Corp		2,363	2,363	5,673,207		0.04%	99.96%	0.00%
Mobile Comm. Corp. of America	44,689	1,348,687	1,393,376			100.00%	0.00%	0.00%
CSL Joint Ventures		110,265	110,265			100.00%	0.00%	0.00%
BellSouth Corporation D.C.	7,477	1,404	8,881			100.00%	0.00%	0.00%
BellSouth Resources	1,029,570	893,339	1,922,909	1,414,915		57.61%	42.39%	0.00%
Media Technologies	2,604		2,604	4,320,323		0.06%	99.94%	0.00%
Total	\$127,277,052	\$185,624,527	\$312,901,579	\$295,439,905	\$2,042,605	51.26%	48.40%	0.33%

BellSouth Corporation
BellSouth Corporation D.C.
Media Technologies
Total

BellSouth Corporation
Summary of Affiliate Charges

1991	South Central	Southern Bell Telephone	BellSouth Telephone	Other Affiliates	Non Affiliates	Percentage to BellSouth Telephone	Percentage to Other Affiliates	Percentage to Non Affiliates
BellSouth Corporation	\$50,292,153	\$68,101,287	\$118,393,440	\$35,149,345	\$2,068,000	76.08%	22.59%	1.33%
Bellcore	72,534,955	98,740,265	171,275,220	2,744,539		98.42%	1.58%	0.00%
BellSouth Communications, Inc.	43,603,201	69,527,490	113,130,691	3,518,000		96.98%	3.02%	0.00%
BellSouth Communications Sys.		5,769	5,769	1,659,000	126,757,989	0.00%	1.29%	98.70%
BellSouth Advertising & Pub.	3,134,282	2,884,667	6,018,949	85,000		98.61%	1.39%	0.00%
BellSouth Mobility	517,303	1,328,358	1,845,661	1,698,000		52.08%	47.92%	0.00%
Dataserv	1,811,313	2,862,691	4,674,004	3,610,000	131,640,000	3.34%	2.58%	94.08%
BellSouth Financial Services	476,590	688,781	1,165,371	78,000	14,196,000	7.55%	0.51%	91.95%
BellSouth Information Systems	479,899	1,501,331	1,981,230	52,070,000		3.67%	96.33%	0.00%
L.M. Berry	5,175	44,010	49,185	84,354,000		0.06%	99.94%	0.00%
BellSouth Advanced Networks	1,533	1,595	3,128	671,000		0.46%	99.54%	0.00%
BellSouth Human Resources	1,424,682	2,945,812	4,370,494	20,493,000	17,000	17.57%	82.37%	0.07%
Tri-Data Systems		779	779			100.00%	0.00%	0.00%
Stevens Graphics	157,484	365,156	522,640	119,374,000		0.44%	99.56%	0.00%
BellSouth Enterprises	627	927	1,554			100.00%	0.00%	0.00%
Techsouth Inc.			0					
Sunlink Corp			0					
Mobile Comm. Corp. of America	947,560	607,047	1,554,607			100.00%	0.00%	0.00%
CSL Joint Ventures		497,250	497,250	13,774,000		3.48%	96.52%	0.00%
BellSouth Corporation D.C.	1,508	1,628	3,136	11,774,000		0.03%	99.97%	0.00%
BellSouth Resources	159,616	1,055,152	1,214,768	421,000		74.26%	25.74%	0.00%
Media Technologies			0					
BellSouth Direct Marketing	195,952	677,466	873,418			100.00%	0.00%	0.00%
BellSouth Products					15,447,000	0.00%	0.00%	100.00%
Total	\$175,743,833	\$251,837,461	\$427,581,294	\$351,472,884	\$290,125,989	39.99%	32.87%	27.14%

BellSouth Corporation
Summary of Affiliate Charges

1992	South Central	Southern Bell Telephone	BellSouth Telephone	Other Affiliates	Non Affiliates	Percentage to BellSouth Telephone	Percentage to Other Affiliates	Percentage to Non Affiliates
BellSouth Corporation			\$99,776,526	\$33,955,000		74.61%	25.39%	0.00%
Bellcore			162,850,303	2,149,000		98.70%	1.30%	0.00%
BellSouth Communications, Inc.			209,991,149	48,252,000		81.32%	18.68%	0.00%
BellSouth Communications Sys.			236,217	21,308,000	269,452,000	0.08%	7.32%	92.60%
BellSouth Advertising & Pub.			4,416,365	624,000		87.62%	12.38%	0.00%
BellSouth Mobility			2,138,829	1,434,000		59.86%	40.14%	0.00%
Dataserv			4,936,617	2,816,000	123,543,000	3.76%	2.14%	94.10%
BellSouth Financial Services			235,316	232,000	13,948,000	1.63%	1.61%	96.76%
BellSouth Information Systems			3,865,357	49,323,000		7.27%	92.73%	0.00%
L.M. Berry			22,406	85,706,000		0.03%	99.97%	0.00%
BellSouth Advanced Networks			101,083	11,391,000		0.88%	99.12%	0.00%
BellSouth Human Resources								
Tri-Data Systems								
Stevens Graphics			2,613,914	120,995,000		2.11%	97.89%	0.00%
BellSouth Enterprises								
Techsouth Inc.								
Sunlink Corp			3,269,678	2,299,000		58.72%	41.28%	0.00%
Mobile Comm. Corp. of America			2,249,518	818,000		73.33%	26.67%	0.00%
CSL Joint Ventures			10,252,343	5,512,000		65.04%	34.96%	0.00%
BellSouth Corporation D.C.			3,065	12,086,000		0.03%	99.97%	0.00%
BellSouth Resources			34,737	16,771,000		0.21%	99.79%	0.00%
Media Technologies								
BellSouth Direct Marketing			1,383,828			100.00%	0.00%	0.00%
BellSouth Products					125,323,000	0.00%	0.00%	100.00%
Scientific Software			7,500	252,000		2.89%	97.11%	0.00%
Total			\$508,384,751	\$415,923,000	\$532,266,000	34.90%	28.55%	36.54%

Southern Bell Telephone and Telegraph Company
 Summary of Florida Outgoing Billings to Affiliated Companies
 1992

Southern Bell
 Docket No. 920260-TL
 Exhibit (KHD-1)
 Schedule 4
 Witness: Dismukes

Account Title	Bellcore	BellSouth Information Networks	Mobile Communications Corporation of America	Steven Graphics Inc.	Dataserv	BellSouth Mobile Data	BellSouth Mobility Inc.	BAPCO	BellSouth Financial Services	BellSouth Enterprise Inc.	BellSouth Corporation	BellSouth International	BellSouth Communications Inc.	BellSouth Information Systems Inc.	BellSouth Advanced Network Inc.	BellSouth Business Systems Inc.	Intelligent Messaging Services Inc.	BellSouth Communications Systems Inc.	BellSouth Products Inc.	Total
Other Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$1,205	\$4,208	\$0	\$3,068	\$0	\$0	\$7,235	\$0	\$0	\$0	\$0	\$8,984	\$0	\$24,700
Material & Supplies	0	0	0	0	0	0	0	88	0	0	0	0	4	0	0	0	0	4	0	96
Deferred Charges	0	0	0	0	0	0	0	0	0	0	0	0	(2,080)	0	0	0	0	0	0	(2,080)
Rent Revenue	159	3,000	0	64	1,093	0	111	(72,335)	2,675	201,521	66,527	49,573	2,035,303	27	3,862	23,239	588	371,608	37,896	2,724,911
Incidental Revenue	3,297	658	26	4	373	25	35	8,086	646	18,994	36,539	7,850	293,247	36	288	3,595	62	48,620	16,145	438,526
Motor Vehicle Expense	0	0	0	0	0	0	0	0	0	4,172	6,292	0	153,637	0	0	0	0	7	0	164,098
Aircraft Expense	0	0	0	83	0	0	424	5,145	0	47,005	243,392	0	94,297	16	0	0	0	8	7	390,377
Land and Building Expense	213	0	0	0	0	0	0	0	0	10,452	32,651	0	1,627,717	0	0	0	0	149,013	69	1,820,115
Furniture and Artwork Expense	0	0	0	0	0	0	0	0	0	0	3	0	27,604	0	0	0	0	3,160	0	30,667
Office Equipment Expense	138	0	0	0	0	0	0	67	0	0	519	0	22,110	0	0	0	0	16,848	692	40,374
General Purpose Computers Expense	0	0	0	0	0	0	0	87,260	0	208,387	38,382	0	136,449	0	1,119	0	0	153,697	719	628,015
Digital Electronic Expense	0	0	0	0	0	0	0	0	0	0	0	34,982	0	0	0	0	0	0	0	34,982
Circuit Equipment Expense	0	0	0	0	0	0	0	0	0	0	0	0	17	0	0	0	0	1	0	18
Other Terminal Equipment Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,099	0	13,099
Buffed Cable Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provisioning Expense	0	0	0	0	0	0	0	3	0	0	6	0	417	0	0	0	0	286	0	712
Network Administration Expense	0	0	0	0	0	0	0	0	0	0	0	1,543	0	0	0	0	0	0	0	1,543
Plant Operations Admin Expense	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	4,781	0	4,787
Engineering Expense	0	0	0	0	0	0	0	0	0	0	0	3,104	0	0	0	0	0	0	0	3,104
Product Management	0	9,316	0	0	0	0	0	0	0	1,013	20,205	328	24,893	0	0	0	1,465	0	89,353	146,573
Sales	0	0	0	0	0	0	141	0	1,192	2,431	24,187	131,966	0	0	91	0	0	31,294	0	191,902
Product Advertising	0	0	899	0	0	848	0	0	57,480	0	848	0	1,193	2,290	43,821	0	848	540	108,767	
Call Completion Services	0	219	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	219
Number Services	0	334	0	0	0	0	1,660	0	0	0	0	0	0	0	0	0	0	0	0	1,994
Customer Services	0	0	0	0	0	0	10,320	0	0	0	6,886	2,221	0	0	0	0	0	1,230	5,394	26,051
Executive	4	147	0	0	115	0	16	969	276	1,755	93,756	2,143	14,073	0	3	1,789	20	6,273	1,364	122,703
Training	1	8,603	0	0	37	0	6	278	100	495	996	759	4,309	0	1	11,674	7	1,939	421	27,624
Accounting and Finance	12	441	0	1	7,363	0	49	2,971	1,018	5,576	34,400	6,923	241,001	0	8	12,212	65	81,330	24,089	417,459
External Relations	2	106	0	0	68	0	223	640	147	17,573	10,245	19,506	12,262	0	2	50,769	11	3,915	858	116,327
Human Resources	11	2,311	0	1	316	0	493	85,625	790	40,898	86,206	6,254	168,832	0	7	133,439	58	19,625	3,660	548,526
Information Management	2	815	0	1	86	0	11	24,541	179	35,586	60,479	5,586	189,759	1	116	1,788	82	343,135	6,378	668,355
Legal	2	73	0	0	3,922	0	13	509	19,297	911	3,005	1,365	210,477	0	2	1,433	11	74,185	16,565	331,770
Procurement	0	1	0	2	1	0	0	1,786	4	9,677	20,318	9,007	8,743	1	8	1,383	2	7,592	78	58,603
Research and Development	0	0	0	0	0	0	0	0	0	181	0	1,130	0	0	0	0	0	0	0	1,311
Other General & Administrative	604	548	0	1	167	0	164	3,273	105	10,567	37,055	8,608	960,414	1	17	24,467	8	95,986	8,096	1,150,081
Engineering Expense Clearing	0	0	0	0	0	0	0	0	0	3,436	0	69,763	1	0	0	0	0	0	0	73,200
Plant Expense Clearing	225	0	0	0	0	0	0	0	0	0	201	31,386	1,834	0	0	0	0	64,377	0	98,023
Interest Disbursement Transfers	0	0	0	0	0	0	0	6	0	0	0	0	0	0	0	0	0	0	0	6
	\$4,672	\$24,372	\$925	\$157	\$13,541	\$873	\$2,750	\$165,239	\$25,237	\$679,939	\$793,598	\$291,731	\$6,366,648	\$1,275	\$7,723	\$309,700	\$2,389	\$1,501,845	\$212,324	\$10,404,938

Southern Bell Telephone and Telegraph Company
Corporate Service and Project Billings from BellSouth Corporation

	1992				
	BST	Non Regulated	Total	Percent Regulated	Percent Non Regulated
Executive	\$8,302,600	\$2,503,800	\$10,806,400	76.8%	23.2%
Corporate Secretary	7,245,500	2,295,000	9,540,500	75.9%	24.1%
Treasury	6,445,700	1,528,900	7,974,600	80.8%	19.2%
Security	535,000	138,700	673,700	79.4%	20.6%
Comptrollers	6,261,400	2,006,100	8,267,500	75.7%	24.3%
Tax	5,754,900	1,460,900	7,215,800	79.8%	20.2%
Internal Auditing	2,866,500	1,751,600	4,618,100	62.1%	37.9%
Corporate Planning	3,895,100	824,100	4,719,200	82.5%	17.5%
Financial Management	2,640,700	1,115,900	3,756,600	70.3%	29.7%
BSC Human Resources	1,829,200	62,500	1,991,700	96.9%	3.1%
Human Resources	19,449,700	3,859,500	23,309,200	83.4%	16.6%
Asst. Sec/Corp. Counsel	428,400	90,900	519,300	82.5%	17.5%
Legal	8,927,900	3,471,600	12,399,500	72.0%	28.0%
Federal Relations	6,922,700	1,529,100	8,451,800	81.9%	18.1%
Advertising	1,441,400	1,587,200	3,028,600	47.6%	52.4%
Public Relations	967,500	202,200	1,169,700	82.7%	17.3%
External Affairs	4,254,300	1,350,900	5,605,200	75.9%	24.1%
Corporate Affairs	4,947,200	1,374,600	6,321,800	78.3%	21.7%
Rate of Return	2,101,000	451,000	2,552,000	82.3%	17.7%
Total	\$95,316,700	\$27,604,500	\$122,921,200	77.5%	22.5%
Project Costs	\$4,452,900	\$6,350,900	\$10,803,800	41.2%	58.8%

	1991				
	BST	Non Regulated	Total	Percent Regulated	Percent Non Regulated
Executive	N/P	N/P	N/P	N/P	N/P
Corporate Secretary	N/P	N/P	N/P	N/P	N/P
Treasury	N/P	N/P	N/P	N/P	N/P
Security	N/P	N/P	N/P	N/P	N/P
Comptrollers	N/P	N/P	N/P	N/P	N/P
Tax	N/P	N/P	N/P	N/P	N/P
Internal Auditing	N/P	N/P	N/P	N/P	N/P
Corporate Planning	N/P	N/P	N/P	N/P	N/P
Financial Management	N/P	N/P	N/P	N/P	N/P
BSC Human Resources	N/P	N/P	N/P	N/P	N/P
Human Resources	N/P	N/P	N/P	N/P	N/P
Asst. Sec/Corp. Counsel	N/P	N/P	N/P	N/P	N/P
Legal	N/P	N/P	N/P	N/P	N/P
Federal Relations	N/P	N/P	N/P	N/P	N/P
Advertising	N/P	N/P	N/P	N/P	N/P
Public Relations	N/P	N/P	N/P	N/P	N/P
External Affairs	N/P	N/P	N/P	N/P	N/P
Corporate Affairs	N/P	N/P	N/P	N/P	N/P
Rate of Return	N/P	N/P	N/P	N/P	N/P
Total	N/P	N/P	N/P	N/P	N/P
Project Costs	N/P	N/P	N/P	N/P	N/P

N/P = Not Provided

Southern Bell Telephone and Telegraph Company
Corporate Service and Project Billings from BellSouth Corporation

	1990				
	BST	Non Regulated	Total	Percent Regulated	Percent Non Regulated
Executive	\$8,879,700	\$1,635,200	\$10,514,900	84.4%	15.6%
Corporate Secretary	1,951,900	373,600	2,325,500	83.9%	16.1%
Treasury	12,976,900	2,652,700	15,629,600	83.0%	17.0%
Security	1,627,700	213,300	1,841,000	88.4%	11.6%
Comptrollers	7,426,000	1,462,200	8,888,200	83.5%	16.5%
Tax	5,215,700	904,700	6,120,400	85.2%	14.8%
Internal Auditing	2,724,600	873,200	3,597,800	75.7%	24.3%
Corporate Planning	5,883,800	788,500	6,672,300	88.2%	11.8%
Financial Management	3,733,800	1,414,100	5,147,900	72.5%	27.5%
Marketing	2,400	1,400	3,800	63.2%	36.8%
BSC Human Resources	12,742,900	152,100	12,895,000	98.8%	1.2%
Human Resources	21,718,500	1,749,700	23,468,200	92.5%	7.5%
Asst. Sec/Corp. Counsel	233,200	33,500	266,700	87.4%	12.6%
Legal	8,192,900	2,901,800	11,094,700	73.8%	26.2%
Federal Relations	6,741,000	1,086,100	7,827,100	86.1%	13.9%
Advertising	4,359,700	2,136,900	6,496,600	67.1%	32.9%
Public Relations	2,729,700	763,600	3,493,300	78.1%	21.9%
External Affairs	4,620,100	725,500	5,345,600	86.4%	13.6%
Corporate Affairs	4,978,800	886,400	5,865,200	84.9%	15.1%
Rate of Return					
Total	\$116,739,300	\$20,754,500	\$137,493,800	84.9%	15.1%
Project Costs	\$4,399,100	\$7,860,400	\$12,259,500	35.9%	64.1%

	1989				
	BST	Non Regulated	Total	Percent Regulated	Percent Non Regulated
Executive	\$14,265,000	\$2,527,000	\$16,792,000	85.0%	15.0%
Corporate Secretary	4,928,000	560,000	5,488,000	89.8%	10.2%
Treasury	13,814,000	2,149,000	15,963,000	86.5%	13.5%
Security	1,071,000	112,000	1,183,000	90.5%	9.5%
Comptrollers	8,379,000	881,000	9,260,000	90.5%	9.5%
Tax	3,780,000	632,000	4,412,000	85.7%	14.3%
Internal Auditing	2,677,000	326,000	3,003,000	89.1%	10.9%
Strategic Analysis	992,000	106,000	1,098,000	90.3%	9.7%
Corporate Planning	4,580,000	597,000	5,177,000	88.5%	11.5%
Financial Management	3,412,000	1,072,000	4,484,000	76.1%	23.9%
Marketing	1,864,000	856,000	2,720,000	68.5%	31.5%
BSC Human Resources					
Human Resources	24,101,000	1,721,000	25,822,000	93.3%	6.7%
Asst. Sec/Corp. Counsel	169,000	19,000	188,000	89.9%	10.1%
Legal	8,179,000	1,653,000	9,832,000	83.2%	16.8%
Federal Relations	7,265,000	1,089,000	8,354,000	87.0%	13.0%
Advertising					
Public Relations	6,589,000	2,163,000	8,752,000	75.3%	24.7%
External Affairs	6,144,000	1,034,000	7,178,000	85.6%	14.4%
Corporate Affairs					
Rate of Return					
Total	\$112,209,000	\$17,497,000	\$129,706,000	86.5%	13.5%
Project Costs	\$5,147,000	\$6,628,000	\$11,775,000	43.7%	56.3%

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	1988				
	BST	Non Regulated	Total	Percent Regulated	Percent Non Regulated
Executive	\$10,001,000	\$1,680,000	\$11,681,000	85.6%	14.4%
Corporate Secretary	5,989,000	706,000	6,695,000	89.5%	10.5%
Treasury	12,371,000	1,766,000	14,137,000	87.5%	12.5%
Security					
Comptrollers	6,889,000	832,000	7,721,000	89.2%	10.8%
Tax	3,251,000	502,000	3,753,000	86.6%	13.4%
Internal Auditing	2,235,000	355,000	2,590,000	86.3%	13.7%
Strategic Analysis	1,242,000	154,000	1,396,000	89.0%	11.0%
Corporate Planning	5,226,000	639,000	5,865,000	89.1%	10.9%
Financial Management	3,157,000	821,000	3,978,000	79.4%	20.6%
Marketing	48,000	41,000	89,000	53.9%	46.1%
BSC Human Resources					
Human Resources	16,452,000	1,776,000	18,228,000	90.3%	9.7%
Asst. Sec/Corp. Counsel	350,000	40,000	390,000	89.7%	10.3%
Legal	8,137,000	1,511,000	9,648,000	84.3%	15.7%
Federal Relations	7,044,000	967,000	8,011,000	87.9%	12.1%
Advertising					
Public Relations	9,694,000	1,274,000	10,968,000	88.4%	11.6%
External Affairs	1,878,000	267,000	2,145,000	87.6%	12.4%
Corporate Affairs					
Rate of Return					
Total	\$93,964,000	\$13,331,000	\$107,295,000	87.6%	12.4%
Project Costs	\$5,038,000	\$7,035,000	\$12,073,000	41.7%	58.3%

Source: Southern Bell Telephone and Telegraph Company, Response to OPC's Interrogatories 1107, 552, and 553; and Exhibit of Dismukes, Docket No. 3897-U before the Georgia Public Service Commission.

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Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Executive	2,493,409	100	General Allocator	2,064,400	82.79%
2		99,287	103	Employees	79,315	79.88%
3		284,186	201	Composite	179,863	63.29%
4		441,632	202	Composite	321,147	72.72%
5		425,284	203	Composite	354,987	83.47%
6		976,105	205	Composite	642,679	65.84%
7		372,315	207	Composite	265,108	71.21%
8		337,461	222	Composite	225,928	66.95%
9		381,715	225	Composite	294,885	77.25%
10	Total Direct	5,811,394			4,428,312	76.20%
11	Overhead	4,995,052			3,874,272	77.56%
12	Total Executive	10,806,446			8,302,584	76.83%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Corporate Secretary	1,975,974	100	General Allocator	1,629,221	82.45%
2		131,700	118	Equity	95,968	72.87%
3		1,172,449	232	Composite	910,486	77.66%
4		5,675,911	CX0007	Equity	4,151,875	73.15%
5	Total Direct	8,956,034			6,787,550	75.79%
6	Total Overhead	584,421			457,984	78.37%
7	Total Corporate Secretary	9,540,455			7,245,534	75.95%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Treasury	541,500	100	General Allocator	446,390	82.44%
2		1,677,340	101	Capital	1,385,370	82.59%
3		9,461	108	100% BSE	0	0.00%
4		34,540	155	Headquarter's Allocator	27,625	79.98%
5		19,117	230	Composite	13,592	71.10%
6		311,869	231	Composite	250,210	80.23%
7		103,022	233	Composite	78,017	75.73%
8		135,391	241	Composite	88,108	65.08%
9		63,087	CX0003	100% BSE	0	0.00%
10		23,789	CX0004	50% SBTT Capital, 50% SCBT CA	23,789	100.00%
11		11	CX0005	Salaries & Wages	10	90.91%
12		902,247	CX0007	Equity	682,590	75.65%
13		234,194	CX0008	Fed Pac Receipts	180,649	77.14%
14		435,113	CX0009	Employees in Wage & Benefit Plan	387,183	88.98%
15		2,818	CX0013	Executives	1,883	66.82%
16		65	CX0019	100% BellSouth Business Systems	0	0.00%
17		291,878	CX0020	100% BellSouth Telecommunications	291,878	100.00%
18	Total Direct	4,785,442			3,857,294	80.60%
19	Total Overhead	3,189,080			2,588,403	81.16%
20	Total Treasury	7,974,522			6,445,697	80.83%

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Line BSC Department	Corporate Service		Allocation Basis	Billings To BST	Percentage Allocated To BST
	Billings To Subsidiaries	Allocation Factor			
1 Security	28,798	100	General Allocator	24,458	84.93%
2	60,127	107	50% SB, 50% SCB	50,127	100.00%
3	254,074	155	Headquarter's Allocator	190,321	74.91%
4	(2,938)	190	100% BS Telecommunications	(2,938)	100.00%
5	15	CX0003	100% BSE	0	0.00%
6	3,055	CX0023	Hurricane Andrew - 100% BSE	0	0.00%
7 Total Direct	333,131			261,968	78.64%
8 Total Overhead	340,598			273,086	80.18%
9 Total Security	673,729			535,054	79.42%

Line BSC Department	Corporate Service		Allocation Basis	Billings To BST	Percentage Allocated To BST
	Billings To Subsidiaries	Allocation Factor			
1 Comptrollers	751,983	102	Emp in BS pension & benefit plan	672,924	89.49%
2	4,387	107	50% SB, 50% SCB	4,387	100.00%
3	850,280	118	Equity	618,523	72.74%
4	1,233,563	155	Headquarter's Allocator	930,729	75.45%
5	34,672	183	41% SB, 41% SCB, 9% BSE, 9% HQ Alloc	30,927	89.20%
6	25,224	184	11.1% SB, SCB, BSS 33.4% BSE 33.3% BBS	8,400	33.30%
7	65,642	190	100% BS Telecommunications	65,642	100.00%
8	273,689	191	1/3 BST, 1/3 BSE, 1/3 BBS	91,138	33.30%
9	398,779	192	82% BST, 9% BSE, 9% HQ Alloc	353,893	88.74%
10	189,702	213	Composite	161,675	85.23%
11	2,219	CX0001	100% SBTT	2,219	100.00%
12	2,579	CX0002	100% SCBT	2,579	100.00%
13	39,853	CX0003	100% BSE	0	0.00%
14	26,654	CX0006	General Allocator	22,316	83.72%
15	34,149	CX0007	Equity	24,126	70.65%
16	48,636	CX0009	Employees in wage & benefit plan	43,277	88.98%
17	38,837	CX0010	Gross fixed assets	37,571	96.74%
18	185,222	CX0013	Executives	123,968	66.93%
19	41	CX0016	100% BSS	41	100.00%
20	4,461	CX0019	100% BellSouth Business Systems	0	0.00%
21	40,265	CX0020	100% BellSouth Telecommunications	40,265	100.00%
22	3,535	CX0022	Hurricane Andrew - 100 BST	3,535	100.00%
23	1,223	CX0023	Hurricane Andrew - 100 BSE	0	0.00%
24 Total Direct	4,255,595			3,238,135	76.09%
25 Total Overhead	4,011,888			3,023,254	75.36%
26 Total Comptrollers	8,267,483			6,261,389	75.74%

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Line	BSC Department	Corporate Service		Allocation Basis	Billings To BST	Percentage Allocated To BST
		Billings To Subsidiaries	Allocation Factor			
1	Tax	76,133	100	General Allocator	62,613	82.24%
2		494,721	106	Operating Expenses	390,425	78.92%
3		55,235	107	50% SB, 50% SCB	55,235	100.00%
4		35,763	108	100% BSE	0	0.00%
5		228,086	117	Investments	192,000	84.18%
6		6,707	125	95% Reg Inv, 5% BSE	6,372	95.01%
7		423,973	155	Headquarter's Allocator	328,314	77.44%
8		20,602	185	12% HQ Allocator, 88% BSE	1,919	9.31%
9		38,386	186	38% HQ Allocator, 62% BSE	11,154	29.06%
10		399,511	190	100% BS Telecommunications	399,511	100.00%
11		191,644	193	95% BST, 5% BSE	182,062	95.00%
12		484,079	208	Composite	323,267	66.78%
13		207,949	214	Composite	178,055	85.62%
14		191,216	224	Composite	84,454	44.17%
15		176,216	236	Composite	133,356	75.68%
16		127,778	331	70% BST, 30% General Allocator	120,905	94.62%
17		15,003	332	2% BST, 92% BSE, 6% BBS	300	2.00%
18		250,085	333	92% BST, 8% General Allocator	246,529	98.58%
19		189,662	334	14% BSE, 6% BBS, 80% General Allocator	124,817	65.81%
20		28	CX0003	100% BSE	0	0.00%
21		3,120	CX0020	100% BellSouth Telecommunications	3,120	100.00%
22	Total Direct	3,615,897			2,844,408	78.66%
23	Total Overhead	3,599,907			2,910,448	80.85%
24	Total Tax	7,215,804			5,754,856	79.75%

Line	BSC Department	Corporate Service		Allocation Basis	Billings To BST	Percentage Allocated To BST
		Billings To Subsidiaries	Allocation Factor			
1	Internal Audit	9,404	177	28%SB 31%SCB 16%BSS 14%BSE 11%HQalc	7,881	83.80%
2		45,309	178	54% BSE, 46% HQ alloc	16,669	36.79%
3		36,793	179	31%SB 35%SCB 18%BSS 10%BSE 6%HQalc	32,672	88.80%
4		90,080	180	10%SB 13%SCB 53%BSS 18%BSE 6%HQalc	72,785	80.80%
5		36,558	195	74% BST, 13% BSE, 10% BBS, 3% HQalloc	27,806	76.06%
6		150,252	196	76% BSE, 24% HQalloc	28,950	19.27%
7		178,123	197	72% BST, 15% BSE, 9% BBS, 4% HQalloc	133,813	75.12%
8		203,396	198	75% BST, 17% BSE, 5% BBS, 3% HQalloc	157,339	77.36%
9		402,842	324	83% BST, 13% BSE, 4% HQalloc	346,188	85.94%
10		419,064	325	73% BST, 27% HQalloc	82,743	19.74%
11		403,840	326	84% BST, 11% BSE, 5% HQalloc	354,039	87.67%
12		894	CX0001	100% SBTT	894	100.00%
13		894	CX0002	100% SCBT	894	100.00%
14		107,156	CX0003	100% BSE	0	0.00%
15		72	CX0016	100% BSS	72	100.00%
16		16,417	CX0020	100% BellSouth Telecommunications	16,417	100.00%
17	Total Direct	2,101,094			1,279,162	60.88%
18	Total Overhead	2,517,088			1,587,352	63.06%
19	Total Internal Audit	4,618,182			2,866,514	62.07%

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Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Financial Management	870,517	106	Operating Expenses	689,566	78.21%
2		247,776	108	100% BSE	0	0.00%
3		47,290	189	5% BBS, 47.5% SBT, 47.5% SCB	44,925	95.00%
4		378,037	194	Operating Expenses of BST & BBS	354,602	93.80%
5		<u>21,042</u>	210	Composite	<u>13,323</u>	63.32%
6	Total Direct	1,564,662			1,102,416	70.46%
7		<u>2,191,804</u>			<u>1,538,254</u>	70.18%
8	Total Financial Management	<u>3,756,566</u>			<u>2,640,670</u>	70.29%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Corporate Planning	1,877,541	100	General Allocator	1,551,344	82.63%
2		<u>314,537</u>	220	Composite	<u>258,836</u>	82.29%
3	Total Direct	2,192,078			1,810,180	82.58%
4	Total Overhead	<u>2,527,084</u>			<u>2,084,896</u>	82.50%
5	Total Corporate Planning	<u>4,719,162</u>			<u>3,895,076</u>	82.54%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	BS H/R, Inc. - Other	4,729	102	Emp in BS pension & benefit plan	4,292	90.76%
2		29,650	160	Employees in USA	24,536	82.75%
3		263,708	169	Oth mgrs & key mgrs excluding BSE	242,980	92.14%
4		1,578	204	Composite	937	59.38%
5		(35,861)	237	Composite	(30,934)	86.26%
6		<u>3,138</u>	239	Composite	<u>2,816</u>	89.74%
7	Total Direct	266,942			244,627	91.64%
8	Total Overhead	<u>87,443</u>			<u>80,594</u>	92.17%
9	Total BS H/R, Inc. - Other	<u>354,385</u>			<u>325,221</u>	91.77%

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Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	BS H/R, Inc. Benefits	636,386	161	98.9% Emp excluding BSE, 1.1% GA	616,149	96.82%
2		332,537	162	Retired employees excluding BSE	332,304	99.93%
3		15,780	223	Composite	15,446	97.88%
4		(9,852)	228	Composite	(8,990)	91.25%
5	Total Direct	974,851			954,909	97.95%
6	Total Overhead	662,504			649,108	97.98%
7	Total BS H/R, Inc. Benefits	1,637,355			1,604,017	97.96%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	BSC Human Resources	7,511,495	102	Emp in BS pension & benefit plan	6,690,367	89.07%
2		549,595	112	Key managers	343,218	62.45%
3		746,660	113	Union employees in BS companies	705,629	94.50%
4		742,120	160	Employees in USA	605,459	81.59%
5		1,700,876	173	Key mgrs except BSE acquired Co.	1,125,421	66.17%
6		2,684,940	175	Managers except BSE acquired Co.	2,090,422	77.86%
7		2,619	187	100% BellSouth business systems	0	0.00%
8		213,072	204	Composite	190,688	89.49%
9		338,802	211	Composite	251,885	74.35%
10		183,058	228	Composite 228	164,887	90.07%
11		(23,475)	237	Composite	(20,249)	86.26%
12		12,674	239	Composite	11,372	89.73%
13		24	CX0003	100% BSE	0	0.00%
14		2,095	CX0019	100% BellSouth Business Systems	0	0.00%
15		76,346	CX0020	100% BellSouth Telecommunications	76,346	100.00%
16		0	PN1770	Assessment Center Overheads	0	0.00%
17		0	PN4005	Assessment Center Overheads	0	0.00%
18	Total Direct	14,740,901			12,235,445	83.00%
19	Total Overhead	8,568,412			7,214,284	84.20%
20	Total BSC Human Resources	23,309,313			19,449,729	83.44%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Asst Sec - Corp Council	279,628	100	General allocator	230,378	82.39%
2	Total Direct	279,628			230,378	82.39%
3	Total Overhead	239,677			198,055	82.63%
4	Total Asst Sec - Corp Council	519,305			428,433	82.50%

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Line	BSC Department	Corporate Service		Allocation, Basis	Billings To BST	Percentage Allocated To BST
		Billings To Subsidiaries	Allocation Factor			
1	Legal	770,056	100	General allocator	637,211	82.75%
2		253,250	120	80% Reg inv, 10% BSE, 10% GA	224,101	88.49%
3		35,509	121	Regulated investment	35,509	100.00%
4		14,079	123	85% reg inv, 15% GA	13,760	97.73%
5		10,825	125	95% reg inv, 05% BSE	10,284	95.00%
6		24,875	127	35% reg inv, 35% BSE, 30% GA	15,044	60.48%
7		13,048	133	53% reg inv, 26% BSE, 21% GA	9,243	70.84%
8		12,666	134	20% reg inv, 80% BSE	2,533	20.00%
9		2,926	139	30% reg inv, 70% GA	2,617	89.44%
10		21,141	141	27% reg inv, 05% BSE, 68% GA	17,919	84.76%
11		16,930	142	20% reg inv, 60% BSE, 20% GA	6,261	36.98%
12		269,048	144	15% BSE, 85% GA	188,588	70.09%
13		42,135	145	20% reg inv, 35% BSE, 45% GA	24,531	58.22%
14		19,157	146	75% reg inv, 25% BSE	14,368	75.00%
15		18,230	147	10% reg inv, 90% BSE	1,823	10.00%
16		30,587	148	50% reg inv, 35% BSE, 15% GA	19,190	62.74%
17		10,927	149	60% reg inv, 30% BSE, 10% GA	7,484	68.49%
18		14,231	150	70% reg inv, 10% BSE, 20% GA	12,380	86.99%
19		26,511	188	38% reg inv, 2.5% BBS, 59.5% GA	23,471	88.53%
20		425,666	190	100% BS Telecommunications	425,666	100.00%
21		99,978	193	95% BST, 5% BSE	94,980	95.00%
22		576,815	205	Composite	414,966	71.94%
23		363,444	301	80% BST, 10% BSE, 10% Gen Alloc	320,723	88.25%
24		11,041	302	30% BST, 70% Gen Alloc	9,730	88.13%
25		159,572	303	70% BST, 25% BSE, 5% BBS	111,700	70.00%
26		115,652	304	85% BST, 15% Gen Alloc	112,614	97.37%
27		167,926	305	10% BST, 90% BSE	16,793	10.00%
28		292,159	306	27% BST, 5% BSE, 68% Gen Alloc	242,895	83.14%
29		543,972	307	50% BST, 35% BSE, 15% Gen Alloc	339,143	62.35%
30		154,712	308	70% BST, 10% BSE, 20% Gen Alloc	133,805	86.49%
31		121,178	309	20% BST, 60% BSE, 20% Gen Alloc	44,168	36.45%
32		131,908	310	60% BST, 30% BSE, 10% Gen Alloc	90,013	68.24%
33		308,400	311	35% BST, 35% BSE, 30% Gen Alloc	184,155	59.71%
34		242,152	312	38% BST, 2.5% BBS, 59.5% Gen Alloc	210,860	87.08%
35		385,461	313	28% BST, 35% BSE, 45% Gen Alloc	219,848	57.04%
36		201,112	314	53% BST, 26% BSE, 21% Gen Alloc	141,392	70.31%
37		174,499	315	20% BST, 80% BSE	34,900	20.00%
38		11,390	316	75% BST, 25% BSE	8,542	75.00%
39		47,457	317	85% BST, 5% BSE, 10% Gen Alloc	44,246	93.23%
40		170,207	318	25% BST, 5% BSE, 10% BBS, 60% GA	126,829	74.51%
41		183,418	319	50% BST, 31% BSE, 19% Gen Alloc	120,296	65.59%
42		90,796	320	27% BST, 31% BSE, 42% Gen Alloc	55,893	61.55%
43		64,988	335	55% BST, 35% BSE, 10% Gen Alloc	41,094	63.23%
44		77,804	336	35% BST, 65% General Allocator	68,916	88.58%
45		137,407	337	40% BST, 10% BSE, 50% Gen Alloc	111,440	81.10%
46		87,394	338	10% BSE, 90% General Allocator	64,830	74.18%
47		8,565	342	5% BST, 95% BSE	428	5.00%
48		<u>194,896</u>	CX0003	100% BSE	<u>0</u>	<u>0.00%</u>
49	Total Direct	<u>7,156,100</u>			<u>5,057,172</u>	<u>70.67%</u>
50	Total Overhead	<u>5,243,454</u>			<u>3,870,776</u>	<u>73.82%</u>
51	Total Legal	<u>12,399,554</u>			<u>8,927,948</u>	<u>72.00%</u>

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1	Federal Relations	2,216,326	100	General Allocator	1,830,639	82.59%
2		38,598	107	50% SB, 50% SCB	38,598	100.00%
3		26,721	165	35% SBTT, .35 SCBT, .15 BSE, .15 GA	22,109	82.74%
4		11,382	166	40% SBTT, 40% SCBT, 20% GA	11,040	97.00%
5		42,604	167	15% SBTT, 15% SCBT, 70% BSE	12,761	30.00%
6		31,970	168	35% SBTT, 35% SCBT, 10% BSE, 20% GA	27,811	86.99%
7		535,156	190	100% BS Telecommunications	535,156	100.00%
8		2,769,214	215	Composite	2,288,971	82.66%
9		590,169	216	Composite	485,236	82.22%
10		24,669	240	Composite	21,186	85.88%
11		374,378	308	70% BST, 10% BSE, 20% Gen Alloc	323,780	86.48%
12		115,062	321	70% BST, 15% BSE, 15% Gen Alloc	94,734	82.33%
13		58,636	322	80% BST, 20% Gen Alloc	56,614	96.55%
14		257,522	323	30% BST, 70% BSE	77,257	30.00%
15		74,350	339	70% BST, 30% BSE	52,045	70.00%
16		16,950	340	90% BST, 10% BSE	15,255	90.00%
17		15,706	341	80% BST, 20% BSE	12,565	80.00%
18		8,058	CX0003	100% BSE	0	0.00%
19	Total Direct	7,207,371			5,905,647	81.94%
20	Total Overhead	1,244,390			1,017,059	81.73%
21	Total Federal Relations	8,451,761			6,922,706	81.91%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Advertising	197,851	119	70% Mar GA, 20% Equity, 10% GA	106,487	53.82%
2		117,401	327	65% BST, 10% BSE, 20% Mkt GA, 5% GA	91,551	77.98%
3		223,790	328	10% BST, 5% BSE, 80% Mkt GA, 5% GA	110,590	49.42%
4		40,909	329	90% BST, 5% BSE, 2.5% Mkt GA, 2.5% GA	38,111	93.16%
5		131,836	CX0003	100% BSE	0	0.00%
6		119,375	CX0006	General Allocator	97,815	81.94%
7		26,128	CX0007	Equity	19,868	76.04%
8		1,865,098	CX0011	Marketing General Allocator	819,488	43.94%
9		(4,518)	CX0019	100% BellSouth Business Systems	0	0.00%
10		(127,318)	CX0020	100% BellSouth Telecommunications	(127,318)	100.00%
11		2,407	CX1992	1992 Atl Golf Classic-Mrkt Gen Alloc	1,013	42.09%
12	Total Direct	2,592,959			1,157,605	44.64%
13	Total Overhead	435,619			283,781	65.14%
14	Total Advertising	3,028,578			1,441,386	47.59%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Public Relations	941,526	100	General Allocator	779,535	82.79%
2		107	CX1991	1991 Atl golf classic-Mrkt Gen Alloc	46	42.99%
3		1,403	CX1992	1991 Atl golf classic-Mrkt Gen Alloc	602	42.91%
4	Total Direct	943,036			780,183	82.73%
5	Total Overhead	226,657			187,329	82.65%
6	Total Public Relations	1,169,693			967,512	82.72%

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Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	External Affairs	400,133	100	General Allocator	329,303	82.30%
2		956,378	103	Employees	767,148	80.21%
3		2,330,925	181	94% Equity, 6% General Allocator	1,724,935	74.00%
4		435,358	242	Composite	342,114	78.58%
5		12,005	CX0003	100% BSE	0	0.00%
6		40,723	CX0021	GA Dome - Marketing Allocator	18,590	45.65%
7		3,353	CX0022	Hurricane Andrew - 100% BST	3,353	100.00%
8		122,897	CX1992	1991 Atl golf classic-Mrkt Gen Alloc	55,881	45.47%
9	Total Direct	4,301,772			3,241,324	75.35%
10	Total Overhead	1,303,474			1,013,016	77.72%
11	Total External Affairs	5,605,246			4,254,340	75.90%

Line	BSC Department	Corporate Service Billings To Subsidiaries	Allocation Factor	Allocation Basis	Billings To BST	Percentage Allocated To BST
1	Corporate Affairs	4,475,428	100	General Allocator	3,706,359	82.82%
2		174,700	221	Composite	137,586	78.76%
3		8,392	CX0021	GA Dome - Marketing Allocator	3,843	45.79%
4		31,755	CX1991	1991 Atl golf classic-Mrkt Gen Alloc	13,582	42.77%
5		656,233	CX1992	1992 Atl golf classic-Mrkt Gen Alloc	300,488	45.79%
6	Total Direct	5,346,508			4,161,858	77.84%
7	Total Overhead	975,372			785,359	80.52%
8	Total Corporate Affairs	6,321,880			4,947,217	78.26%

TOTAL BSC COPS BILLING:

1	Total Direct	77,425,387			59,578,569	76.95%
2	Total Overhead	42,944,022			33,637,310	78.33%
3	GRAND TOTAL	120,369,409			93,215,879	77.44%

Source: Southern Bell Telephone and Telegraph Company, Response to OPC's Document Request 797.

Southern Bell Telephone and Telegraph Company
Calculation of Recommended General Allocation Factor

General Allocation Factor	BSE	BST	BSBS	Total
January	13.07%	84.93%	2.00%	100.00%
February	13.67%	84.31%	2.02%	100.00%
March	14.56%	83.42%	2.02%	100.00%
April	15.58%	82.45%	1.97%	100.00%
May	15.18%	81.69%	3.13%	100.00%
June	14.50%	81.30%	4.20%	100.00%
July	12.62%	82.53%	4.85%	100.00%
August	12.84%	82.24%	4.92%	100.00%
September	13.24%	81.73%	5.03%	100.00%
October	13.24%	81.73%	5.03%	100.00%
November	12.58%	82.33%	5.09%	100.00%
December	11.75%	83.02%	5.23%	100.00%

Average	13.57%	82.64%	3.79%	100.00%
50% Weight	50.00%	50.00%	50.00%	
Weighted Factor	6.78%	41.32%	1.90%	50.00%

Equal Allocation Factor	25.00%	50.00%	25.00%	100.00%
50% Weight	50.00%	50.00%	50.00%	
Weighted Factor	12.50%	25.00%	12.50%	50.00%

Recommended Allocation Factor	19.28%	66.32%	14.40%	100.00%
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Source: Southern Bell Telephone and Telegraph Company, Response to OPC's Interrogatory 556.

Southern Bell Telephone and Telegraph Company
Summary of Ownership Adjustments

<u>BSC Executives</u>	<u>Amount</u>
CEO	\$2,450,945
Vice Chairman	\$1,101,402
Exec. V.P. & General Counsel	\$970,839
Exec. V.P. Gov. Affairs	\$1,020,183
Total 1992 Allocation to BST	\$5,543,369
Florida Intrastate Percent	18.30%
Florida Intrastate Allocation	\$1,014,437
Disallow 50%	50.0%
Adjustment to Disallow Executives	(\$507,218)
<u>BSC Corporate Planning</u>	
1993 Allocation to BST	\$3,920,600
Florida Intrastate Percent	18.30%
Florida Intrastate Allocation	\$717,470
Disallow 50%	50.0%
Adjustment to Disallow Corporate Planning	(\$358,735)
<u>BSC Cash Management Functions</u>	
1992 Director Cash Management	\$205,899
1992 Assistant Treasurer Cash Management	\$1,298,261
Total Cash Management Allocated to BST	\$1,504,160
Florida Intrastate Percent	18.30%
Florida Intrastate Allocation	\$275,261
Disallow 50%	25.0%
Adjustment to Disallow Cash Management	(\$68,815)
<u>BSC Assistant Secretary/Corporate Counsel</u>	
1992 Allocation to BST	\$428,400
Florida Intrastate Percent	18.30%
Florida Intrastate Allocation	\$78,397
Disallow 50%	50.0%
Adjustment to Disallow Assistant Secretary	(\$39,199)
 Total Ownership Adjustments	 (\$973,967)

Source: Southern Bell Telephone and Telegraph Company, Response to
OPC's Interrogatories 1077 and 1081.

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FINANCIAL ANALYST SEMINAR
November 9, 1992

John Clendenin
Chairman and Chief Executive Officer

Good morning ladies and gentlemen and thank you very much for joining us here in Orlando at Perspective '92. We've been in the habit of scheduling conferences like this about every two years, and we think that it is productive to wait a couple of years between conferences. We hope that proves to be an effective process from your point of view. We're just delighted that you're here and that we will have the opportunity to dialogue with you and not just get better acquainted, but more specifically respond to your interests and your questions. You and your colleagues are very effective in chronicling the sweeping changes that are transforming not only the telecommunications industry, but indeed the world itself, and we want to respond to your questions and share our perspectives with you.

The pace of change today is truly incredible for us. I'm sure it's incredible for you. It's certainly the fastest rate of change that I've seen in my thirty-seven years in the industry and it is clearly accelerating. The fundamental forces driving this change are technology and competition. And as many of you have pointed out, neither is going to be held back. If you're afraid of it, change can certainly appear overwhelming, but if you manage change by breaking it down into components, change creates opportunity. That's the focus that we are trying to constantly remind ourselves of and responding to that opportunity is what we're all about.

I expect that you saw or heard about our announcement on Friday about plans to reduce our telephone work force by an additional 8,000 by 1996 and to restructure the entire staff organization at corporate headquarters and at BellSouth Enterprises. These actions should, I hope, send a clear signal that we are serious about competing in today's market place. But really they are only the latest of several major initiatives that we've undertaken since our last conference two years ago, and I'd like to remind you of some of the other changes that have taken place and some of the other initiatives.

We streamlined our telephone operations by merging three companies into one--by combining Southern Bell and South Central Bell and BellSouth Service into BellSouth Telecommunications--really a major undertaking and one that paved the way for a lot of additional streamlining.

We significantly strengthened our position in domestic cellular with acquisitions from Graphic Scanning which focused us very heavily in the Indianapolis area and really all over the state of Indiana; from McCaw which brought us Milwaukee and substantial other properties in Wisconsin; and from GTE which gave us the remainder of Atlanta and Lexington, Kentucky.

We built on our previous success in achieving regulatory reform by extending incentive plans into 8 of our 9 states. And, in this two year time frame, we, along with our partners in Optus Communications, were granted the license to become Australia's second total telecommunications carrier. And we enhanced our

standing in the international market place by earning some new cellular licenses along with our partners who were granted licenses in Uruguay, Venezuela, Denmark, and of course, as part of Optus in Australia, those added to our already existing licenses in Argentina, Chile, Mexico.

We formed a major venture with RAM Broadcasting in mobile data--a field that has explosive growth potential worldwide. We commenced, of course, an aggressive program of building our nationwide RAM network in the United States and in the United Kingdom.

We acquired only the second active nationwide paging license and within a matter of months had messaging service up and running across the country.

And we made some progress in our battle for more freedom in how we manage our business. We were very actively involved in the passage of the Hollings Bill on manufacturing relief back in 1991, passing it in the Senate, at any rate. We were actively involved in the battle before the District Court on information services that was finalized in the appeals court process. Just a few weeks ago, of course, we were all very actively involved in trying to sidetrack the Brooks Bill for this year at least.

And all of these strategic responses to the opportunity that change has created, I think, show that we are in fact shifting the long term drivers of our corporation. And I'd like to illustrate that to you in a kind of symbolic way with a couple of charts. This chart looks a lot different than it did nine years ago. It

depicts how our companies, BellSouth Telecommunications and BellSouth Enterprises worked together to create the value of BellSouth today in 1992. But if you went back to 1983, most of you would remember that when trading began in the regional Bell holding companies in November of that year, only a single digit percentage of our equity value was in BellSouth Enterprises; that was from the in-region directory advertising and publishing. On this 1992 chart, the Enterprises side of our business represents a much greater proportion of our equity value, roughly 1/3. And that's due to two factors - (1) the contributions being made today by our past acquisition in directory publishing and advertising and in the explosive, amazing world of wireless telephony; and (2) the future worldwide growth potential of these and other businesses.

Value in this chart is the present value of future cash flows. It is based on realistic business cases and conservative discount rate assumptions and it takes into account the fact that BellSouth's beta will increase as we continue moving away from regulation and into riskier environments.

Today, I think it's fair to say the market ascribes little or no value to our international cellular and wireless operations even though some of them are already quite profitable. From Wall Street's perspective, our international wireless operations are birds still in the bush. From our perspective, however, these properties definitely do have value and we've tried to reflect that value on this chart. To further that point later on today Buddy Henry is going to tell you about the progress of our various

overseas cellular consortium. Our experience in these international markets so far has shown that they turn net income positive significantly faster than the typical cellular franchises in the United States.

Well, let's go forward to the year 2001. This slide should confirm for you our commitment to developing our nonregulated businesses, our enterprises companies, etc., if you will. We've changed the headings to regulated and unregulated. Again, these charts do not represent precise dollar values or percentages. You can view them as illustrations. The larger size of this chart is intended to imply in the year 2001 that there will be overall growth in value in the next 9 years. The pie will be much larger. It's based on internal projections which are consistent with many of the total return estimates that you have published in your writings, and of course, the mixed changes as well. Obviously, we're going to need to maintain financial flexibility as we take on the growth characteristics to achieve this larger pie and to achieve this change in mix. Harvey Holding is going to discuss in more detail with you the financial strategies that underlie our view of where customer demand is going to take telecommunications in this next nine years. And I might parenthetically just say that we want to be clear about one thing. We are committed to continue paying a competitive dividend as a component of our total share on a return even as we seek to grow the pie and change the mix. But you can see the relationship changing and what was 1/3 now becomes

a more dominant perhaps 60% in regulated and unregulated mixes between Enterprises and BST.

Before we leave these charts let me emphasize one critical point. While we see our value mix, and I'm emphasizing, this is a value mix illustration, while we see our value mix changing over time, I don't want anybody to conclude that we are anything but absolutely committed to our regulated wireline businesses as we seek to optimize the total business--BellSouth Telecommunications business continues to be critical to all our future plans. We have always invested heavily, as many of you have observed in your writings, in our network consistently. Since the divestiture our annual construction expenditures have been far higher than any of the other RBOCS. And now we're refocusing our telecommunications businesses that are driven off that flexible technology platform that we have constructed --trying to deploy our people more efficiently and we're trying to align compensation closer with strategic achievements and we're trying to break down barriers that exist between our various elements of BellSouth Telecommunications and that's why this restructuring effort that we announced with the 8,000 people being eliminated in the next few years is so critical.

But we're going to continue to work very hard on the wireline side of the business. And while they are extremely positive, I would mention that our access line growth numbers don't tell the whole story about the region in which our telephone operations exist. I've had the opportunity to live in many parts of the country, and I continue to travel a good bit more than I like and

in my judgment, the Southeast continues to have a vitality and a richness that really makes our region have sort of a hidden asset. And we expect to continue out pacing the national rate of growth in population, in jobs, in income, in in-migration, in household formation, and most economists agree with us. We find that customers in the Southeast are very receptive to new services. As an example of that, we've sold more Touchstar or CLASS features, if you will, than any other Bell holding company because the people in the Southeast are receptive to new services. I think that speaks well of our marketing programs and it also speaks well of the extensive deployment that we have made in BellSouth Telecommunications of new technologies like signalling system 7, and it's paying off for us.

BST's new CEO, Duane Ackerman, is going to lay out for you our vision of how the wireline network fits into the total BellSouth value equation. And you'll notice that the BST piece of our value gets smaller over time on a percentage basis, but significantly bigger in absolute terms. I think that's the message.

When you leave Orlando after this session, I hope you take one overriding impression of BellSouth with you, and there's one word that sums up what I'd like you to take with you and it sums up our approach to growing this business. That word is "realistic". We try consistently to be realists. Our growth strategies are rooted in a very pragmatic view of how competition and technology and regulation will play out during the rest of the decade. Realistic because we work hard to understand as a company what

skills we have and what skills we don't have in responding to market opportunities. And when we find skills we don't have, we try to move to fill that void to bolster our software and systems integration skills. For example, last December we purchased Scientific Software, a leader in the field of enabling platforms that make communications networks link together. That acquisition give us the kind of additional skills, the kind of additional tools that we need to pull sophisticated services through both our wireline and our wireless networks.

Realistic because we know we can't be all things to all people, and we understand the necessity, absolute necessity, of strategic alliances. Our partnerships with major companies like Cable and Wireless, Dow Jones, Digital Equipment, McCaw, RAM all have strategic value. We try to adopt the attitude that we will openly seek to learn from anyone who can help us serve our customers better and we have no qualms about forming strategic alliances.

Realistic because we understand the convergence of technologies and we're continuing to learn what customers' needs are in this unbelievably rapid change that is taking place in our environment. I would bet that we probably have more wireless interconnection and PCS market technology trials going than anybody does, and they're confirming for us that customers don't care about how technology works, they just want functionality, ease of use, service, quality, and they seem to be willing to pay for it at prices that we think will spur market growth. And we continue to

learn and seek to learn constantly. We're deploying fiber to the curb for many of our new construction projects because it reduces maintenance expense. And it makes all kinds of sense from a cost standpoint. But that technology, too, is something that customers really don't care about. It's transparent to them right now. It will obviously bring more options to them in the future, and customers are beginning to understand that and they're going to demand those options over time and we plan to be very well positioned to satisfy that demand.

Realistic because we are practical about where we can add value. As we have demonstrated, keeping a level head makes us less likely to overpay for deals or to chase rainbows that are outside of our core competencies. Realistic because we matured politically in this election year. We took on some very powerful opponents in the Congressional battle over the Brooks Bill and we held them off. We realize the fight is far from finished, and we're preparing for 1993. But we think that that battle clearly demonstrated how important our industry is to the economy. And I'm glad that BellSouth is continuing to be recognized as a leader in Washington - not only when it comes to fighting for our shareowners interest, but also when it comes to doing what is right for the nation's competitiveness.

Realistic because we are not whistling past the graveyard when it comes to thinking about competition. We know that our traditional business faces increasing competitive challenges all along the line, but the more competition we face, the more freedom

we expect to have in managing our own destiny. We know greater latitude will not come overnight. On the contrary, we're going to have to keep working long and hard to achieve this proverbial level playing field. But one of our great strengths has always been developing win-win scenarios within the regulatory framework, and I think our record of eight alternative regulation plans in our 9 states attests to that.

Another point I would like to make about competition is we're gaining experience now from the other side of the looking glass through Optus in Australia. We and our partners there are aggressively going into the domain of an established carrier and seeing what competition as an alternate provider is really all about and learning how to go about it. We're repatriating, if you will, some of those important lessons from Australia back to the United States where we're on the receiving end of attacks from alternate providers. We're learning about satellites and international communications. We're learning what competition really comes down to and plainly and simply it comes down to customer choice. Optus is, in fact, the latin word for choice. So we didn't come up with that name by accident in Australia. And while on the subject of competition, I need to comment that we find it ironic that AT&T proposes to buy its way into the local telecommunications market place through its McCaw acquisition, while at the same time they continue to object to our cellular company providing any long distance services. Because of the disadvantages placed on our business by the Modified Final

Judgment, we are required to file a waiver request with the Department of Justice to provide long distance services or to manufacture telephone equipment or a lot of other things. Neither AT&T or McCaw face such restrictions, of course. We have had a waiver pending before the DOJ for almost a year that would permit us to provide long distance service through our cellular operations. AT&T has raised strong protests to that waiver and now we understand why. We don't object to AT&T pursuing their business strategies as they see fit as long as we have the same options. I think the real loser in all of this is the American public who once again is denied the freedom of choice. AT&T's latest multibillion dollar deal is final proof it seems to me that the MFJ is an achronism in today's competitive communications market place.

The flip side of competition is a huge, growing, dynamic, global market place for information-based products and services. BellSouth believes that new opportunities will more than offset revenue loss as we develop or acquire new skills, as we continue to pick the right partners, as we achieve legal and regulatory freedom, and as we keep our costs competitive by continually refocusing and restructuring the business to respond to the market place.

The moves that we announced Friday clearly underscore that commitment. With a reduction of 8,000 in BST by 1996 we will have streamlined our telephone operations by more than 26,000 since divestiture, 25% or so. And by revamping our corporate staff to

essentially create a financial holding company, a single financial holding company, we will save money, improve the decision making process and allow our business units to better concentrate on customers. So we're not just talking about moving boxes around on organization charts. We're talking about a real hard-core determination to be more competitive and more efficient.

It's not just coincidence that everyone seems to want in on the action in the telecommunications industry. Illustratively, you know and I know there's feeding frenzy for spectrum right now. Just look at how many people followed our lead into mobile data. When we announced our partnership with RAM Broadcasting, and the plan to construct a nationwide public mobile data network, our investor relations staff tells me that many of you called and said, what in the world is mobile data. Well, since then a lot of private networks have suddenly gone public and several new providers, including a consortium of all the other RBOCs have declared their intention to compete and any number of manufacturers are rapidly bringing new devices to market. I think mobile data is indicative of the tremendous growth potential in telecommunications not just in this country but around the globe, and our strategy is to get our share of those markets.

And some of our best opportunities lie outside the United States. I think our track record in the international arena is very good. In Latin America and Europe and the Pacific Rim we have shown we know how to earn licenses, we know how to build systems and to operate them efficiently. And as the worldwide markets

grow, they will present new opportunities for BellSouth to develop and deliver products and services off of the core wire line and the wireless networks that we are continuing to work so hard to build. Expanding global markets mean brand new opportunities at home and overseas. So, BellSouth 1992 is in only a small percentage of the opportunities that will exist in the year 2001, and BellSouth will look very different in the year 2001. The incredible pace of change in this industry, which you all follow daily, quite naturally creates challenges for investors. We want you to believe, we want our investors to believe that BellSouth is an aggressive, realistic competitor.

We believe we have a good handle on the massive changes that are happening in our world. Our business is growing and we're doing the right things to keep it growing over the long haul, and we'll be among the major players as the information age continues to unfold and we want you to be there with us.

I'm sure you've heard in connection with our announcement last Friday that we chose to go ahead and announce Harvey Holding's retirement next August. Maybe that struck you as a little strange that we would announce that so early. We made the decision to do that so that he could play a lead role unfettered, lead role, in planning our transition to the new structure. And I would be remiss at this moment if I did not comment about Harvey's contributions to this business. I won't see you for another two years so I want to do that this morning. It's not a time or place to recite all of his contributions, but suffice it to say, and he

hasn't finished contributing by any means, because he's going to be handling this transition team and will continue his CFO duties until August of '93. But the magnitude of what Harvey has brought to this business is just magnificent, and we certainly want to acknowledge at this conference and in front of you how important a role he has played in this corporation. So let me ask you to join me in a little gesture of appreciation for Harvey Holding (applause).

Well, I'd like to respond to your questions and the purpose of the whole conference is to respond to questions. Let's do that at this point in time. I would urge you to with a mind to perhaps looking at your agenda recognize that we've got a whole host of speakers who are going to cover specific subject matter as the conference proceeds. To the extent that I think your questions is going to be well developed by one of the follow-on speakers, I may put you off a little bit on dealing with that question at this point in time so as not to preempt their presentation to you. But we'd be pleased to respond to any of your questions, and it's not me, it's we. The reason we are all wearing green shirts is to show you that there are a lot of people here to participate in responses to these questions, and as you ask them, I would invite you to give me the latitude to share the response with some of my associates here in the room so that we can give you the fullest answer that we can. And, again, I thank you so much for your interest and desire to come down here and spend some time dialoguing with us and we want to try to provide you all the information that you need

to continue doing your job. Who would like to start off with a question?

BellSouth Corporation
Travel Itinerary of John Clendenin
Company Owned Aircraft

Aircraft	Date	Itinerary	Miles	Passengers	Purpose of Trip
Haw-N404CE	1/05/92	Atl-StL-Atl	840	Clendenin/Alford	Attend RBOC CEO meeting
Haw-N404CE	1/08/92	Atl-Jac-Atl	610	Clendenin	Talk to deposit guarantee national bank symposium
Haw-N404CE	1/10/92	Atl-Was-Atl	920	Clendenin/Breedlove	Attend President's drug advisory meeting
Haw-N404CE	1/13/92	Atl-Was-Atl	920	Clendenin/Wife/Yarbrough	Attend meeting with congressional leaders
Fal-N404R	2/03-05/92	Atl-NY-Boe-Atl	1,613	Clendenin/Holding/Humphries/ Balalock/Wolf/Presley	Speak to financial community in both cities Speak to the committee of foreign relations
Fal-N404R	2/18/92	Atl-Lou-Atl	534	Clendenin	Attend education talk
Fal-N404R	3/16/92	Atl-Jac-Atl	610	Clendenin/O'Banner/Fletcher/Willis	Talk to NC/SC school business partnership conference
Fal-N404R	3/20/92	Atl-Cha-Atl	368	Clendenin	Talk to Southeast electrical exchange
Fal-N404R	4/08/92	Atl-Kia-BocR	501	Clendenin	Visit family of J.B. Campbell, Director on BellSouth Board
Fal-N404R	4/12/92	Atl-Jac-Atl	610	Clendenin	
Fal-N404R	4/25-27/92	Bir-Atl-Nat-Jac-Atl-Bir	1,008	Clendenin/Wife/Yokley/Wife Allen/Wife/Holding/Wife	Attend shareholders conference
Fal-N404R	5/11/92	Atl-Bir-Atl	248	Clendenin/McCoy/Alford/Skinner	
Fal-N404R	5/16/92	Atl-Cin-Owe-Atl	738	Sessoms/Holding/Acerman/Gunter	Attend corporate officers forum
Fal-N404R	5/21-22/92	Atl-Cin-NY-Atl	1,456	Clendenin/Wife	Speak at Wesleyan College
Haw-N404CE	5/20/92	Atl-Bir-Atl	248	Clendenin/Wife/Breedlove	Attend Kroger annual meeting of the Board;
Clt-N404SB	5/30/92	Atl-Bru-Atl	440	Clendenin	Attend annual mtg of the committee of economic development
Fal-N404R	6/21/92	Atl-Orl	371	Clendenin/Wife/Gunter/Wife	Attend the unveiling of C F Bailey's portrait
Fal-N404R	6/22/92	Orl-Atl	371	Williams/Wife/Skinner/Wife	Attend meeting with University of Georgia foundation
Fal-N404R	6/25/92	Atl-Was-Atl	920	Clendenin/Wife/Patton/Wife	Attend retirement function for JP Laborda;
Fal-N404R	8/03/92	Atl-Lou-Atl	534	Williams/Wife/Skinner/Wife	Attend BellSouth BOD meeting
Fal-N404R	8/26-27/92	Atl-Tam-Atl	730	Clendenin/Wife/Skinner/Wife	Return from BOD meeting;
Haw-N404CE	8/30/92	Atl-Mia-Atl	1,056	Clendenin	Return from retirement function for JP Laborda
Fal-N404R	9/15/92	Atl-Mia-Atl	1,056	Clendenin/Breedlove/Willis	Attend New American schools development
Fal-N404R	10/06/92	Atl-Orl-Atl	742	Clendenin	Speak at Jefferson County public school administrators retreat
Fal-N404R	10/08-10/92	Atl-Law-Atl	610	Clendenin/Breedlove	Attend Boy Scouts of America top hands meeting
Fal-N404R	10/12/92	Atl-Cha-Atl	442	Clendenin/Wife	Survey hurricane Andrew damage
Fal-N404R	10/13-14/92	Atl-Dal-Atl	1,270	Clendenin	Talk to National Alliance of Business
Fal-N404R	10/19/92	Atl-Tus-Atl	340	Clendenin/Holding/Drummond	Talk at United States Telephone Association meeting
Fal-N404R	10/27/92	Atl-Boe-Atl	1,614	North/Markay	Attend meeting of the business council
Haw-N404CE	10/29/92	Atl-Boe-Atl	424	Clendenin	Attend Hollings Oncology BOD meeting
Haw-N205BS	10/20-21/92	Bir-Tus-Jac-Tus-Atl-Bir	1,028	Clendenin/Cornelius	Attend National Boy Scout BOD meeting
Fal-N404R	11/08-09/92	Atl-Orl-Atl-Orl-Atl-Orl-Atl	2,166	Clendenin/Holding/Drummond/Henery	Attend fall officers conference
Fal-N404R	11/12/92	Atl-Ric-Atl	808	Redersen/Yarbrough/Alford	Attend fall officers conference
Fal-N404R	11/18/92	Atl-Was-Atl	920	Clendenin/Holding/Drummond/Henery	Attend BellSouth Corp. financial analyst seminar
Fal-N404R	11/20/92	Atl-Jac-Stl-Atl	1,107	Harrell/Coe/Ackerman/Baker	Talk at Southeast Council of Foundation
Haw-N404CE	12/08-07/92	Atl-Was-Atl	920	Clendenin/Holding/Miller/Mauldin	Attend legislative meeting
Haw-N404CE	12/08-09-92	Atl-Reno-Min-Atl	3,787	Clendenin/Willis	Attend function honoring deceased BellSouth Director
			32,878	Clendenin/Wife/Holding/Wife/ Ackerman/Wife	Attend Kennedy Center honors function
				Clendenin	Attend meeting with Boy Scouts

BellSouth Corporation
Travel Itinerary of John Clendenin
Company Owned Aircraft

Aircraft	Date	Itinerary	Miles	Passengers	Purpose of Trip
Fal-N404R	1/21-22/93	Bir-Chi-Gre-Atl	1,263	Clendenin/Wife	Attend Wachovia BOD meeting
Fal-N404R	1/23-24/93	Atl-Dal-Atl	1,282	Clendenin/Wife	Speak to Boy Scouts retirement party
Haw-N404CE	1/28/93	Atl-Sav-Atl	378	Clendenin	Speak to Boy Scouts
Fal-N404R	2/02/93	Atl-Dal-Top-Atl	1,832	Clendenin	Attend executive meeting of Boy Scouts; Speak to Boy Scouts
Fal-N404R	2/03/93	Atl-Col-Atl	316	Clendenin	Speak to Boy Scouts
Haw-N404CE	2/11-12/93	Atl-WPB-Mia-Atl	1,085	Clendenin/Family Member/Howard	Make speech to CWA
Cit-N404SB	2/23/93	Atl-Bir-Atl	248	Clendenin/Breedlove	Speak to Boy Scouts
Kin-N404BS	2/25/93	Atl-Aug-Atl	242	Clendenin	Attend meeting with regional Bell operating companies CEOs
Kin-N404BS	2/26/93	Atl-Aug-Atl	242	Clendenin	Attend meeting with regional Bell operating companies CEOs
Fal-N404R	2/26-28/93	Atl-Aug-Mal-Man-Sao	4,089	Clendenin/McCoy/Coe/Carbonell	Meet with partners and customers to discuss future telecommunications opportunities
Fal-N404R	3/01-04/93	Sao-Por-Bue-San-Mal-Fit-Atl	5,892	Clendenin/McCoy/Coe/Hailes	Meet with partners and customers to discuss future telecommunications opportunities
Haw-N404CE	3/15/93	Atl-Cha-Atl	368	Clendenin	Make speech to Boy Scouts
Haw-N484CE	3/16/93	Atl-Lou-Atl	534	Clendenin	Make speech to Boy Scouts
Haw-N205BS	4/15/93	Atl-Was-Atl	920	Clendenin	Return from meeting at the White House
Haw-N205BS	4/15/93	Atl-Bir-Atl	372	Clendenin/Ackerman/Wife/Snelling/Wife/Strohmeier/Wife/Boren	Attend T. L. Cloars retirement function
Cit-N404SB	4/20/93	Atl-Ral-Atl	594	Clendenin	Attend meeting at state capitol with Governor
Fal-N404R	4/23-27/93	Atl-Orl-Jac-Atl-Orl-Mia-Jac	4,493	Clendenin/Wife/21 Other Passengers	Attend shareholders meeting????
Haw-N404CE	4/24-26/93	Atl-Orl-Atl	742	Clendenin/Wife/Ackerman/Wife/Oneill/McCoy/Wife	
Haw-N404CE	4/30/93	Atl-Lou-Lex	321	Clendenin/Wife/Perozzi/Wife	Attend shareholders meeting
Haw-N404CE	5/02/93	Lex-Lou-Atl	321	Clendenin/Wife	Return from making customer contact
Haw-N404CE	5/05/93	Atl-Lou-Atl	534	Clendenin	
Haw-N404CE	5/08/93	Atl-Jac-Atl	610	Clendenin	Attend shareholders meeting
Fal-N404R	5/10/93	Atl-Ral-Atl	594	Clendenin/Drummond	Meet with Governor and attend broadband network function
Fal-N404R	5/14/93	Atl-Pen-Atl	502	Clendenin	Speak at Tiger Bay meeting
Fal-N404R	5/18/93	Atl-Stl-Atl	840	Clendenin	Speak at St. Louis childrens summit
Fal-N404R	5/20-22/93	Atl-Cin-Was-Stl-Nas-Atl	1,672	Clendenin/Breedlove	Attend Kroger Board meeting; Attend committee on economic development; Attend Boy Scouts of America meeting; Attend American Red Cross Board meeting
Fal-N404R	5/28/93	Atl-Cha-Atl	442	Clendenin	Attend Hoffings Oncology board meeting
Haw-N404CE	6/14/93	Atl-Orl-Atl	722	Clendenin	Speak at Point of Lights conference
Haw-N404CE	8/15/93	Atl-Col-Atl	178	Clendenin/Bell	Speak to Synovus financial conference
			19,435		

BellSouth Corporation
Summary of Vouchers

Voucher #/E No.	Employee	Paid to:	Account	Responsibility Code	Project	A	Invoice Date	Payment Date
21192-9001		Meyer, Brown & Platt	746.2	H23600		23,737.10		
82592-8001		The Secretary-General	746.2	H23600			8/10/92	8/10/92
20392-7012	James D. Grenfell	same	732.1	CX0020		8.41		
20392-7012	James D. Grenfell	same	731.0	CX0020		225.19	1/14/92	1/22/92
20392-7012	James D. Grenfell	same	731.0	CX0020		881.10		
51192-8028		Miler & Berkley, Inc	757.8	H11001		3,379.84		
52192-8012		Martha H. Campbell	757.8	H11001		161,000.00		
60192-7019	Nell A. Thomas	same	731.0	H11001		323.36		
60192-7019	Nell A. Thomas	same	731.0	H11001		1.50		
60192-7019	Nell A. Thomas	same	733.0	H11001		174.06		
70892-8012		Margaret P. Allen	757.8	H11001		161,000.00		
100892-8032		The Carter Center, Inc	757.8	H11001		100,000.00		
111692-8004		BS Telecommunications, Inc.	757.8	H11001		63,949.92		
110892-8004		Miler & Berkley	757.8	H11001		3,404.44		
80692-7002	Kincaid Patterson	same	731.0	H11200	PN4001	3,143.08		
80692-7002	Kincaid Patterson	same	899.0	H11200	PN4001	1.5		
80692-7002	Kincaid Patterson	same	732.2	H11200	PN4001	46.12		
80692-7002	Kincaid Patterson	same	732.2	H11200	PN4001	17.44		
80692-7002	Kincaid Patterson	same	733.0	H11200	PN4001	673.79		
90192-7019	Thomas L. Harvey	same	732.0	H11210	PN4001	6.72		
90192-7019	Thomas L. Harvey	same	733.0	H11210	PN4001	207.33		
90192-7019	Thomas L. Harvey	same	731.0	H11210	PN4001	616.49		
92392-7023	William Worsley	same	732.0	H11210	PN4001	38.52		
92392-7023	William Worsley	same	733.0	H11210	PN4001	115.11		
92392-7023	William Worsley	same	731.0	H11210	PN4001	469.44		
110392-7024	Thomas L. Harvey	same	731.0	H11210	PN4001	3,924.59		
110392-7024	Thomas L. Harvey	same	899.0	H11210	PN4001	6.33		
110392-7024	Thomas L. Harvey	same	732.0	H11210	PN4001	26.67		
110392-7024	Thomas L. Harvey	same	733.0	H11210	PN4001	782.87		
20592-7020	Denise E. Cowell	same	732.1	H11220	PN4002	44.25		
20592-7020	Denise E. Cowell	same	733.0	H11220	PN4002	716.02		
20592-7020	Denise E. Cowell	same	731.0	H11220	PN4002	3,006.95		
60892-7001	Nancy S. Gardner	same	733.0	H11220	PN4001	257.80		
60892-7001	Nancy S. Gardner	same	731.0	H11220	PN4001	458.86		
60892-7001	Nancy S. Gardner	same	732.1	H11220	PN4001	41.28		
112392-7020	Sandra Oliver	same	731.0	H11220	PN8328	856.56		
112392-7020	Sandra Oliver	same	899.0	H11220	PN8328	2.00		
112392-7020	Sandra Oliver	same	732.0	H11220	PN8328	38.79		
112392-7020	Sandra Oliver	same	733.0	H11220	PN8328	18.80		
80692-8017		Hay/Huggins Company, Inc.	746.2	H11230		29,436.00		
12292-8040		Actuarial Sciences Associates	746.2	H11230		864.66		
12292-8040		Actuarial Sciences Associates	746.2	H11230		4,232.50		
120392-7017	Nancy C. Humphries	same	732.0	H11300		44.22		
120392-7017	Nancy C. Humphries	same	733.0	H11300		709.68		
30292-7031	Glenda N. Carris	same	733.0	H11310		445.22		
30292-7031	Glenda N. Carris	same	731.0	H11310		932.76		
30292-7031	Glenda N. Carris	same	899.0	H11310		9.20		
40192-8022	Glenda N. Carris	same	733.0	H11310		637.44		
40192-8022	Glenda N. Carris	same	731.0	H11310		1,178.40		
41492-7001	Jerry D. Guthrie	same	732.1	H11310		95.89		
41492-7001	Jerry D. Guthrie	same	733.0	H11310		82.89		
41492-7001	Jerry D. Guthrie	same	731.0	H11310		1,096.90		
121792-7004	Glenda N. Carris	same	733.0	H11310		326.26		
121792-7004	Glenda N. Carris	same	731.0	H11310		1,006.47		
121792-7004	Glenda N. Carris	same	732.0	H11310		145.38		
121792-7004	Glenda N. Carris	same	764.1	H11310		25.00		
121792-7004	Glenda N. Carris	same	764.2	H11310		53.75		
22492-7002	Beatrice D. Terrell	same	732.1	H11312		20.10		
22492-7002	Beatrice D. Terrell	same	733.0	H11312		540.62		
22492-7002	Beatrice D. Terrell	same	731.0	H11312		895.00		
22492-7002	Beatrice D. Terrell	same	899.0	H11312		26.73		

Bellsouth Corporation
Summary of Vouchers

Voucher I/E No.	Employee	Paid to:	Account	Code	Project	Amount	Description	Invoice Date	Payment Date
72492-7001	Paul H. Blalock	same	732.1	H11320		37.51	Atlanta to Chicago; Re: Meet with Chicago Financial Com.	6/9-18/92	7/15/92
72492-7001	Paul H. Blalock	same	732.0	H11320		865.74	Chicago to Toronto; Re: Meet with Toronto Financial Comm		
72492-7001	Paul H. Blalock	same	751.0	H11320		1,510.54	Toronto to Detroit; Re: Meet with Detroit Financial Comm (BellSouth Stock discussed at all meetings)		
72492-7001	Paul H. Blalock	same	899.0	H11320		35.25	Atlanta to NY, NY; Re: Attended Donaldson, Luffin & Jenrette conference		
72492-7001	Paul H. Blalock	same	732.3	H11320		766.48	Detroit, Toledo, Atlanta; Re: Discuss BellSouth Stock		
60392-8012		Lotus Development Corporation	736.1	H11400	CX0020	18,950.00	ROM Delivery, Value Line		
60392-8012		Lotus Development Corporation	735.1	H11400	CX0020	10,000.00			
20592-8023		University of N. Carolina	734.2	H11421		1,000.00	Registration Fee- Amelia Singletary-Cash Manut Seminar	1/30/92	1/31/92
60392-8012		Lotus Development Corporation	736.1	H11423		28,875.00	Additional Install, Compustat, Daily Stocks, Electronic Updates,		
120792-7004	James D. Granfell	same	733.0	H11423		433.30	Atlanta to New York	11/16-18/92	11/24/92
120792-7004	James D. Granfell	same	731.0	H11423		760.40	Re: Meet with NYSE and numerous investment banks to discuss Stock Specialist		
120792-7004	James D. Granfell	same	899.0	H11423		20.86			
120792-7004	James D. Granfell	same	732.0	H11423		239.60			
51592-7002	Michael Coulombe	same	732.1	H11431		22.00	Atlanta to New York and Atlanta to Jacksonville	6/3-13/92	6/13/92
51592-7002	Michael Coulombe	same	733.0	H11431		779.67	Re: Transfer Agent Conversion Meetings		
51592-7002	Michael Coulombe	same	731.0	H11431		788.26			
70892-7002	Jonathan Reeder	same	732.1	H11431	CX0008	106.34	Atlanta to D.C.; Re: Attend PBC Conference &	6/19-27/92	7/1/92
70892-7002	Jonathan Reeder	same	733.0	H11431	CX0008	438.57	Atlanta to Philadelphia, PA; Re: To research a Fed PAC System		
70892-7002	Jonathan Reeder	same	731.0	H11431	CX0008	1,430.88			
82892-8064		Up & Running, Inc.	734.2	H11431		850.00	PC Training for the Secretary/Treasury Department	8/5/92	8/18/92
101292-7009	Carol A. Toier	same	732.0	H11431		68.67	Atlanta to Rochester, NY	922-23/92	10/8/92
101292-7009	Carol A. Toier	same	733.0	H11431		110.39	Re: Visit Eastman Kodak for voucher QAT benchmarking		
101292-7009	Carol A. Toier	same	731.0	H11431		787.82			
112092-8078		BDG Incorporated	734.22	H11431		3,064.00	Training Services of Intro to LAN for Treasury Dept	11/6/92	11/17/92
121792-7077	Michael Coulombe	same	733.0	H11431		210.69	Post conversion meeting with the other RMC	12/7-8/92	12/11/92
121792-7077	Michael Coulombe	same	731.0	H11431		705.00			
30592-8023		Peachtree Executive Conference	734.2	H12050		5,012.03	Strategic Planning Conference-BellSouth	1/27/92	2/28/92
30592-8023		Peachtree Executive Conference	113.8	H12050		5,012.03	Risk Management Group		
30692-7003	John M. Hollis	same	731.0	H13060		1,977.37	From Atlanta to London, England	1/8-11/1/92	1/6/92
30692-7003	John M. Hollis	same	732.1	H13060		711.97	To meet with various underwriters to discuss the		
30692-7003	John M. Hollis	same	733.0	H13060		1,218.04	'All Risk' property and the Outside P.C. Ins programs		
30692-7003	John M. Hollis	same	899.0	H13060		23.46			
121792-7083	Marsha L. Bailey	same	732.0	H13060		46.70	Atlanta to Dayton, OH; Re: L.M. Berry/Re: Discuss Teleclaim; To see Teleclaim	11/16-20/92	12/10/92
121792-7083	Marsha L. Bailey	same	733.0	H13060		412.06	operation; Dayton to Chicago; Chicago to Hartford; Hartford to Birmingham		
121792-7083	Marsha L. Bailey	same	731.0	H13060		1,126.44	Re: Meet with claims & Damage Personnel; Meet with Attorneys on Property Claim		
60692-8021		American Cancer Society	739.0	H13100		2,200.00	Sponsor summer internship positions for two students	6/03/92	6/1/92
100692-7012	J. Michael Hostinsky	same	732.0	H13100		150.06	Atlanta to Madison, WI; Madison to Boston (Economy Class)	9/20-25/92	9/28/92
100692-7012	J. Michael Hostinsky	same	733.0	H13100		642.30	To Attend Fall Seminar-NARUC Sub-committee; RUC Mtg-Ex. Repting		
100692-7012	J. Michael Hostinsky	same	731.0	H13100		912.80			
100692-7012	J. Michael Hostinsky	same	737.32	H13100		35.00			
100692-7012	J. Michael Hostinsky	same	899.0	H13100		61.12			
21292-7046	Pat Major	same	731.0	H13130		1,421.00	To Washington DC for FASE/Regulatory Meeting	1/14-28/92	2/4/92
40392-7025	Frances E. Dennis	same	732.1	H13130		102.91	Atlanta to Reno, NV; Re: NARUC	6/22-26/92	3/30/92
40392-7025	Frances E. Dennis	same	733.0	H13130		302.28			
40392-7025	Frances E. Dennis	same	731.0	H13130		840.27			
40392-7025	Frances E. Dennis	same	734.2	H13130		85.00			
70992-7006	Paul T. Allison	same	732.1	H13130		34.00	Atlanta to Chicago	6/15-18/92	7/7/92
70992-7006	Paul T. Allison	same	733.0	H13130		439.88	Re: To attend USTA meeting on Form M.		
70992-7006	Paul T. Allison	same	731.0	H13130		588.75			
100192-7016	Karen W. McDaniel	same	732.0	H13130		81.55	Atlanta to St. Louis	8/21-24/92	8/28/92
100192-7016	Karen W. McDaniel	same	731.0	H13130		451.00	Re: To attend NARUC Management Analyst Training		
11992-8028		Deloitte & Touche	744.2	H13160		33,000.00	2nd Int-Executive Compensation Accounting Process		
122892-8067		William M. Mercer, Inc	744.2	H13160		85,048.00	Fees for Budget forecasts, Workers' Compensation and Pension Expense	8/29/92	10/29/92
101992-7003	J.R. Crouch	same	732.0	H13200		29.31	Atlanta to Burlington, MA	8/27-28/92	10/5/92
101992-7003	J.R. Crouch	same	733.0	H13200		153.23	Re: To meet with ODI and firm up plans for Quality Day		
101992-7003	J.R. Crouch	same	731.0	H13200		686.18			
101992-7003	J.R. Crouch	same	744.2	H13200		5.18			
101992-7003	J.R. Crouch	same	732.0	H13200		22.50			
70892-7018	C.W. Shewbridge, III	same	732.1	H15000		151.86	Atlanta to Victoria, BC	6/27-7/1/92	7/2/92
70892-7018	C.W. Shewbridge, III	same	731.0	H15000		1,022.73	Re: Attend Tax Executive Institute New Officers Conference		
70892-7018	C.W. Shewbridge, III	same	730.0	H15000		1,062.96	Wife's attendance necessary due to position of Vice President		
70892-7018	C.W. Shewbridge, III	same	731.0	H15000		811.94			
70892-7018	C.W. Shewbridge, III	same	899.0	H15000		6.00			
72492-8018		Coopers & Lybrand	744.2	H15000		127,287.00	Tax Services rendered through July 15, 1992	7/16/92	7/22/92
111992-7048	C.W. Shewbridge	same	732.0	H15000		301.46	Atlanta to San Diego to San Francisco	11/4-8/92	11/16/92
111992-7048	C.W. Shewbridge	same	733.0	H15000		1,734.28	Re: California State Tax Conference; Tax Executive Institute Conference		
111992-7048	C.W. Shewbridge	same	721.0	H15000		1,014.80	USTA Tax Committee meeting		
111992-7048	C.W. Shewbridge	same	730.0	H15000		849.21	Voucher M for Wife's expenses and		
111992-7048	C.W. Shewbridge	same	899.0	H15000		84.00			
111992-7048	C.W. Shewbridge	same	741.3	H15000		87.00			
121992-3004		The Westin Peachtree Plaza	739.0	H15000		4,072.00	Catering services for the Tax Department Reception	11/2/92	12/1/92

BellSouth Corporation
Summary of Vouchers

Southern Bell
Docket No. 920260-TL
Exhibit 1 (RCD-1)
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Voucher #/E No.	Employee	Paid to:	Responsibility Account Code Project	Amount	Description	Invoice Date	Payment Date
121792-7013	C.M. Brasfield	same	732.0 H15100	12.55	Atlanta to Baton Rouge; Re: Meeting of Intangibles Tax Coalition @ LARI		
121792-7013	C.M. Brasfield	same	733.0 H15100	103.55	Atlanta to Ashville; Re: Meeting of SEATA Industry Advisory Council	12/2-4/92	12/4/92
121792-7013	C.M. Brasfield	same	731.0 H15100	972.22			
60592-7019	Adele H. Shepherd	same	732.1 H15110	89.41	Attend USTA Annual State and Local Tax Conference in Chicago		
60592-7019	Adele H. Shepherd	same	733.0 H15110	506.42		5/12-27/92	6/1/92
60592-7019	Adele H. Shepherd	same	731.0 H15110	1,450.78	Supervise process of obtaining State of Alabama records for litigation in Montgomery, AL		
60592-7019	Adele H. Shepherd	same	741.1 H15110	66.67			
60992-7035	Adele H. Shepherd	same	732.0 H15110	7.80			
60992-7035	Adele H. Shepherd	same	731.0 H15110	506.95	Atlanta to Montgomery, AL; Re: Franconia Tax Litigation & Document Discovery	8/17-6/1/92	8/3/92
60992-7035	Adele H. Shepherd	same	741.0 H15110	482.58	Atlanta to D.C.; Re: Meeting with IRS on behalf of USTA about PBT Regulations Project		
60992-7035	Adele H. Shepherd	same	732.0 H15110	30.48	Atlanta to Chicago; Re: USTA State and Local Subcommittee Meeting		
60992-7035	Adele H. Shepherd	same	731.0 H15110	34.24	Atlanta to Jackson, MS; Re: Work on paging/mobile reorg. tax consequences		
60992-7035	Adele H. Shepherd	same	731.0 H15110	1,134.29			
60992-7035	Adele H. Shepherd	same	732.0 H15110	10.00			
20582-7021	Elliott Thompson	same	732.1 H15120	133.65	From Atlanta to New Orleans to search for sales and use tax refunds.	1/19-23/92	1/29/92
20582-7021	Elliott Thompson	same	733.0 H15120	470.20			
20582-7021	Elliott Thompson	same	731.0 H15120	921.33			
40182-7011	Pamela H. Cook	same	731.0 H15120	611.07	Atlanta to Tallahassee, FL; Meeting of Tax & Budget Reform Commission	2/25/92	2/30/92
70892-7017	Pamela H. Cook	same	732.1 H15120	34.18	Atlanta to Tallahassee, FL	6/17-24/92	6/25/92
70892-7017	Pamela H. Cook	same	733.0 H15120	223.41	Re: To assist Public Affairs during special session		
70892-7017	Pamela H. Cook	same	731.0 H15120	861.07			
70892-7017	Pamela H. Cook	same	732.0 H15120	29.00			
111992-7006	Carol Phillips	same	732.0 H15320	150.07	Atlanta to New York		
111992-7006	Carol Phillips	same	733.0 H15320	795.04	Re: To attend TMS training at Price Waterhouse	11/1-5/92	11/16/92
111992-7006	Carol Phillips	same	741.0 H15320	746.81			
60392-9012	Lotus Development Corporation	same	735.1 H23000	10,000.00	Lotus One Source database subscription for 4/1/92 - 3/31/93		
111992-7011	Robert L. Bailey	same	732.0 H23000	327.00	1992 USTA DAMP conference	11/3-6/92	11/10/92
111992-7011	Robert L. Bailey	same	733.0 H23000	1,128.83			
111992-7011	Robert L. Bailey	same	731.0 H23000	5,167.00	Consulting Services - Corporate Planning Dept		
12092-6044	William E. Rothchild	same	746.2 H23000	6,493.00	Consulting for Corporate Planning (Re: Further explanation)	3/1/92	3/13/92
32382-8063	William E. Rothchild	same	733.0 H23000	540.62	Atlanta to New York; Re: C200 Annual Meeting/Board Meeting	4/24-4/26/92	4/28/92
50592-7016	Myrtle H. Bell	same	731.0 H23000	511.41			
22792-7008	L.H. Ross	same	732.1 H23020	26.33	To attend Institute for the Future Annual Meeting		
22792-7008	L.H. Ross	same	733.0 H23020	152.98	in San Francisco	2/2-3/4/92	2/7/92
22792-7008	L.H. Ross	same	731.0 H23020	1,308.35			
91482-8048	GEN	same	746.2 H23020	9,500.00	Consulting Services for Scenario Planning Seminar	8/7/92	8/8/92
122992-8091	Peachtree Executive Conference Ctr	same	732.0 H23020	1,842.31	Meeting between Corporate Planning and Financial for training of	12/15/92	12/18/92
122992-8091	Peachtree Executive Conference Ctr	same	733.0 H23020	9,737.20	Scenario planning.		
122992-8091	Peachtree Executive Conference Ctr	same	731.0 H23020	112.87			
122992-8091	Peachtree Executive Conference Ctr	same	741.11 H23020	50.40			
122992-8091	Peachtree Executive Conference Ctr	same	732.0 H23020	(122.50)			
122992-8091	Peachtree Executive Conference Ctr	same	732.0 H23020	(409.50)			
101292-7028	Alain Louchez	same	732.0 H23500	105.00	Atlanta to Boston (Economy Class)	8/9-9/17/92	9/18/92
101292-7028	Alain Louchez	same	733.0 H23500	536.59	Re: Meeting with Jonathan Byrnes, Consultant concerning the telecommunications industry vision		
101292-7028	Alain Louchez	same	731.0 H23500	1,271.70	Atlanta to D.C. (Economy Class)		
101292-7028	Alain Louchez	same	741.1 H23500	100.02	Re: Attend Competition in the Local Exchange Conference		
101292-7028	Alain Louchez	same	734.2 H23500	735.00			
111682-8062	Cambridge Strategic Mngt Group	same	746.2 H23500	25,137.98	Analysis in support of the Wireless Steering Committee of EAP, CATV and Wireless threats and Opportunities		
122382-8147	Archer D. Little, Inc.	same	746.2 H23500	50,000.00	Separation Project	11/12/92	12/18/92
101892-7002	Gerald B. Broad	same	731.0 H23600	7,207.30	Atlanta to Hong Kong, Shanghai, Tokyo, Melbourne, Canberra and Sydney, Australia in connection with strategy development	8/11-28/92	10/3/92
101892-7002	Gerald B. Broad	same	732.0 H23600	710.70			
101892-7002	Gerald B. Broad	same	733.0 H23600	2,845.65			
122992-7043	Roy C. Dunn	same	732.0 H23600	50.01	Atlanta to San Francisco		
122992-7043	Roy C. Dunn	same	733.0 H23600	141.00	Re: Meeting with Institute for the Future re: EYAI project work	12/16-17/92	12/18/92
122992-7043	Roy C. Dunn	same	731.0 H23600	1,020.04			
100782-7007	V.E. Jarvis	same	732.0 H41000	818.44	Atlanta to Piscataway, NJ (Economy Class)	8/16-18/92	8/28/92
100782-7007	V.E. Jarvis	same	733.0 H41000	222.60	Re: Trip to prepare for and attend post audit review meeting for the		
100782-7007	V.E. Jarvis	same	731.0 H41000	608.75	BeScore Consortium Audit		
91092-7008	Subert A. Austin	same	732.0 H41030	144.53	Atlanta to Jackson, MS; Re: RDC/MOC Internal Audit Fieldwork	8/23-8/27/92	8/4/92
91092-7008	Subert A. Austin	same	733.0 H41030	757.58	Jackson to New Orleans; Re: Hurricane Andrew Assistance		
91092-7008	Subert A. Austin	same	731.0 H41030	752.65	New Orleans to Jackson; Re: Resume Audit		
70992-7001	Pamela Davis	same	732.1 H41033	206.48	Birmingham to Atlanta		
70992-7001	Pamela Davis	same	731.0 H41033	1,138.78	Re: To attend audit skills training class in Atlanta	6/14-18/92	7/1/92
70992-7001	Pamela Davis	same	896.0 H41033	4.48			

BellSouth Corporation
Summary of Vouchers

Southern Bell
Bucket No. 820260-TL
Exhibit (KOD-1)
Schedule 11
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Witness: Dismukes

Voucher #/E No.	Employee	Paid to:	Account	Responsibility Code	Project	Amount	Description	Invoice Date	Payment Date
E1992-0072		Executive Expeditions	746.2	HS2030		746.20	Consulting Costs for Team Development Program at Calhaway	4/23/92	5/6/92
40392-8044		Target Training Technologies	746.2	HS2040		5,197.00	Excavation video-revisions for use in the Corporate Safety Office	2/19/92	3/27/92
100692-8002		Hewitt & Hewitt	746.2	HS2040		531.44	Miscellaneous charges for Corrosives Video, Toxic Video and Irritants Video for the Corporate Safety Office.		9/25/92
100692-8002		Hewitt & Hewitt	746.0	HS2040		1,312.45			
100692-8002		Hewitt & Hewitt	746.0	HS2040		15,800.00			
100692-8002		Hewitt & Hewitt	746.0	HS2040		15,800.00			
100692-8002		Hewitt & Hewitt	746.0	HS2040		23,847.07			
122192-8026		Florida Institute of Technology	788.0	HS2040		68,890.00	Funding for development of MRF, an alternative fuel produced from used telephone books		12/18/92
122892-8034		Hewitt & Hewitt	746.2	HS2040		484.01	Video for Corporate Safety	12/1/92	12/15/92
42092-8008		Strategic Compensation Assoc.	746.2	HS3010		60,000.00	8th Invoice for Compensation Strategy Project for Executive Compensation Matters Group		4/7/92
62992-8003		The Alexancor Group Inc.	746.2	HS3010		35,892.48	Consulting fees for Sales Compensation Project	5/7/92	6/23/92
62992-8003		The Alexancor Group Inc.	746.2	HS3010		515.19			
82592-8057		Strategic Compensation Assoc.	746.2	HS3010		60,000.00	12th invoice for Compensation Strategy Project for BCM Group	7/21/92	8/17/92
100692-8098		THORP Group	746.2	HS3010		877.25	Purchase survey from Consulting firm for use by Compensation Group	8/28/92	9/28/92
13092-7001		Kelty, Goldsmith, & Co.	746.6	HS3020		200,000.00	Consulting/Performance Programs	12/17/91	1/28/92
43492-8012		Kelty, Goldsmith & Company	746.6	HS3020		23,827.52	Consultant's expenses in connection with training programs as outlined in direct /BSM-0125-C between BellSouth Corp & KCB	4/22/92	4/22/92
43492-8012		Kelty, Goldsmith & Company	746.6	HS3020		20,662.45			
121092-8072		Executive Expeditions	731.0	HS3020		4,935.50	Consulting Services for outdoor modules of the Principal Programs	11/15/92	12/4/92
121792-7093	J. Scott Easton	same	732.0	HS3020		24.53	Atlanta to Minneapolis; Re: Work with vendor on Design of new BSLI course,	11/22-12/4/92	12/8/92
121792-7093	J. Scott Easton	same	731.0	HS3020		195.26	The Emerging People Manager.		
121792-7093	J. Scott Easton	same	731.0	HS3020		1,307.02	Atlanta to Miami; Re: To open and observe BSLI Ethics Training		
122492-8089		Personnel Decision, Inc	746.2	HS3020		270,000.00	Consulting Services and materials for Emerging People Manager program	12/14/92	12/17/92
122982-3011		Clarion Group, Inc.	746.2	HS3020		26,000.00	Consulting & Video services for the "New Manager Orientation"	12/1/92	12/17/92
123092-8019		Harbridge House, Inc	746.2	HS3020		12,163.62	Consultant's fee in connection with Service Excellent Workshops	12/23/92	12/29/92
81492-8016		KRM, Inc	746.2	HS3030	PN1770	1,200.00	Consulting Services for the Management Skills Assessment Program	8/6/92	8/7/92
120992-9070		Performance Resources, Inc	746.2	HS3030		2,215.75	Consulting provided to ESC Management Assessment Center	11/20/92	11/30/92
122992-8094		Hewitt Associates	746.2	HS3050		150,000.00	Consulting fees for BellSouth's performance management/compensation design	12/18/92	12/18/92
122992-8094		Hewitt Associates	746.2	HS3050		200,000.00	& communication project		
73192-8028		Spectacular Events	738.0	HS9000		1,000.00	Consultant fee for entertainment services provided at governmental dinner	1/18/92	3/15/92
121792-7096	Ferrall C. Wooten	same	732.0	HS9010		28.00	Atlanta to New York; To attend Benefit Administration Technology Forum	11/16-19/92	11/23/92
121792-7096	Ferrall C. Wooten	same	733.0	HS9010		637.08	New York to D.C.; Re: Attend APPWP Meeting		
121792-7096	Ferrall C. Wooten	same	731.0	HS9010		892.50			
21492-7001	Joe E. Johnson	same	732.1	HS9020		107.98	Met with PPOs and Attend Meeting of NARCA in Ft. Lauderdale.	1-30-2/4/92	2/10/92
21492-7001	Joe E. Johnson	same	733.0	HS9020		175.83	Also met with PPO Providers in Shreveport and New Orleans		
21492-7001	Joe E. Johnson	same	731.0	HS9020		1,711.77			
50792-7021	Joe E. Johnson	same	732.1	HS9020		59.54	Atlanta to Phoenix, AZ	4/22-28/92	5/4/92
50792-7021	Joe E. Johnson	same	733.0	HS9020		442.04	Re: Meet with PCS to discuss prescription drug benefit plan issues		
50792-7021	Joe E. Johnson	same	731.0	HS9020		1,321.20	Atlanta to Orlando/Ft. Lauderdale		
50792-7021	Joe E. Johnson	same	732.2	HS9020		81.00	Re: Meet with PPO hospitals & CWA local Pres. to discuss PPO issues		
70692-7007	Timmie Birk	same	732.1	HS9020		21.08	Atlanta to Baltimore, MD	6/23-26/92	6/30/92
70692-7007	Timmie Birk	same	733.0	HS9020		212.80	Re: To conduct operational review and discuss other issues		
70692-7007	Timmie Birk	same	731.0	HS9020		733.86	relating to the Vision PPO		
70692-7007	Timmie Birk	same	732.2	HS9020		64.78			
81792-7018	Ronald D. King	same	733.0	HS9020		72.15	Atlanta to Baton Rouge, LA; Re: To meet with Gulfcoast HMO & General	9/9/92	9/11/92
81792-7018	Ronald D. King	same	731.0	HS9020		460.00	Hospital to discuss Medical Asst Plan PPO selections and policies		
121792-7108	Sheryl B. Chapman	same	732.0	HS9020		41.76	Atlanta to Salt Lake City	12/1-4/92	12/9/92
121792-7108	Sheryl B. Chapman	same	733.0	HS9020		261.42	Re: To conduct operational review of service & retirement award		
121792-7108	Sheryl B. Chapman	same	731.0	HS9020		895.50	vendor, G. C. Tanner		
72292-7007	Ronald A. Finch	same	733.0	HS9050		467.87	Atlanta to D.C., and Atlanta to New Orleans		
72292-7007	Ronald A. Finch	same	731.0	HS9050		1,068.24	Re: Meet with staff at APA regarding BellSouth PPO. In New Orleans to make presentation		
72292-7007	Ronald A. Finch	same	732.2	HS9050		105.16	to Pres. staff re: Physician PPO.		
72292-7007	Ronald A. Finch	same	732.2	HS9050		282.67	(This voucher is also reimbursement for several employee lunches)		
102992-7009	Ronald A. Finch	same	732.0	HS9050		325.85	Atlanta to Ft. Lauderdale; Re: Onsite visits to area facilities to develop PPO.	8/29-10/14/92	10/20/92
102992-7009	Ronald A. Finch	same	733.0	HS9050		498.51	Atlanta to Tallahassee; Re: Mental health task force for FI Dept of Insurance		
102992-7009	Ronald A. Finch	same	731.0	HS9050		1,488.51	Tallahassee to Orlando; Re: Onsite visits @ 2 facilities for PPO		
102992-7009	Ronald A. Finch	same	744.7	HS9050		55.00			
102992-7009	Ronald A. Finch	same	738.0	HS9050		6.00			
111992-7002	Ronald A. Finch	same	732.0	HS9050		230.55	Atlanta to Tallahassee to Orlando	10/27-11/4/92	11/13/92
111992-7002	Ronald A. Finch	same	733.0	HS9050		448.48	Re: Attend meeting of FI Dept of Insurance on mental health in Tallahassee		
111992-7002	Ronald A. Finch	same	731.0	HS9050		1,528.04	Conduct onsite visits in Orlando		
111992-7002	Ronald A. Finch	same	744.7	HS9050		55.00	Atlanta to D.C.		
111992-7002	Ronald A. Finch	same	738.0	HS9050		43.78	Re: To meet with staff at the American Psychological Assoc. to consult on managed care for BellSouth		

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Voucher J/E No.	Employee	Paid to:	Responsibility			Amount	Description	Invoice Date	Payment Date
			Account	Code	Project				
50492-7004	Nancy Devries	same	732.1	HS9061		187.41	Atlanta to Seattle, WA; Re: Microsoft's "Programming in Microsoft C"		
50492-7004	Nancy Devries	same	733.0	HS9061		988.70		4/5-10/92	4/16/92
50492-7004	Nancy Devries	same	731.0	HS9061		1,050.81			
51192-7001	Cynthia Cunningham	same	732.1	HS9061		73.27	Atlanta to Santa Fe, NM		
51192-7001	Cynthia Cunningham	same	733.0	HS9061		187.20	Re: Mechanized Testing presentation	4/5-7/92	4/15/92
51192-7001	Cynthia Cunningham	same	731.0	HS9061		1,064.59			
51192-7001	Cynthia Cunningham	same	742.1	HS9061					
90492-7009	William E. Barfield	Alston & W.R.	744.1	HS1100		850.68	Atlanta to San Francisco (Economy Class)	2/24/92	2/28/92
90492-7009	William E. Barfield	same	731.0	HS1100		962.78	Re: Mr. and Mrs. Barfield's attendance at the American Bar Association annual meeting	8/7-12/92	8/25/92
90492-7009	William E. Barfield	same	730.0	HS1100		1,814.89			
90492-7009	William E. Barfield	same	732.0	HS1100		712.11			
101492-7026	William E. Barfield	same	733.0	HS1100		162.45	Atlanta to Palm Beach, FL; Re: Attend BellSouth Legal Conference	9/30-10/6/92	10/8/92
101492-7026	William E. Barfield	same	731.0	HS1100		1,167.75	Atlanta to D.C.; Re: Meeting with outside counsel Re: Report on Regulatory Issues		
102792-7003	William E. Barfield	same	731.0	HS1100		101.79	Atlanta to New Orleans; Re: Attend Ad Hoc Meeting	10/7-8/92	10/16/92
102792-7003	William E. Barfield	same	731.0	HS1100		1,144.75	Atlanta to Miami; Re: Review files to assist in Davis v. Southern Bell		
102792-7004	William E. Barfield	same	732.0	HS1100		179.23			
102792-7004	William E. Barfield	same	731.0	HS1100		168.00	Atlanta to D.C.		
102792-7004	William E. Barfield	same	731.0	HS1100		597.25	Re: To attend Wireless Meeting	10/13-14/92	10/20/92
102792-7004	William E. Barfield	same	744.2	HS1100		56.41			
102792-7004	William E. Barfield	same	732.0	HS1100		216.00			
103092-7027	William E. Barfield	same	732.0	HS1100		31.16	Atlanta to D.C.		
103092-7027	William E. Barfield	same	733.0	HS1100		162.45	Re: Meeting on POC rules for Interexchange Services	10/25-26/92	10/27/92
103092-7027	William E. Barfield	same	731.0	HS1100		444.88			
12282-8138	Wilkinson, Barker, Kraemer & Quinn	same	744.1	HS1100				11/17/92	12/9/92
52792-7029	M. Robert Sutherland	same	732.1	HS1150		16.00	Atlanta to Williamsburg, VA	5/7-8/23/92	5/14/92
52792-7029	M. Robert Sutherland	same	733.0	HS1150		504.89	Re: To attend Federal Communications Bar Association Annual Seminar		
52792-7029	M. Robert Sutherland	same	731.0	HS1150		405.25			
52792-7029	M. Robert Sutherland	same	734.2	HS1150		150.00			
52792-7029	M. Robert Sutherland	same	730.0	HS1150		509.15			
52792-7029	M. Robert Sutherland	same	898.0	HS1150		9.15			
52792-7029	M. Robert Sutherland	same	732.2	HS1150		30.00			
91192-7009	M. Robert Sutherland	same	732.0	HS1150		485.00	Atlanta to San Francisco (Economy Class)	8/7-12/92	9/4/92
91192-7009	M. Robert Sutherland	same	733.0	HS1150		985.68	Re: Mr. and Mrs. Sutherland's attendance at the American Bar Association meeting		
91192-7009	M. Robert Sutherland	same	731.0	HS1150		444.26			
91192-7009	M. Robert Sutherland	same	734.22	HS1150		385.00			
91192-7009	M. Robert Sutherland	same	730.0	HS1150		838.36			
91192-7009	M. Robert Sutherland	same	899.0	HS1150		0.74			
A2292-9072	Bell Atlantic Network Services	same	744.1	HS1170					4/20/92
101392-8049	Law Audit Services	same	744.1	HS1170		1,200.00	Cost Control seminar presented at BellSouth Legal Conference in Palm Beach, FL		10/7/92
101392-8049	Law Audit Services	same	731.0	HS1170		702.00			
103192-7007	Judy M. Sterner	same	733.0	HS1170		273.28	Atlanta to Philadelphia	10/14-18/92	10/27/92
103192-7007	Judy M. Sterner	same	731.0	HS1170		1,272.72	Re: Attend Association of Legal Administrator's Corporate/Government Conference		
103192-7007	Judy M. Sterner	same	741.11	HS1170		53.80			
103192-7007	Judy M. Sterner	same	737.32	HS1170		54.00			
103192-7007	Judy M. Sterner	same	899.0	HS1170		583.79			
103192-7007	Judy M. Sterner	same	732.0	HS1170		328.83			
103192-7007	Judy M. Sterner	same	741.12	HS1170		3.83			
103192-7007	Judy M. Sterner	same	734.22	HS1170		16.00			
12492-7005	Kelth W. Kochler	same	732.1	HS1200		44.31	Attend Equal Employment Advisory Council		
12492-7005	Kelth W. Kochler	same	733.0	HS1200		184.65	Seminar in Washington, DC - Airfare		
12492-7005	Kelth W. Kochler	same	731.0	HS1200		402.37	and Expenses		
102792-7002	Kelth W. Kochler	same	732.0	HS1200		34.75	Atlanta to Miami	10/19-20/92	10/21/92
102792-7002	Kelth W. Kochler	same	733.0	HS1200		73.13	Re: Hearing in Sardary Case		
102792-7002	Kelth W. Kochler	same	731.0	HS1200		654.05			
112392-8028	Heberton, Gordon, Eschneider, Herzog	same	744.1	HS1200				9/29/92	11/17/92

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Voucher #/E No.	Employee	Paid to:	Account	Code	Project	Amount	Description	Invoice Date	Payment Date
22092-8004		Mayer, Brown and Platt	744.1	HE1300				Jan '92	2/16/92
22092-8004		Mayer, Brown and Platt	744.1	HE1300					
22092-8004		Mayer, Brown and Platt	744.1	HE1300					
22092-8004		Cheson, Dunn & Crutcher	744.1	HE1300					
50492-7018	Mark D. Hallenbeck	same	732.2	HE1300		71.36	Atlanta to Key West, FL D.C., Los Angeles	4/10/92	4/20/92
50492-7018	Mark D. Hallenbeck	same	732.2	HE1300		1,117.88	Re: Attend Legal Conference, SWP Matters, and SWP/Antitrust Matters	3/17-4/6/92	5/5/92
50492-7018	Mark D. Hallenbeck	same	732.2	HE1300		1,884.34			
50492-7018	Mark D. Hallenbeck	same	732.2	HE1300		298.76			
50492-7001	Mark D. Hallenbeck	same	732.2	HE1300		182.02	Atlanta to Newark, NJ Re: Antitrust Compliance Matters	7/7-15/92	7/28/92
50492-7001	Mark D. Hallenbeck	same	733.0	HE1300		682.48	Atlanta to Boston; Re: Information Services Appeal		
50492-7001	Mark D. Hallenbeck	same	731.0	HE1300		1,803.50			
50492-7001	Mark D. Hallenbeck	same	732.2	HE1300		96.40			
50492-7002	Mark D. Hallenbeck	same	731.1	HE1300		287.63	Atlanta to D.C.	6/17-18/92	6/25/92
50492-7002	Mark D. Hallenbeck	same	733.0	HE1300		280.50	Re: Administrative Matters		
50492-7002	Mark D. Hallenbeck	same	731.0	HE1300		631.70	This voucher also contains several "company lunches"		
50492-7002	Mark D. Hallenbeck	same	732.2	HE1300		183.10			
50492-7002	Mark D. Hallenbeck	same	737.32	HE1300		300.00			
50792-8008		King & Spalding	744.1	HE1300					
122892-8108		Sharon, Dunn & Crutcher	744.1	HE1300					12/17/92
122892-8032		Bell Atlantic Network Services	744.1	HE1300					12/17/92
122892-8032		Bell Atlantic Network Services	744.1	HE1300					
121892-8001		Crowell & Moring	744.1	HE1320					12/11/92
121892-8001		Crowell & Moring	744.1	HE1320					
121892-8001		Crowell & Moring	744.1	HE1320					
122892-8134		Mayer, Brown & Platt	744.1	HE1320				12/8/92	12/22/92
120192-7021	Marc W. Galinsky	same	731.0	HE1330		545.46	Atlanta to Miami Re: Meet with outside counsel, re: Davis	11/13-15/92	11/20/92
120892-7018	Alan L. Silverstein	same	732.0	HE1330		5.70	Atlanta to Los Angeles (First Class)	10/19-21/92	12/1/92
120892-7018	Alan L. Silverstein	same	733.0	HE1330		388.78	Re: Meet with outside counsel to discuss pending antitrust litigation		
120892-7018	Alan L. Silverstein	same	731.0	HE1330		1,007.50			
121892-7104	Alan L. Silverstein	same	732.0	HE1330		64.17	Atlanta to NY, NY (10/24-27/92)		12/8/92
121892-7104	Alan L. Silverstein	same	733.0	HE1330		412.78	Re: Attend Antitrust Seminar		
121892-7104	Alan L. Silverstein	same	731.0	HE1330		1,234.94	Atlanta to New Orleans (12/3-4/92)		
121892-7104	Alan L. Silverstein	same	737.32	HE1330		250.00	Re: Meet with outside counsel to discuss pending litigation		
121892-7104	Alan L. Silverstein	same	744.1	HE1330		1,700.00			
30992-7028	Walter L. Williamson	same	731.0	HE1340		1,058.24	Atlanta to Copenhagen, Denmark	12/16-27/92	12/28/92
30992-7028	Walter L. Williamson	same	889.0	HE1340		60.87	Discuss contract negotiations regarding CAP software		
30992-7028	Walter L. Williamson	same	732.1	HE1340		150.51	development agreement		
30992-7028	Walter L. Williamson	same	733.0	HE1340		1,348.84			
60392-8067	Clarence E. Manning	same	733.0	HE1400		414.00	Atlanta to Houston	5/12-15/92	5/27/92
60392-8067	Clarence E. Manning	same	731.0	HE1400		683.00	Re: To attend American Corporate Counsel Association mid-year		
60392-8067	Clarence E. Manning	same	732.1	HE1400		32.71	and Board of Director's meetings.		
60392-8067	Clarence E. Manning	same	734.2	HE1400		30.00			
60392-7014	John Weichsel	same	731.0	HE1400		5,809.37	Atlanta to Buenos Aires, Argentina and Sao Paulo, Brazil	6/28-5/7/92	6/1/92
60392-7014	John Weichsel	same	889.0	HE1400		181.12	Re: M&A Project Meetings, Attend Project Cayman Meetings		
60392-7014	John Weichsel	same	732.2	HE1400		75.21			
60392-7014	John Weichsel	same	733.0	HE1400		881.74			
61592-7017	Clarence E. Manning	same	733.0	HE1400		144.18	Atlanta to Washington, D.C.	5/18-19/92	5/8/92
61592-7017	Clarence E. Manning	same	731.0	HE1400		483.62	Re: Attend a conference with regional holding companies re: section 160)		
61592-7017	Clarence E. Manning	same	732.1	HE1400		36.00			
61592-7017	Clarence E. Manning	same	889.0	HE1400		50.00			
62692-7027	Clarence E. Manning	same	733.0	HE1400		568.48	Atlanta to New York, NY	6/10-12/92	6/22/92
62692-7027	Clarence E. Manning	same	731.0	HE1400		730.50	Re: To attend a seminar on SWAPS and other Derivatives in 1992		
62692-7027	Clarence E. Manning	same	734.22	HE1400		885.00			
62692-7027	Clarence E. Manning	same	732.1	HE1400		83.05			
100292-7002	Clarence E. Manning	same	732.0	HE1400		39.06	Atlanta to D.C.	8/20-21/92	8/24/92
100292-7002	Clarence E. Manning	same	733.0	HE1400		233.48	Re: Attend American Corporate Counsel meeting with representatives of		
100292-7002	Clarence E. Manning	same	731.0	HE1400		643.75	Securities Exchange Commission		
100292-7002	Clarence E. Manning	same	738.0	HE1400		105.00			
100292-7002	Clarence E. Manning	same	730.0	HE1400		145.00			
112392-7031	Clarence E. Manning	same	733.0	HE1400		865.25	Atlanta to New Orleans	10/27-11/2/92	11/11/92
112392-7031	Clarence E. Manning	same	731.0	HE1400		626.68	Re: American Corporate Counsel Association's annual meeting		
112392-7031	Clarence E. Manning	same	730.0	HE1400		231.18			
112392-7031	Clarence E. Manning	same	732.0	HE1400		224.72			
112392-7031	Clarence E. Manning	same	889.0	HE1400		48.23			
80792-8008		King & Spalding	744.1	HE1410					8/6/92
80792-8008		King & Spalding	744.1	HE1410					

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Voucher / E No.	Employee	Paid to	Account	Responsibility Code	Project	Amount	Description	Invoice Date	Payment Date
32092-7003	Daniel O. Bradley	same	732.1	HS1800		8.30	2 Trips from Atlanta to D.C. and return	2/16-17/92	2/13/92
32092-7003	Daniel O. Bradley	same	731.0	HS1800		1,808.31	Meeting with Lee, Toomey & Kent re: Project Carnival	5/2/8-3/2/92	
32092-7003	Daniel O. Bradley	same	899.3	HS1800		12.00			
80792-8009		King & Spalding	746.1	HS1800					8/8/92
81482-8018		Lee, Toomey & Kent	746.1	HS1800					8/14/92
81482-7004	Daniel O. Bradley	same	731.0	HS1800		3,401.58	Atlanta to Frankfurt, Germany	7/28-8/2/92	8/1/92
81482-7004	Daniel O. Bradley	same	732.0	HS1800		248.28	Re: To attend meetings regarding Project Blue Sun		
81482-7004	Daniel O. Bradley	same	733.0	HS1800		848.43			
81482-7005	Daniel O. Bradley	same	899.0	HS1800					
80792-8009		King & Spalding	746.1	HS1800					
72392-7021	Leslie J. Craikoor	same	732.1	HS4010		8.00	Atlanta to Raleigh Durham	7/14-17/92	8/5/92
72392-7021	Leslie J. Craikoor	same	733.0	HS4010		270.37	Re: to visit with two grant applicants		7/20/92
72392-7021	Leslie J. Craikoor	same	731.0	HS4010		1,226.20	Atlanta to Boston		
72392-7021	Leslie J. Craikoor	same	732.2	HS4010		172.32	Re: to visit Harvard University, a component of HRM to S. Education Foundation		
51192-8031		Magdall's	732.2	HS4030		15,450.94	Catering services for workers and attendees at the 1992 Annual Meeting	4/28/92	5/5/92
70182-8040		Atlanta Country Club	738.0	HS4030	CX1992	165,370.58	Payment for food, beverage, cart rentals and uniforms in connection with the BellSouth Classic.	5/31/92	6/23/92
70182-8040		Atlanta Country Club	745.91	HS4030	CX1992	6,858.08			
70182-8040		Atlanta Country Club	112.021	HS4030	PP0210	15,381.78			
20482-8051		Tax Foundation	737.1	HS4040		5,000.00	Contribution/Corporate membership for 1992	1/1/92	1/24/92
30882-8043		U.S. Chamber of Commerce	737.41	HS4040		20,000.00	Payment of Membership for 1992	2/28/92	2/28/92
71892-8038		Polmers & Sessa	738.0	HS4040		1,000.00	Ten seats for the Tribute to America's Top Business and Professional Men and Women	7/6/92	7/6/92
111782-8046		Yell Atlanta	739.0	HS4040		1,452.50	45 tickets at \$32.50 each for the Shareholders Annual Event	11/10/92	11/10/92
80782-8005		Kelty, Goldenkith & Company	734.2	HS4110		20,408.27	Leadership training programs held in Asheville, NC	8/30/92	8/11/92
80782-8005		Kelty, Goldenkith & Company	734.2	HS4110		20,380.35			
81482-8007		Marriott Corporation	732.0	HS4110		15,107.98	Food and Beverage Expense for conference attendees participating in the July 26-28 BellSouth TechKNOWLEDGE '92 conference		8/12/92
81482-8007		Marriott Corporation	732.0	HS4110		15,884.84			
81482-8007		Marriott Corporation	732.0	HS4110		12,719.09			
81482-8007		Marriott Corporation	732.0	HS4110		13,453.32			
51682-7018	Don G. Reichardt	same	732.1	HS5000		18.37	Atlanta to Louisville, KY	6/12-31/92	6/8/92
51682-7018	Don G. Reichardt	same	733.0	HS5000		298.48	Re: Attend Market-Driven Revenue Committee Meeting		
51682-7018	Don G. Reichardt	same	731.0	HS5000		828.60	Atlanta to New York		
51682-7018	Don G. Reichardt	same	732.2	HS5000		23.22	Re: Attend Corp. ID Meeting/Lippincott & Margulies		
51682-7018	Don G. Reichardt	same	744.0	HS5000		37.04			
20382-8004		Southern Bell	761.0	HA0000		10,856.65	Employee Telephone Concession, January 1992	1/4/92	1/30/92
52482-8009		Southern Bell	761.0	HA0000		11,067.83	Employee Telephone Concession, May 1992	5/4/92	5/21/92
82782-8021		Southern Bell	761.0	HA0000		248.43	Employee Telephone Concession, July & August 1992	8/11/92	8/24/92
121892-7104	Alan L. Silverstein	same	312.21	HA0000		240.00	See Voucher 121892-7104		
121892-7104	Alan L. Silverstein	same	312.31	HA0000		72.00	See Voucher 121892-7104		
A0182-8022		Atlanta Hawks	738.0	HS0400		2,028.00	1992 Atlanta Hawks NBA playoff tickets	3/19/92	3/31/92
51382-7013	H.R. Holding	same	738.0	HS0400		288.24	Golf green fees and other related expenses	4/8/92	5/8/92
51382-7013	H.R. Holding	same	738.0	HS0400		43.08			
61182-8059		The New York Times Sales, Inc.	736.2	HS0400		38.00	Renewal subscription for The New York Times for H.R. Holding for 8/1/92-8/30/92		8/8/92
70882-8064		Atlanta Hawks	738.0	HS0400		13,452.00	1992-93 season tickets for Atlanta Hawks for public relations functions-final payment		7/2/92
82282-8034		Georgia Tech Athletic Assoc	738.0	HS0400		3,952.00	1992-93 Georgia Tech Season Basketball tickets	8/17/92	8/21/92
112182-7024	H.R. Holding	same	731.0	HS0400		530.38	Atlanta to Greensboro, NC. Re: Audit Committee meeting at Wake Forest Univ.	11/16/92	11/16/92
121892-8002		CUA CPO Roundtable #E100704	737.3	HS0400		8,000.00	Annual membership fee for Georgia State University CPO Roundtable	12/4/92	12/8/92
111782-8112		Margaret Perry	738.0	HS0413		550.00	Expense incurred in connection with retirement of S.P. Stinner	10/21/92	1/16/92
111892-7003	Arlen G. Yekley	same	731.0	HS0411		284.00	Atlanta to Orlando	11/7-10/92	11/12/92
111892-7003	Arlen G. Yekley	same	738.0	HS0411		188.00	Re: To attend the 1992 BLS Financial Analysis Seminar		
111892-7003	Arlen G. Yekley	same	731.0	HS0411		174.57			
42882-7007	Patrick H. Casey	same	732.1	HS0413		24.74	Atlanta to D.C. Re: PSC Annual Awards Dinner	4-20-22/92	4/20/92
42882-7007	Patrick H. Casey	same	733.0	HS0413		181.08			
42882-7007	Patrick H. Casey	same	731.0	HS0413		638.00			
42882-7007	Patrick H. Casey	same	732.2	HS0413		26.80			
42882-7007	Patrick H. Casey	same	734.0	HS0413		511.82			
61782-7002	Patrick H. Casey	same	733.0	HS0413		74.88	Atlanta to Denver	6/3-4/92	6/26/92
61782-7002	Patrick H. Casey	same	731.0	HS0413		513.50	Re: To attend RMC Conference		
61782-7002	Patrick H. Casey	same	732.2	HS0413		67.43			
61782-7002	Patrick H. Casey	same	730.0	HS0413		8.57			
106682-7037	Patrick H. Casey	same	732.0	HS0413		77.12	Atlanta to Madison, WI. Re: Attend USTA Meeting	9/23-10/2/92	9/16/92
106682-7037	Patrick H. Casey	same	731.0	HS0413		151.76	Atlanta to Dallas, TX. Re: Attend USTA Meeting		
106682-7037	Patrick H. Casey	same	731.0	HS0413		1,066.50			

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Voucher /JE No.	Employee	Paid to:	Responsibility			Amount	Description	Invoice Date	Payment Date
			Account	Code	Project				
30292-7029	C.C. Patton	same	732.1	HECH20		45.03	Attend CM Board Meeting and Executive Roundtable		
30292-7028	C.C. Patton	same	731.0	HECH20		1,318.68	In Palm Springs	2/19-2/23/92	2/27/92
30292-7028	C.C. Patton	same	730.0	HECH20		1,161.82			
30292-7028	C.C. Patton	same	898.0	HECH20		6.47			
30892-8024		Center for Telecommunications	738.8	HECH20		12,500.00	Sponsorship of CM Infrastructure Research Project		
30892-7025	C.C. Patton	same	732.1	HECH20		8.24	Attend Brookings Institution in D.C.	2/18/92	3/3/92
30892-7025	C.C. Patton	same	731.0	HECH20		879.00		3/2-3/3/92	3/5/92
22092-7014	John E. Gunter	same	731.0	HECH40		862.00	Attend National Research Meeting		
22092-7014	John E. Gunter	same	899.0	HECH40		1.25		2/12-2/13/92	2/18/92
40892-8037		ES Telecommunications, Inc.	731.0	HECH40		12,780.80	Executive Air Travel for March 1992		
111592-8004		ES Telecommunications, Inc.	731.0	HECH40		4,177.50		3/25/92	4/3/92
40292-7008	Roy S. Howard	same	731.0	HECH50		686.00	Atlanta to Bermuda		
40292-7008	Roy S. Howard	same	730.0	HECH50		886.00	Re: Attend Preliminary Roundtable Meeting	5/13-17/92	5/22/92
40292-7008	Roy S. Howard	same	732.1	HECH50		30.15			
40292-7008	Roy S. Howard	same	730.0	HECH50		30.15			
40292-7008	Roy S. Howard	same	733.5	HECH50		480.06			
40292-7008	Roy S. Howard	same	730.0	HECH50		490.06			
111592-7002	R.S. Howard	same	730.0	HECH50		689.00	Atlanta to NY, NY	10/27-28/92	11/5/92
111592-7002	R.S. Howard	same	731.0	HECH50		706.01	Re: To attend National Planning Association Gold Medal Award Dinner		
111592-7002	R.S. Howard	same	731.0	HECH50		282.33			
31592-8004		Alston & Bird	744.1	HECH60				3/12/92	3/18/92
40192-8067		Alston & Bird	744.1	HECH60				5/11/92	5/28/92
82692-7024	Walter H. Alford	same	732.0	HECH60		198.78	Atlanta to Jackson, MS; Re: PURPOSE & ELIGIBLE	8/3-12/92	8/13/92
82692-7024	Walter H. Alford	same	733.0	HECH60		866.00	Atlanta to Chicago; Re: Attend Bellcore meeting	9/2-9/12/92	9/13/92
82692-7024	Walter H. Alford	same	731.0	HECH60		2,350.00	Atlanta to San Francisco; Re: Attend ABA Annual Meeting		
82692-7024	Walter H. Alford	same	730.0	HECH60		1,419.38	Mr. & Mrs. Alford appear to have flown 1st class from Atlanta to San Francisco		
82692-7024	Walter H. Alford	same	737.32	HECH60		185.00	This reimbursement voucher also contains Mr. Alford's dues for the Governor's Club, Tallahassee, FL \$180; Atlanta Bar Association Dues \$180; American Bar Association Dues \$180; American Law Institute Dues \$200; Florida Bar Dues \$180; Georgia Bar		
82692-7024	Walter H. Alford	same	734.52	HECH60		10.00			
120492-8081		Alston & Bird	745.1	HECH60				11/23/92	11/24/92
90892-7029	Robert W. O'Neil	same	732.0	HECH61		738.88	Atlanta to San Francisco (First Class)	8/5-10/92	9/1/92
90892-7029	Robert W. O'Neil	same	733.0	HECH61		1,127.44	Re: Mr. and Mrs. O'Neil's attendance at the American Bar Association meeting		
90892-7029	Robert W. O'Neil	same	731.0	HECH61		571.75	San Francisco to Birmingham; Re: To discuss midsize legal issues		
90892-7029	Robert W. O'Neil	same	730.0	HECH61		286.15			
90892-7029	Robert W. O'Neil	same	737.32	HECH61		310.00			
102792-7014	Robert W. O'Neil	same	732.0	HECH61		54.78	Atlanta to Philadelphia (First Class)	10/8-16/92	10/16/92
102792-7014	Robert W. O'Neil	same	733.0	HECH61		188.38	Re: Meeting with Altman Weil		
102792-7014	Robert W. O'Neil	same	731.0	HECH61		778.00	Atlanta to NY, NY (First Class)		
102792-7014	Robert W. O'Neil	same	737.32	HECH61		691.88	Re: James Posthumus Funeral Home		
120792-8015		Stalner, Crum & Baker	745.3	HECH61				11/15/92	11/30/92
20392-7016	C. Richard Yarbrough	same	731.0	HECH60		422.80	VM company plans to attend media relations meeting	1/15-16/92	1/24/92
20392-7016	C. Richard Yarbrough	same	732.2	HECH60		69.04	Attend Points of Light Foundation meeting	1/15-16/92	1/24/92
20392-7016	C. Richard Yarbrough	same	732.5	HECH60		18.87	Lunch meeting with Sandy Jones, CM Public Relations	11/26/91	1/28/92
20392-7016	C. Richard Yarbrough	same	732.2	HECH60		63.88	Meet with University of Georgia Vice Pres.	12/6/91	1/24/92
20392-7016	C. Richard Yarbrough	same	730.0	HECH60		82.87	Spouse's Portion of 12/6/91 am	12/6/91	1/24/92
20392-7016	C. Richard Yarbrough	same	737.3	HECH60		211.00	Monthly Dues and Service Fees for Cherokee Country Club	12/30/91	1/24/92
21292-7010	C. Richard Yarbrough	same	733.0	HECH60		722.61	Attend Arthur Page Board Mtg., and Ad Council	1/13-24/92	2/4/92
21292-7010	C. Richard Yarbrough	same	733.0	HECH60		883.12	Finance Committee Meeting		
22792-7001	C. Richard Yarbrough	same	733.0	HECH60		8.87			
22792-7001	C. Richard Yarbrough	same	733.0	HECH60		165.60	To represent Bellsouth at the Houston Advertising	2/4-2/7/92	2/4/92
22792-7001	C. Richard Yarbrough	same	731.0	HECH60		855.00	Federation to judge entrants for the ADP Award		
22792-7001	C. Richard Yarbrough	same	737.32	HECH60		211.50			
22792-7002	C. Richard Yarbrough	same	899.0	HECH60		17.26			
22792-7002	C. Richard Yarbrough	same	733.0	HECH60		218.24	To meet w/John Budd, to discuss Arthur Page Business	2/20-21/92	2/24/92
22792-7002	C. Richard Yarbrough	same	731.0	HECH60		1,064.06	to attend Wiseman meeting, and attend Cancer meeting		
22792-7002	C. Richard Yarbrough	same	732.2	HECH60		68.50	at The Ad Council		
40492-7012	C. Richard Yarbrough	same	733.0	HECH60		482.00	Atlanta to Orange City, CA	5/15-16/92	5/20/92
40492-7012	C. Richard Yarbrough	same	731.0	HECH60		1,454.87	Re: To attend Public Relations Seminar annual meeting, of which Mr. Yarbrough is a member		
40492-7012	C. Richard Yarbrough	same	899.0	HECH60		15.51			
40492-7012	C. Richard Yarbrough	same	732.0	HECH60		104.38	Atlanta to New York (First Class); Re: Attend Ad Council Meeting; Meet	9/22-26/92	9/29/92
40492-7012	C. Richard Yarbrough	same	731.0	HECH60		826.92	with Ed Kelly of George Miller; Meet with Steve Pranke, Michael Case and		
40492-7012	C. Richard Yarbrough	same	731.0	HECH60		876.97	Larry Shoodon, Susan Marshall; New York to West Point; Re: Mr. &		
40492-7012	C. Richard Yarbrough	same	733.0	HECH60		483.70	Mrs. Yarbrough to attend meeting of Civitan Public Affairs Committee of West Point.		
40492-7012	C. Richard Yarbrough	same	737.32	HECH60		222.00	Spouse expected to attend; Mr. Yarbrough is member; First Class return flight for both		
120792-8058		Copyright Clearance Center, Inc	899.0	HECH60		137,664.59	Expenses incurred for Photocopy license - 1992	10/15/92	11/18/92

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SellSouth Corporation
Summary of Vouchers

Voucher #/No.	Employee	Paid for	Responsibility			Amount	Description	Invoice Date	Payment Date
			Account	Code	Project				
32692-8008		The ATCO Corporation	746.6	NRCHVD		3,000.00	1st installment for tax & investment counseling and advice program		
51782-8064		Merritt Corporation	732.2	NRCHVD		1,056.51	Conference dining charges for the month of April 1992	2/18/92	2/20/92
10692-8001		Capital City Club	738.0	NRCH11		5,373.89	12/5/91 Christmas Party	4/23/92	5/7/92
12182-8011		Whitlock's Flowers	738.0	NRCH11		2,873.30	12/5/91 Christmas Function Expense		
60392-8012		Lotus Development Corporation	112.0	NRCH11	PF2D00	10,000.00			
62392-7001	Arlen G. Yokley	same	732.1	NRCH11		48.06	Atlanta to Louisville, Memphis, Chicago and Toronto		
62392-7001	Arlen G. Yokley	same	731.0	NRCH11		383.06	Re: To meet with SellSouth Board of Directors to discuss upcoming board issues. Also, to meet with the investment community	6/7-11/92	6/11/92
62392-7001	Arlen G. Yokley	same	731.0	NRCH11		1,463.86	to discuss SellSouth's financials and operations		
62392-7001	Arlen G. Yokley	same	898.0	NRCH11		7.50	flowers for The Commerce Club dinner/reception		
121892-8027		The Commerce Club	738.0	NRCH11		10,478.38	Expenses in connection with The Commerce Club dinner/reception	12/10/92	12/18/92
122892-8103		Weinstock's Flowers & Gifts	738.0	NRCH11		2,710.00	From Atlanta to New York to meet with News Media and	12/16/92	12/17/92
122892-8104		Peach State Transportation Sys	738.0	NRCH11		386.72	Attend Business Roundtable Meeting in D.C. and	12/18/92	12/17/92
21292-7013	John L. Clendenin	same	731.0	NRCHVD		2,201.00	Atlanta to West Palm Beach to meet with News Media and	1/23-2/4/92	2/5/92
21292-7013	John L. Clendenin	same	744.2	NRCHVD		77.08	Attend Business Roundtable Meeting in D.C. and		
21892-7021	John L. Clendenin	same	731.0	NRCHVD		198.00	Kroger Board meeting in Cincinnati (Kroger Expense)	2/5-2/11/92	2/11/92
21892-7021	John L. Clendenin	same	731.0	NRCHVD		2,400.00	and to attend New American Schools in D.C.		
21892-7021	John L. Clendenin	same	731.0	NRCHVD		0.75	Junior Achievement Breakfast for Atlanta Business Leaders	1/28/92	4/8/92
A1892-3011		The Commerce Club	732.2	NRCHVD		245.14	Reimbursement for expenses incurred by John L. Clendenin	5/22/92	5/22/92
82892-8020		Boy Scouts of America	733.0	NRCHVD		1,089.50	while attending Boy Scouts National Council Meeting May 1992		
82892-8020		Boy Scouts of America	731.0	NRCHVD		18.75			
82892-8020		Boy Scouts of America	732.1	NRCHVD		8.20			
82892-7028	John L. Clendenin	same	733.0	NRCHVD		857.38	Atlanta to Cincinnati, Tennessee		
82892-7028	John L. Clendenin	same	731.0	NRCHVD		1,189.00	Re: Attend National Boy Scouts Annual Meeting	5/15-6/7/92	6/18/92
82892-7028	John L. Clendenin	same	737.8	NRCHVD		46.71	& to give talk at Kentucky Wesleyan College (company plane)		
82892-7028	John L. Clendenin	same	730.8	NRCHVD		304.00			
72182-7017	John L. Clendenin	same	732.1	NRCHVD		180.38			
72182-7017	John L. Clendenin	same	731.0	NRCHVD		193.18	Atlanta to D.C., D.C. to Dallas, Atlanta to NYC, Atlanta to D.C.	6/8-7/7/92	7/15/92
72182-7017	John L. Clendenin	same	731.0	NRCHVD		2,354.54	Re: To attend meetings of FCC, Breeding Board, Business Roundtable and Council on Competitiveness.		
72182-7017	John L. Clendenin	same	737.12	NRCHVD		240.00	To attend meetings with National Boy Scouts staff. Attend meeting with New York Three Editorial		
72182-7017	John L. Clendenin	same	744.2	NRCHVD		218.87	Board. Attend New American Schools Dev. Corp. Bd mtg. & the Network Reliability Council Mtg		
72182-7017	John L. Clendenin	same	731.0	NRCHVD		234.54	Atlanta to D.C. (11/10-18/92 First Class)		
121792-7117	John L. Clendenin	same	731.0	NRCHVD		1,842.00	Re: To meet with RBOC officers re: legislative program		12/11/92
121792-7117	John L. Clendenin	same	744.2	NRCHVD		86.66	Atlanta to D.C. (12/10/92 First Class)		
121792-7117	John L. Clendenin	same	732.0	NRCHVD		109.18	Re: To meet with RBOC officers re: legislative program		
40892-8037		BS Telecommunications, Inc.	787.2	H11001		28,827.80			
40892-8037		BS Telecommunications, Inc.	731.0	NRCH00		4,943.40			
40892-8037		BS Telecommunications, Inc.	731.0	NRCHVD		82,571.00			
52292-8009		BS Telecommunications, Inc.	various	various		1,262,461.16	BS Regional Billing		
62292-8002		BS Telecommunications, Inc.	various	various		574,506.68	Billing for April, 1992 - RE1000008-8004	4/22/92	5/22/92
72492-8004		BS Telecommunications, Inc.	various	various		646,558.57	Regional Billing; Bill # 806920003 For May 1992	5/22/92	6/17/92
82592-8025		The ATCO Corporation	various	various		64,400.00	Final installment for tax and investment counseling contract	7/23/92	7/23/92
102892-8002		BS Telecommunications, Inc.	various	various		634,137.22	Billing for August 1992		8/13/92
102692-8078		United Parking, Inc.	various	various		569.28	Validated parking tickets for the month of Sept. 1992	8/23/92	10/14/92
111692-8004		BS Telecommunications, Inc.	731.0	NRCH00		46,091.14		10/7/92	10/20/92
111692-8004		BS Telecommunications, Inc.	731.0	NRCH13		2,346.13			
111692-8004		BS Telecommunications, Inc.	731.0	NRCH80		2,168.06			
111692-8004		BS Telecommunications, Inc.	731.0	NRCHVD		13,288.06			
122192-8004		BS Telecommunications, Inc.	various	various		772,280.83	ABS Billing for October 1992	11/21/92	12/15/92
123192-8006		BS Telecommunications, Inc.	various	various		1,134,467.62	ABS Billing for November 1992 - RE1000008-8004	11/28/92	12/3/92

Southern Bell Telephone and Telegraph Company
Summary of Other Regulatory Adjustments

<u>BSC Corporate Advertising</u>	<u>Amount</u>
1993 Allocation to BST	\$4,186,000
Florida Intrastate Percent	18.30%
Florida Intrastate Allocation	<u>\$766,038</u>
 Company Adjustment--1991	 \$501,000
1993 Gross-up Factor	1.1024
1993 Florida Intrastate Adjustment	<u>\$552,315</u>
 Adjustment to Disallow Advertising	 <u>(\$213,723)</u>
 <u>BSC Corporate Affairs (1)</u>	
1993 Allocation to BST	\$4,237,309 (2)
Florida Intrastate Percent	18.30%
Florida Intrastate Allocation	<u>\$775,428</u>
 Company Adjustment Contributions--1991	 \$244,000
1993 Gross-up Factor	1.1024
1993 Florida Intrastate Adjustment	<u>\$268,992</u>
 Adjustment to Disallow Corporate Affairs	 <u>(\$506,436)</u>
 <u>Media/Public Relations</u>	
1993 Allocation to BST	\$967,512
1992 VP Public Relations	\$431,311
Total Public Relations	<u>\$1,398,823</u>
Florida Intrastate Percent	18.30%
Florida Intrastate Allocation	<u>\$255,985</u>
 Adjustment to Disallow Public Relations	 <u>(\$255,985)</u>

(1) Includes corporate, educational, external affairs and executive support.

(2) May include Golf Classic expenses which the Company has already removed.

Southern Bell Telephone and Telegraph Company
Summary of Other Regulatory Adjustments

BSC Antitrust/MFJ Legal	
1992 Allocation to BST	\$2,741,064
Florida Intrastate Percent	18.30%
Adjustment to Disallow Anti-trust/MFJ Legal	<u>(\$501,615)</u>
BSC Sponsorships	
BSC Sponsorships through August 1993	\$116,697
Eight Months	8
Monthly Expenditure	\$14,587
Twelve Months	12
Annual 1993 Expense	\$175,046
Florida Intrastate Percent	19.50%
Florida Intrastate Allocation	<u>\$34,134</u>
Adjustment to Disallow BSC Sponsorships	<u>(\$34,134)</u>
BSC Donations	
Adjustment to Disallow BSC Donations	<u>(\$56,381)</u>
Bellcore Memberships	
Bellcore 1992 Memberships	\$1,742,200
1993 Gross-up Factor	1.0512
Bellcore 1993 Memberships	<u>\$1,831,423</u>
Bellcore 1992 Disallowance	\$1,602,375
1993 Gross-up Factor	1.0512
Bellcore 1993 Disallowance	<u>\$1,684,437</u>
Florida Intrastate Percent	2.54%
Florida Intrastate Allocation	<u>\$42,717</u>
Adjustment to Disallow Bellcore Memberships	<u>(\$42,717)</u>
Total Other Regulatory Adjustments	<u>(\$1,610,990)</u>

Southern Bell
Docket No. 920260-TL
Exhibit (KHD-1)
Schedule 13
Cover Page
Witness: Dismukes

He wrote 56 books, won the Nobel prize, and saved his country. Not bad for an amateur painter.

The ability to do more than one thing well is often the difference between competence and excellence.

In the case of Winston Churchill, it was the difference between excellence and brilliance.

As a war correspondent, he won renown for his courage,

escaping from a Boer prison camp in South Africa and crossing 300 miles of enemy territory. As an outspoken Cabinet Minister, he championed the development of the military tank.

As a historian, he won the first Nobel prize for Literature ever awarded for the quality of his written word as well as his spoken word.

As a politician, he personified the will of a nation, leading Britain to her finest hour.



And at his truest love — painting — his talent surprised the critics and his landscapes were hung in the prestigious Royal Academy of Arts.

Yet it wasn't any one of these talents that brought them together, but the stuff of which legends are born.

And if you understand how that combination of truly remarkable talents can lead to excellence, you'll understand the vision of BellSouth.

Individually, the companies of BellSouth are counted among the best in their field. And when brought together to help you, they can provide

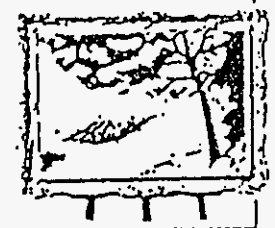
integrated solutions to a surprising variety of problems.

Senior industry executives named BellSouth the most admired telecommunications company

in America for the past three years in an annual Fortune magazine survey. Which means if you're looking at your own business and personal communications needs, the companies of BellSouth may be just the kind of partner you're looking for.

HERE'S HOW THE COMPANIES OF BELLSOUTH INTEGRATED MANY TALENTS TO HELP MULTI-LOCATION BANKS.
Developed a cash management service utilizing a state-of-the-art network capability to allow a national implementation and delivery system in branch locations.
Integrated automatic number identification (ANI) by allowing a customer to access his bank's records through a bank's own computer software program on inbound voice lines, customer service and technical support.
Offered 1,544 separate line services between long-hauling carriers and local carriers nationwide for cost efficiency, reliable data communications.

After all, when you can surround a problem with remarkable talent, successful solutions can't be far away.



BELLSOUTH

Everything you expect from a leader™

Telecommunications

Information Services

Mobile Communications

Advertising Services

Take away his writing, his philosophy, and his music and he was just another country doctor. In his case, a whole country.

Page 2 of 7



Add up the parts of Albert Schweitzer's life and you'd think you were talking about an army of men. As a Protestant theologian, he saw medicine as one way to reverse life.

So he studied medicine and went to work in French Equatorial Africa.

As a classically trained organist renowned for his interpretations of J. S. Bach, he raised money for his hospital by giving concerts.

As a philosopher and writer he was renowned for his prodigious work, *The Philosophy of Civilization*.



and used the royalties to purchase medical supplies.

And after winning the Nobel Peace Prize in 1952, he took the award money and built a village for leprosy patients.

If you understand how that combination of talents joined to serve one greater purpose, you'll understand the vision of BellSouth.

Individually, the companies of BellSouth are counted among the best in their field. And when brought together to help you, they can provide integrated solutions to a surprising variety of telecommunications and information problems.

Senior industry executives named BellSouth the most admired telecommunications company

in America for the past three years in an annual *Fortune* magazine survey. Which means if you're looking at your own business or personal communications needs, the companies of BellSouth may be just the kind of partner you're looking for.

HERE'S HOW THE COMPANIES OF BELL SOUTH INTEGRATED MANY DIFFERENT TALENTS TO HELP ONE OF THE WORLD'S LARGEST RETAILERS.

Designed systems to make account employees more efficient, manage incoming customer calls and speed resolution.

Accepted orders to place special demand telephone systems in locations throughout the U.S.

Implemented an asset management tracking system by monitoring on-line equipment in all.

Supplied mobile phone service to field technicians to reduce backlog.

Unified data communications to lower overhead on credit card purchase transactions by 10%.

After all, when you can surround a problem with remarkable talent, successful solutions can't be far away.



BELLSOUTH

Telecommunications

Information Services

Mobile Communications

Advertising Services

Everything you expect from a leader™

She became the first woman aviator to cross the Atlantic, an author, entrepreneur and nurse. Just what you'd expect from a fashion designer.

Some say things can't be done. Others do them, proving that with the right combination of bravado and talent, there's nothing what you can accomplish.

Nicknamed "Lady Lindy," Amelia Earhart was not only the first woman to fly solo across the Atlantic, she held women's speed and distance records that earned her place as the first woman to receive the distinguished Flying Cross.

As a nurse during World War I, Earhart developed an early concern for her fellow man

that helped her champion human rights around the world. Her memorable accomplishments in the air moved her to pen three best-selling books.

She served as aviation editor for *Cosmopolitan*. She designed and marketed a line of luggage and



founded two successful airlines. An admired poet, she inspired two popular songs and even a foxtrot



aptly called the Earhart Hop.

Her adventurous lifestyle so enthralled the American people that she created fashions for top department stores like Macy's and Marshall Field's.

If you understand how Amelia Earhart combined many talents in her pursuit of excellence, you'll understand the commitment of BellSouth.

Individually, the companies of BellSouth are considered to be some of the

best in their field. Brought together to serve your needs, they can provide technologically advanced solutions to a variety of problems in health care, manufacturing, retailing, banking, government and others.

In fact, for the last three years in an annual *Fortune* magazine survey,

senior industry executives have chosen BellSouth as the telecommunications company they most admired in the United States.

Which means if you're looking at your own business or personal communications needs, it's quite likely you'll find the companies of BellSouth to

be exactly the kind of partner you're looking for.

Because after all, when you surround a problem with remarkable talent, there's no telling how far you can go.

HERE'S HOW BELL SOUTHWEST
INTEGRATED MANY DIFFERENT
TALENTS TO HELP THE
HEALTH CARE INDUSTRY MEET
ITS COMMUNICATIONS NEEDS.

Developed a system for electronic insurance claims processing utilizing an advanced interactive network, reducing overhead costs and handling time.

Created disaster recovery systems employing network and cellular services.

Developed an interactive network linking medical centers, physicians groups, insurance companies and employers to achieve a significantly higher level of cost effectiveness in the provision of services.



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BELLSOUTH

"CHURCHILL"

COMM'L NO.: YOBB 0609

LENGTH 60 SECONDS



(MUSIC UNDER THROUGHOUT)



FIRST LIAM: Churchill was one of the greatest leaders



He was the world's ever had



SECOND LIAM: He got the Nobel Prize for oratory, and for writing



He was a great statesman



THIRD LIAM: Oh, Churchill loved to paint



He always said that he did his best thinking with a brush in one hand, and a cigar in the other



FIRST MAN: He was an orator, a brave man, he was totally fearless. The moment he realized the importance of the airplane, he got a pilot's license. Typical of the man



ANNCR (VO): The sum of Winston Churchill was much greater than the parts



Because real greatness is doing more than one thing well. That's the vision of BellSouth: To be a network of companies doing a lot of things well



To help manufacturers, state governments and others do what they do even better



BellSouth



(MUSIC)



(MUSIC)



(MUSIC)



Everything you expect from a leader

Page 6 of 7

BELLSOUTH

"SCHWEITZER"

LENGTH: 60 SECONDS

COMM'L NO.: YOBB 0611



MUSIC UNDER THROUGHOUT



FIRST WOMAN: Albert Schweitzer was a genius.



FIRST MAN: He was a writer of greater morality and a leader.



And he was Dr. Albert Schweitzer.



SECOND WOMAN: My father wanted to be in command of things.



So he was the doctor in charge of the hospital. He was also the builder of the hospital.



FIRST WOMAN: He also gave concerts all over Europe as an organist.



He could play a Bach organ piece with such power.



SECOND WOMAN: It comes all together through his philosophy of reverence for life.



ANNCR (VO): So many skills wrapped inside one man, together they made Albert Schweitzer's greatness. That's the vision of BellSouth. To be a network of companies doing a lot of things well.



To help retailers, health care, banks and others do what they do even better.



BellSouth



(MUSIC)



(MUSIC)



(MUSIC)



Everything you expect from a leader.

BELLSOUTH

"AMELIA EARHART"

COMM'L NO.: YOBB 1601

LENGTH: 60 SECONDS



(MUSIC UNDER THROUGHOUT)



FIRST WOMAN Amelia Earhart and I both set records flying airplanes. But, she flew a little further into history



FIRST MAN As Amelia's mechanic,



I knew when she set out to do something she was gonna do it



She thought everyone should fly, so she helped start an airline.



SECOND WOMAN: My sister was a gifted speaker.



she was an author and a magazine editor.



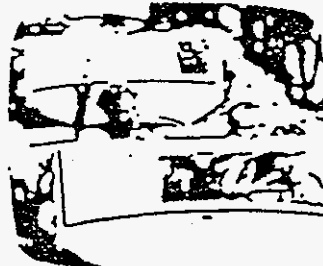
FIRST WOMAN: And she designed luggage which is still being sold.



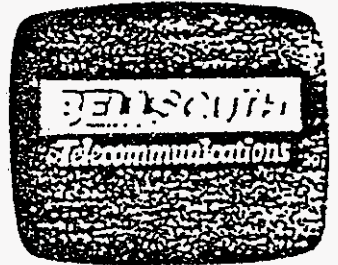
and she even designed clothing. And most people just thought she flew airplanes.



ANNCR: (VO) If you understand how Amelia Earhart combined many talents in her pursuit of excellence, you'll understand the commitment of BellSouth.



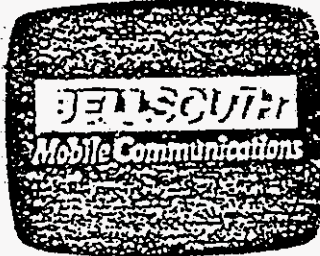
To be a network of companies doing a lot of things well. To help health care, state governments and others do what they do even better.



BellSouth.



(MUSIC)



(MUSIC)



(MUSIC)



Everything you expect from a leader.

Southern Bell
Docket No. 920260-TL
Exhibit __ (KHD-1)
Schedule 14
Cover Page
Witness: Dismukes

PRDC: PAP180XA
PRQA: APO1801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

Page 19
RUN DATE: 06/30/92
PAGE OUT: 1

PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
NATL ACADEMY OF ENGINEERING	\$200.00			
IEEE SERVICE CENTER	\$105.00			
<u>PARTNERSHIP FOR NJ PLAZA II</u>	<u>\$6,000.00 *</u>			
<u>SIGMA XI THE SCIENTIFIC SOC</u>	<u>\$45.00 *</u>			
<hr/>				
TOTAL FOR VP:	\$6,410.00	\$ 6,045		

PROC: PAPI80XA
PRG: APO180IX

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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RUM DATE: 06/10/93
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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
INDUSTRIAL RESEARCH INSTITUTE	\$830.00			
CONFERENCE BOARD INC	\$3,000.00			
RUTGERS UNIVERSITY	\$50,000.00			
STANFORD UNIVERSITY	\$37,700.00			
THE INSTITUTE OF OPTICS	\$10,000.00			
WASHINGTON UNIVERSITY	\$50,000.00			
CENTER FOR ADVANCED TECHNOLOGY	\$20,000.00			
COMPUTER SCIENCE FUND	\$15,000.00			
INDUSTRIAL RESEARCH INSTITUTE	\$500.00			
OPTOELECT INDUSTRY DEVEL ASSOC	\$25,000.00			
RENSELAER POLYTECHNIC INST	\$15,000.00			
UNIVERSITY OF CALIFORNIA LA	\$12,500.00			
YALE UNIVERSITY	\$15,000.00			
UNIVERSITY OF ILLINOIS	\$17,500.00			
WINLAB WIRELESS INFORMATION	\$25,000.00			
RESEARCH AND DEV COUNCIL	\$1,480.00			
PURDUE UNIVERSITY	\$10,000.00			
UNIVERSITY OF WASHINGTON	\$9,000.00			
CARNEGIE MELLON UNIVERSITY	\$25,000.00			
PRINCETON UNIVERSITY	\$12,500.00			
UNIVERSITY OF MICHIGAN	\$12,500.00			
QIDA	\$15,000.00			
COLUMBIA UNIVERSITY	\$12,500.00			
UNIVERSITY OF WASHINGTON	\$750.00			
MIT	\$43,369.80			
COLUMBIA UNIVERSITY	\$11,179.96			
CORNELL UNIVERSITY	\$12,000.00			
GEORGIA TECH	\$20,000.04			
PRINCETON UNIVERSITY	\$11,000.02			
RUTGERS UNIVERSITY	\$12,500.00			
CORP FOR OPEN SYSTEMS	\$55,000.00			
AMERICAN INSTITUTE OF PHYSICS	\$2,500.00			
INTERNAT'L BATTERY ASSOC	\$350.00			
TECHNOLOGY FORUMS	\$7,500.00			
SOCIETY FOR INDUSTRY & APPLIED MATH	\$2,500.00			
BROWN UNIVERSITY	\$6,783.48			
UNIVERSITY OF COLORADO	\$1,500.00			
SOC FOR INDUSTRY & APPLIED MATH	\$2,500.00			
UNIVERSITY OF MINNESOTA	\$10,000.00			
UNIVERSITY OF MARYLAND	\$10,000.00			
PURDUE RESEARCH FOUNDATION	\$15,000.00			
USENIX ASSOCIATION	\$300.00			
N AMER SOC FOR TRENCHLESS ENGIN	\$1,000.00			
TELECOM INDUSTRY ASSOC	\$300.00			
X3 SECRETARIAT/CBEMA	\$1,200.00			
VA POLYTECHNIC INST	\$15,000.00			
EUROPE ASSOC FOR SIGNAL PROCESS	\$203.53			
LOUISIANA TECH UNIV	\$2,500.00			
WASHINGTON UNIVERSITY	\$8,004.52			
INTERNET SOCIETY	\$10,000.00			
CORP FOR NAT'L RESEARCH	\$250,000.00			
OREGON GRADUATE INSTITUTE	\$12,500.00			
EARNET INC	\$4,000.00			

TOTAL FOR VP:

\$944,451.35

\$918,121

PROC: PAP180XA
PROG: APO1801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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RUN DATE: 05/30/93
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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
AMERICAN SOCIETY FOR QUALITY	\$29.00			
STRATEGIC PLANNING INSTITUTE	\$6,000.00			
IEEE	\$120.00			
IEEE SERVICE CENTER	\$154.00			
IEEE SERVICE CENTER	\$120.00			
TELECOMM INDUSTRY ASSOC	\$800.00			
CORP FOR OPEN SYSTEMS	\$20,000.00			
UNIV OF PUERTO RICO	\$1,800.00			
ITV	\$31,869.86			
INTERNAT'L RIGHT OF WAY ASSOC	\$125.50			
EARTHQUAKE ENG RESEARCH INST	\$109.00			
AMER SOC FOR HEAT & REFRIDGE	\$180.00			
NATL FIRE PROTECTION ASSOC	\$75.00			
AMER SOC FOR TESTING MATERIALS	\$50.00			
THE INSTITUTE OF MNGT SCIENCE	\$1,800.00			
INTERNAT'L TELECOMM UNION	\$25,242.46			
INTERNAT'L TELECOMM UNION	\$50,484.92			
BUILDING INDUSTRY CONSULTING	\$100.00			
BUILDING INDUSTRY CONSULTING	\$100.00			
TI SECRETARIAT	\$2,500.00			
TELECOMMUNICATIONS INDUSTRY	\$1,400.00			
IEEE SERVICE CENTER	\$102.00			
AMERICAN SOCIETY FOR QUALITY	\$58.00			
AMERICAN SOCIETY FOR QUALITY	\$58.00			
AMERICAN SOCIETY FOR QUALITY	\$43.50			
AMERICAN SOCIETY FOR QUALITY	\$129.00			
S SOMERSET BUSINESSWOMEN	\$60.00			

TOTAL FOR VP:

\$142,860.34

\$139,542

PROC: PAPIBOXA
PROG: APOIHOIX

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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RUN DATE: 02/20/93
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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
ASTD TECHNICAL & SKILLS	\$150.00			
DIVISION OF CONSUMER AFFAIRS	\$80.00			
AMERICAN SOCIETY FOR QUALITY	\$70.80			
UNIVERSITY OF MICHIGAN	\$10,166.66			
X3 SECRETARIAT/COEMA	\$600.00			
ACIUS	\$885.00			
ACIUS	\$185.00			
X3 SECRETARIAT	\$600.00			
QUALITY ASSURANCE INSTITUTE	\$30.00			
THE EOPAA INC	\$20.00			
NJ SOCIETY OF CPA'S	\$184.00			
DATA INTERCHANGE STANDARDS	\$3,500.00			
KCI MAIL	\$35.00			
DATA INTERCHANGE STANDARDS	\$4,200.00			
TELECOMM INDUSTRY ASSOC	\$500.00			
CORP FOR OPEN SYSTEMS	\$40,000.00			
NATL ASSOC OF PURCHASE MANAGE	\$130.00			
NATL SOC OF PROF ENGINEERS	\$173.00			
NATL ASSOC OF EXEC SECRETARIES	\$30.00			
NATL ASSOC OF FEMALE EXEC	\$38.00			
AECFA EDUCATIONAL FOUNDATION	\$400.00			
ARMED FORCES COMM ASSOC	\$2,100.00			
AMER SOC FOR INDUST SECURITY	\$75.00			
HUMAN FACTORS SOCIETY	\$81.00			
SOCIETY OF MOTION PICTURE	\$65.00			
X3 SECRETARIAT/	\$300.00			
CENTER FOR OFFICE TECHNOLOGY	\$6,000.00			
SOCIETY OF BROADCAST ENGINEERS	\$55.00			
SOCIETY OF MOTION PICTURE	\$65.00			
CORP PARTNER FOR EXCEL IN EDUC	\$450.00			
AMER SOC FOR TRAIN & DEV	\$260.00			
AMER SOC FOR TRAIN & DEV	\$260.00			
AMER SOC FOR TRAIN & DEV	\$130.00			
CORPORATE RELOCATION COUNCIL	\$60.00			
ILLINOIS ST CHAMBER OF COMMERCE	\$1,260.00			
AMERICAN LIBRARY ASSOC	\$145.00			
SPECIAL LIBRARIES ASSOC	\$75.00			
FOUR LAKES ATHLETIC CLUB	\$6,500.00			
ILLINOIS CRIME PREVENTION ASSO	\$25.00			
AMER SOC FOR INDUST SECURITY	\$75.00			
NAT'L EMPLOY SERVICES & RECREATION	\$135.00			
NATL SOC FOR PERFORM	\$40.00			
NATL RESOURCE SAFETY COUNCIL	\$285.00			
NATL SOC FOR PERFORMANCE	\$40.00			
T1 SECRETARIAT	\$1,500.00			
SOCIETY OF MOTION PICTURE	\$65.00			
IEEE SERVICE CENTER	\$128.00			
IEEE SERVICE CENTER	\$102.00			
NATL SOC OF PROF ENGINEERS	\$189.00			
NATL SOC FOR PERFORMANCE	\$40.00			

TOTAL FOR VP:

\$91,526.16

88,252

PROC: PAPI80XA
PROG: APOI801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
UNIFORM	\$100.00			
STRATAGY	\$100.00			
GUIDE INTERNATIONAL	\$450.00			
AMER SOC FOR TRAIN & DEVEL	\$150.00			
NATIONAL FIRE PROTEC ASSOC	\$75.00			
UNINTERRUPTIBLE UPTIME USERS	\$250.00			
BROWN UNIVERSITY	\$17,500.00			
SRI INTERNATIONAL	\$20,000.00			
X OPEN CO LTD	\$18,300.00			
X3 SECRETARIAT/CBEMA	\$300.00			
X3 SECRETARIAT/CBEMA	\$300.00			
ASSOC FOR COMP MACHINE	\$75.00			
IEEE COMPUTER SOCIETY	\$36.67			
MIT	\$10,000.00			
X OPEN CO LTD	\$18,750.00			
PURDUE RESEARCH FOUNDATION	\$15,000.00			
OBJECT MANAGEMENT GROUP INC	\$3,333.00			
AMER SOC FOR INDUSTRY SECURITY	\$75.00			
UNIX INTERNATIONAL	\$10,000.00			
UNIFORM	\$100.00			
OPEN SOFTWARE FDN	\$35,416.65			
COMMUNICATIONS FRAUD CONTROL	\$1,800.00			
CORP FOR OPEN SYSTEMS	\$40,000.00			
COMMUNICATIONS FRAUD CONTROL	\$150.00			
IEEE SERVICE CENTER	\$102.00			
X3 SECRETARIAT	\$300.00			
X3 SECRETARIAT	\$300.00			
OBJECT MANAGEMENT GROUP INC	\$3,333.00			
X3 SECRETARIAT/CBEMA	\$300.00			
DATA ADMINISTRATION MGMT ASSOC	\$75.00			
OBJECT MANAGEMENT GROUP INC	\$3,334.00			
X3 SECRETARIAT/CBEMA	\$300.00			
X3 SECRETARIAT	\$300.00			
X3 SECRETARIAT	\$300.00			

TOTAL FOR VP:

\$203,505.15 \$201,042

PROC: PAP180XA
PROG: APO1801X

BELLCORE CORPORATE MEMBERSHIP
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RUN DATE: 06/30/93
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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
THE CTR FOR TELECOMM RESEARCH	\$12,500.00			
LICENSING EXECUTIVES SOCIETY	\$100.00			
TELECOMM INDOUSTRY ASSOC	\$7,200.00			
TELOCATOR	\$5,000.00			
LICENSING EXECUTIVES SOCIETY	\$100.00			
HJ SALES & MARKETING EXEC ASSOC	\$250.00			
IEEE SERVICE CENTER	\$102.00			
CORP FOR OPEN SYSTEMS	\$40,000.00			
WINLAB WIRELESS INFORMATION	\$5,000.00			
TELOCATOR	\$500.00			
TELOCATOR	\$5,500.00			
ASSOC OF INTERNAL MANAGE CONSULT	\$175.00			
IEEE SERVICE CENTER	\$120.00			
IEEE SERVICE CENTER	\$158.00			
SMOS INTERST GROUP INC	\$2,082.82			
SMOS INTERST GROUP INC	\$2,082.81			
FRAME RELAY	\$1,000.00			
OSI NETWORK MANAGEMENT FORUM	\$17,500.00			
THE FRAME RELAY FORUM	\$5,000.00			
SMOS INTERST GROUP INC	\$833.17			
ELECTRONIC FUNDS TRANSFER ASSOC	\$600.00			
IEEE SERVICE CENTER	\$102.00			
SOCIETY FOR CONSUMER PSYCHOLOG	\$30.00			
AMERICAN MARKETING ASSOCIATION	\$103.00			
INTERACTIVE SERVICES ASSOC	\$3,015.00			
PROD DEV MANAGE ASSOC	\$125.00			
PROD DEV MANAGE ASSOC	\$125.00			
AMERICAN PSYCHOLOGICAL ASSOC	\$180.00			
SOCIETY FOR CONSUMER PSYCHOLOGY	\$30.00			
AUTOMATIC METER READING ASSOC	\$82.50			
INFORMATION DIMENSIONSEXCHANGE	\$45.00			
EUROPEAN SMOS	\$1,314.11			
PROD DEVEL MANAGE ASSOC	\$125.00			
TOTAL FOR VP:				
	\$111,091.61	\$86,551		

PROC: PAPI80XA
PRG: APO1001X

DELLCORE CORPORATE MEMBERSHIP
FOR 1992

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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
THE ATM FORUM INTEROP	\$10,000.00			
T1 TELECOMMUNICATIONS	\$2,000.00			
TELECOMM INDUSTRY ASSOC	\$700.00			
T1 TELECOMMUNICATIONS	\$500.00			
INTEROP INC	\$285.00			
AMERICAN SOCIETY FOR QUALITY	\$88.00			
IEEE SERVICE CENTER	\$80.00			
OPTICAL SOCIETY OF AMERICA	\$85.00			
X3 SECRETARIAT/GBHA	\$300.00			
T1 TELECOMMUNICATIONS	\$800.00			
CORP FOR OPEN SYSTEMS	\$140,000.00			
ITV	\$34,200.12			
IEEE	\$41.50			
OPTICAL SOCIETY OF AMERICA	\$65.00			
TELECOMMUNICATIONS INDUSTRY	\$100.00			
NATIONAL SPECTRUM MANAGERS ASS	\$150.00			
AMER SOC OF HEAT & REFRIGDE	\$150.00			
AMER SOC HEAT & REFRIDGE	\$110.00			
TELECOMM INDUSTRY ASSOC	\$100.00			
TRANSPORTATION RESEARCH BOARD	\$242.00			
EARTHQUAKE ENGINEERING	\$109.00			
TELECOMMUNICATIONS INDUSTRY	\$100.00			
NATIONAL FIRE PROTEC ASSOC	\$75.00			
INTERNATL ASSOC OF ELECTRIC ENG	\$30.00			
AMERICAN PUBLIC WORKS ASSOC	\$105.00			
NATIONAL FIRE PROTEC ASSOC	\$75.00			
INST OF INTERCONNECT & PACK CIRCUITS	\$500.00			
UNIVERSITY OF PUERTO RICO	\$3,000.00			
THE INSTITUTE OF MNGY SCIENCE	\$1,500.00			
EDY FORUM OF NEW JERSEY	\$10.00			
AMER SOC FOR QUALITY CONTROL	\$58.00			
AMER SOC OF TEST MATERIALS	\$50.00			
AMER SOC FOR QUALITY CONTROL	\$460.00			
AMER SOC FOR TEST & MATERIALS	\$50.00			
PRINCETON BUS PROF WOMEN	\$36.75			
IEEE SERVICE CENTER	\$117.00			
TASK FORCE ON PROFESSIONAL TOOLS	\$75.00			
AMERICAN SOCIETY FOR QUALITY	\$77.00			
AMERICAN SOCIETY FOR QUALITY	\$58.00			
AMERICAN SOCIETY FOR QUALITY	\$354.00			
AMERICAN SOCIETY FOR QUALITY	\$174.00			
AMERICAN SOCIETY FOR QUALITY	\$58.00			
AMERICAN WOOD PRESERVERS ASSO	\$85.00			
AMERICAN SOCIETY FOR QUALITY	\$58.00			
AMERICAN SOCIETY FOR QUALITY	\$116.00			
AMERICAN WOOD PRESERVERS ASSOC	\$75.00			
PUBLIC RELATIONS SOC OF AMERICA	\$80.00			
AMERICAN SOCIETY FOR QUALITY	\$271.00			
THE JUNIOR LEAGUE OF MORRISTOW	\$82.00			
SOMERSET BUSINESS & PROFESSIONAL WOMEN	\$60.00			

TOTAL FOR VP:

\$97,680.37

\$90,920

PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
AMERICAN BAR ASSOCIATION	\$250.00			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
NEW JERSEY STATE BAR ASSOC	\$200.00			
AMERICAN BAR ASSOCIATION	\$280.00			
AMERICAN BAR ASSOCIATION	\$265.00			
AMERICAN BAR ASSOCIATION	\$260.00			
AMERICAN BAR ASSOCIATION	\$260.00			
ORGANIZATION RESOURCES	\$3,750.00			
EQUAL EMPLOYMENT ADVISORY	\$3,000.00			
NYS OFFICE OF COURT ADMIN	\$75.00			
NEW YORK STATE BAR ASSOCIATION	\$21.25			
STATE OF NEW YORK BAR ASSOC	\$300.00			
STATE OF NEW YORK BAR ASSOC	\$300.00			
ASSOC OF LEGAL ADMINISTRATORS	\$200.00			
NYS OFFICE OF COURT ADMINISTRATION	\$300.00			
NEW JERSEY STATE BAR ASSOC	\$200.00			
NEW JERSEY LAW LIBRARIANS ASSO	\$15.00			
B TO S NATL ASSN OF WORKING WOMEN	\$25.00			
ASSOC OF LEGAL ADMINISTRATORS	\$200.00			
ASSOC OF LEGAL ADMIN NY CHAPTER	\$250.00			
NJ LAWYERS' FUND	\$125.00			
NJ LAWYERS' FUND	\$125.00			
NJ LAWYERS' FUND	\$125.00			
NJ LAWYERS' FUND	\$125.00			
AMERICAN CORP COUNSEL ASSOC	\$30.00			
WEB	\$100.00			
ASSOC OF THE BAR OF NY	\$27.50			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
AMERICAN BAR ASSOCIATION	\$260.00			
AMERICAN BAR ASSOCIATION	\$255.00			
AMERICAN BAR ASSOCIATION	\$275.00			
AMERICAN BAR ASSOCIATION	\$225.00			
AMERICAN BAR ASSOCIATION	\$305.00			
AMERICAN BAR ASSOCIATION	\$280.00			
AMERICAN BAR ASSOCIATION	\$250.00			
AMERICAN BAR ASSOCIATION	\$255.00			
NYS OFFICE OF COURT ADMIN	\$75.00			
NEW YORK STATE BAR ASSOCIATION	\$21.25			
ILLINOIS STATE BAR ASSOCIATION	\$190.00			
TENNESSEE BAR ASSOCIATION	\$85.00			
ASSOC OF THE BAR OF NY	\$110.00			
D. C. TREASURER	\$125.00			
D. C. TREASURER	\$125.00			
NEW JERSEY STATE BAR ASSOC	\$200.00			
D. C. TREASURER	\$125.00			
NEW JERSEY STATE BAR ASSOC	\$100.00			
NEW JERSEY STATE BAR ASSOC	\$150.00			
NEW JERSEY STATE BAR ASSOC	\$225.00			
DISTRICT OF COLUMBIA BAR	\$65.00			

PROC: PAP180XA
PRG: APO1801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1982

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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
DISTRICT OF COLUMBIA BAR	\$89.00			
DISTRICT OF COLUMBIA BAR	\$114.00			
DISTRICT OF COLUMBIA BAR	\$89.00			
FEDERAL COMMUNICATIONS BAR	\$75.00			
STATE OF NEW JERSEY-ATF	\$100.00			
NEW JERSEY STATE BAR ASSOC	\$200.00			
NYS OFFICE OF COURT ADMIN	\$300.00			
AMERICAN CORP COUNSEL ASSOC	\$120.00			
MASSACHUSETTS BAR ASSOCIATION	\$85.00			
ASSOC OF THE BAR OF NY	\$110.00			
ALABAMA STATE BAR	\$100.00			
NYS OFFICE OF COURT ADMIN	\$300.00			
ATTORNEY REGIST & DISCIP COMM	\$140.00			
DC TREASURER	\$250.00			
D C TREASURER	\$250.00			
D C TREASURER	\$250.00			
BRD OF PROFESSION RESPONSIBILITY	\$80.00			
NJ LAWYERS' FUND	\$125.00			
NJ LAWYERS' FUND	\$125.00			
NJ LAWYERS' FUND	\$125.00			
NJ LAWYERS' FUND	\$125.00			
NYS OFFICE OF COURT ADMIN	\$300.00			
AMERICAN CORP COUNSEL ASSOC	\$230.00			
ASSOC OF THE BAR OF NY	\$27.50			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
NYS OFFICE OF COURT ADMINISTRATION	\$300.00			
AMERICAN BAR ASSOCIATION	\$250.00			
AMERICAN BAR ASSOCIATION	\$255.00			
AMERICAN BAR ASSOCIATION	\$255.00			
NYS OFFICE OF COURT ADMIN	\$75.00			
NEW YORK STATE BAR ASSOCIATION	\$21.25			
AMERICAN BAR ASSOCIATION	\$250.00			
NEW JERSEY STATE BAR ASSOC	\$200.00			
COMPUTER LAW ASSOCIATION	\$75.00			
AMERICAN CORP COUNSEL ASSOC	\$100.00			
NYS OFFICE OF COURT ADMIN	\$300.00			
LICENSING EXECUTIVES SOCIETY	\$100.00			
NJ LAWYERS' FUND	\$125.00			
AMERICAN CORP COUNSEL ASSOC	\$230.00			
ASSOC OF THE BAR OF NY	\$27.50			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
STATE OF NEW JERSEY-ATF	\$100.00			
AMERICAN BAR ASSOCIATION	\$275.00			
AMERICAN BAR ASSOCIATION	\$250.00			
AMERICAN BAR ASSOCIATION	\$250.00			
AMERICAN BAR ASSOCIATION	\$310.00			
STATE BAR OF MICHIGAN	\$225.00			
NYS OFFICE OF COURT ADMIN	\$75.00			
UNITED STATES TRADEMARK ASSOC	\$850.00			
NEW YORK STATE BAR ASSOCIATION	\$21.25			
NJ PATENT LAW ASSOC	\$35.00			
AMERICAN BAR ASSOCIATION	\$23.00			

PROC: PAP180XA
PRG: APO1801K

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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RUN DATE: 06/20/93
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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
NYS OFFICE OF COURT ADMIN	\$300.00			
STATE OF NEW JERSEY-ATF	\$100.00			
DISTRICT OF COLUMBIA BAR	\$85.00			
ASSOC OF THE BAR OF NY	\$27.50			
INTELLECTUAL PROPERTY OWNERS	\$1,500.00			
NEW HAMPSHIRE BAR ASSOCIATION	\$75.00			
LEGAL ASSIST ASSOC OF NJ	\$40.00			
AMERICAN INTELLECTUAL PROPERTY	\$84.00			
AMERICAN INTELLECTUAL PROPERTY	\$84.00			
AMERICAN INTELLECTUAL PROPERTY	\$93.00			
AMERICAN INTELLECTUAL PROPERTY	\$93.00			
AMERICAN INTELLECTUAL PROPERTY	\$84.00			
AMERICAN INTELLECTUAL PROPERTY	\$93.00			
AMERICAN INTELLECTUAL PROPERTY	\$84.00			
AMERICAN BAR ASSOCIATION	\$100.00			
LICENSING EXECUTIVES SOCIETY	\$100.00			
NJ LAWYERS' FUND	\$104.00			
NJ LAWYERS' FUND	\$104.00			
NJ LAWYERS' FUND	\$104.00			
NJ LAWYERS' FUND	\$104.00			
NJ LAWYERS' FUND	\$104.00			
AMERICAN BAR ASSOCIATION	\$35.00			
AMERICAN CORP COUNSEL ASSOC	\$130.00			
AMERICAN INTELLECTUAL PROPERTY	\$125.00			
ASSOC OF CORP PATENT COUNSEL	\$250.00			

TOTAL FOR VP:	\$28,500.00	\$8,210		

PROC: PAPI80XA
PROC: APO1801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1982

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PROFESSIONAL SOCIETY	FEE	CONTACT	ORO	APPROVER NAME
EDP AUDITORS ASSOC	\$120.00			
MORRIS CTY CHAMBER OF COMM	\$2,625.00			
NACSA	\$180.00			
NJ BUSINESS & INDUSTRY ASSOC	\$6,500.00			
INFORMATION SYSTEMS SECURITY	\$50.00			
INSTITUTE OF INTERNAL AUDITORS	\$110.00			
NAT'L ASSOC OF CERT FRAUD EXAM	\$100.00			
NAT'L ASSOC OF CERT FRAUD EXAM	\$100.00			
NAT'L ASSOC OF CERT FRAUD EXAM	\$100.00			
NEW JERSEY SOCIETY OF CPA'S	\$82.00			
LIVINGSTON AREA CHAMBER OF COMM	\$350.00			
PUBLIC RELATIONS SOC OF AMER	\$175.00			
PUBLIC RELATIONS SOC OF AMER	\$465.00			
PUBLIC RELATIONS SOC OF AMER	\$465.00			
INSTITUTE OF INTERNAL AUDITORS	\$117.50			
INSTITUTE OF INTERNAL AUDITORS	\$117.50			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
AMERICAN INSTITUTE OF CPA'S	\$105.00			
AMERICAN INSTITUTE OF CPA'S	\$105.00			
INFO SYSTEMS SECURITY ASSOC	\$80.00			
THE EDPAA INC	\$113.68			
THE EDPAA INC	\$113.68			
THE EDPAA INC	\$113.68			
THE EDPAA INC	\$113.68			
THE EDPAA INC	\$113.70			
THE EDPAA INC	\$113.70			
AMER SOC FOR INDUSTRIAL SECURITY	\$75.00			
AMER SOC FOR INDUSTRIAL SECURITY	\$75.00			
INSTITUTE OF INTERNAL AUDITORS	\$20.00			
BC CORP COMM RELATIONS CTR	\$2,000.00			
NJ STATE CHAMBER OF COMM	\$3,500.00			
PUBLIC RELATIONS SOC OF AMER	\$50.00			
NJ BUSINESS & INDUSTRY ASSOC	\$7,200.00			
MIDDLESEX CTY CHAMBER OF COMM	\$1,800.00			
CONFERENCE BOARD INC	\$7,000.00			
RESEARCH AND DEV COUNCIL	\$1,480.00			
PISCATAWAY MIDDLESEX CHAMBER OF COMM	\$1,800.00			
PUBLIC RELATIONS SOC AMERICA	\$50.00			
PUBLIC RELATIONS SOC OF AMER	\$60.00			
INTERNAT'L ASSOC OF BUSINESS COMM	\$230.00			
IADC	\$200.00			
IADC	\$200.00			
INTERNATL ASSCO FOR BUS COMM	\$200.00			
NATL ASSOC FOR CORP SPEAKERS	\$160.00			
NJ IADC	\$230.00			
INTERNATIONAL TELEVISION ASSOC	\$470.00			
SOCIETY OF MOTION PICTURE	\$65.00			
AMERICAN MANAGEMENT ASSOC	\$145.00			
AMERICAN INSTITUTE OF CPA	\$70.00			
AMERICAN MANAGEMENT ASSOC	\$145.00			
RISK AND INSURANCE MANAGEMENT	\$350.00			

PROC: PAPIBOXA
PROG: APOIBOIX

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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RUN DATE: 06/00/93
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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
NJ SOCIETY OF CPAS	\$170.00			
NATL ASSOC OF BUSINESS ECON	\$68.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
INST OF MANAGEMENT ACCOUNTANTS	\$120.00			
AMERICAN INSTITUTE OF CPAS	\$100.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
AMERICAN MANAGEMENT ASSOC	\$145.00			
WHO'S WHO WORLD WIDE	\$99.50			
WHO'S WHO WORLD WIDE	\$297.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
AMERICAN INSTITUTE OF CPAS	\$100.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ CASH MANAGEMENT ASSOCIATION	\$400.00			
NJ SOCIETY OF CPAS	\$170.00			
NJ SOCIETY OF CPAS	\$170.00			
AMERICAN INSTITUTE OF CPA	\$165.00			
NJ SOCIETY OF CPA'S	\$170.00			
NEW YORK STATE SOCIETY OF CPAS	\$110.00			
INFORMATION SYSTEMS SECURITY	\$50.00			
INFORMATION SYSTEMS SECURITY	\$50.00			
INFORMATION SYSTEMS SECURITY	\$50.00			
COMPUTER SECURITY INSTITUTE	\$127.00			
QUALITY ASSURANCE INSTITUTE	\$285.00			
NATIONAL ASSOC OF ACCOUNTANTS	\$175.00			
THE PLANNING FORUM	\$150.00			
AMER SOC FOR INDUSTRIAL SECURITY	\$600.00			
ASSOCIATION OF NJ RECYCLERS	\$65.00			
AMER SOC OF TEST & MATERIALS	\$80.00			
COUNCIL OF LOGISTICS MANAG	\$175.00			
MEETING PLANNERS INTERNAT'L	\$300.00			
SOCIETY FOR FOODSERVICE MANAG	\$175.00			
SOCIETY OF FIRE PROTECTION	\$120.00			
AMER SOC OF CIVIL ENGINEERS	\$173.00			
BONA INTERNATIONAL	\$370.00			
NATIONAL ASSOC OF FLEET ADMIN	\$285.00			
SOCIETY FOR TECH COMMUNICATION	\$85.00			
XPLOR INTERNATIONAL	\$350.00			
AMER INST OF PLANT ENG	\$114.00			
NEW JERSEY AUTOMOBILE CLUB	\$37.00			
NJ BUSINESS TRAVEL ASSOC INC	\$75.00			
ASSOC OF CORP TRAVEL EXECUTIVE	\$225.00			
SOCIETY FOR FOODSERVICE MANAG	\$175.00			
MAIL SYSTEMS MANAGEMENT ASSOC	\$190.00			
WAREHOUSING EDUCATION	\$185.00			
COUNCIL OF LOGISTICS MANAGEMEN	\$175.00			

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BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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RUN DATE: 08/30/93
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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
MATERIAL HANDLING & MNGT SOC	\$135.00			
NY NJ MINOR PURCHASE COUNCIL	\$2,500.00			
INVESTMENT RECOVERY ASSN	\$250.00			
NATL ASSOC OF PURCHASE MANAGE	\$130.00			
NATL ASSOC OF PURCHASE MANAGE	\$130.00			
NATIONAL ASSOCIATION OF	\$80.00			
NATIONAL ASSOCIATION OF	\$80.00			
DIVISION OF CONSUMER AFFAIRS	\$80.00			
NAT'L SOC OF PROF ENGINEERS	\$277.00			
INTERNATL FACILITY MGMT ASSOC	\$150.00			
KEEP MIDDLESEX MOVING INC	\$3,000.00			
AMER SOC FOR INDUSTRY SECURITY	\$505.00			
STATE OF NJ BOILER OPERATORS	\$20.00			
WATER ENVIRONMENT FEDERATION	\$50.00			
STATE OF NJ MECH INSPECTORS	\$20.00			
IEEE SERVICE CENTER	\$102.00			
DIVISION OF CONSUMER AFFAIRS	\$80.00			
AMER SOC OF HEAT & REFRIDGE	\$150.00			
AMERICAN INST OF PLANT ENQ	\$87.00			
DIVISION OF CONSUMER AFFAIRS	\$80.00			
NAT'L ASSOC OF FEMALE EXECS	\$28.00			
ASSOC OF COMP MACHINERY	\$175.00			
AMER SOC FOR INFO SCIENCES	\$350.00			
SOC FOR TECH COMM	\$500.00			
IEEE SERVICE CENTER	\$162.00			
ASSOC FOR INFO & IMAGING	\$90.00			
ASSOC OF RECORDS MANAGERS	\$110.00			
NATL INST OF BLDG SCIENCES	\$1,000.00			
FIRE DETECTION INSTITUTE	\$100.00			
SOCIETY OF FIRE PROTECTION	\$8.00			
AMER SOC OF HEAT & REFRIDGE	\$150.00			
INTERNATL FIRE CHIEFS INST	\$100.00			
INTERNATL CONFER OF BLDG OFFICIALS	\$300.00			
SOUTHERN BUILDING CODE CONGRES	\$150.00			
BLDG OFFICIALS & CODE ADMIN	\$150.00			
AMER SOC FOR TESTING MATERIALS	\$50.00			
NATIONAL FIRE PROTECT ASSOC	\$90.00			
AMER SOC FOR TRAIN & DEV	\$1,530.00			
AMER SOC FOR TRAIN & DEV	\$710.00			
THE PLANNING FORUM	\$150.00			

TOTAL FOR VP:

\$64,516.62

36,037

PROC: PAPIBOXA
PROG. APOI801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
EQUAL EMPLOYMENT ADVISORY	\$3,000.00			
SOC FOR HUMAN RESOURCE MANAGE	\$180.00			
AMERICAN COMPENSATION ASSOC	\$50.00			
CONFERENCE BOARD INC	\$5,000.00			
AMERICAN COMPENSATION ASSOC	\$125.00			
AMER COUNCIL ON INTERNAT'L PERSON	\$500.00			
EXECUTIVE WOMEN IN GOVERNMENT	\$25.00			
HUMAN RESOURCE PLANNING SOCIET	\$150.00			
AMERICAN COMPENSATION ASSOC	\$125.00			
EMPLOYMENT MANAGEMENT ASSO	\$180.00			
ORGANIZATION RESOURCES	\$3,000.00			
AMERICAN COMPENSATION ASSOC	\$125.00			
AMERICAN COMPENSATION ASSOC	\$125.00			
ASTD TECHNICAL & SKILLS	\$190.00			
HUMAN RESOURCE PLANNING SOC	\$150.00			
MIDWEST COLLEGE PLACEMENT ASSO	\$75.00			
NJ HUMAN RESOURCE PLANNING	\$40.00			
SOCIETY FOR HUMAN RESOURCE	\$160.00			
AMERICAN STATISTICAL ASSOC	\$102.00			
NJ NOTARY PUBLIC COMM	\$25.00			
AMERICAN COMPENSATION ASSOC	\$135.00			
AMERICAN COMPENSATION ASSOC	\$135.00			
NATL ASSOC OF FEMALE EXEC	\$20.00			
AMERICAN COMPENSATION ASSOC	\$125.00			
AMERICAN COMPENSATION ASSOC	\$125.00			
AMERICAN COMPENSATION ASSOC	\$125.00			
AMERICAN COMPENSATION ASSOC	\$135.00			
AMERICAN COMPENSATION ASSOC	\$135.00			
AMER SOC FOR TRAIN & DEV	\$185.00			
AMER SOC FOR TRAIN & DEV	\$185.00			
NATL SOC FOR PERFORMANCE	\$85.00			
AMER SOC FOR TRAIN & DEV-PHIL	\$55.00			
AMER SOC FOR TRAIN & DEV	\$150.00			
NATL SOC FOR PERFORMANCE	\$85.00			
AMER SOC FOR TRAIN & DEV	\$150.00			
AMER SOC FOR TRAIN & DEV-MID NJ CHAP	\$30.00			
OD NETWORK	\$115.00			
AMER SOC FOR TRAIN & DEV	\$180.00			
NATL ASSOC OF SUGGESTION SYS	\$230.00			
SOC FOR HUMAN RESOURCE MANAGE	\$160.00			
ENGINEERING MANPOWER COMMISSIO	\$2,000.00			
HUMAN RESOURCE PLANNING SOC	\$150.00			
HUMAN RESOURCE PLANNING SOC	\$150.00			
HUMAN RESOURCE PLANNING SOC	\$150.00			
NJ HUMAN RESOURCE PLANNING GRP	\$60.00			
NJ HUMAN RESOURCE PLANNING GRP	\$60.00			
COLLEGE PLACEMENT COUNCIL	\$300.00			
ROCKY MOUNT COLEGE PLACE ASSOC	\$50.00			
WESTERN COLLEGE PLACEMENT ASSO	\$60.00			
SOUTHERN COLLEGE PLACEMENT ASS	\$60.00			
NORTH CAROLINA A&T STATE UNIV	\$500.00			
NEW JERSEY PLACEMENT GROUP	\$20.00			
EMPLOYMENT MANAGEMENT ASSOC	\$195.00			
AMER COUNCIL ON INTERNATL PERSONNEL	\$500.00			

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PROG: APOI801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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PROFESSIONAL SOCIETY	FEE	CONTACT	ORG	APPROVER NAME
EAST COLLEGE PLACEMENT ASSOC	\$60.00			
SOUTHWEST PLACEMENT ASSOCIATIO	\$60.00			
SOC OF HISPANIC PROF ENG	\$300.00			
MID ATLANTIC PLACE ASSOC	\$60.00			
NAMEPA	\$1,000.00			
EMPLOYEE RELOCATION COUNCIL	\$275.00			
AMERICAN MANAGEMENT ASSOC	\$145.00			
AMERICAN MANAGEMENT ASSOC	\$145.00			
CORETECH	\$2,500.00			
NATIONAL SPECTRUM MANAGERS ASS	\$230.00			
NATIONAL SPECTRUM MANAGERS ASS	\$230.00			
WOMEN IN GOVERNMENT REL INC	\$150.00			
ASSOCIATION OF PUBLIC DATA USE	\$300.00			
IEEE SERVICE CENTER	\$142.00			
IEEE SERVICE CENTER	\$102.00			
DEPT OF COMMERCE & INSURANCE	\$70.00			
WOMEN IN GOVERNMENT REL INC	\$150.00			
WOMEN IN GOVERNMENT REL INC	\$150.00			
INTELLECTUAL PROPERTY OWNERS	\$1,500.00			
DISTRICT OF COLUMBIA BAR	\$89.00			
FEDERAL COMMUNICATIONS BAR	\$75.00			
NATIONAL PRESS CLUB	\$320.00			
US CHAMBER OF COMMERCE	\$2,500.00			
WASHINGTON EMP BENEFITS FORUM	\$175.00			
O.C. TREASURER	\$250.00			
CENTRAL PARK ATHLETIC CLUB	\$7,820.00			
NAT'L SOC FOR PERFORMANCE	\$1,000.00			
T1 TELECOMMUNICATIONS	\$1,500.00			
NEAX 2400 IMS USERS GROUP INC	\$50.00			
NAT'L SOC FOR PERFORM INSTRUCTION	\$40.00			
ESSEX COUNTY MEDICAL SOCIETY	\$875.00			
AMER COLLEGE OF ENVIRON MED	\$225.00			
EMPLOYEE ASST SOC OF N AMERICA	\$90.00			
NJ ASSOC OF ALCOHOLISM COUNSELORS	\$30.00			
EAPA/ALMACA	\$135.00			
BIOFEEDBACK SOCIETY OF AMERICA	\$195.00			
NEW JERSEY COUNSELING ASSOC	\$35.00			
AMER ASSOC OF OCCUP HLTH NURSES	\$120.00			
ALCOHOL & DRUG COUNSELOR	\$60.00			
AMERICAN COUNSELING ASSOC	\$105.00			
ALCOHOL & DRUG COUNSELOR	\$60.00			
NATIONAL REHABILITATION ASSOC	\$74.00			
NEW JERSEY STATE SAFETY COUNCIL	\$1,480.00			
AMER COLLEGE OF OCCUP MED	\$225.00			
ASSOCIATION OF NJ RECYCLERS	\$250.00			
AMER ASSOC OF OCCUPATIONAL HLTH NURSES	\$116.00			
NAT'L BRO FOR CERT PSYCH	\$25.00			
SEMICONDUCTOR INDUSTRY ASSOC	\$3,000.00			
AMER ASSOC OF OCCUP HLTH NURSES	\$120.00			
AMER INDUST HYGIENE ASSOC	\$50.00			
AMER SOCIETY OF SAFETY ENGINEERS	\$105.00			
BLDG OFFICIALS CODES ASSOC	\$200.00			
NJ STATE SAFETY COUNCIL	\$1,565.00			
ASSOCIATION OF NJ RECYCLERS	\$255.00			
AMER ASSOC OF OCCUP HLTH NURSES	\$120.00			
AMER ASSOC OF OCCUP HLTH NURSES	\$120.00			

PROC: PAP180XA
PRDD: APO1801X

BELLCORE CORPORATE MEMBERSHIP
FOR 1992

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PROFESSIONAL SOCIETY	FEE	CONTACT	ORO	APPROVER NAME
THE MEDICAL LETTER	\$20.00			
AMER ASSOC OF OCCUP HLTH NURSES	\$125.00			

TOTAL FOR VP: \$51,604.00
GRAND TOTAL: \$1,742,248.60

\$27,055

\$1,602,375

Southern Bell Telephone and Telegraph Company
Return on Investment Billing
From BellSouth Corporation
1992

	Company	OPC	Adjustment
Net Assets	\$14,586,000 (1)	\$14,586,000	
Rate of Return	15.96%	11.41%	
Return	\$2,328,561	\$1,664,653	
Florida Percent	26.14%	26.14%	
Florida Amount	\$608,686	\$435,140	
Intrastate Percent	70.8334%	70.8334%	
Intrastate Amount	\$431,153	\$308,225	(\$122,928)

Company	Weight	Rate	Tax	Weighted Pretax Return
Equity	55.80%	13.20%	61.00%	12.07%
Debt	44.20%	8.80%		3.89%
Total	100.00%			15.96%

OPC	Weight	Rate	Tax	Weighted Pretax Return
Equity	42.50%	10.40%	61.00%	7.25%
Short-Term Debt	5.69%	3.30%		0.19%
Long-Term Debt	51.81%	7.68%		3.98%
Total	100.00%			11.41%

(1) Includes assets allocated to Southern Bell, BellSouth Services, and South Central Bell.

Source: Southern Bell Telephone and Telegraph Company, Response to OPC's Document Request 589 and 743; and Rothchild Exhibit, Schedule 1.

Southern Bell Telephone and Telegraph Company
 Return on Investment Billing
 From BellSouth Corporation
 1993

	Company	OPC	Adjustment
Net Assets	\$10,529,709 (1)	\$10,529,709	
Rate of Return	15.96%	11.41%	
Return	\$1,681,000	\$1,201,722	
Florida Percent	26.14%	26.14%	
Florida Amount	\$439,413	\$314,130	
Intrastate Percent	70.8334%	70.8334%	
Intrastate Amount	\$311,251	\$222,509	(\$88,742)

Company	Weight	Rate	Tax	Weighted Pretax Return
Equity	55.80%	13.20%	61.00%	12.07%
Debt	44.20%	8.80%		3.89%
Total	100.00%			15.96%

OPC	Weight	Rate	Tax	Weighted Pretax Return
Equity	42.50%	10.40%	61.00%	7.25%
Short-Term Debt	5.69%	3.30%		0.19%
Long-Term Debt	51.81%	7.68%		3.98%
Total	100.00%			11.41%

(1) Estimate.

Source: Southern Bell Telephone and Telegraph Company, Response to OPC's Document Request 589 and 743, Interrogatory 1077; and Rothchild Exhibit, Schedule 1.

Southern Bell Telephone and Telegraph Company
Return on Investment Billing
From Bell South Communications, Inc.
1992

	Company	OPC	Adjustment
Net Assets	\$14,704,880	\$14,704,880	
Rate of Return	15.96%	11.41%	
Return	\$2,347,539	\$1,678,221	
Florida Percent	26.14%	26.14%	
Florida Amount	\$613,647	\$438,687	
Intrastate Percent	70.8334%	70.8334%	
Intrastate Amount	\$434,667	\$310,737	(\$123,930)

Company	Weight	Rate	Tax	Weighted Pretax Return
Equity	55.80%	13.20%	61.00%	12.07%
Debt	44.20%	8.80%		3.89%
Total	100.00%			15.96%

OPC	Weight	Rate	Tax	Weighted Pretax Return
Equity	42.50%	10.40%	61.00%	7.25%
Short-Term Debt	5.69%	3.30%		0.19%
Long-Term Debt	51.81%	7.68%		3.98%
Total	100.00%			11.41%

Southern Bell Telephone and Telegraph Company
Square Feet Leased at the Campanile Building

Floor	Tenant	Rentable Square Feet	Percent of Total
21	BellSouth Information Systems	5,351	1.2%
	BellSouth Corporation	3,107	0.7%
20	BellSouth Corporation	23,296	5.3%
19	BellSouth Corporation	23,296	5.3%
18	BellSouth Corporation	23,296	5.3%
17	BellSouth Corporation	23,296	5.3%
16	BellSouth Corporation	23,296	5.3%
15	BellSouth Corporation	23,296	5.3%
14	BellSouth Corporation	23,271	5.2%
13	BellSouth Corporation	22,886	5.2%
12	BellSouth Corporation	22,609	5.1%
11	Coopers & Lybrand	22,627	5.1%
10	Coopers & Lybrand	22,627	5.1%
9	Coopers & Lybrand	22,392	5.0%
8	BellSouth Corporation	22,392	5.0%
7	BellSouth Corporation	18,523	4.2%
	Carter	3,869	0.9%
6	BellSouth Corporation	8,080	1.8%
	BellSouth Telecommunications	3,079	0.7%
	Available for Lease	11,233	2.5%
5	BellSouth Telecommunications	15,360	3.5%
	Georgia Telco Credit Union	2,205	0.5%
	Coopers & Lybrand	4,827	1.1%
4	Georgia Telco Credit Union	22,392	5.0%
3	BellSouth Corporation	16,494	3.7%
2	BellSouth Corporation	14,526	3.3%
1	Prudential Bache Securities	8,405	1.9%
	Peachtree News	1,101	0.2%
P1	BellSouth Corporation	260	0.1%
P2	BellSouth Corporation	6,108	1.4%
	Total Square Feet	443,500	100.0%
	Total BellSouth	298,032	67.2%
	Total BellSouth Affiliates	23,790	5.4%
	Total BellSouth and Affiliates	321,822	72.6%
	Coopers & Lybrand	72,473	16.3%
	Other Nonaffiliates	37,872	8.6%
	Total Nonaffiliates	110,445	24.9%
	Available for Lease	11,233	2.5%

Southern Bell Telephone and Telegraph Company
 Analysis of Jacksonville Lease

Southern Bell
 Docket No. 920260-TL
 Exhibit (KHD-1)
 Schedule 17
 Witness: Dismukes

Company Renews Lease for Two Five Year Renewal Terms

Assumptions:	Alternative One Commission Authorized ROR Removal of Property Taxes	Alternative Two Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs	Alternative Three Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs Reduce Land Value	Alternative Four Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs Reduce Land Value OPC Recommended ROR 1993-beyond	Alternative Five Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs Reduce Land Value OPC Recommended ROR 1993-beyond Ignore FDC < Lease Payment
Adjustments:	(\$165,234)	(\$249,007)	(\$260,520)	(\$295,030)	(\$347,449)

Company Does Not Renew Lease for Two Five Year Renewal Terms

Assumptions:	Alternative One Commission Authorized ROR Removal of Property Taxes	Alternative Two Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs	Alternative Three Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs Reduce Land Value	Alternative Four Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs Reduce Land Value OPC Recommended ROR 1993-beyond	Alternative Five Commission Authorized ROR Removal of Property Taxes Removal of Allocated Costs Reduce Land Value OPC Recommended ROR 1993-beyond Ignore FDC < Lease Payment
Adjustments:	\$5,022	(\$70,428)	(\$84,470)	(\$106,865)	(\$177,729)

Source: Southern Bell Telephone and Telegraph Company, Response to OPC's Document Requests 460 and 461; and C&L Audit Workpapers.

Southern Bell Telephone and Telegraph Company
Bellcore Project Disallowances

	Florida Intrastate \$000
<u>Applied Research Projects</u>	
<u>Personal Communications/Wireless</u>	
321408 Personal Communications Applications	\$46.5
321302 Wireless Access	114.6
	<u>\$161.1</u>
<u>Information Services</u>	
321208 Trustworthy Networks	\$35.9
321207 Ease of Use	100.1
321203 Information Systems	45.8
321406 Speech Technology Applications	100.7
	<u>\$282.5</u>
<u>SONET/ATM/Information Networking Architecture/Video</u>	
321301 Network Control	\$180.2
321305 Digital Subscriber Line Technology	37.3
321306 SONET/ATM Technology	126.0
321308 Visual Communications Systems	113.2
321404 Telepresence Networking Applications	84.6
321405 Messaging & Infor Access Applications	103.9
321401 Network Operating Systems	207.0
321402 Internetworking	110.8
	<u>\$963.0</u>
<u>Fiber/Broadband</u>	
321210 Economic Business Decision Support	\$30.7
321205 Design of Broadband Multimedia Networks	101.5
321107 Loop Connection Technology	122.3
321403 High-speed Networking	156.2
321307 Lightwave Systems	106.3
321303 Fiber-in-the-Loop	100.7
	<u>\$617.7</u>
<u>Other Projects</u>	
<u>Personal Communications/Wireless</u>	
324103 Operations Planning for PCS	\$57.0
3W4611 PCS Demo Testing	10.0
3W4511 Wireless Access	41.8
222M04 Wirelss Interconnection Service Development	9.7
222M15 BellSouth Wireless Maintenace Project	30.4
124522 Wireless Interconnection	10.8
1W4611 PCS Access Services	149.3
	<u>\$309.0</u>

Southern Bell Telephone and Telegraph Company
Bellcore Project Disallowances

Southern Bell
Docket No. 920260-TL
Exhibit (KHD-1)
Schedule 18
Page 1 of 2
Witness: Dismukes

<u>Fiber</u>	
2W1511 FITL Technical Analysis Capabilities	\$15.9
1W1511 FITL Basic Platform and Evolution Requirements	162.4
3W1521 FITL Technical Analysis	25.1
324105 Managment of OS Support for New Technology	41.9
	<u>\$245.3</u>
<u>Information Networking Architecture</u>	
1R501N Inforamtion Networking Architecture	\$111.4
<u>Advanced Intelligent Network</u>	
1R4111 AIN Planning & Requirements	\$383.9
224487 WFA/C Enhancements - AIN	41.7
2243KB SOAC Support of AIN	348.2
2R4125 Generic SMS Interfact Requirements to Support AIN	12.9
	<u>\$786.7</u>
<u>Video/BISDN</u>	
3W1922 High-Bit-Rate Loop TRNS FND	\$30.5
3W1923 Video Dial Tone Services, Architecture & Control	90.3
3W1924 Radio Generic Requirements Support VDT Delivery	12.4
924575 Broadcast & Non-Broadcast Video Services	16.8
924466 Current Support Video/Program Audio	14.0
1R3011 BISDN Phase 1 Planning & Requirements	209.9
	<u>\$373.9</u>
Total	<u>\$3,850.6</u>

Southern Bell Telephone and Telegraph Company
Summary of Recommended Adjustments

Description	No Change in General Allocator	Change in General Allocator
General Allocator	\$0	(\$798,655)
Ownership Adjustments		
BSC Executives	(507,218)	(406,292)
BSC Corporate Planning	(358,735)	(298,061)
BSC Cash Management	(68,815)	(68,815)
BSC Corporate Counsel	(39,199)	(31,554)
Total	(973,967)	(804,722)
Other Regulatory Adjustments		
BSC Corporate Advertising	(213,723)	(210,281)
BSC Corporate Affairs	(506,436)	(416,604)
BSC Media/Public Relations	(255,985)	(205,091)
BSC Antitrust/MFJ Legal Expense	(501,615)	(467,584)
BSC Sponsorships	(34,134)	(32,536)
BSC Donations	(56,381)	(45,162)
Bellcore Memberships	(42,717)	(40,717)
Total	(1,610,991)	(1,417,975)
Aircraft Expenses	(650,000)	(650,000)
BSC Return on Investment	(122,928)	(122,928)
Legal Expenses	(1,259,616)	(1,174,159)
Miscellaneous Expenses	(100,000)	(100,000)
1993 Project Costs	(18,800)	(18,800)
BSC Campanile Lease	(198,157)	(198,157)
BCI Return on Investment	(123,951)	(123,951)
BSCS Return on Investment	(123,090)	(123,090)
Revenue not Recognized from BellSouth Travel Services	341,481	341,481
Sunlink Lease	(295,030)	(295,030)
Unused South Florida Warehouse	(54,030)	(54,030)
Revenue for Return on Investment not Charged to Affiliates	360,201	360,201
Bellcore	(3,850,600)	(3,850,600)
Grand Total	(<u>\$10,082,842</u>)	(<u>\$10,433,779</u>)