BST
Costing Methods Group

Docket No. 92-02-60TI.

Test Period Ended 12/31/92

November 12, 1993

XVI of XVI

COPY

CONFIDENTIAL

WORKING PAPER STANDARD INDEX

BST- Florida Audit

File Folders Maintained in District Office

CURRENT FILES

ORIGINAL WORK PAPERS - FILE MAINTENANCE IN DIVISION AUDIT FINANCE CONTROL FILE

PLANNING AND CONTROL

Non Conf | Conf

Binder #	Page #	Item	Disk #	File Name
IX	1	AUDIT REPORT		
	2	COMPANY FILING		
	3	MANAGEMENT REPRESENTATION LETTER		
	4	AUDIT SERVICE REQUEST		
I	5	PLANNING	IX	
	6	AUDIT PROGRAM		
	7	ANALYTICAL REVIEW		
	8	REVIEW NOTES BOARD OF DIRECTORS/ LIST OF DIRECTORS AND AFFILIATES		
	9	REVIEW NOTES EXTERNAL/INTERNAL/FPSC AUDITS		
	10	DOCUMENT REQUESTS AND CONTROL LOG		
	11	CONFIDENTIAL DOCUMENTS CONTROL LOG		
	12	TRIAL BALANCE		
	13	ADJUSTMENT / RECLASSIFICATION SUMMARY		
	14	SUPERVISORS REVIEW OF AUDIT		

RATE BASE

Binder #	Page #	Item	Disk #	File Name
	15	RATE BASE		
	16	UTILITY PLANT		
	17	LAND		
	18	PLANT HELD FOR FUTURE USE		
	19	CONSTRUCTION WORK IN PROCESS		
	20	CONTRIBUTIONS IN AID OF CONSTRUCTION		
	21			
	22	ACCUMULATED DEPRECIATION		
	23	ACCUMULATED AMORTIZATION OF CIAC		
	24	WORKING CAPITAL		
	25			
	26			
	27			
	28			
	29			
	30			

COST OF CAPITAL

Binder #	Page #	Item	Disk #	File Name
	31	COST OF CAPITAL		
	32	EQUITY		
	33	LONG TERM DEBT		
	34	SHORT TERM DEBT		
	35	CUSTOMER DEPOSITS		
	36	DEFERRED TAXES		
	37	TAX CREDITS		
	38			
	39			

NET OPERATING INCOME

Non Conf | Conf

Binder #	Page #	Item	Disk #	File Name
	40	NET OPERATING INCOME		
	41	OPERATING REVENUES		
	42			
I	43	~~OPERATING EXPENSES~~ BST SAmple	IV	
II	44	BSC Allocations	—	
	45			
III	46	Data Serv	X	
III	47	Real Estate affil	X	
II	48	BSC Allocations	XI + XII	
IV	49	Bellcore		
VI	50	~~MAINTENANCE EXPENSES~~ BCI	XIII + IV	
VII + VII	51	~~DEPRECIATION / AMORTIZATION EXPENSE~~ BSE	XV, XVI	
	52			
	53	TAXES OTHER THAN INCOME		
	54	INCOME TAXES		
VIII	55	~~OTHER EXPENSES~~ CATV	XV	
	56	GAINES / LOSS DISPOSAL UTILITY PLANT		
	57			
	58			
	59			
	60			

OTHER INCOME

Binder #	Page #	Item	Disk #	File Name
	61	OPERATING INCOME		
	62	ALLOWANCE FOR FUNDS USED DURING CONST.		
	63	INCOME DEDUCTIONS		
	64	TAXES		
	65			
	66			
	67			
	68	INTEREST CHARGES		
	69			
	70			
	71	EXTRAORDINARY ITEMS		
	72			

BSE AUDIT DISCLOSURE 2

SUBJECT: CALULATION OF POTENTIAL CHAINING INTO REGULATION

STATEMENT OF FACTS:

WP 51

In BSE Audit disclosure 2 staff recommended that the amount of management fee and Project Billings that are chained through to BST because of billings from BSE subsidiaries and BSE affiliates be disallowed for ratemaking. 51-7

The BSE subsidiaries that are billed a management fee and in turn bill BST at FDC are: BAPCO, BIS, MCCA, Sunlink, BSAN, BSIN, Executive Services. 51-8/1

The BSE affiliates that received Project Billing that in turn bill BST at FDC are: BellSouth Corporation, BellSouth Communications, Inc., BellSouth Communications Systems, BellSouth Financial Services. (51-8/2). 51-8/2

According to BSE Accounting Directive 005, Section 5.01, chaining is defined as follows: "When a carrier obtains an asset or service from a nonregulated affilaite that has obtained the asset or service from another nonregulated affiliate". 51-10

In this case BST (the carrier) receives services from nonreglated affiliates who first received services from BSE (another nonreglated affiliate).

BSE CALCULATION OF CHAINING PERCENT

BSE calculated a Weighted Average Chaining Percent. BSE first calculated a percent of the billing to subsidiaries and affiliates that bill at FDC to BST; to total BSE bills to all subsidiaries and affiliates. Then BSE calculated a chaining percent for each individual subsidiary or affiliate that bills BST at FDC. The methods in general for calculating the chaining percent for each individual subsidiary or affiliate is the percent of subsidiary or affiliate expenses related to BST to total sub or affiliate expenses. 51-8/1

28 Applying the Weighted Average Concept, these percents were multiplied and a weighted average was determined to be Applying the to total BSE billing to all subsidiaries and affiliates in the amount of $70,848,504 equals a potential chaining of $1,296,527.

See Schedule 1 following this Disclosure. The ~~Schedule could not be included because it is considered by the company to be "EXTRA SENSITIVE PROPRIETARY INFORMATION" and cannot be used in the report or in workpapers.~~ 51-8/1 51-8/7
No longer considered ESPI - See 51-8B + 51-8C + 51-8/1A

COOPERS & LYBRAND CALCULATION OF CHAINING PERCENT

36 Coopers & Lybrand (C&L) in their audit of the 1992 Cost Allocation Manual, calculated the chaining percent to be of Total BSE Headquarter Billings to All Affiliates. However, the Coopers & Lybrand calculation included some different numbers than BSE. See Schedule 2 following this Disclosure. 51-8/4

Conf

51-8 p1

BSE AUDIT DISCLOSURE 2

SUBJECT: CALULATION OF POTENTIAL CHAINING INTO REGULATION

C&L did not use a weighted average, but applied the individual chaining amount calculated by BSE to the total Project and Management Fee billings for subs that bill BST at FDC. Total amount chained rounded is $1,702,000; that 51-8/4
6 is of $70,217,000.

The total of project billings and management fees to all affiliates used by C&L is $70,217,000; rather than the amount that BSE used of $70,848,504. C&L workpapers said that $70,217,000 agreed to the 1992 year end total affiliated billings on BSEHQ interco trend report.

C&L also used a different amount for billings to BSC. C&L used a rounded number of $740,000; while BSE used $272,468. The Company explained that the project billings are mostly from BSEHQ to BSCHQ which are retained at BSCHQ. Only BSEHDQ potential for chaining was included in the study.

15 C&L chained BCS at while BSE chained BCS at C&L said that BCS was not included in the information they received from the client when they performed their analysis.

18 C&L chained BSAN at while BSE chained BSAN at

OPINION:

C&L assumed that BSE individual chaining percents are correct and applied the percents to the individual subs or affiliates who were billed by BSE.

The method used by BSE to calculate the individual chaining percents is the percent of sub or affilalte expenses related to BST to total sub or affiliate expenses. The Weighted Average concept was applied to this.

PSC staff did not have full and free access to the subsidiary books so we were unable to determine that in general and on an individual company basis that expenses were an appropriate way at arrive at the chaining percent. Nor were we able to determine if the expenses used were correct.

We agree with C&L's calculation because it is more conservative in determining the amount of potential chaining. It takes into account the total amounts BSE billed to nonregulated subs on an individual basis, and used 100% chaining for subs that they did not have information for.

There are a certain amount of dollars that potentially chain into regulation through BSE billings to their subs and other affiliates. We cannot audit the amounts at BSE to determine if these are reasonable as stated in BSE Audit Disclosure 1.

RECOMMENDATION:

It is recommended that $1,702,395 be removed from BST allocations to the states. The amount to Florida is 445,164 and the amount to regulation is ____________.

Conf

51-8 p2

COMPANY: BST
TITLE: BSE — DETERMINATION OF POTENTIAL CHAINING
PERIOD: TYE 12/31/92

PREPARED BY BSE
SCHEDULE TO DISLCOSURE NO. ———

NOT INCLUDED HERE BECAUSE CONSIDER "EXTRA SENSITIVE PRORPIETARY INFORMATION" AND PRIOR AGREEMENTS WITH COMPANY INDICATES WE CANNOT USE THIS IN OUR WORKPAPERS OR REPORT IF IT IS ESPI.

51-8 p3

5

COMPANY: BST
TITLE: BSE — DETERMINATION OF POTENTIAL CHAINING
PERIOD: TYE 12/31/92

PREPARED BY C&L
SCHEDULE 2 TO DISLCOSURE NO. ———

		9 states 1992 TOTAL	BILLED TO FL 1992	BSE PROJ AND MGMT FEE TO AFFIL	1992 CHAINING AS CALC BY BSE	ESTIMATED CHAINING POT.
	I. B. BELLSOUTH ENTERPRISES.					
	(1) CORPORATE AND ENTERPRISE GROUP					
9	b. Sunlink Corp.	3,269,678	1,630,138			136,800
	(1)CSL CHASTAIN	694,717	0			
	(2)CSL B'HAM	9,557,626	2,241,640			
13	c. Bellsouth Information Systems (BIS)	3,865,357	980,216			489,551
	(2) MOBILE SYSTEMS GROUP					
16	b. Mobile Communications Corp or America and affiliates. MCCA	2,249,518	600,902			91,226
	(3) ADVERTISING AND PUBLISHING GROUP					
18	a. BAPCO	4,416,365	1,064,303			110,926
	(4) INTERNATIONAL AND CORPORATE AND DEVELOPMENT GROUP					
20	BSAN	101,083	17,122			45,976
21	BSIN	0	0			
22	EXEC SERVICES	0	0			
23	BSC	99,766,526	20,086,273			629,000
24	BCI	209,991,149	52,729,091			140,942
25	BCS	236,217	16,262		100.00%	57,974
				19,045,194		1,702,395
				============		=========
						70,217,000

Conf

4/8-15

28 Potential Chaining of BSE HQ billing to all Affiliates.

4/8-15

BSE

Conclusion & Closing

mj 11/6/93 10/22/93

5-8

KW 11/6/93

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

WP NO. 51-8

CONFIDENTIAL

SOURCE: INTERVIEW WITH MALICE WHATLEY AND ESPI INFORMATION.

HOW CHAINING ESTIMATE WAS MADE, INTERVIEW AND NOTES FROM MALICE WHATLEY
MALICE WHATLEY IS AN OUTSIDE CONSULTANT TO BSE.

In 1992 BSE total costs billed out of BSE for project and management fees were $70,848,504. BSE chaining estimate was ~~that is $1,296,528 of potential chaining.~~ 51-8/1

PROCEDURES FOR CHAINING.

BSE INCLUDED IN THE STUDY ONLY THOSE AFFILIATES THAT THEY BILLEDBOTH PROJECT AND MANAGEMENT FEE THAT IN TURN BILL AT FDC.

LEAD PAGE I

1. (column 1) The amounts that BSE subs were billed by BSE for management fee and project fees were listed. Included in this were companies that are not subs of BSE; but are billed by BSE and in turn bill BST at FDC; they are BSC, BCI AND BCS (BELLSOUTH COMMUNICATION SYSTEMS, INC- SUB OF BBS). (The totals of this column in chaining study did not agree with answerto req 2-097(9). outstanding request ~~number to reconcile this~~. This is reconciled on 51-8/2-1 + 51-8/2-1/3

audit of components:
The first column for the amounts billed to each affiliate could be traced to either BSE books which we don't have access to or to each subs books (in this case 10 subs) to determine if the amounts stated in the chaining study are correct. BSE showed us distrib Rev repts (ESPI) #'s agreed w/ distrib rev rept (2-151 Part A)

2. (Column 2) Then BSE determined the total amount of costs billed out to all affiliates (including those not at FDC). This amount was $70,848,504.

audit of components:
I tried to trace this amount to the Income Reconciliation provided in C&L workpapers , could not reconcile. outstanding req no. 2-097 (8)(c). 51-8/3-1

3. (Column 3) Then a % of bill to subs and companies that bill at FDC to BST was taken as a % of total BSE costs billed out (all subs, not only that bill at FDC) (Column 2). This amount could be recalculated.

4. (Column 4) Then BSE determined a chaining % for each affiliate that bills at FDC (10 affilaites). The explanation of how they determined the chaining % for each company is included after item number 6

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

WP NO. 51-8

CONFIDENTIAL

SOURCE: INTERVIEW WITH MALICE WHATLEY AND ESPI INFORMATION.

5. Column 5 is a weighted average of Column 3 X column 4; that is % oftotal billed for each affiliate times chaining %. Total weighted
16 average is this is recalculated.

4A. BABCO CHAINING %

18 Bapco chaining % was determined to be by BSE; that is of what BSE bills bapco billed to BST at FDC. The way this was determined was a ratio of total BAPCO FDC charges billed out over total BAPCO G&A expenses at 9/30/92. ESPI 51-8/1-1. The theory is that all bills to BAPCO from BSE go into G&A so if BAPCO can determine billed at FDC, they can make a ratio. BSE just got the number from BAPCO in a memo We have to audit BAPCO books to make sure this is correct.

Provide BAPCO income statement for 9/30/92 which shows that G&A
19 expenses were the amount used in the chaining study. Provide backup documentation on how BAPCO came up with $320,289 in charges that were billed AT FDC as of 9/30/92. See 51-8 / 1-1 / 2

Provide info for viewing but ESPI cannot keep.

4B. MCCA CHAINING

BSE obtained information from MCAA that presents how much was billed to BST for Rental Units and Agency Agreements. The total of this is the Total Estimated Chained. Amounts billed to BST are considered for potential chaining purposes 100%. The ratio is the total amounts billed to BST of
27 total BSE bills to MCCA: that is BSE rounded up to to use in column 4 ESPI wp 51-8/1-5. BSE used charges as of 6/30/92.

29 So, ofwhat BSEbil MCCA is considered potential chaining to BST.

58-1 / 1-5 / 3

Provide to bills for January throug June 1992 which show the amounts MCCA billed BST for Rental Only Units and Agency agreements. These amounts should agree with the amounts used in Malice Whatley's chaining study. If not, reconcile.

Provide access to BST books to ~~who~~ determine what BST booked for January thru June 1992 for these charges.

Provide the bills from BSE to MCCA for January thru June 1993. Provide access to either MCCA books or BSE books to show how much was billed to MCCA or billed from BSE to MCCA.

2

COMPANY:	BSE
TITLE:	CHAINING ESTIMATE BY BSE
PERIOD:	TYE 12/31/92
DATE:	SEPTEMBER 3, 1993
AUDITOR:	RKY
WP NO.	51-8

CONFIDENTIAL

SOURCE: INTERVIEW WITH MALICE WHATLEY AND ESPI INFORMATION.

4.c. BELLSOUTH CORP.

Bellsouth Corp is not a sub of BSE, but an affiliate Co that BSE bill: that in turn bills BST at FDC.

BSE obtained from BSC a printout of the total of all bills from BSC to affilaited companies at FDC. (Make sure at FDC or is it all affilaites). From the total BSC bil' to all affiliates, the amounts billed back to BSE were
subtracted. The resulting amount is considered 100% chainged to BST.
16 The BSE portion was considered arbitrarily.

The formula was:
total BST amounts at 100%
19 plus BSE amounts at
----
total
This total is divided by BSC bills to affilites.
22 The result is BSE increased this to to be conservative.
That is the amount used in Column 4 above.

This % is based upon December 91 through June 92 information. and included on wp no 51-8/1-6 ESPI.

pending Provide ~~BST~~ BSC bills to BSHQ, BBS, BSS, BSRA, SB, SCB, BST, AND BSE FOR MONTHS OF JAN 92, MARCH 92, AND MAY 92. See WP 51-8/8

51-8/1-6/1

C&L WORKPAPER BATES NUMBER F01K02W 002822 INCLUDES TWO BSC TYPES OF ALLOCATIONS. GENERAL SERVICE ALLOCATIONS ON TOP AND ENTERPRISE ONLY/ENT & OF TOTAL ON BOTTOM.

Is the top part a total of all bills from BSC to affiliated companies at FDC? Or is it all bills from BSC to all affiliates at FDC, tariff, and previling, etc.?

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

CONFIDENTIAL

WP NO. 51-8

SOURCE: INTERVIEW WITH MALICE WHATLEY AND ESPI INFORMATION.

4D. BCI

BCI bills four FDC companies BST, BSE, MCCA and BSAn. on wp ESPI 51-8/1-2 The total BCI expenses allocated to these four subs was applied to the chaining %'s already figured for these four subs. BSAN is explained below. The dollar amounts were not included, just the percents as follows:

		%ALLOCATED	PERCENT CHAIN	WEIGHT AVG.
16	BST			
17	BSE			
18	MCCA			
19	BSAN			

20				

21 The weighted average is % which BSE increased to in Column 4.

51-8 / 1-2 / 1 Need to look at chaining ESPI to get question to provide the $ amounts behind the percents of allocated from BCI. then need to look at BCI books.

4F. BSAN, BSIN

Listed were projects that were billed to company's that billed at FDC. two projects Two projcts were billed to BST from both BSAN and BSIN and one project was billed to MCCA. Total $ for these thre projects were determined. a % of total costs for each FDC project was taken of all
30 costs: this % was applied to the chaining % of for BST and %
31 for MCCA for a weighted ave of for BSAN , increased to 8.00%; and
32 for BSIN, increased to

ESPI wp no 51-8/1-4/1,. C&L wp 30.40. THIS INFORMATION IS FROM 6/92 THRROUGH 9/92.
Have decided not to audit the dollars in this chaining %.

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

CONFIDENTIAL

WP NO. 51-8

SOURCE: INTERVIEW WITH MALICE WHATLEY AND ESPI INFORMATION.

4.G. SUNLINK

BSE first listed all projects that Sunlink billed at to FDC companies.
10 three projects direct to BST --estimated % chaining is
11 1 project to BSE, chaining % decided before at
12 six projects to BCI -- estimated chaining % at decided before.
13 1 project to BSAN, estimated before at

To get a weighted average of all Sunlink these percentages were applied to a % of each project to the total projects including all items that are not billed out at FDC. (we do not have all projects).

This is as of 6/92. ESPI WP NO 51-8/1-7/1.

19 Total Sunlink weighted average chaining % is This is
20 increased to in Column 4.

51-8 1-7/2

Have to audit Sunlink books to determine if % to total is correct.
Need to audit these projects in the books and see if the $ agree.

51-8 1-7/2

RE: CHAINING STUDY, FROM C&I WORKPAPER ESPI 30.42.
Provide invoices from SUNLINK TO BCI (FROM BCI) OF HOW MUCH SUNLINK BILLED BCI FOR THE FOLLOWING PROJECTS IN THE FOLLOWING MONTHS.

S10155 BCI	MARCH 92
S10164 BCI	APR AND JUNE 92
S10171 BCI	JUNE 92

PROVIDE THE INVOICES FROM SUNLINK TO WHOEVER THEY BILLED FOR THE JACKSONBILLE WAREHOUSE FOR THE MONTHS OF JAN AND MARCH 92.

5

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

CONFIDENTIAL

WP NO. 51-8

SOURCE: INTERVIEW WITH MALICE WHATLEY AND BSPI INFORMATION.

4.H BIS

BIS bills to 11 affiliates who in turn bill at FDC.

BSE CALCULATED THE % OF TOTAL BIS EXPENSES ALLOCATED TO SUBS FOR THE AFFILIATES WHO BILL AT FDC. these affiliates are:

		%TOTAL EXP ALLOC TO SUB PER CHAINING STUDY**	PERCENT CHAINING*	WEIGHTED AVERAGE
14	BSHQ	%	%	%
15	DC/HR	%	%	%
16	MCCA	%	%	%
17	BSAN	%	%	%
18	BCI	%	%	%
19	BST	%	%	%
20	BAPCO SUPPT	%	%	%
21	LSS	%	%	%
22	SUNLINK	%	%	%
23	BIN	%	%	%
24	BSE	%	%	%
		40.60%		21.93%

*FROM PRIOR CALCULATIONS

**THIS COLUMN IS ONLY THOSE COMPANIES WHO ARE FDC, SO WE DON'T KNOW IF THE % OF EXPENSES ARE CORRECT. WE NEED TO AUDIT ALL EXPENSES ON THE BOOKS OF BIS TO DETERMINE IF THE % ARE CORRECT.

30 The company increase column four to be rather than used the same % as BSC for DC/Human Resources.

Look up Malice Whatley's Chaining Study to determine as of what date this is.

51-8 / 1-3 / 1 Provide the invoices billed to each of the 11 companies for the time period this is involved in once we find out the time period.

6

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

CONFIDENTIAL

WP NO. 51-8

SOURCE: INTERVIEW WITH MALICE WHATLEY AND ESPI INFORMATION.

4I --EXEC SERVICES

The concept is the same is SUNLINK.
EXCEPT HERE THEY GIVE THE COSTS ALLOCATED TO SUB AND TOTAL EXEC SERVICES SO WE COULD LOOK AT THE BOOKS OF EXECUTIVE SERVICES AND DETERMINE IS THE % OF TOTAL IS CORRECT.

13 TOTAL EXEC SERVICES FOR ALL OF 1992 IS $ THERE ARE FOUR COMPANIES THAT THEY BILL AT FDC. tHE WEIGHTED AVERAGE
15 IS THAT IS BROUGHT TO COLUMN 4. espi 51-8/1-8 , C&L 30.49.

HAVE DECIDED NOT TO AUDIT THESE %.

51-8A

BELLSOUTH
TELECOMMUNICATIONS

November 2, 1993

Ms. Ruth Young
Florida Public Service Commission
3625 NW 82nd Avenue
Suite 400
Miami, Florida 33166-7602

Dear Ms. Young:

As per our discussion on October 29th, the certain C & L workpapers are being reclassified from ESPI to proprietary and are being provided in response to Item 2-062 (enclosed). Additionally, similar workpapers which were made available for review in Atlanta have been reclassified to proprietary and are being provided in response to Item 2-097.10F (enclosed).

All items have been reclassified except those concerning MCCA which BellSouth Enterprises maintains are ESPI.

Please call me if you have questions or wish to discuss further.

Sincerely,

Karen Kaetz

Karen Kaetz

When we received data that is no longer ESPI it was too late to renumber these workpapers. Numbered the workpapers that were converted from ESPI to Conf. with the number & an A or B whichever applied

RY

Request: Please have a representative (Malice Whatley) explain her potential chaining study for 12/31/92 while we are here this week in Atlanta (8/17/93). Prove a copy of potential chaining study. You supplied us with the representative and a copy of the ESPI study for our review. We need a copy of this ESPI study sent to Miami BST office for our further review.

Response: The Company amends its response of September 3, 1993 to provide the attached BSE potential chaining study workpapers which were considered ESPI and were made available for review on Company premises in Atlanta, Georgia.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification".

Date Provided: November 2, 1993

17

517-8B

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 05-11-93
Amended Response
Item No. 2-062
Page 1 of 1

Request: Provide copies of all C & L workpapers on the attached lists.

Response: At the request of the auditor, the Company amends its response of June 4, 1993 to reclassify the *following workpapers from ESPI to proprietary.*

This material constitutes proprietary confidential business information and is being produced subject to the "Notice of Intent to Request Confidential Classification" dated June 9, 1993.

Date Provided: November 2, 1993

18

51-8

BSE

Chaining - Level Schedule

Py 8/17/93
KW 11/16/93

Source: Answer to 2-077(10)(I) - BSE HDQ Chaining Estimate

(A) Chaining Affiliate	Total Bill to Affiliate from BSE Proj & Mgmt Fee	HQ	Total * BSE Costs Billed Acct To all sub whether FDC or not	(B) % Total BSE HQ Costs	(C) % Chaining (ESPI)	(B)x(C) Weighted Avg	
BARCO			51-8/3	15 66	51-8/1-1		%
BIS				2 76	51-8/1-3	%	
MCCA				5 15	51-8/1-5	%	
[illegible]				64	51-8/1-7	%	
BSAN				1 30	51-8/1-4	%	
BSLN				41	51-6/1-4	%	
Exec Serv				52	51-8/1-8	%	
BS Corp				38	51-8/1-6	%	
BCT				24	51-8/1-2	%	
BCS				08		%	
							%

* Does not include flow thru

for BSC does not include equity financing
capital advances, etc.
Billing for services that wound up being an expense on BS Corp's Books

BSE bills to BSC
& BSC turns around & allocates back
to BSE

51-8/1-1

* Won't agree w/ Mgmt fee & Proj Total because
not all these costs that add to [illegible] Chain

CONFIDENTIAL

From ESPI

51-8/1

from ESPI

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

Item No. 2-097.10F
Attachment

05-May-93
09:30 AM

BSE HEADQUARTERS CHAINING ESTIM
1992

	(A)			(B)	(C)	(D)=(B)X(C)
	CHAINING AFFILIATE	TOTAL BILL TO AFFILIATE	TOTAL BSE COSTS BILLED OUT	% OF TOTAL BSE HQ COSTS	PERCENT CHAINING	WEIGHTED AVERAGE ESTIMATED PERCENTAGE
10	BAPCO					
11	BIS					
12	MCCA					
13	SWNLINK					
14	BSAN					
15	BSIN					
16	EXEC SVCS					
17	BS CORP					
18	BCI					
19	BCS					
20	TOTAL ESTIMATE OF BSE BILLS TO AFFILIATES CHAINING					

Previous Estimate 1.80% B-1, 1/2
Immaterial Increase 0.03%

Ⓐ see note on w/p T-3 regarding this percentage. 37% is a conservative estimate.

PROPRIETARY

F01K02W 013586

20

31-8
1A

BSE

Doc'n for Chaining %

B 8/11/93

KW 11/6/93

ESOT reclass

Date Prepared	1/19/92
Prepared by	NA
Reviewed by	DCH

BLS

BAPCO FDC REPORTS

12/31/92

FROM CORPORATE FINANCE 10.21.1992 15:29 P. 2 F-1

PBC #2 PBC

October 21, 1992

To: Maliece Whatley

From: Robert Jordan RJ

Re: BAPCO FDC Request

Please find attached FDC charges from BAPCO to BST through September, 1992. These charges are provided as support to your question regarding the portion of BSE charges to BAPCO which are billed back to BST through FDC.

10 35.6 Total FDC charges and BAPCO G&A expenses year-to-date are $320,289 and [redacted], respectively. The [redacted] we discussed represents total FDC charges divided by total G&A expenses, not what portions of BSE charges are allocated through FDC. (A)

If you have additional questions, please call me on 982-7057.

agreed to 9/30/92 FACTS

Attachment(1)

16 Note: In order to provide for cushion of error % will be increased to [redacted]%

1.39.21

See 51.8 / 1-1A

(A) This method of estimating the amount chaining is conservative as it treats the entire FDC billings (affiliate bills ($320,289) as unattributable costs (the unattributable to BAPCO are allocated through the unattributable cost pool). In reality, a large portion of the $320,289 relates to direct costs. Therefore, the method used to estimate the percentage chaining yields a higher percentage conservative - no further analysis

CONFIDENTIAL

35.46 reclass BSE C+L 51-1 / 1-1

October 21, 1992

To: Maliece Whatley

From: Robert Jordan RJ

Re: BAPCO FDC Request

Please find attached FDC charges from BAPCO to BST through September, 1992. These charges are provided as support to your question regarding the portion of BSE charges to BAPCO which are billed back to BST through FDC.

F-1, 2/2

10 ① Total FDC charges and BAPCO G&A expenses year-to-date are $320,289 and [redacted] ② respectively. The [redacted] we discussed represents total FDC charges divided by total G&A expenses, not what portions of BSE charges are allocated through FDC.

If you have additional questions, please call me on 982-7057.

Attachment(1)

$$\frac{\text{Total unattributable costs included in FDC bills}}{\text{17 G\&A Expenses}} = \frac{①\ 320{,}289}{②}$$ 90

In order to provide for cushion of error, 90
19 will be increased to 90. A-1
✓ Agrees to YTD BAPCO Income Statement @ 9/30/92.

Note: Per discussions w/ BAPCO personnel, activity for Oct - Dec did not substantially change. Therefore, estimate as of 9/30/92 is still valid.

F01K02W 013590

22

SI-8 1A

BSE
Documentation for Closing %

8/18/93

4/6/93

ESPI Reclass
BAPCO

as of 9/30/92

Total unattributable Costs
9 included in FOC bills = 320,289 =
10 G&A Expense

BSE says per discussions w/ BAPCO
activity did not change substantially
for Oct - Dec. This is still valid.

14 To be conservative, the study used %
15 instead of %

51-8
1

CONFIDENTIAL

Reclass

51-8
1-4
1
~~ESPI~~
C+L

23

BSE

Doc'n for Charging ?

8/10/93

11/6/93

2-151

Part B. BAPCO

Req called for back up documentation to 9/30 G+A expenses + 9/30 charges that were billed at FOC. (WP $\frac{51-8}{1-1}$)

For G+A expenses BSE showed us "BAPCO Summary of Selling, G+A Expenses & [illegible] to date 9/30/92. The amount agreed w/ amount in our Workpaper.

For FOC amount, Malcolm showed us a [illegible] schedule which is called "Billing + FOC charges from Jan to Sept 92 to SBT, SCB + BSS. Chart follows:

Total = Base Amt + FOC

Total	Base Amt	FOC
Only to BST	Direct Bill From BAPCO which has no unattrib or Indirect costs	Could include BSE MGMT fee unattributable + indirect costs

BAPCO bills other parties also.

CONFIDENTIAL

24

$\frac{51-8}{1-1}$
2

BSE
Decision for Chaining %

$\not{R}$ 10/22/93
pw 11/1/93

ESPI

reclass.

Date Prepared	11/17/92
Prepared by GCSL to Client and Corrected by	NA
Reviewed by CSL STAFF	DCH

BLS-BCI
CHAINING ESTIMATE
10/31/92

PBC

PBC

C-1

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

BCI CHAINING ESTIMATE
1992

Per Lyn Provided on 8/14/93

(A)	(B)	(C) (C)	(D)=(B)x(C) (D)
CHAINING AFFILIATE	% OF TOTAL BSE HQ EXPENSES ALLOC TO SUB	PERCENT CHAINING	~~(B)x(C)~~ WEIGHTED AVERAGE ESTIMATED PERCENTAGE

(B) (C) (B)x(C)

8 BST C-2
9 BSE
10 BCCA
11 BSAV
12 TOTAL ESTIMATE OF BSE BILLS TO BCI CHAINING

(51-8 / 1) ~~down~~ to 82%

^ Note: In order to provide for cushion of error, % will be increased to % (higher than estimated). A-1 30.21

15

(1) Final % of BSEHQ chaining is not known until study is complete. Therefore, an estimate of % is used in order to estimate the BCI %.

19

See 51-8 / 1-2A

✓- agreed to analysis @ 50.21

CONFIDENTIAL

reclass

51-8 / 1-2

30.51

E&PI

C+L

25

18-Feb-93
11:38 AM

BCI CHAINING ESTIMATE
1992

	(A) CHAINING AFFILIATE	(B) % OF TOTAL ~~BCI~~ EXPENSES ALLOC TO SUB	(C) PERCENT CHAINING	(D)=(B)X(C) WEIGHTED AVERAGE ESTIMATED PERCENTAGE
10	BST	C-2		
11	BSE			
12	MCCA			
13	BSAN			

TOTAL ESTIMATE OF BSE BILLS TO BCI CHA

(1) Final % of BSEHQ Chaining is not known until study is complete. Therefore
17 an estimate of % is used in order to estimate the BCI %.

NOTE: In order to provide for cushion of error, % will be increased to
21 A-1 ½% (2 % higher than estimated).

PROPRIETARY

F01K02V 013587

26

51-8
1-2A

BSE
Dec'n for Clearing ?

By 10/13
KW 11/6/93

2-151

Page E BCI $\frac{51-8}{1-2}$

Column B is from BCI billing summary ?..
PSC staff has this in BCI file - looking —

CONFIDENTIAL

$\frac{\frac{51-8}{1-2}}{1}$

27

BSE

Doc'm for Chaining %

By 10/22/93

11/6/93

EDBS

BLS

BIS CHAINING ESTIMATE

10/31/92

PBC

D-1

BIS CHAINING ESTIMATE
1992

(F) = data supplied on 8/18

	(A) CHAINING AFFILIATE	(B) % OF TOTAL BIS EXPENSES ALLOC TO SUB	(C) PERCENT CHAINING	(D) = (B)x(C) WEIGHTED AVERAGE ESTIMATED PERCENTAGE
8	BSHQ	% D-2, 1/3	% A-1	11.48
9	DC/HUMAN RESOURCES	%	% ①	.34
10	NCCA	%	%	.01
11	BSAN	%	%	.06
12	DCI	%	%	.25
13	BST	% D-2, 2/3	%	7.90
14	BAPCO ACCT SUPPORT	%	% A-1	.01
15	LSS	%	% ②	1.40
16	SUNLINK	%	% A-1	.06
17	BIN	%	%	00
18	BSE	%	% ③	.44
19	TOTAL ESTIMATE OF BSE BILLS TO BIS CHAINING			21.93

✓ agreed to 30.21

22 Note: In order to provide for cushion of error, % will be increased to [ ]% ([ ]% higher than estimated)

51-8/1

① DC & Human Resources uses the same cost allocation system as B.S. Corp. - therefore same chaining % as B.S. Corp is used.

28 ② See note on w/p 30.38 2/3. For period 1/1/92 - 9/30/92, [ ] of the cost of these services were billed to BST. Effective 5/1/92, BAPCO no longer provides the services to BST.

③ Final % of BSHQ chaining is not known until study is complete, therefore an estimate of [ ] is used in order to estimate the BIS %

32 SW 51-8/1-3A

30.37

CONFIDENTIAL

C+L 51-8/1-3

28

PBC

✓ Source is w/p A-1, 1/1

19-Feb-9[illegible]
11:4[illegible] AM

BIS CHAINING ESTIMATE
1993

	(A) CHAINING AFFILIATE	(B) % OF TOTAL BIS EXPENSES ALLOC TO SUB	(C) ✓ PERCENT CHAINING	(D)=(B)X(C) WEIGHTED AVERAGE ESTIMATED PERCENTAGE
8	BSHQ	D-2, 1/2		
9	DC/HUMAN RESOURCES			1
10	MCTA			
11	BSAN			
12	BCI			
13	BST			
14	BAPCO ACCT SUPPORT	D-2, 2/1		
15	LSS			2
16	SUNLINK			
17	BIN			
18	BSE			3
19	TOTAL ESTIMATE OF BSE ALLOC TO BIS CHAINING			

Note: In order to provide for cushion of error, % will be increased to [illegible] % ([illegible] % higher than estimated) A-1, 1/2

21

1 DC + Human Resources uses the same cost allocation system as B.S. Corp. – therefore same chaining % as B.S. Corp is used.

2 See note on w/p D-3. For period 1/1/92 – 4/30/92, [illegible] % of the cost of those services were

27

billed to BST. Effective 5/1/92, BAPCO no longer provides the services to BST.

3 Final % of BSEHQ chaining is not known until study is complete. Therefore an estimate of [illegible] is

31

used in order to estimate the BIS %

FBIKRCN 013588

5/1/3

BSE
Doc'n for Clearing %

Rg 10/1/93

KW 11/6/93

Part G - BIS WP 51-8/1-3

Column B % of Total BIS expense allocated to Subs - From "BIS Revenue Cost Analysis by Customer" This is a ratio of per customer YTD expl. to total YTD expenses. % calculated on this schedule agree w/ % on 51-8/3

(5)

CONFIDENTIAL

30

51-8/1-B/1

BSE
Doc'n for Chaining %

by 10/22/93
Rev 11/6/93

ESBI

1

The info in CXL workpapers
5 shows a chaining % of ; for BSAN
6 & for BSIN
These were based on the months
of Jan thru Sept

Further info supplied to us on 8/18
gave full years data & % were
11 % BSAN used ?
12 % BSIN

51-8
1

CONFIDENTIAL

reclass by ESH

51-8
1-4

51-7
1-4

BSE
Docm for Charging ?   8/10/93
  pw 11/6/93

ESSI

Date Prepared: 11/19/92
Prepared by: BA
Reviewed by: BCH

PBC

BLS
UNATTRIBUTABLE COSTS ALLOCATED TO PROJECTS
12/2/92

E-1

PBC

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

① 6/92 was 1st month FDC system was fully in place. Data for 6/92 represents YTD as of 6/30/92

BSAB
SUMMARY OF UNATTRIBUTABLE COSTS ALLOCATED TO PROJECTS
1992

TOTAL UNATTRIBUTABLE:

PROJECT #	DESCRIPTION	① 6/92	7/92	8/92	9/92	TOTAL	% TO TOTAL	ESTIMATED PERCENT CHAINING	WEIGHTED AVERAGE ESTIMATE
924 BST	ETOC	$44,510	$17,953	$10,677	$1,155	$73,435			
925 BST	ESSI	$0	$0	$0	$175	$130			
TOTAL									

↑ billings 20

51-8

SOURCE OF INFORMATION:

FDC REPORTS. BSE BILLINGS (MANAGEMENT FEE & PROJECT BILLS) ARE INCLUDED IN UNATTRIBUTABLE COSTS.

BSTB
SUMMARY OF UNATTRIBUTABLE COSTS ALLOCATED TO PROJECTS
1992

TOTAL UNATTRIBUTABLE:

PROJECT #	DESCRIPTION	6/92	7/92	8/92	9/92	TOTAL	% TO TOTAL	ESTIMATED PERCENT CHAINING	WEIGHTED AVERAGE ESTIMATE
924 BST	ETOC	$0	$285	$0	$0	$285			
925 BST	ESSI	$0	$0	$0	$0	$0			
TOTAL									

See 51-3 / 1-4 / 1A

CONFIDENTIAL

SOURCE OF INFORMATION:

FDC REPORTS. BSE BILLINGS (MANAGEMENT FEE & PROJECT BILLS) ARE INCLUDED IN UNATTRIBUTABLE COSTS.

51-8   51-8 / 1-4

2① = 3.96   NOTE: In order to provide for cushion of error, 90 will be increased to higher than estimated.

30.21   30.40   ESSI

32

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

6/92 was 1st month FDC system was fully in place. Data for 6/92 represents YTD as of 6/30/92

[illegible]
[illegible] AM BSAN

SUMMARY OF UNATTRIBUTABLE COSTS ALLOCATED TO PROJECTS
1992

4 TOTAL UNATTRIBUTABLE:

	PROJECT #	DESCRIPTION	6/92	7/92	8/92	9/92	10/92	11/92	12/92	TOTAL	% TO TOTAL	ESTIMATED PERCENT CHAINING	WEIGHTED AVERAGE ESTIMATE
7	324 BST	RTOC	$44,510	$17,052	$19,977	$1,195	$39,754	$25,259	$23,377	$152,436			
8	325 BST	ESSX	$0	$0	$0	$130	$2,916	$5,079	$47,678	$55,803			
9	431 NCCA	PAGING ENHANCE.											
10	TOTAL												

PROPRIETARY

BSIN
SUMMARY OF UNATTRIBUTABLE COSTS ALLOCATED TO PROJECTS
1992

14 TOTAL UNATTRIBUTABLE:

	PROJECT #	DESCRIPTION	6/92	7/92	8/92	9/92	10/92	11/92	12/92	TOTAL	% TO TOTAL	ESTIMATED PERCENT CHAINING	WEIGHTED AVERAGE ESTIMATE
17	324 BST	RTOC	$0	$233	$0	$0	$11	$0	$37				
18	325 BST	ESSX	$0	$0	$0	$0	$0	$0	$0				
19	431 NCCA	PAGING ENHANCE.											
20	TOTAL												

SOURCE OF INFORMATION:

FDC REPORTS. BSE BILLINGS (MANAGEMENT FEE & PROJECT BILLS) ARE INCLUDED IN UNATTRIBUTABLE COSTS.

NOTE:
In order to provide for cushion of error, the following % will be used.
26 BSAN 1 1/2 % (~ % higher than estimated)
27 BSIN ~~1%~~ % (~ % higher than estimated)

F01K02V 013509

33

5 1-8 1 1A

These are copies of WP from C&L CAM audit

ALL CONSIDERED ESPT

Me MOCA CLAINING

WP. $\frac{51-8}{1-5}$

$\frac{51-8}{1-5}$
1

$\frac{51-8}{1-5}$
2

$\frac{51-8}{1-5}$, $\frac{51-8}{1-5}$ 1, $\frac{51-8}{1-5}$ 2

BSE
Decision for Chairing ?c

8/10/93

TW 11/6/93

2-151

Part C - MCCA

51-8
1-5

Consist of 2 services

I Retail Only Pagers

II Agency Agents

I.

Source: We were given info for review, We could not copy #'s or take possession until appeal

51-7
9

(2)

CONFIDENTIAL

35

51-8
1-5
36

BSE

Dec'n for Chang 2 B/10/22/03

2-161 KW 11/6/03

3)

4)

II Agency Agents - in Several MKTS.
Atlanta, Cent Fl - So Fl. Analyzed
Atlanta

①

②

③

④

③

⑤

36

CONFIDENTIAL

58 1/1.5

3 pg 2

BellSouth Corp.

Ref 51-8 PBC
L-6A

General Service Allocations:

	DEC 91 BILL	%	JAN 92 BILL	%	FEB 92 BILL	%
BSHQ	$38,844	0.38%	89,815	0.45%	37,807	0.50%
BSS	$218,012	2.07%	408,288	2.87%	121,785	1.83%
BAS	$888,780	8.88%	803,782	8.88%	0	0.00%
BSRA	$0	0.00%	0	0.00%	0	0.00%
SS	$4,720,821	44.88%	8,782,150	44.25%	0	0.00%
SCB	$3,483,850	32.78%	4,928,383	32.08%	0	0.00%
BST	0	0.00%	0	0.00%	8,018,418	78.28%
BSE	2 $1,533,288	14.81%	2 2,298,248	14.97%	2 1,367,884	[illegible]
TOTAL	1 $10,863,884	100.00%	1 15,349,852	100.00%	1 7,488,878	100.00%
BSE: MONTH TO MONTH ALLOCATION % CHANGE				-48.88%		38.81%
BSE: YEAR TO YEAR ALLOCATION % CHANGE			2,889,118	11.23%	1,308,508	-8.31%

	MAR 92 BILL	%	APR 92 BILL	%	MAY 92 BILL	%	JUN 92 BILL	%
BSHQ	28,187	0.28%	81,827	0.80%	49,815	0.48%	(1,708)	-0.01%
BSS	288,477	2.88%	258,082	2.85%	627,281	4.87%	858,285	4.87%
BAS	0	0.00%		0.00%		0.00%		0.00%
BSRA	0	0.00%		0.00%		0.00%		0.00%
SS	0	0.00%		0.00%		0.00%		0.00%
SCB	0	0.00%		0.00%		0.00%		0.00%
BST	7,801,180	78.44%	7,021,141	77.40%	8,007,718	73.88%	8,841,818	74.31%
BSE	2 1,848,301	[illegible]	2 1,708,865	[illegible]	2 2,253,890	[illegible]	2 2,385,446	[illegible]
TOTAL	1 8,948,135	100.00%	1 9,070,718	100.00%	1 0,838,208.00	100.00%	1 1,484,852	100.00%
BSE: MONTH TO MONTH ALLOCATION % CHANGE		-33.28%		7.83%		-31.78%		[illegible]
BSE: YEAR TO YEAR ALLOCATION % CHANGE	2,107,830	18.88%	1,888,818	-3.28%	2,034,884	-10.78%	2185136	*********

ENTERPRISE ONLY/ENT % OF TOTAL	DEC 91 BILL	%	JAN 92 BILL	%	FEB 92 BILL	%
EXECUTIVE	82507.17	17.44%	157,028	16.98%	123,182	17.23%
CORP SECT	20666.65	18.05%	32,878	18.50%	205,282	21.80%
TREASURY	183840.85	18.38%	288,722	18.49%	80,858	18.03%
SECURITY	5066.81	3.38%	7,485	4.84%	8,749	17.73%
COMPTROLLERS	61140.84	11.37%	141,389	14.39%	105,383	24.08%
TAX	73751.12	14.37%	127,871	21.18%	85,188	13.78%
INTERNAL AUDITING	128103.87	30.33%	117,238	31.78%	123874.26	22.82%
FIN MGMT	84852.74	28.32%	88,174	28.70%	74,341	16.38%
CORP PLANNING	73038.84	12.80%	49,023	12.84%	86,130	16.38%
MARKETING	0	ERR	0	0.00%	0	0.00%
BSHR – OTHER	4187.8	2.03%	1,887	0.83%	0	ERR
BSHR BENEFITS	718.98	0.06%	430	0.03%	0	ERR
BSC H/R	212158.34	8.81%	335,872	10.79%	180,937	14.49%
ASST SEC – CORP COUNCIL	8065.02	12.04%	4,888	13.07%	8,328	13.87%
LEGAL	284801.74	27.88%	280,818	20.78%	227,883	24.04%
FED RELATIONS	88878.86	18.08%	133,462	18.28%	82,882	14.32%
ADVERTISING	68280.41	32.38%	148,081	33.53%	(40,818)	38.28%
PUBLIC RELATIONS	13030.78	12.04%	14,835	13.08%	13,773	13.87%
EXTERNAL AFFAIRS	120816.88	17.35%	224,878	21.73%	38,789	16.84%
CORP AFFAIRS	33452.84	13.25%	147,808	14.85%	37,288	11.39%
TOTAL	1,533,285.82	14.81%	2,298,248	14.97%	1,367,884	18.80%

ENTERPRISE ONLY/ENT % OF TOTAL	MAR 92 BILL	%	APR 92 BILL	%	MAY 92 BILL	%	JUN 92 BILL	%
EXECUTIVE	210,180	18.88%	152,411	17.51%	144,125	17.88%	155,441.00	16.82%
CORP SECT	148,483	21.88%	337,818	23.71%	200,853	22.05%	409,783.00	23.10%
TREASURY	251,883	21.40%	(11,821)	-8.82%	87,859	12.83%	107,847.00	17.37%
SECURITY	9,358	17.18%	7,108	20.84%	8,874	21.32%	11,801.00	21.38%
COMPTROLLERS	128,823	13.87%	127,813	18.58%	202,842	22.48%	54,708.00	13.78%
TAX	88,088	13.82%	81,081	15.40%	88,383	18.82%	81,855.00	13.18%
INTERNAL AUDITING	148,002	37.82%	184,128	40.08%	148,847	38.24%		0.00%
FIN MGMT	74,084	22.80%	70,887	23.43%	74,051	22.81%	72,831.00	22.83%
CORP PLANNING	88,118	14.38%	82,300	18.48%	84,847	15.28%	47,708.00	14.83%
MARKETING		0.00%		0.00%		0.00%	140,401.00	0.00%
BSHR – OTHER		ERR		ERR		ERR		ERR
BSHR BENEFITS		ERR		ERR		ERR		ERR
BSC H/R	185,831	11.78%	167,483	11.74%	272,774	14.00%	232,143.00	13.48%
ASST SEC – CORP COUNCIL	8,818	14.88%	2,120	15.88%	8,803	15.18%	11,407.00	14.50%
LEGAL	281,187	25.88%	283,502	20.88%	257,748	28.40%	232,858.00	25.84%
FED RELATIONS	108,818	18.70%	108,894	14.13%	128,780	18.83%	113,324.00	17.44%
ADVERTISING	23,187	28.88%	22,832	20.48%	100,887	31.18%	337,017.00	33.44%
PUBLIC RELATIONS	18,818	14.88%	17,010	18.98%	17,238	18.28%	2,758.00	14.80%
EXTERNAL AFFAIRS	88,200	17.73%	83,050	16.05%	103,122	22.20%	227,380.00	21.83%
CORP AFFAIRS	87,017	15.88%	83,088	18.85%	380,887	27.18%	114,288.00	18.38%
TOTAL	1,848,301	18.80%	1,708,861	18.85%	2,253,588.00	20.78%	2,385,441.00	20.84%

EQ: 14,730,799 Total Bill (12/91 - 6/92)

EQ: 13,427,728 Bill to BSE

61,303,071 Bill to BST (82%)

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS [illegible] FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

PBC

Note: In order to provide for cushion of error, % will be increased to 85% 30.21

June thru Dec. on info provided 8/18 shows 81.76%, increased to 85% for error

BSC Chrg

51-8
1

37

C+L Copy

CONFIDENTIAL

F01K82W 002822

Conf

51-8
1-6

Date Prepared 11/19/92

Prepared by: at C&L by Client and Examined by NA

Reviewed by C&L DCB

BSE

GENERAL SERVICE ALLOCATIONS

12/31/92

CONFIDENTIAL

30.50

F01K02W 002823

CONT

BSE

Dec'n for Claiming %

8/10/13

rev 11/6/13

38A

39

PROPRIETARY

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

BELLSOUTH CORPORATION
HQ - General Service Allocation
1992

SUMMARY OF ALLOCATION	JUL 92 BILL	%	AUG 92 BILL	%	SEP 92 BILL	%	OCT 92 BILL	%	NOV 92 BILL	%	DEC 92 BILL	%	TOTAL BSC 1992 BILLS (12 MONTHS)	%	TIE BACK TO BSC ACTUAL COSTS (BILLING ONE MONTH IN ARREARS) (11 MONTHS)	%
BSHQ	(121,375)	-1.22%	25,334.00	0.24%	20,910.00	0.23%	19,894	0.21%	45,000	0.50%	130,262	0.30%	$258,121	0.21%	$213,300	0.20%
BSD	262,000	2.64%	432100	4.11%	330,154	3.90%	407,434	4.29%	424,631	4.40%	$410,000	4.00%	$4,464,130	3.70%	$4,064,853	3.65%
BSS	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	$0	0.00%	$855,702	0.71%	$0	0.00%
BSRA	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	$0	0.00%	$0	0.00%	$0	0.00%
BE	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	$0	0.00%	$6,702,150	5.63%	$0	0.00%
SCB	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	$0	0.00%	$4,826,353	4.00%	$0	0.00%
BST	7,840,245	78.85%	8003000	75.92%	6,853,100	75.80%	7,211,001	75.87%	7,838,001	77.88%	8,310,455	75.25%	$98,542,072	[illegible]	$88,842,572	78.56%
BSE	1,988,373	16.73%	1,071,100.00	16.73%	1,822,327	20.13%	1,834,002	10.53%	1,330,000	17.12%	$1,836,100	10.42%	$22,800,301 ②	[illegible]	$20,301,145	10.36%
TOTAL	9,980,133	100.00%	10,572,577.00	100.00%	9,054,407.00	100.00%	9,492,401	100.00%	9,897,433	100.00%	10,202,562	100.00%	$120,654,527 ①	100.00%	$109,304,870	100.00%
BSE: MONTH TO MONTH ALLOC		17.91%		-0.25%		7.55%		-1.74%		16.26%		-5.11%				
BSE: YEAR TO YEAR ALLOCATID	1,722,777	-14.14%	1,704,577	-16.64%	1,882,271	-10.20%	1,442,070	-26.40%	1,782,000	12.30%	1,330,204	-6.31%	$21,700,501		$19,107,445	

BSE ALLOCATION ONLY / BSE % OF TOTAL BSC ALLOCATION	JUL 92 BILL	%	AUG 92 BILL	%	SEP 92 BILL	%	OCT 92 BILL	%	NOV 92 BILL	%	DEC 92 BILL	%			
EXECUTIVE	248,706.00	20.74%	178,872.00	20.75%	143,207.00	17.31%	251,872.00	22.80%	140,840.00	17.22%	170,330.00	18.80%	$2,070,041	19.16%	$1,010,813
CORP SECT	300,232.00	22.64%	210,122.00	19.38%	25,843.00	24.43%	173,810.00	24.65%	(20,501.00)	-27.17%	60,130.00	22.72%	$2,112,040	22.14%	$2,070,672
TREASURY	104,730.00	16.80%	101,500.00	16.72%	80,257.00	17.27%	83,150.00	10.20%	(22,240.00)	10.45%	111,540.00	20.40%	$1,404,057	17.02%	$1,110,235
SECURITY	12,102.00	22.30%	10,400.00	25.34%	11,002.00	25.10%	13,017.00	20.71%	9,020.00	24.07%	11,000.00	23.11%	$121,533	18.04%	$114,626
COMPTROLLERS	163,000.00	21.10%	133,070.00	20.00%	157,047.00	21.07%	125,000.00	20.10%	147,300.00	21.04%	133,372.00	20.05%	$1,852,120	19.62%	$1,400,720
TAX	133,726.00	20.00%	126,000.00	18.44%	87,341.00	17.30%	108,264.00	21.10%	110,300.00	18.02%	82,142.00	17.00%	$1,204,506	18.04%	$1,177,027
INTERNAL AUDITING	147,730.00	33.45%	143,420.00	30.20%	130,300.00	34.51%	143,700.00	30.30%	130,251.00	35.40%	121,562.00	37.07%	$1,003,330	30.02%	$1,346,100
FIN MGMT	80,572.00	20.00%	81,100.00	20.10%	80,800.00	27.00%	62,200.00	20.20%	67,303.00	23.07%	72,840.00	20.01%	$848,140	23.24%	$834,000
CORP PLANNING	52,000.00	13.80%	34,804.00	12.01%	66,087.00	13.15%	52,200.00	13.25%	52,200.00	12.01%	30,000.00	11.07%	$642,000	13.02%	$563,578
MARKETING		ERR		0.00%		0.00%		0.00%		0.00%		ERR	$140,001	ERR	$0
BSHR - OTHER		ERR		ERR		ERR		ERR		ERR		ERR	$1,007	0.33%	$0
BSHR BENEFITS		ERR		ERR		ERR		ERR		ERR		ERR	$430	0.67%	$0
BSC HR	277,674.00	12.06%	263,013.00	12.00%	213,200.00	10.80%	104,500.00	0.80%	240,200.00	10.20%	101,003.00	11.35%	$2,740,020	11.77%	$2,400,007
ASST SEC - CORP COUNCIL	6,132.00	12.65%	5,711.00	12.00%	3,047.00	13.24%	5,002.00	13.25%	6,000.00	12.50%	4,200.00	11.75%	$70,376	13.31%	$60,207
LEGAL	290,400.00	20.20%	270,731.00	20.87%	340,900.00	31.20%	252,240.00	24.30%	201,844.00	20.10%	200,011.00	20.72%	$3,240,000	20.12%	$2,867,570
FED RELATIONS	107,087.00	15.30%	143,022.00	15.42%	100,070.00	15.04%	110,726.00	15.00%	103,070.00	15.27%	100,701.00	17.40%	$1,201,000	15.00%	$1,220,120
ADVERTISING	100,320.00	20.00%	25,104.00	22.35%	147,000.00	102.30%	70,000.00	23.70%	15,047.00	20.07%	61,201.00	20.00%	$1,040,037	34.27%	$805,770
PUBLIC RELATIONS	10,201.00	12.00%	20,000.00	13.00%	12,287.00	12.20%	3,250.00	13.20%	12,700.00	12.01%	10,070.00	11.75%	$160,000	13.30%	$144,025
EXTERNAL AFFAIRS	80,400.00	19.00%	50,734.00	10.00%	40,012.00	10.80%	80,000.00	10.40%	71,200.00	17.00%	75,040.00	20.14%	$1,144,000	20.00%	$810,110
CORP AFFAIRS	(110,010.00)	400.43%	110,300.00	10.47%	71,000.00	13.05%	20,201.00	13.25%	31,000.00	12.00%	30,757.00	11.30%	$1,000,001	14.14%	$672,042
															$0
TOTAL	1,940,370.00	19.33%	1,071,107.00	16.73%	1,822,322.00	20.13%	1,834,070.00	10.53%	1,330,000.00	17.12%	1,836,000.00	10.42%	22,800,702.10	18.92%	20,301,111.15

BSC

① 120,654,527 Total Bill
22,689,391 less: BSE Bill
97,965,136 Bill to BST + subs
(81,290)

BST 97,965,136 .
BSE 22,689,391

%
Charging - 97,965,13
%

Note: In order to provide for cushion of error, % will be increased to % (~4% higher than estimated)
OK A-1, 1/2

40
41
42
43
44
46

F01KBSN 013392

BSE

Design for Clearing %

B 10/22/93

[illegible] 11/[illegible]/93

Part D. 2-151 BSC $\frac{51-8}{1-6}$

The bottom part of the General Services allocation is a breakdown of the BSC bill to BSE.

CONFIDENTIAL

$\frac{51-8}{1-6}$
1

4

40

THE WALTER LATHAM COMPANY [illegible]

$\frac{51-8}{1-2}$
1

BSE
Doc'n for Chang %

8/10/93
KW 11/4/93

ESPI

1

SUNLINK

Information provided on 8/18 for 1/92 thru 12/92

6 shows the % to be

In order to provide for customer, 8

8 increment to

51-8
1

CONFIDENTIAL

Reclass
By

51-8
1-7

41

BSE
Rev'w for Chainy ?
10/1/93
11/6/93

~~ES-8-2~~
Nectus
Rf

Date Prepared: 11/19/92
Prepared by: NB
Reviewed by: BCB

Sunlink
Summary of Unattributable Costs
12/31/92

PBC
PBC

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH AFFILIATES

SUNLINK
SUMMARY OF UNATTRIBUTABLE COSTS ALLOCATED TO PROJECTS
1992

4 TOTAL UNATTRIBUTABLE (A)

PROJECT #	DESCRIPTION	1/92	2/92	3/92	4/92	5/92	6/92	TOTAL	% TO TOTAL	ESTIMATED PERCENT CHARGING	WEIGHTED AVERAGE ESTIMATE
7 VARIOUS (B)	B'HAM WAREHOUSE										
8 VARIOUS (B)	J'VILLE WAREHOUSE										
9 VARIOUS (B)	ST. AUG. WAREHOUSE										
10 S10133 (C)	BSE CORP. SUPPORT										
11 S10135 (C)	BEAH										
12 S10154 (C)	BCI										
13 S10155 (C)	BCI										
14 S10156 (C)	BCI										
15 S10164 (C)	BCI										
16 S10166 (C)	BCI										
17 S10171 (C)	BCI										
18 TOTAL											

PERCENT CHARGING

SOURCE OF INFORMATION:

(A) FDC REPORTS. UNATTRIBUTABLE COSTS ARE INCLUDED IN COST TYPE 5.
BSE BILLINGS (MANAGEMENT FEE AND PROJECT BILLS) ARE INCLUDED IN UNATTRIBUTABLE COSTS.

(B) SEE SUMMARIES FROM WAREHOUSES FDC STUDIES

(C) SEE FDC REPORT FOR PROJECT INDICATED

26 Note: In order to provide a cushion for error, % will be increased to % higher than estimated) 51-F

CONFIDENTIAL

See 51-8 1-7 1A

28 Note: Sunlink billed BCS $ in 1992. The above s/s, which allocates unattributable costs to affiliates, does not include BCS. Per FDC study (see Sunlink binder) BCS' unattributable costs are only $[redacted]m (for 6 mo.) This

31 would have a significant impact on the above analysis. Waive further follow-up

51-8 1-7

Nectus Rf

3b42 ~~ES-1~~

40
41
42

1

7/92	8/92	9/92	10/92	11/92	12/92	TOTAL	% TO TOTAL	ESTIMATED PERCENT CHAINING	WEIGHTED AVERAGE ESTIMATE

4
5
6
7
8
9
10
11
12
13
14

15

COSTS.

or cushion of
increased to
an estimated)

PROPRIETARY

51-8
1-7
1A

BSE

Dec'n for Charging Ic [illegible]

R 10/6/93

KW 11/6/93

2-15

Part F. Servlink $\frac{51-8}{1-7}$ / 1

Asked for bills and/or invoices to back up the Servlink sheet for certain Projects -- G. Martin said the bills would be more than total here as these are only those ~~[illegible]~~ billed to unattributable cost pool. And these 9 accts are just a part of the whole. We do not have all amounts to add up the whole.

CONFIDENTIAL

$\frac{51-8}{1-2}$ / 2

46

THE WALL STREET ... COMPANY ... [illegible]

BSE

Dozim for Clairy To

R 10/22/93

yw 11/6/93

ESP

Nelson Rif

Date Prepared 11/11/92

Prepared by ... NA

Reviewed by ... KCB

BLS

EXECUTIVE SERVICES CHAINING ESTIMATE

10/12/92

E-1

PBC — PBC

CONFIDENTIAL

THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH ...

CONFIDENTIAL

EXECUTIVE SERVICES ...

1992

(A)	(B)	(C)	(D)	(E)	(F)=(D)x(E)
CHAINING AFFILIATE	COSTS ALLOCATED TO SUB	TOTAL EXEC. SVCS. COSTS	% OF TOTAL EXEC. SVCS EXP ALLOC TO SUB	PERCENT CHAINING	WEIGHTED AVERAGE ESTIMATED PERCENTAGE
8 LMB E					
9 BCCA					
10 BSERQ					
11 BSAN/BSIN					
12 TOTAL ESTIMATE OF BSE BILLS TO EXEC SERVICES CHAINING					

V - agreed to 6/30/92 YTD Interco. Trend Report

14 Note: In order to provide for cushion of error, % will be increased to

16 ? (~ higher than estimated)

A 1 30.21

51-8 / 1

A Although LMB provides services to BST at FDC, LMB does not include in its

19 FDC computation any affiliate billings.

X: agreed to schedule @ 30.21

①- estimate used for calculations

22 Note: Exec. Svcs. also bills BCS, ... Dollars less than COC. That amt. would not have a material impact on this analysis, thus CA does not take exception. (impact w/o < 3%)

Per rifs personnel 8/18/93 % is for all of 1992 & this is - incremental

per 8/18/93 rifs Sub on Summary 1.00% - Pass

See 51-8 / 1-8A

Nelson Rif

30.49 | 38P | 51-8 / 1-8 | 30.49 ... noted

47

... WALL ... COMPANY ...

PBC

1

[illegible]-Feb-92
10:25 AM

EXECUTIVE SERVICES CHAINING ESTIMATE
1992

(A) CHAINING AFFILIATE	(B) COSTS ALLOCATED TO SUB	(C) TOTAL EXEC. SVCS. COSTS	(D) % OF TOTAL EXEC. SVCS EXP ALLOC TO SUB	(E) PERCENT CHAINING	(F) = D x E WEIGHTED AVERAGE ESTIMATED PERCENTAGE
8 LMB 6 7		2			
9 [illegible]					
10 BSCHQ					
11 BSAT					
12 BSIN					
13 TOTAL ESTIMATE OF BSE BILLS TO EXEC SERVICES CHAINING					

(A) Although LMB provides services to BST & FDC, LMB does not include in its FDC computation any affiliate billings.

NOTE: In order to provide for a cushion of error, % will be increased to 9.% (2 % higher than estimated) A-1,1/2

20

PROPRIETARY

48

BSE
Decision for Clearing To
By 10/22/93
KW 11/6/93

ITEM NO. 2-097(8)
ATTACHMENT

PBC

1992 (000 omitted)

	Total Per Clearing Study	Project Billing	Management Fee	Total
8 BellSouth Corporation	X			
9 BellSouth Advertising & Publishing				
10 L.M. Berry				
11 Stevens Graphics				
12 BellSouth Information Systems				
13 Sunlink				
14 BellSouth Communications Inc.	X			
15 BellSouth Communications Systems	X			
16 BellSouth Financial Services				
17 BellSouth Advanced Networks				

add to 51-8

RECEIVED
AUG 9 1993
Florida Public Service Comm.
Miami, Florida

CONFIDENTIAL

PROPRIETARY

X = Does not agree w/ Clearing estimate study WP 58-1 Reconciled on 51-8/2-1

✓ = Agrees with Clearing Study

N = Agrees w/ 57-1 . Mgmt fee info

Items not marked w/ a N are not a sub of BSE.

F01K02W 000752

49

51-8/2

B 9/8/93
rev 11/6/93

BSE
Company Reconciliation of Project + Mgmt Fee per 2-097(8) + Charging Study 51-8/1

This is ESPI

2 097.8B

BSC HDQ
Per 2-097(8)

Per Charging Study 55-1/1

Diff

The Company says that the project billings are mostly from BSE HQ to BSC-HQ which are retained at BSC HQ. Only BSE HDQ potential for charging was included in this study. Reg 2-097.8B(1) also for div. See 51-8/2-1

BCI
Per 2-097(8)

Per 55-1/1 Charging Study

Diff

The Company says that to make sure the study had a consistent approach they included [illegible] their charges in addition to reg. charges (project) Reg 2-097.8B(2) also for div. See 51-8/2-1

BCS
Per 2-097(8)

Per Charging

Diff

BCS was transferred to BST on 1/1/92. Mgmt fees are billed one month in arrears. The Dec 1991 fee billed in Jan 92 was omitted from the 2-097(8) because of the transfer, evidently.
The charging is correct. PO

From ESPI
PO

51-8/2-1

CONFIDENTIAL

50

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 09/09/93
Item No. 2-097.8B(1)
Page 1 of 1

PBC

Request: Confidential request sent to Karen Kaetz directly. Re: BSE potential chaining. Please provide as much info as possible in Miami BSE Sub office or Miami BST office.

How did you determine that only 262,000 for project billing to BSC had potential chaining. Provide doc'n.

Response: The charges referenced in this request were billings from BSE to BSC for project ES6083. These expenses were charged to a departmental expense account which is subject to general cost allocation to the subsidiaries through the BSC-HQ Corporate Services Cost Allocation System. All other charges from BSE-HQ to BSC-HQ are charged to BellSouth retained projects which are not billed to any subsidiaries and, therefore, cannot be "chained" or have impact on BST operations or its regulated earnings.

CONFIDENTIAL

Date Provided: September 27, 1993

51

51-8
2-1

KW 11/6 RB 10/22/93

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 09/09/93
Item No. 2-097.BB(2)
Page 1 of 1

PBC

Request: Explain what the flow thru charges are for BCI and how they differ from project charges. Please provide as much info as possible in Miami BSE Sub office or Miami BST office.

Response: The transactions referenced concern BSE-HQ billing in January, 1992, for services performed during 1991 for BCI by BellSouth Education Services (BES). BES was dissolved at the end of 1991, with BSE absorbing the existing account balances.

Data Provided: September 27, 1993

52

BSE
Doc'n for Chaining To

B 10/22/93
MW 11/6/93

2-151
Chaining Study 51-8

Part A.

Showed up in the lead sheet for chaining study which included total Bill to affiliate for BSE HDQ for Proj & Mgmt Fee.
Traced the amounts billed in Total Column to "BSE InterCo Revenue Trend Rept as of 12/92". Agreed BAPCO, BIS, MCCA, Sunlink, BSAN, BSIN, Exec Services, BCI, BCS, & BSC. BSC differed, difference explained in answer to our Req No. 51-8/2-1.

51-8/2-1/3

CONFIDENTIAL

53

51-8/2-1/3

BSE
Reconciliation of I/S
from ESPI
2.097.8A

B 9/8/93
JW 11/6/93

Total Costs to be accounted for
Per C&L NP 43 A Reg 13
12/31/92 51-8 / 3-1 — 51-8 / 3-1

less Retired
(Per Gary Crue - Not Project Related
+ never considered for billing — 51-8 / 3-1
(*) 51-8 / 3-1 / 1

Total BSE Costs Billed Out
Per 51-8 / 1 — 51-8 / 1

Amount left
less Project Coded Retired Expenses)
per BSE in ESPI 2-097.8A — 51-8 / 3-2

Per Gary Crue this is difference
in FOC + Mgmt fee billing
see

(*) Per Reg 2-097.8A (1) staff asked
for a schedule detailing the retired
costs that equal above
The Company objected to this
answer

CONFIDENTIAL

From
ESPI 51-8 / 3

This Page has
ESPT info
on it

Income Statement Reconciliation
prepared by C+L

51-8
3-1

- KJ/6/9 R 10/22/93

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 09/09/93
Item No. 2-097.8A(1)
Page 1 of 1

PBC

Request: Confidential request sent to Karen Kaetz directly. Re: BSE retained costs. Please provide as much info as possible in Miami BSE Sub office or Miami BST office.

Response: BST asked BSE to provide the requested information. BSE has declined to provide the information as the expenses retained by BSE do not affect BST operations or its regulated earnings. Therefore, the Company objects to providing the requested information on the grounds that (1) the Company does not have possession, custody or control of such information, (2) the entity that is in possession of such documents is not subject to the jurisdiction of this commission, and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence (a) related to transactions or cost allocations among these companies, or (b) necessary to show that the Company's Florida customers do not subsidize either the Company's or its affiliates unregulated activities.

Conf. Request - Provide schedule detailing retained costs that equal ESPI as per C+L Workpaper 43.AC (Per Gary Greene there are retained costs that were never considered for billing) This is for all of 1992

FROM S1-8 / 3-1

Date Provided: September 27, 1993

CONFIDENTIAL

from ESPI

56

S1-8 / 3-1 / 1

BSE
Reconciliation of I/S
from ESPT
2,097.8A

51/8/73
KW 11/6/93

Project Coded Retained Exp.
Project Coded Billed Exp

Total Projects Coded per C&L 51-7/3-1

Project Coded Billed Exp
Mgmt Fee Billed

Sub

Additional items
Posson audit fee 2-097.8A

51-8/3

FDC billing study 51-8/3-1

51-7/1 51-8/3-1

Actual Mgmt fee billed

51-7/1

Difference

Less Project Coded that is retained

Per Gary Grace this is differ in FDC + Mgmt fee billed - Per Gary Grace These are potentially allowable but not billed - under mgmt fee - retain

CONFIDENTIAL

from ESPI 51-8/3-2

57

BCS 86-111
BSE-HQ Potential Chaining
12/31/92

Filename:BSECHAIN

PBC

The following are billings from BSE-HQ to affiliates who bill BST at FDC or less; hence, they are the only companies through which chaining can occur. The billings have been mulitplied by BSE's estimate of the % that would chain into regulation.

51-8
4-1

	Affiliate	000's FDC $ Billed	% Chaining	000's Potential $ Chaining
11	BellSouth Corp.	X ②		30.21
12	BAPCO	S $		
13	LMBerry			
14	Steven's Graphics			
15	BIS			
16	MCCA			
17	BSAN			
18	Sunlink			
19	BCS			
20	BCI			
21	Total			
22	BSEHQ Billings to all Affiliates			
23				
24	BSEHQ 1992 Operating Expenses			
25				

S: total Bills to BSC ×.25%
②
% of billing to BSC that relate to projects

51-1p4
30.21
- per client analysis

	FLUX ANALYSIS	1990	1991	1992
27	Costs Chaining as % of Total Costs Billed			
28	Costs Chaining as % of Total Oper. Expenses			

S - Source is FDC billing summary @ 30.20 30.2A
① As BCS is not included on client's analysis @ 30.21, C+L assumed 100%
③ Agreed to 1992 Y/E total affil. billings on BSEHQ interco trend report.
④ Agreed to FACTS schedule

Note: As our Y/E calculation of "BSE-HQ's affiliated billings that potentially chain" approximates the client's estimate as of 6/30/92, C+L waives further analysis.

CONFIDENTIAL

30.20A

✓ Agrees w/ BSE analysis
✗ Does not agree [illegible]

F01K02W 002833

Cont

58

BSE Chuck

Prepared by C&L

BLS 86-111
Chaining Analysis
12/31/92

Included in the annexed workpapers (30.20 to 30.53) is the BSE chaining analysis. The result of this analysis shows that
6 approximately ____ % or $____ of BSE's billed operating costs ultimately chain into regulation through subsequent affiliate billings at FDC. The analysis is a very conservative one in that whenever there was a doubt as to what amount chained, it was assumed that the maximum chained.

The purpose of this analysis is to estimate the amount of BSE's
12 billings that flow through to regulation. The result, ____ %, is used in situations where it is determined that an affiliate has overbilled BSE. The above factor is applied to the total amount of overbillings to determine the amount of the overbillings that eventually chain into regulation. If an overbilling would potentially chain ____ into regulation, then refunds would be necessary.

CONFIDENTIAL

F01K02W 002832

30.19

See ATT- General for 30.1-16

Conf

BSE

Ks 10/22/93

Dew 11/6/93

60

✓ = Agrees with PSC staff analysis

X = Does not agree w/ PSC staff analysis

O = Not included in PSC staff analysis because no change.

51-8/4

KW 1/6/93
p4

TITLE: BSE -- DETERMINATION OF POTENTIAL CHAINING
PERIOD: TYE 12/31/92

PREPARED BY CSL
SCHEDULE 2 TO DISLCOSURE NO. -------

WP 7-

BELLSOUTH ENTERPRISES GROUP

	AMOUNTS BILLED TO BST 9 states 1992 TOTAL	AMOUNTS BILLED BY BSE FOR PROJ AND MGMT FEE TO AFFIL (51-8/4)	1992 CHAINING % AS CALC BY BSE (51-8/4)	ESTIMATED CHAINING POT. (51-8/4)
(1) CORPORATE AND ENTERPRISE GROUP				
Sunlink Corp.	3,269,678			
(1)CSL CHASTAIN	694,717			
(2)CSL B'HAM	9,557,626			
Bellsouth Information Systems (BIS)	3,865,357			
(2) MOBILE SYSTEMS GROUP				
Mobile Communications Corp or America and affiliates. MCCA	2,249,518			
(3) ADVERTISING AND PUBLISHING GROUP				
BAPCO	4,416,365			
(4) INTERNATIONAL AND CORPORATE AND DEVELOPMENT GROUP				
BSAM	101,083			
BSIH	0			
EXEC SERVICES	0			
BSC	99,766,526			
BCI	209,991,149			
BCS	236,217			
		==============		==============

Potential Chaining of BSE HQ billing to all Affiliates

See 51-8 p4

Potential Chaining to States 51-8/4-2

51-8/4-1

61

THOMAS LATHAM COMPANY

Southern Bell Tel. Co.
Docket 920260
For the 12 Months ended 12/31/92
Effect of Chaining from Affiliated Companies to BST

	A	B	C	D	E	F	G	H	I	J
Affiliate	Amount	FL	GA	NC	SC	ALA	KY	LA	MISS	TENN
BellSouth Corporation	629,000	164,421	108,691	60,510	40,508	53,276	30,947	62,586	36,797	71,266
BellSouth Information Systems	490,000	128,086	84,672	47,138	31,556	41,503	24,108	48,755	28,665	55,517
BellSouth Communications, Inc.	141,000	36,857	24,365	13,564	9,080	11,943	6,937	14,030	8,249	15,975
Sunlink	137,000	35,812	23,674	13,179	8,823	11,604	6,740	13,632	8,015	15,522
BellSouth Adverising and Publishing Corp.	111,000	29,015	19,181	10,678	7,148	9,402	5,461	11,045	6,494	12,576
Mobile Communications Corp. of America	91,000	23,787	15,725	8,754	5,860	7,708	4,477	9,055	5,324	10,310
BellSouth Communications Systems	58,000	15,161	10,022	5,580	3,735	4,913	2,854	5,771	3,393	6,571
BellSouth Advanced Networks	46,000	12,024	7,949	4,425	2,962	3,896	2,263	4,577	2,691	5,212
Total	1,703,000	445,164	294,278	163,829	109,673	144,244	83,788	169,449	99,626	192,950
Per Cent Allocation per General Allocater		0.2614	0.1728	0.0962	0.0644	0.0847	0.0492	0.0995	0.0585	0.1133

(From WP 44-1 page 2)

Reasoning for using general allocator:
Time limit precluded us from tracing to which accounts for BST these amounts were booked. (or whether we would even be able to do this)
Instead of using the % allocated $ to the States for each specific accounts, the general allocator was used to estimate an amount for each state.

(The general allocator takes into account 4 different components which are 1) access lines, 2) Salaries + wages 3) construction expenditures and 4) access line activity.

Rg 11/7/93

63

5-8 / 1-2

38

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/29/93
Amended Response
Item No. 2-151

Request: Re: BSE

This request contains both confidential and ESPI information and is sent directly to Karen Kaetz. It has the following parts:

A. Total chaining study;
B. BAPCO chaining;
C. MCCA chaining;
D. BSC chaining;
E. BST chaining;
F. Sunlink chaining;
G. BIS chaining;
H. BSAN, BSIN chaining.

Please provide as much info as possible in Miami BSE Sub office or Miami BST office.

Response: The Company amends its response of October 15, 1993 as follows:

A.2. See response to Item 3-098 dated October 7, 1993 for the 1992 balance sheet and income statement for BIS.

See response to Item 5-033 dated August 6, 1993 for the 1992 BSC annual report which includes balance sheet and income statement information.

The Company asked BSE to provide the 1992 balance sheets and income statements for MCCA, Sunlink and BSAN. BSE declines to provide the requested information. Therefore, the Company objects to providing the requested information on the grounds that (1) the Company does not have possession, custody or control of such information, (2) the entity that is in possession of such documents is not subject to the jurisdiction of this commission and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence (a) related to transactions or cost allocations among these companies or (b) necessary to know that Southern Bell's Florida customers do not subsidize either Southern Bell or its affiliates' unregulated activities.

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 06/29/93
Amended Response
Item No. 2-151

Response Continued:

D.1. Copies of the BST bills to BSHQ, BBS and BSE for January, March, and May, 1992 are being sent in the overnight mail on October 28, 1993. BSS, SB, SCB and BSHRA were not in existence in 1992.

Answer came back from BST - But I really meant BSC - I had a conversation with Karen where I told her it was BSC. However, I did not put this in writing.

Date Provided: October 28, 1993

BSE

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/29/93
Item No. 2-151

Request: Re: BSE

This request contains both confidential and ESPI information and is sent directly to Karen Kaetz. It has the following parts:

A. Total chaining study;
B. BAPCO chaining;
C. MCCA chaining;
D. BSC chaining;
E. BST chaining;
F. Sunlink chaining;
G. BIS chaining;
H. BSAN, BSIN chaining.

Please provide as much info as possible in Miami BSE Sub office or Miami BST office.

Response: A.1. A copy of the December 31, 1992 Intercompany Revenue Trend Report was made available for review during the interview of Malice Whatley on October 5, 1993 in Atlanta, Georgia. As a result, copies of the requested invoices are no longer required.

did not withdraw X

A.2. During the interview of Malice Whatley on October 5, 1993, supporting documentation was provided for the auditors' review which explained the Potential Chaining Study. As a result, copies of the requested financial statements are no longer required.

B. The requested information was provided for review and was explained during the interview of Malice Whatley on October 5, 1993.

C.1. During the interview of Malice Whatley on October 5, 1993, supporting documentation was provided for review which explained the MCCA chaining amount. As a result, copies of bills are no longer required.

C.2. As a result of the interviews of Malice Whatley on October 5, 1993, the auditor agreed to withdraw this request.

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/29/93
Item No. 2-151
Page 2 of 3

Response Continued:

C.3. During the interview of Malice Whatley on October 5, 1993, supporting documentation was provided for review which explained the MCCA chaining amount. As a result, copies of the bills are no longer required.

D.1. During the interview of Malice Whatley on October 5, 1993, supporting documentation was provided for review which explained the BSC chaining amount. As a result, copies of the bills are no longer required.

deal not withdrawn changed to May 92 one month

D.2. The information contained on C&L Workpaper, Bates Number F01K02W002822 was explained to the auditor during the interview of Malice Whatley on October 5, 1993.

E.1. Documentation supporting the "percentage of total BCI expenses allocated to subsidiaries" was provided for the auditors' review during the interview of Malice Whatley on October 5, 1993.

E.2. As a result of the interview of Malice Whatley on October 5, 1993, the auditor agreed to withdraw this request.

E.3. As a result of the interview of Malice Whatley on October 5, 1993, the auditor agreed to withdraw this request.

F.1. As a result of the interview of Malice Whatley on October 5, 1993, the auditor agreed to withdraw this request.

G.1. As a result of the interview of Malice Whatley on October 5, 1993, the auditor agreed to withdraw this request.

G.2. As a result of the interview of Malice Whatley on October 5, 1993, the auditor agreed to withdraw this request.

Continued Response:

H.1. The Company does not have possession of the income statements and balance sheets for BSAN and BSIN for December 31, 1992. The Company has requested BSE to provide the information and has been refused. Therefore, the Company objects to providing the requested information on the grounds that (1) the Company does not have possession, custody or control of such information, (2) the entity that is in possession of such documents is not subject to the jurisdiction of this commission and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence, (a) related to transactions or cost allocations among these companies or (b) necessary to show that Southern Bell's Florida customers do not subsidize either Southern Bell's or its affiliates' unregulated activities.

Date Provided: October 15, 1993

Status of Requests 51-B

2-151

A. 1 Instead of providing invoices Co showed up BSE Revenue Trend Report for 1992. We could not copy any of the # from the report nor could we take possession. ~~This~~ The Company says this is part of the info on appeal. 10/5/92 Atlanta

A. 2 Pending

B. Company ~~provided~~ showed Some Doc... 10/5/92 Atlanta
We could not copy any of the # from the info supplied nor could we take possession. The Company says this part of the info is on appeal.

C. 1. Instead of bills Company provided BSE trend reports + Mobile 1992 EOC Calculation for viewing only - Same as B above
2. Requests access to BST books
Cancel
3. Showed Revenue trend reports instead of bills O.K. 10/5/92 in Atlanta

D. Part I - Pending
Part 2 - Answer received in Atlanta - Verbal 10/5/92

Chaining

CONFIDENTIAL Requests

Confidential

Not on Mast #4

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

TO: KAREN KAETZ

FRom: Ruth YOUNG

2-151 GIVE THIS REQUEST A NEW NUMBER. Note A

2-000?THE SOURCE OF THESE QUESTIONS COMES FROM THE ESPI INFORMATION PROVIDED TO US BY MALICE WHATLEY IN THE EXPLANATION OF THE POTENTIAL CHAINING STUDY.

[illegible] gone

A. 1. THE LEAD PAGE OF THE CHAINING STUDY INCLUDES AMOUNTS THAT BSE SUBS AND OTHER AFFILIATES WERE BILLED FOR MANAGEMENT FEE AND PROJECT FEES FOR 1992.

AS WE CANNOT CONFIRM THIS THROUGH THE REVENUE TREND REPORT, BECAUSE YOU OBJECTED TO PROVIDING IN '2-097-14, PROVIDE THE ~~TOTAL~~ INVOICES BSE BILLED TO: BAPCO SUNLINK
MCCA BSAN
BIS BSC

for both management fees and project fees for 1992. The INVOICES SHOULD COME FROM THE ENTITY THAT WAS BILLED.
See below for A.2

See NOTES

B. BABCO CHAINING %

25 ESPI

Provide BAPCO income statement for 9/30/92 which shows that G&A expenses were the amount used in the chaining study. Provide backup documentation on how BAPCO came up with $320,289 in charges that were billed AT FDC as of 9/30/92.

A.2. Provide copies of Balance Sheet and Income Statements for MCCA, BIS, SUNLINK, BSAN + BSC for 12/31/92.
Provide B/S for BIS in 3-098, BSC in 5-033 objected to resp MCCA - Sunlink, BSAN

Pending

Note A: For all these requests; Please provide [illegible] info [illegible] possible in Miami BSE [illegible] office [illegible] Miami BST Office.

70

Pg

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

Confidential

GIVE THIS REQUEST A NEW NUMBER.

2-000?THE SOURCE OF THESE QUESTIONS COMES FROM THE ESPI INFORMATION PROVIDED TO US BY MALICE WHATLEY IN THE EXPLANATION OF THE POTENTIAL CHAINING STUDY.

C. MCCA CHAINING

BST will provide

1. Provide to bills for January through June 1992 which show the amounts MCCA billed BST for Rental Only Units and Agency agreements. These amounts should agree with the amounts used in Malice Whatley's chaining study. If not, reconcile.

Got BST books

2. Provide access to BST books to ~~who~~ determine what BST booked for January thru June 1992 for these charges. We would not see if looked at BST

3. Provide the bills from BSE to MCCA for January thru June 1992. Provide access to either MCCA books or BSE books to show how much was billed to MCCA or billed from BSE to MCCA. Showed Revenue Trend Report.

D. BELLSOUTH CORP. CHAINING

BST bills Teresa advising

1. Provide ~~BST~~ BSC bills to BSHQ, BBS, BSS, BSRA, SB, SCB, BST, AND BSE FOR MONTHS OF ~~JAN 92~~, MARCH 92, ~~AND MAY 92~~. Pending

2. C&L WORKPAPER BATES NUMBER F01K02W 002822 INCLUDES TWO BSC TYPES OF ALLOCATIONS. GENERAL SERVICE ALLOCATIONS ON TOP AND ENTERPRISE ONLY/ENT & OF TOTAL ON BOTTOM.

Is the top part a total of all bills from BSC to affiliated companies at FDC? Or is it all bills from BSC to all affiliates at FDC, tariff, and previling, etc.?

Answer came back from BST — but we really wanted BSC Had a conversation w/ Karen when I said BSC but never put in writing.

Pg 2 of 4

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

Confidential

GIVE THIS REQUEST A NEW NUMBER.

2-000?THE SOURCE OF THESE QUESTIONS COMES FROM THE ESPI INFORMATION PROVIDED TO US BY MALICE WHATLEY IN THE EXPLANATION OF THE POTENTIAL CHAINING STUDY.

E. BCI CHAINING - Re: ESPI Info provided in Chaining Study by Malice Whatley

1. Provide documentation for how Column (B) % of total BCI expenses allocated to Subs was arrived at.
   - 14 BST -
   - 15 BSE
   - 16 MCCA
   - 17 BSAN

2. List the $ amount of BCI expenses allocated to the above subs.

Consulted 3. Provide documentation from BCI showing these amounts

F. SUNLINK CHAINING

Consol

1. RE: CHAINING STUDY, FROM C&I WORKPAPER ESPI 30.42.
Provide invoices from SUNLINK TO BCI (FROM BCI) OF HOW MUCH SUNLINK BILLED BCI FOR THE FOLLOWING PROJECTS IN THE FOLLOWING MONTHS.

S10155 BCI	MARCH 92	- Total bill now BSE → Sunlink billed to Unsettled Cost pool.
S10164 BCI	APR AND JUNE 92	
S10171 BCI	JUNE 92	back up is monthly FDC report

GT would send next with response

2. PROVIDE THE INVOICES FROM SUNLINK TO WHOEVER THEY BILLED FOR THE JACKSONBILLE WAREHOUSE FOR THE MONTHS OF JAN AND MARCH 92.

Consol Same as 1 above

Pg 39

Confidential

COMPANY: BSE
TITLE: CHAINING ESTIMATE BY BSE
PERIOD: TYE 12/31/92
DATE: SEPTEMBER 3, 1993
AUDITOR: RKY

GIVE THIS REQUEST A NEW NUMBER.

2-0007THE SOURCE OF THESE QUESTIONS COMES FROM THE ESPI INFORMATION PROVIDED TO US BY MALICE WHATLEY IN THE EXPLANATION OF THE POTENTIAL CHAINING STUDY.

G. BIS CHAINING

1. PROVIDE all INVOICES from BIS BILLED TO: BSHQ; BST; BSE; BCI.
Invoices not going to help

FOR THE TIME PERIOD 1992.

Cost basis.
Billing basis

~~2. Provide access to BIS G/L & Income statements for the time period 1992~~

2. Provide access to BIS G/L & copies of Income Statements & Balance for 12/31/92

Just moved to BBS H. 1. Provide Copies of Income Statements & Balance Sheets for BSAN, BSIN for 12/31/92

Pending

Kw
R4

8-5/8

COMPANY: BSE
TITLE: SUMMARY OF WORK PERFORMED, OUTSTANDING ITEMS, ISSUES FOR AUDIT REPORT
DATE: SEPTEMBER 28, 1993
AUDITOR: RKY

TYPES OF EXPENSES ON BSE BOOKS

I.
Part of the audit program includes a determination ofthe types of charges that are expenses of BSE that make up the management fee. These are either external charges being billed to BSE or internally generated charges by BSE.

The objective of this determination was to see if they are costs that are externally or internally generated to BSE that would not be allowed for state ratemaking. Also, for amounts billed to BSE from alliliates, do the affiliates follow the CAM, i.e., tariff, prevailing market rate, or FDC.

SCOPE LIMITATION

We cannot determine the specific types of costs that BSE is incurring and if they are proper for ratemaking because BST has objected to providing answers to our requests that would facilite the selection of a sample of expense items.

The Company has objected to our requests 2-097 (1)(2)(3)(4)and (5). These items are: BSE Financial statements as of 12/31/92; BSE Cumulative General Ledger as of 12/31/92; BSE Cumulative Transaction Ledger as of 12/31/92; BSE Chart of account of general ledger; and a printout of all disbursements over $50,000 during 1992.

Because of this we have no idea of the types of expenses in BSE's FDC calculation to determine if BSE was billing at FDC or less.

Confidential

51-9
Pg 1

COMPANY: BSE
TITLE: SUMMARY OF WORK PERFORMED, OUTSTANDING ITEMS, ISSUES FOR AUDIT REPORT
DATE: SEPTEMBER 28, 1993
AUDITOR: RKY

II.

51-4 Internal Audit B21-23-39-A-S, OCTOBER, 1992 OFFICER EXEPNSE REVIEW -- BSE ALL DEPARTMENTS wp 54-4/1

A. According to the above internal audit,

According to the Internal Audit

PSC staff submitted the following requests 2-130.A.1,2 AND 3.

How many executives at BSE take advantage of this financial counseling? List the amounts paid separately to C&L, AYCO Corp and Creative Financial Group for the year 1992.

Are these charges that are considered wages and subject to FICA, FUTA and income tax witholding allocated as part of the management fee to BSE subs? If so, how much in 1992 to each sub?

Provide copy of BSC Financial Counseling Plan effective 1992.

The company asked BSE to provide this information and BSE stated that there were 15 officers in BSE and its subs who participated during 1992. BSE "... declined to provide the amounts paid to the three approved suppliers." This objection was based upon the fact that Southern Bell does not have possession or custody of the nformation, BSE is not subject to the jurisdiction of the commission, and the information is not relevant.

The answer to the request also stated that the Management fee that BSE charges to its affiliates is not an allocation of BSE-HQ actual costs. It is on a fee based formula. They concluded from this that none or the exepnses are allocate to the BSE subs.

SCOPE LIMITATION

In order to determine if BSE is billing at FDC or less, BSE performed certain calcultions and allocated certain expenses to come up with FDC and compared that to the management fee. As we could not audit the specific type of costs and determine the specific amounts, we cannot determine whether this was included in the FDC calculation, whether it would make an impact on the FDC calcualtion, and whether it is reasonable for ratemaking.

76

CONFIDENTIAL

51-9 & 2

COMPANY: BSE
TITLE: SUMMARY OF WORK PERFORMED, OUTSTANDING ITEMS, ISSUES FOR AUDIT REPORT
DATE: SEPTEMBER 28, 1993
AUDITOR: RKY

The company did provide with a copy of the plan.

II. B.

According to the above internal audit,

Information in the Internal Audit stat

PSC staff submitted the following requests 2-130.b.4

What is the Research Study for? What expenses were incurred in 1992 by BSE employees for this research study? How were these expenses handled? Were these allocated as part of the BSE management fee? Is so, how much in 1992 to each sub?

The Company says that only one employee participates in this study which involves a very small population of individuals who have a rare disease, and the expense is maintained at the BSE sub level.

SCOPE LIMITATION

Without access to the Financial Records as stated above, we cannot determine if in fact the expense is maintained at the BSE sub level.

III. C.

According to the Internal Audit stated above,

PSC staff submitted the following requests 2-130.C.5.

CONFIDENTIAL

51-9
p3

COMPANY: BSE
TITLE: SUMMARY OF WORK PERFORMED, OUTSTANDING ITEMS, ISSUES FOR AUDIT REPORT
DATE: SEPTEMBER 28, 1993
AUDITOR: RKY

Provide a list of all spouses that were paid for in 1992 and the amounts and reasons for travel. How were these expenses handled? Were these allocated as part of the BSE management fee? Is so, how much in 1992 to each sub?

SCOPE LIMITATION

The company stated that BSE tracks the cost of any spousal expenses for retention by BSE-HDQ. BSE declined to provide the requested list of expenses and objected on the same basis as above.

CONFIDENTIAL

51-9
p4

KW 11/6/93

51-9

CONFIDENTIAL

Documentation Questionnaire + Matrices

8/9/93
JW 11/6/93

Source:	BSE FO AD010	Doc'm Look		Matrices Included	FDC Questionnaire included	
Company	Description of Service					
BAPCo	1) SCB - Services			Yes	Yes/w explanation of FDC calc	371504.33
	1) Directory Assistance Data Base M'ment (deleted from CAM 4/3/92)					
	2) Official PAX Directories			Yes	Yes/w explanation of FDC calc	—
	3) BST Adv + Design Service Other affiliates			Yes	Yes w/ explanation of FDC calc	339613.33
	Adv + Design			Yes		61798 [illegible]
	4) BST Sales + Storage of Foreign Directories including extended area			Yes	Detailed [illegible] Assembly [illegible] directly from Stevens Graphics Foreign Storage not billed directly to SB - [illegible] billing Foreign Directories billing from Stevens Graphics	3546138.21
	5) BST Excess Postage + Delivery Charge			Yes	Various 3rd Party Invoices paid by BAPCo	613310.62
	6) BST Custom Covers			Yes	Billing from Stevens Graphics for Custom Covers	782867
	7) Many affiliates Promotional [illegible]			Yes	Not at FDC at AMR	11808.80

80

Per Matrices -
Total BAPCo Rev

Revenue Non affil		1630623.90
Rev affil	BST	4939565.06
	BSC	459154.29
	BSE	
	[illegible]	96014.6C

[illegible]

8591? Pg 1

BSE by 9/8/93

CONFIDENTIAL

[illegible] Matures

Source: BSE JCO Docum
AD010 book

Company	Description of Service	Mature Included	FDC Quant. included	
BIS	Maintenance of Job		Yes - not	BSC
	Bank - Cost to BSC	yes	billed at FDC	27918
			flat fee [illegible] monthly	
			[illegible] of the [illegible] FDC	Total bill to affil. @ FDC
	Time Share Data Processing	yes		
	All affiliate Customers		Billed at	48608 781
	including BST		FDC plus estimated	
	Billed to BST		return each	
	BSC		month	
	F-WS		If bills exceed FDC	
	BSDC		aft study, refund	
	BS Int'l		made.	
	MCCA		If actual bills differ	
	LM Berry		than FDC diff	
	TechSouth		not billed	
	BSAN			
	BFS			
	BCI			
	BAPCO			
	Cellular			
	Sunlink			
	BSE			
	Access to Office		No system in place	
	Automation		for FDC	
	Billed to BSC		study performed	
	MCCA		semi annual to	
	BSAN		see if FDC	
	BSE		T/A audit study	
			If bills exceed	
	not to BST due		FDC after study	
	Access to Mainframe environment		refund made	
			If actual bills	
			less than FDC no	
			bill to affiliate	

51-10
1

81

Pg 2

BSE B 9/8/93

TCO Docs
Questionnaire & Matrix

CONFIDENTIAL

Company	Description of Service		Matrix Included	FDC Quest Included
B/S Continental	Consulting		Yes	No
		BSC FDC		
		BS Int'l		
		Stevens Graph		
		MCCA		
		LM Berry		
		Tech South		
		BCI		
		BAPCO		
		BYN		
		WWN		
		Intell Media		
		Intell Messaging		
		BSE		
		BS MKT Ing		
		→ Non Affil. NP		
		RAM Mobile FDC		

82

SB-10

from ESP 3

BSE

Pg 9/8/93

CONFIDENTIAL

Documentation

Matrices

Source: BSE SEO Docs AD010 Book		Matrix Included	FOC Quest Included
Company	Description Newer		
BSAN	Enhanced Network Service Sales + MGT of Public [illegible]	No	Market Priced
	Electronic Mail Electronic Messaging	No	Market Based Prices
	RFC Consolidator (System Integration + Support)	No	FOC in place as of 1/30/92 See Chain Study for confirmation

83

ESBI 5-10 1 18

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

KW 11/6/93

WP NO. 51-10

AD 005 - EFFECTIVE 1/91 - REVISED AUGUST 1991.

APPLICATION OF THE JCO TO BSE, INC AND SUBS.
SEE WP ALSO

AD 5
2.02-- all affiliates of BSE are affected by the JCO. Where BSE owns less than 100%, if BSE can exercise influence than affected by Jco.

2.03 Rules also apply to transactions between nonreg affiliates if the costs associated with these transactions are subsedquently transferred, in whole or in part , to the regulated carrkier through transactions with nonreg affiliates. Such transactions are referred to as chaining.

5.01 CHAINING TRANSACTIONS

JCO rules will apply if transactions between non reg affiliates are passed ultimately into regulation. Thsese are chaining transactions defined as follows:

"When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service from another nonregulated affiliate."

5.02 BSE requires that all interco transactions comply with the JCO because costs that are included in a chaining transaction that are several layers removed from the ultimate destination can be difficult to identify.

6.01 IMPLEMENTATION

Following the JCO is the primary responsibiity of the Chief Financial Officer of each BSE sub.

7.01 COMPLIANCE COORDINATOR

BSE Comptrollers has a JCO Compliance Coordinator available on its Financial Accounting Matters staff to assist each BSE sub in resolving issues.

CONFIDENTIAL

51-10
2

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-10

AD 007 - EFFECTIVE JAN 1992 - REV ISED AUGIST 1991

SEE WP ALSO

MARKET BASED PRICING OF SERVICES UNDER THE JCO

THIS DIRECTIVE IS TO MAKE SURE ALL COMPANIES COMPLY WITH JCO AND PROVIDE ADDITIONAL GUIDANCE IN ESTABLISHING A MARKET RATE.

2.01 This section defined prevailing market rate; and 2.02 includes may questions that are asked to determine if an adequate market rate exists.

3.01 This sections explaines how to establish an outside market and the documentation necessary to estabish an outside market.

4.01 Discussed Third Party Sales -- must be to independent party unrelated to BSC.

5.01 Dedicated Services -- Must be investigated to insure that these services are provided to outside parties and are similar enough to constitute an adequate market.

6.01 Contractual Arrangments. Contracts may differ as a result of services provided and therefore pricing differences. "In order to establish an outside market, BSE companies must be ablve to show that contracts with affiliates areprices according to similar contracts with outside parties". This may require producing evidence.

7.01 Competitive Bidding. FCC declined to amend the JCO for competitive bid prices. see AD 007 FOR DISCUSSION.

CONFIDENTIAL

51-10
2

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-10

AD 008 - effective JAN 1991- REVISED AUGUST 1991.

ALSO SEE WP NO _____-

1.01 AND 1.02 -- If no prevailing market price exists, the price charged to regulated is FDC.

DETERMINING FDC

2.01 talks about cost apportionment based on cost-causative measures.
2.02 and 2.03 discuss the Cost Pools.

3.01 talks about the general allocator-- how unatrributable costs are apportioned to reg and nonreg.

3.02 "The only costs subject to the allocation of unattributable costs should be true internally-generated costs."

There is the General Allocator and the Marketing Allocator. This section discusses both.

4.01 Determining Appropriate Apportionment Factors

"When costs cannot be directly assigned, they must be grouped into homogenous cost pools and apportined based on some apportionment factor. Selecting an appropriate apportionment base is important to the accurate allocation of costs."

FCC specifically says revenues cannot be used as an apportionment base.

5.01 *Variances from* FDC

The JCO states that if market rate is not available BSE subs (nonreg affiliates) must charge at FDC to regulated utilities. BELLSOUTH" has decided that charging at less than FDC is ok if the nonreg affiliates has procuderes in place to be ablve to prove that charges do not exceed FDC. "This includes apportionment of all costs as prescribed by the JCO with all supporting documentation." If the nonaffiliate charges less than FDC, they must still have all supporting documentation stated in the JCO.

CONFIDENTIAL

51-10/2

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-10

Also the sub must obtain approval from the JCO Compliance Coordinator in BSE Comptrollers.

Nonreg affiliates cannot exceed FDC. if so must refund.

7.01 Rate of Return Requirements.

FCC authorized return effective 1/1/91 is 11.25% after tax basis and 15.76% on pretax basis. This AD describes how came up with authorized return, how to apportion net investment to get to billable return, how to accumulate total costs and determine billable taxes.

10.01 The ROR must not exceed the authorized amount. True ups should be made and overearnings refunded.

11.01 talks about appropriate method of apportioning excess capacity costs or R&D exepnses. These issues are addressed on a case by case basis.

AD 009 APPORTIONMENT OF INDIRECTLY ATTRIBUTABLE COSTS UNDER THE JCO.

SEE WP NO

CONFIDENTIAL

51-10
2

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-10

AD 0010 JOINT COST ORDER DOCUMENTATION REQUIREMENTS.

ALSO SEE WP NO.
1.01 To be sure the transactions with reg affiliates and chaining transactions follow the JCO and CAM, each BSE sub "must have appropriate documentation toSupport the pricing methodology used". "This documejntation is subject to audit by BellSouth Internal Audit, exernal auditors, state commissions, FCC auditors, and other regulatory entities for JCO compliance."

Each sub must have the following documentation:
1. Initial transaction approval (if after 9/1/90)
2. General Documentation
3. Specific Documentation.

The general documentation consists of three questionnaires, One for Market based Pricing(updated semiannually), FDC Pricing(updated semiannually), and a comprehensive Service Information Matrix (updated quarterly.

Specific Documentation for affiliates using market based pricing are copies of invoices to the reg entities, copies of invoices to nonaffiliate, and recent copy of price lists, and listing of customers in which nonreg affiliate provides a similar service to ensure adequate outside market. This is not limited.

Specific Documentation for affiliates using FDC is FDC system output supporting cost allocations, employee time reports, support for all directly assigned or attributed costs, such as vouchers, support for comuptation of allowable return, and FDC studies, if available.

Where subs bill a flat rate each month instead of FDC, subs must ensure not more than FDC. If more than FDC,. need to refund.

4.01 Documentation submitted with bills.

BST will be required to demonstrate compliance with FDC during rate proceedings. "The audit trail requirements include chaining transactions, which would require BST Comptrollers to obtain, from nonregulated affilaites, the detail of each transaction in the chain from the nonregulated affiliate dealing directly with BST and from any other nonreg affiliates involved in the progression of the transaction."

AD 022 DOCUMENTATION REQUIREMENTS FOR AFFILIATE TRANSACTION APPROVAL.

SEE WP NO.

CONFIDENTIAL

51-10/2

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 005
Revised: Aug. 1991
Effective: Jan. 1991

PBC all pages

ISSUE: Application of the Joint Cost Order to BellSouth Enterprises, Inc. and Subsidiaries

STATUS: Revised

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn Carlson (404) 249-4238

BellSouth Enterprises Accounting Directive 005 is revised effective January 1, 1991 to require that all intercompany transactions comply with the Joint Cost Order.

RECOMMENDED:

Dawn P. Carlson
Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox
Jennifer M. Fox
Operations Manager

APPROVED:

Bill Brever
B. R. Brever
Assistant Vice President
& Comptroller

CONFIDENTIAL all pages

51-10
3

APPLICATION OF THE JOINT COST ORDER TO BELLSOUTH ENTERPRISES, INC. AND SUBSIDIARIES

Introduction

1.01 On February 6, 1987, the Federal Communications Commission (FCC) released the Report and Order on Joint and Common Costs (JCO), CC Docket No. 86-111. In general, the JCO, as amended by the Order on Reconsideration released October 16, 1987, prescribes cost allocations standards that a regulated carrier must use to separate costs between regulated and nonregulated activities when its resources are jointly used to provide nonregulated products or services. The JCO also prescribes certain affiliated transaction requirements for the regulated carrier in dealing with its nonregulated affiliates. The affiliated transaction rules are contained in Section 32.27 of the FCC Part 32 rules.

Scope

2.01 The Section 32.27 rules apply to all transactions which involve the transfer of assets, products, or services between regulated carriers and nonregulated affiliates. Affiliates are defined as follows:

> Business entities, regardless of legal form, that directly or indirectly control, through one or more intermediaries, or are controlled by, or are under common control with the accounting company.

2.02 Therefore, all affiliates of BellSouth Enterprises (BSE) are affected by the JCO, whether these affiliates take the form of corporations,partnerships, or joint venture interests. Additionally, affiliates in which BSE owns less than 100% are also affected by these rules if BSE can exercise control over or significantly influence these entities.

2.03 The rules also apply to transactions between nonregulated affiliates if the costs associated with these transactions are subsequently transferred, in whole or in part, to the regulated carrier through transactions with nonregulated affiliates. Such transactions are referred to as chaining transactions (see 5.01 to 5.03). Because it is sometimes difficult to determine if costs could eventually chain into regulation, effective 9/1/90 BellSouth Enterprises implemented a new policy requiring that all intercompany transactions comply with the provisions of the JCO (BellSouth Policy Manual, Section 6, Paragraph 2). Accounting Directive 022 provides guidance in implementing this new policy.

2.04 The FCC's ultimate goal in the JCO is to ensure that ratepayers pay just and reasonable rates for telephone service. The achievement of this goal requires guarding against cross-subsidy of nonregulated ventures by regulated services.

Pricing Hierarchy: Sales of Products, Supplies, or Services

3.01 The FCC set forth the following pricing hierarchy when pricing products, supplies, or services from the nonregulated affiliates to the regulated entities:

* The nonregulated affiliate must price products, supplies, or services sold to the regulated entities using the prevailing market rate, if one exists. The prevailing market rate is defined as the price charged to nonaffiliates for the same goods or services.

* If no prevailing market rate exists, the price charged to the regulated affiliate must be based on the JCO fully distributed costing standards.

3.02 The regulated entities must use the same pricing hierarchy as stated in paragraph 3.01 when selling products, supplies, or services to the nonregulated affiliates except that a tariff rate must be used first if such a rate exists.

3.03 The following Accounting Directives provide detail guidance on applying the JCO rules to the sales of products, supplies, or services:

No. 007, Market Based Pricing of Services Under the Joint Cost Order

No. 008, Application of Fully Distributed Costing Under the Joint Cost Order

No. 009, Apportionment of Indirectly Attributable Costs Under the Joint Cost Order

Pricing Hierarchy: Asset Transfers

4.01 The FCC set forth the following pricing hierarchy when pricing asset transfers between regulated and nonregulated affiliates:

- Asset transfers should be priced at a tariff rate if such a rate exists.

- Absent a tariff rate, asset transfers should be priced using a prevailing price list held out to the general public in the normal course of business if such a price list is available and if actual sales have been made to third parties. The prevailing price list must be that of the selling affiliate, not that of competing vendors. The selling affiliate must be able to prove that actual bona fide third party sales were made based on the price list.

- If no actual bona fide third party sales have been made to substantiate a prevailing market rate, transfers of assets from the nonregulated affiliates to the regulated affiliates must be priced at the LOWER of net book value or estimated fair market value. However, asset transfers from the regulated affiliates to the nonregulated affiliates must be priced at the HIGHER of net book value or estimated fair market value.

4.02 Accounting Directive No. 006, Joint Cost Order Requirements for Asset Transfers, provides detail guidance on applying the JCO rules to asset transfers between the regulated and nonregulated affiliates.

Chaining Transactions

5.01 Although the FCC does not govern transactions between nonregulated affiliates, the JCO rules must be applied to these transactions if costs passed between nonregulated affiliates will ultimately enter regulation. Such transactions are referred to as chaining transactions. Chaining transactions are defined as follows:

> When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service from another nonregulated affiliate.

5.02 Costs that are included in a chaining transaction that are several layers removed from the ultimate destination (i.e., billings to the regulated affiliates) may be difficult to identify as a JCO transaction. Therefore, BellSouth Enterprises requires that all intercompany transactions comply with the JCO.

5.03 All intercompany transactions must comply with the JCO. This includes ensuring that billings from affiliates that are included in costs billed to the regulated entities were determined in accordance with the JCO rules.

Implementation

6.01 Each BSE subsidiary is responsible for ensuring all transactions with affiliates are in compliance with the JCO rules. The primary responsibility resides with the Chief Financial Officer of each Company. In many cases, application and implementation of the rules require a great deal of judgment and interpretation. In order to develop a consistent approach to implementation throughout BSE, Accounting Directives have been developed which address many of the implementation issues within the BSE subsidiaries. These directives were developed based on the JCO requirements as well as the policies of BellSouth Corporation and BellSouth Enterprises.

JCO Compliance Coordinator

7.01 In order to ensure JCO compliance within the BSE subsidiaries, a JCO Compliance Coordinator is available on the Financial Accounting Matters staff in BSE Comptrollers to assist each company in resolving all JCO issues. This includes assisting companies in identifying those transactions that fall within the jurisdiction of the JCO rules, identifying and resolving JCO related issues, assisting in the interpretation of the rules, assisting companies in implementing those rules, maintaining overall documentation of BSE's compliance, and assisting in the coordination of JCO audits as they relate to the BSE subsidiaries.

7.02 Questions regarding JCO interpretation or implementation should be directed to the JCO Compliance Coordinator within BSE Comptrollers.

ISSUE: Joint Cost Order Requirements for Asset Transfers

STATUS: Revised

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn Carlson (404) 249-4238

BellSouth Enterprises Accounting Directive 006 is revised effective January 1, 1991. List of major changes:

1. Section 4.06: Asset transfers between nonregulated affiliates must be done at net book value.

2. Section 6:03: Subsidiaries must obtain approval from BellSouth Enterprises for asset transfers exceeding a net book value of $25,000.

RECOMMENDED:

Dawn P. Carlson
Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox
Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

JOINT COST ORDER REQUIREMENTS FOR ASSET TRANSFERS

Introduction

1.01 The Federal Communications Commission (FCC) Joint Cost Order (JCO) sets forth certain pricing requirements when assets are transferred between regulated carriers and their nonregulated affiliates. Simply stated, these rules are as follows:

- Asset transfers must be priced at a tariff rate if such a rate exists.
- Absent a tariff rate, asset transfers must be priced using a prevailing price list held out to the general public in the normal course of business if such a price list is available and if actual sales have been made to third parties.
- If no actual bona fide third party sales have been made to substantiate a prevailing market rate, transfers of assets from the nonregulated affiliates to the regulated affiliates must be priced at the LOWER of net book value or estimated fair market value. However, asset transfers from the regulated affiliates to the nonregulated affiliates must be priced at the HIGHER of net book value or estimated fair market value, if a tariff or prevailing price is not available.

1.02 This Accounting Directive provides guidance in implementing the above rules within all BellSouth Enterprises (BSE) subsidiaries. Attachments 1 and 2 show the hierarchy that must be followed when applying the asset transfer rules.

Defining Assets

2.01 A key factor in understanding the asset transfer rules is identifying when an asset has been transferred. In some cases, a particular transaction could be interpreted to be an asset transfer or an inventory transfer, depending upon the facts surrounding the case. If the transfer was deemed to be an inventory transfer, the rules for pricing products, supplies, or services must be followed. However, if the transfer was deemed to be an asset transfer, the above asset transfer rules must be followed. The application of the asset transfer rules may produce a different answer than if the inventory rules were applied.

2.02 In general, the FCC will look at ownership of the asset to determine if an asset or inventory item has been transferred. If the affiliate is simply performing a purchasing function on behalf of the regulated affiliate, a service has been performed and the rules for pricing services would be applied. However, if the affiliate maintained ownership of the item prior to transferring it to the regulated entity, the FCC may deem that an asset transfer has occurred. This would particularly be true if both affiliates intended to use the asset for internal operating purposes as opposed to resell.

2.03 If the nonregulated affiliate has an outside market for the item, the asset transfer rules and the rules for pricing goods and services would produce the same results. However, if no prevailing market rate is available, properly defining the transaction type becomes important because application of the rules could produce different results.

Determining the Appropriate Asset Transfer Rule

3.01 The asset transfer rules as stated in paragraph 1.01 can be broken down into a general rule and residual rules. The general rule is that a regulated carrier must value transactions with affiliates involving transfers of assets into or out of regulation at tariff rates or prevailing prices whenever possible. This requirement is intended to produce a result comparable to that which would occur in an arm's length transaction with nonaffiliated third parties. This requirement is consistent with the FCC's goal to limit the potential for cross-subsidization of nonregulated affiliates by the ratepayer.

3.02 Absent a tariff or prevailing price, carriers must value these transactions by applying the residual rules. These rules require regulated and nonregulated affiliates to determine the net book value and estimated fair market value (EFMV) of assets sold to or purchased from each other. These values are compared in order to determine the amount the carrier will record in its regulated books of accounts. The value selected will depend on whether assets are being transferred into or out of regulation. Regulated carriers must record assets transferred to nonregulated affiliates at the higher of net book value or EFMV. However, regulated carriers must record assets received from nonregulated affiliates at the lower of net book value or EFMV.

3.03 The FCC explains its reasons for prescribing inconsistent residual rules. The Commission's goal is to protect the ratepayer from bearing losses which could result from the transfer of assets out of regulation to nonregulated affiliates. For assets transferred from nonregulated affiliates into regulation, the FCC's goal is to protect ratepayers from rate base inflation due to assets being transferred at artificially high prices.

Establishment of Transfer Prices for Specific Assets

4.01 In order to comply with these requirements, BSE affiliates must transfer assets to the regulated entities at the prevailing price for those assets. However, the prevailing price can be used only if the nonregulated affiliate has sales of similar type assets to third parties. The sales price to the regulated entity must be the same as prices charged to nonaffiliates for equipment of similar type, age, and condition.

4.02 If a prevailing price cannot be properly established, the transfer price must be the lower of net book value or EFMV. Net book value is defined as cost less accumulated depreciation, related deferred taxes, and other reserves.

4.03 In determining the EFMV, carriers and their nonregulated affiliates may use appraisals, competitive bids, market surveys or other appropriate valuation methods. Valuation methods determined through independent third party sources provide stronger evidence of the EFMV.

4.04 Application of these rules can result in different transfer prices for the same type asset. For example, if a nonregulated affiliate transfers furniture and office equipment to a carrier under the residual rules and EFMV is lower than net book value, the transaction must be recorded at EFMV. Conversely, if the same type furniture and office equipment is transferred from a carrier to a nonregulated affiliate under the residual rule and EFMV is lower than net book value, the transaction must be recorded at net book value.

4.05 In general, the nonregulated affiliate must record on its books any write downs associated with the transfer of assets under the Joint Cost Order when EFMV is less than net book value. This accounting treatment ensures that the loss associated with the transfer does not enter regulation.

4.06 It is BellSouth policy that all fixed asset transfers between nonregulated affiliates be done at net book value.

Other Considerations

5.01 Certain studies, analyses or evaluations will be required to support the net book value and EFMV of assets transferred into or out of regulation. In an arm's length environment, parties to the transaction develop the information required to reach an informed decision on the reasonableness of the price asked by the seller and offered by the buyer. Each party bears the costs of obtaining the required information. Accordingly, if the transfer is out of regulation, the carrier should bear the cost incurred to determine the minimum transfer value (i.e., the determination of the existence of a tariff rate, prevailing price, or in the absence of both, the net book value and EFMV of the assets transferred). The nonregulated affiliate should bear the cost of reviewing the supporting information and any additional studies or analyses it may perform to reach an informed decision. Conversely, if the transfer is into regulation, the nonregulated affiliate will bear the cost of determining the maximum transfer value (i.e., the existence of a prevailing price, or in its absence, the net book value and EFMV of the assets transferred). The carrier will bear the cost of reviewing this information and the cost of any additional studies or analysis it may require to evaluate the affiliate's proposal.

Documentation Requirements

6.01 During rate proceedings, FCC and state regulatory commission compliance and attestation audits, and BellSouth Telecommunications, Inc. (BST) will be required to demonstrate compliance with the rules for affiliated transactions.

6.02 Documentation for asset transfers should include the following:

1. Prevailing Prices: Copies of price lists together with the list of third party transactions relied on to establish the prevailing price.

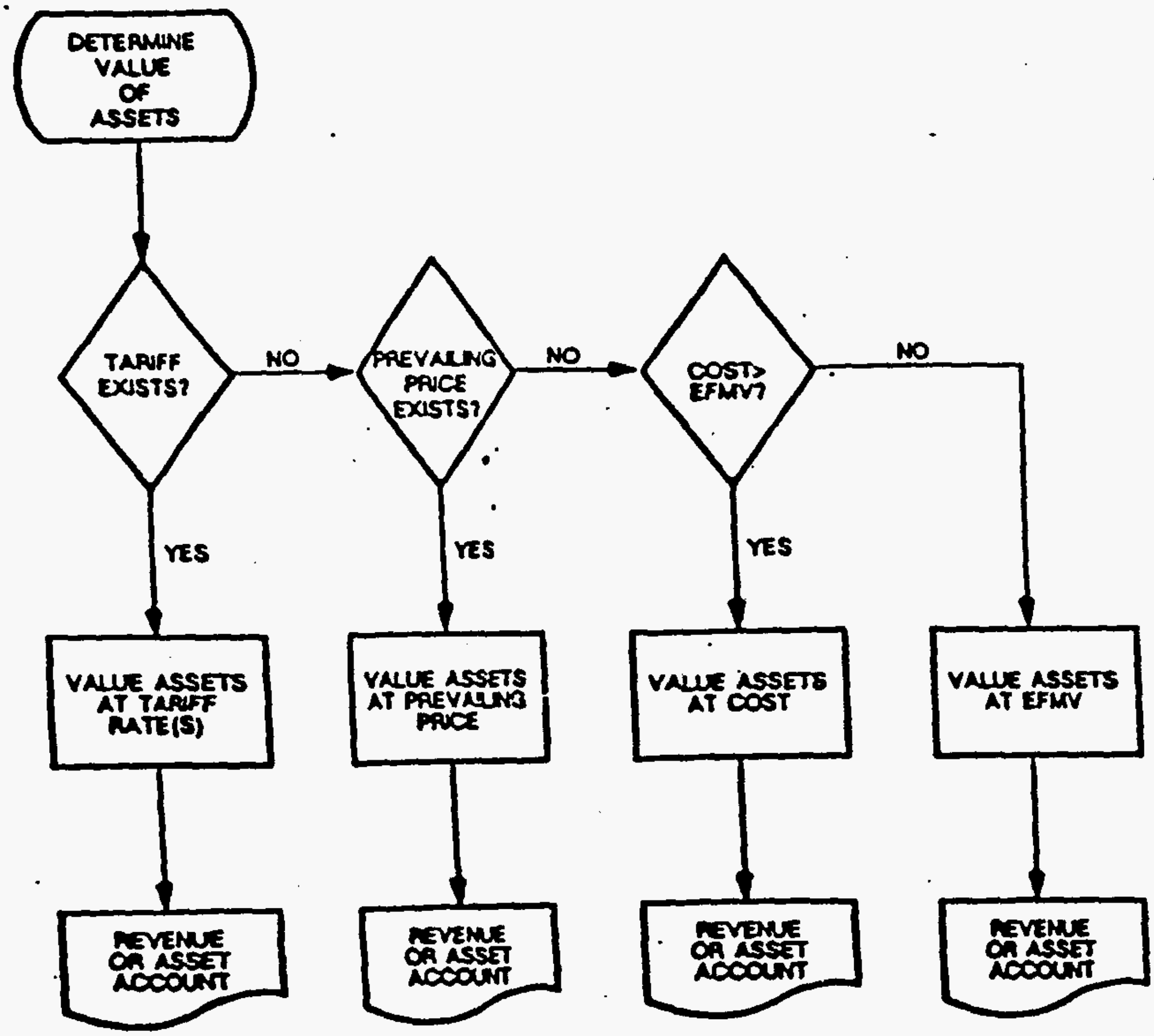
2. EFMV: Documentation of the method used and a copy of any studies performed to establish EFMV (appraisals, market surveys, competitive bids, etc.)

3. Net Book Value: Documentation to support the method of determination and the value at which the transaction is booked.

6.03 Effective 9/1/90, documentation for all fixed asset transfers with a net book value exceeding $25,000 must be submitted to the BSE Assistant Vice President & Comptroller for approval prior to the transfer (see Accounting Directive 022). Although asset transfers below this threshold do not require BSE approval, documentation must be maintained by the parties to the transaction. Questions regarding any transfers should be referred to the JCO Compliance Coordinator of the Financial Accounting Matters Group in BSE Comptrollers.

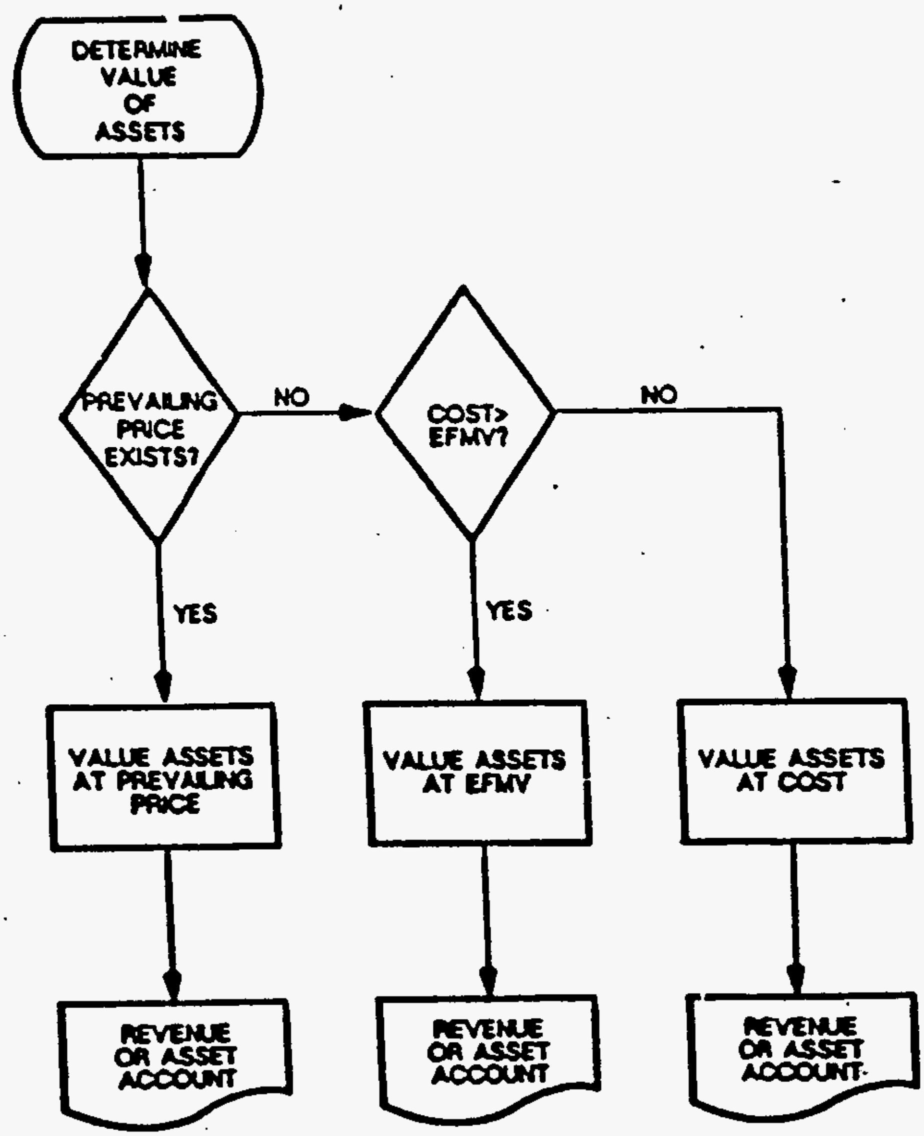
Attachment I

ASSETS TRANSFERRED BY REGULATED CARRIERS TO NONREGULATED AFFILIATES



Attachment 2

ASSETS TRANSFERRED TO REGULATED CARRIERS BY NONREGULATED AFFILIATES



BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 007
Revised: Aug. 1991
Effective: Jan. 1991

ISSUE: Market Based Pricing of Services Under the Joint Cost Order

STATUS: Revised

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn Carlson (404) 249-4238

BellSouth Enterprises Accounting Directive 007 is revised effective January 1, 1991 to require that all intercompany transactions comply with the Joint Cost Order and to provide additional guidance in establishing a market rate.

RECOMMENDED:

Dawn P. Carlson

Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox

Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

MARKET BASED PRICING OF SERVICES UNDER THE JOINT COST ORDER

Introduction

1.01 The Federal Communications Commission (FCC) Joint Cost Order (JCO) sets forth certain requirements that nonregulated affiliates must follow in billing its regulated affiliates. Nonregulated affiliates must charge a prevailing market rate for products, supplies, or services (hereafter referred to as "goods or services") sold to its regulated affiliates if a prevailing market rate exists. Absent a prevailing market rate, the nonregulated affiliate must charge fully distributed costs (FDC). The purpose of this Accounting Directive is to provide guidance to the nonregulated affiliates in determining if an appropriate market rate exists. Application of the FDC rules are contained in Accounting Directive No. 008.

Prevailing Market Rate Defined

2.01 Affiliates should use the prevailing market rate, if available, in pricing goods and services provided to other BellSouth affiliates. The prevailing market rate is defined as the price charged to nonaffiliates for similar goods or services. The selling entity must currently provide the same or similar services to third parties in order to establish a prevailing market rate. If there is a competitive market for the services but the affiliate is not actively participating in that market with third parties, the affiliate has not established a market rate.

2.02 In some cases determining if an adequate market rate exists requires a significant amount of judgment due to factors affecting prices as well as the structuring of particular sales. Questions which frequently arise include:

- How many sales to third parties constitute an adequate outside market?
- What constitutes a third party sale?
- Does a prevailing market rate exist if dedicated services are provided?
- How are market rates established for services provided under contractual arrangements?
- How are market rates established for services awarded under competitive bidding arrangements?
- How are market rates established in volatile industries of constantly changing prices?

Establishment of an Outside Market

3.01 In order to establish a market rate, the selling entity must be able to provide evidence that similar goods or services are provided to independent third parties. The FCC did not provide specific guidelines as to how significant third party transactions must be before a prevailing market rate is established. It is BellSouth Corporation's position that a bona fide outside market must exist and that this determination must be made on a case by case basis. In addition to comparing sales levels to affiliates versus nonaffiliates the following qualitative criteria are useful in determining if an outside market exists:

1. Do third parties have a need for this service/product or is the service/product provided to meet the unique needs of BellSouth's subsidiaries without regard to the needs of third parties (i.e., is the provision of the service to third parties incidental?)

2. Does the supporting documentation identify the third party market and contain a plan for marketing the service to third parties?

3. Does the supporting documentation demonstrate the affiliate's commitment to increase or deploy resources as required to meet the demand from nonaffiliated third parties?

3.02 If sales from nonaffiliates exist, BellSouth's decision as to whether or not a market rate exists will be influenced greatest by affirmative responses to the qualitative criteria stated in question form above. Generally, quantitative standards such as the percent of revenues from sales to nonaffiliates to total sales from the product/service are useful as indicators as to whether or not qualitative criteria are being applied but standing alone do not prove or disapprove a market rate. Such indicators only have relevance or meaning if they are considered in light of the events and circumstances surrounding the particular transaction under review. Accordingly, sales of a product or service that produce revenue below this benchmark trigger a re-evaluation of existence of a market rate.

Third Party Sales

4.01 Only sales to outside third parties qualify as nonaffiliate sales in establishing a market rate. Therefore, sales to other nonregulated affiliates, joint venture partners, or company officers or employees do not qualify as third party sales. The sale must be to an independent party unrelated to BellSouth Corporation.

Dedicated Services

5.01 In some cases affiliates provide dedicated services to other BellSouth companies in which staff and other resources are dedicated to the provision of certain services. Although similar services may be provided to outside parties on a nondedicated basis, determining if such services constitute an outside market requires special consideration. The fact that the services are dedicated may imply that an enhanced level of service is provided to the affiliate that is not provided to other customers. The nonregulated affiliate must ensure that the services provided to outside parties are similar enough to constitute an adequate market.

Contractual Arrangements

6.01 Some services are provided under long term contractual agreements in which specific services are agreed upon between the two parties. Included in this category are lease arrangements and maintenance contracts. The pricing of each contract depends upon the combination of services offered, the length of the agreement, and other specific terms. Therefore, each contract may differ slightly in the services provided and as a result, the pricing may differ. In order to establish an outside market, BSE companies must be able to show that contracts with affiliates are priced according to similar contracts with outside parties. This may require producing evidence of how component parts are priced under contracts or producing evidence of how changes in terms (such as quantities and length of service) affect the price. If adequate comparisons can be made, the nonregulated affiliate has established a market rate. However, if such comparisons are impossible to produce, a fully distributed costing approach to pricing will be required.

Competitive Bidding

7.01 Some BSE subsidiaries provide goods or services using the competitive bid process. The establishment of a market price under such conditions becomes difficult in that each bid is a unique situation that is impacted by the specific needs of the customer. Several telecommunications companies have petitioned the FCC requesting that the JCO permit a regulated carrier to record services provided by an affiliate at the lowest competitively bid price regardless of whether these same services are provided to unaffiliated entities.

7.02 The FCC declined to amend the JCO for competitive bid pricing. Rather, it reinforced the rules which require an affiliate to prove it provides similar goods or services to nonaffiliates. If the nonregulated affiliate cannot adequately establish a market price, the bid price must be based on cost as defined in the JCO. It is irrelevant if the nonregulated affiliate is awarded the bid based on lowest price.

The affiliate must be able to prove that the price was established based on the JCO affiliated transaction rules.

7.03 To establish a market price, the nonregulated affiliate must show that similar contracts with similar pricing exist with nonaffiliated parties. The nonregulated affiliate must be able to show that such services were actually provided to third parties. The fact that the nonregulated affiliate entered into the bid process with third parties is not evidence that a market price exists. The nonregulated affiliate must have evidence that similar bids were actually awarded.

7.04 Absent the ability to prove a market rate, the nonregulated affiliate must use cost based pricing using the cost allocation procedures contained in the JCO. Accordingly, contracts awarded to nonregulated affiliates as the lowest price bidder but that are priced in excess of cost would be in violation of the JCO if a prevailing market rate did not exist.

Changing Prices

8.01 Some BSE subsidiaries operate in volatile environments in which prices for goods and services are driven by external market conditions. Therefore, prices can change daily depending upon competitive factors. Sales to the affiliates must be priced according to the prices in effect for third parties at the time the sale is made. Subsequent changes do not necessitate that prior sales be adjusted.

Other Issues

9.01 Because services provided by the BSE subsidiaries are varied, the operating, financial, and marketing environments of each company are different. Therefore, all JCO issues cannot be definitively addressed in a policy paper. Rather, the guidelines provided in this Accounting Directive simply serve as a basis to assist the BSE companies in determining if a market rate exists. Because the establishment of a market rate requires a good understanding of the JCO rules and the operating conditions of each company, documentation of how the rules are applied in each case is important. Documentation guidelines are addressed in Accounting Directive No. 010. In cases where it is unclear if an adequate market rate exists, it is important that the JCO Compliance Coordinator in BSE Comptrollers be informed of all relevant issues in order to assist in the resolution.

APPLICATION OF FULLY DISTRIBUTED COSTING UNDER THE JOINT COST ORDER

Introduction

1.01 The affiliated transaction rules as contained in the Federal Communications Commission (FCC) Joint Cost Order (JCO) prescribe certain rules for pricing goods and services transferred between regulated carriers and their nonregulated affiliates. Simply stated, these rules are as follows:

* Nonregulated affiliates must price goods and services sold to the regulated entities using the prevailing market rate, if one exists.

* If no prevailing market rate exists, the price charged to the regulated affiliate must be based on the JCO fully distributed costing standards (FDC).

1.02 This Accounting Directive provides guidance to those BellSouth Enterprises (BSE) subsidiaries that must use FDC in pricing its goods or services. Use of market based pricing is addressed in Accounting Directive No. 007.

Determining Fully Distributed Cost

2.01 The JCO costing standards require that costs be assigned between regulated and nonregulated activities using the attributable cost method of cost apportionment. Simply stated, it requires apportionment based on cost-causative measures of use to the maximum extent possible. When valuing transactions under the FDC rules, these standards must be applied in the order listed below.

1. Directly Assign the costs of all resources used exclusively (dedicated) for the provision of services to the affiliate.

2. Directly Attribute joint and common costs between services based on direct cost-causative measures of use to the maximum extent possible.

3. Indirectly Attribute the remaining joint and common costs between services based on their linkage to costs directly assigned or attributed to the maximum extent possible.

4. Unattributable Common Costs should be allocated based on the general allocator as described in Section 3 of this Accounting Directive.

2.02 The apportionment hierarchy seeks to associate costs with their cause by establishing a hierarchy of assignment, attribution, and allocation principles which form the basis of the cost apportionment process. The method requires companies to directly assign costs to either regulated or nonregulated activities whenever possible. Common costs, which are costs that cannot be directly assigned, are to be grouped into homogeneous cost categories or pools. Homogeneous cost pools are defined as follows:

> Cost pools that are grouped together that have the same or similar relationship to cost objectives. The term also applies to cost pools that, if allocated separately, would yield the same or similar results as if allocated together.

2.03 These cost pools can describe any grouping of individual costs. Costs are aggregated and one base is selected for apportioning the group instead of taking detailed costs in their most elemental form, one at a time, and deciding how they should be apportioned. If a cost-causal measure of use exists, a cost category is apportioned based on direct analysis of the origins of the costs or based upon a cost-causative linkage to another cost category for which a direct analysis exists. Costs that cannot be assigned or attributed based on any cost-causative measure are apportioned in proportion to the costs that can be directly assigned or attributed between regulated and nonregulated activities.

The General Allocator

3.01 Unattributable costs are apportioned to regulated and nonregulated services through use of the general allocator. The formula for the general allocator is as follows:

$$\frac{\text{Nonregulated Assigned \& Attributed Expenses}}{\text{Total Assigned \& Attributed Exp.}} \times \text{Total Unattributable Expenses} = \text{Nonregulated Unattributable Expenses}$$

$$\frac{\text{Regulated Assigned \& Attributed Expenses}}{\text{Total Assigned \& Attributed Exp.}} \times \text{Total Unattributable Expenses} = \text{Regulated Unattributable Expenses}$$

3.02 The only costs subject to the allocation of unattributable costs should be true internally-generated costs. The cost of goods sold should be excluded from the numerator and the denominator of the general allocator because this is a unique type of cost and relates to items purchased for resale. For purposes of the JCO, cost of goods sold should exclude overhead allocations. The general allocator is based on a "rolling three-month" average derived by using the quarterly data ending two months before the current month.

3.03 Any new services will use one-year projections in estimating their monthly costs in order to develop a typical or representative three month average. This projected average will be included in the general allocator until three months of actual data is available.

3.04 Because marketing costs are likely to be incurred for nonregulated activities to a disproportionately high degree, the FCC believes these costs are uniquely different from other costs. Therefore, marketing costs must be segregated and apportioned separately. The FCC has defined the following activities as marketing costs:

* Product Management
* Sales
* Product Advertising
* Customer Services
* Corporate Image Advertising
* Public Relations

3.05 When apportioning marketing costs, a separate marketing general allocator must be used to apportion unattributable marketing costs.

<u>Determining Appropriate Apportionment Factors</u>

4.01 When costs cannot be directly assigned, they must be grouped into homogenous cost pools and apportioned based on some apportionment factor. Selecting an appropriate apportionment base is important to the accurate allocation of costs. Factors which reflect cost causal relationships should be used to the maximum extent possible. Factors that measure or reflect an "ability-to bear" relationship are arbitrary and do not measure the amount of resources used by an activity. Since they do not represent a causal relationship, they may not be used to apportion costs. In particular, the FCC specifically identifies revenues as an apportionment base that <u>cannot</u> be used in any situation.

4.02 Accounting Directive No. 009 provides guidance in developing appropriate apportionment factors for indirectly attributable costs.

Variances from Fully Distributed Costs

5.01 In some cases, BSE subsidiaries which have no market rate may wish to charge less than FDC to the regulated entities for a particular product or service. The JCO states that if a market rate is not available, nonregulated affiliates must charge FDC for goods or services sold to the regulated entities. BellSouth has determined that charging less than FDC is acceptable in certain cases. However, the nonregulated affiliate must have procedures in place to be able to prove that the charges do not exceed FDC. This includes apportionment of all costs as prescribed by the JCO with all supporting documentation. Charging less than FDC does not preclude a nonregulated affiliate from following all the requirements of apportioning costs. Any BSE subsidiary that wishes to charge less than FDC to any affiliate must first obtain approval from the JCO Compliance Coordinator in BSE Comptrollers.

5.02 In addition, FDC as opposed to incremental costing must be used. Each time a new customer or user is added, all costs must be apportioned to all customers. Therefore, new customers will be charged their share of fully distributed costs as opposed to only the incremental costs of adding the customer.

5.03 Nonregulated affiliates cannot exceed FDC in billings to the regulated affiliates, even if such costs would still be less than the costs of the regulated entity to perform the service internally. The cost apportionment standards focus on the costs of the affiliate actually providing the service, irrespective of the costs of other entities, internally or externally. This method ensures that the carriers share in the economies of scale and scope associated with affiliation.

<u>Time Reporting</u>

6.01 The FCC places special emphasis on reliable and accurate time reporting because a significant amount of direct and indirect costs are apportioned between regulated and nonregulated activities based on the apportionment of wages. Therefore, maintaining supporting documentation for reported time and a clear audit trail are essential to compliance with the FCC's JCO rules.

6.02 The FCC did not prescribe specific time reporting procedures. Therefore, positive or exception time reporting is acceptable. The method selected should be one that will most accurately accumulate and apportion time. The methods available are as follows:

> <u>Positive time reporting</u> is used by employees who perform many different and distinct tasks or functions on a frequent basis. It requires that employees report their time in no more than one hour increments on a daily basis.
>
> <u>Exception time reporting</u> is used by employees who perform specific tasks or functions yet have occasion to perform functions outside of their normal responsibility. This method is also used by those employees who may have a requirement to exception report in line with their normal activities. This requires that such employees report exceptions on a daily basis in increments of no more than one hour.

6.03 It is important to note that those employees time reporting must report time in increments of one hour or less.

6.04 Surveys or studies may also be used when employees perform multiple, repetitive and miscellaneous functions involving increments of time impractical to time report. Time is therefore sampled or studied to determine the relative amount of time spent on specific activities. If this method is used, survey periods should be designed in a way that represents the on-going business process. Surveys should be used only in those situations where it is impractical for the employees to track and report time. If the time can reasonably be tracked, positive or exception time reporting should be implemented.

6.05 Employees must be adequately trained in the importance of accurate time reporting. Two levels of training should be implemented to educate employees on the methods for time reporting. Awareness Training should focus on the relationship of direct time reporting to the cost apportionment process. All employees should understand the significance and consequences of inaccurate time reporting. Implementation training should focus on the actual direct time reporting procedures relevant to an employee's specific function.

6.06 In order to comply with the JCO, the following documentation should be retained one year after the close of the fiscal year to which the records relate:

1. All underlying supporting documentation not included in the employee's time report required to test the reasonableness, reliability, and accuracy of the reported time. This includes reports of daily activities such as service orders, supervisors logs, calendars, etc., used as input to prepare time reports.

2. All marketing and sales personnel must retain contemporaneous records of daily activities. This includes records such as telephone logs, appointment logs, and notes on the results of sales calls. They should include date and subject matter of sales contact, person or persons contacted, and the amount of time spent with the customer or potential customer.

3. All underlying data supporting judgments used in identifying and apportioning nonproductive time as well as a description of the basis for apportioning nonproductive time.

4. All underlying data supporting each departments implementation and ongoing maintenance of the training requirements for time reporting.

6.07 Time reporting procedures should be reviewed at least annually to determine that procedures are still adequate to ensure JCO compliance and to ensure that all employees are properly reporting all time.

Rate of Return

7.01 The FCC has determined that return (or cost of capital) is an appropriate component of the cost of providing services to the regulated entities. The appropriate rate of return is the FCC authorized interstate rate. This return is designed to recover both debt and equity costs and was determined based on an optimum debt to equity ratio.

7.02 The FCC authorized rate changes periodically. BSE Comptrollers will inform those subsidiaries using FDC pricing principles what the appropriate rate is. Effective 1/1/91 the authorized rate is 11.25% on an after tax basis and 15.76% on a pre-tax basis.

7.03 The FCC authorized after tax rate of return of 11.25% was determined as follows:

Weighted Debt Cost	3.89%
Weighted Equity Cost	7.36%
Total After Tax Return	11.25%

7.04 The above structure assumes a debt/equity ratio of 44.2%/55.8% and a debt cost of 8.8% and an equity cost of 13.19%. The weighted equity cost was grossed up to include the effect of tax expense as follows:

Weighted Equity Cost ÷ (1 - Statutory Tax Rate) = Pre-Tax Return on Equity

7.05 The tax rate used to compute the gross up is the statutory tax rate of 38%. The tax rate of each subsidiary should not be used. Therefore, Pre-Tax Return on Equity was as follows:

7.36% ÷ .62 = 11.87%

7.06 Therefore, the weighted Pre-Tax Return is 15.76% determined as follows:

Pre-Tax Return on Debt	3.89%*
Pre-Tax Return on Equity	11.87%
Total Pre-Tax Return	15.76%

* Note that the Pre-Tax Return on Debt = the After Tax Return on Debt due to interest expense offsetting the related revenue, thereby precluding a gross up of the Return on Debt.

Apportioning the Net Investment

8.01 The pre-tax rate of return should be applied to the allocated net investment to determine the dollar amount of the billable return. The net investment must be apportioned to regulated and nonregulated components using FDC principles. Components of the net investment include:

Net Fixed Assets *
Inventories
Deferred Charges
Other Noncurrent Assets
Working Capital (current assets-inventories)-(current liabilities)
Net Capitalized Leases
Net Leasehold Improvements

* Property, plant and equipment net of accumulated depreciation, deferred taxes and deferred credits. Investment tax credit should not be deducted.

8.02 Factors should be determined in order to apportion the above investment categories to regulated and nonregulated activities based on cost causing factors. For instance, percent usage of capital assets may be an appropriate factor for the apportionment of net fixed assets. The relationship of Accounts Receivable, Prepaids, Accounts Payable, and Other Accrued Liabilities will affect the amount of Working Capital apportioned to the regulated and nonregulated entities.

8.03 After the capital assets have been apportioned, the appropriate return should be applied to the average net investment. The average net investment is determined as follows:

	Net Investment at Beginning of Period
+	Net Investment at End of Period
	Total
÷	2
	Average Net Investment for the Period

8.04 The billable return is computed as follows:

	Average Net Investment for the Period
x	FCC Authorized Pre-Tax Rate of Return
	Billable Return

Accumulating Total Costs

9.01 After the apportionment process is complete, all costs must be accumulated to determine the final bill amount. Costs should be summarized as follows for each regulated affiliate that is billed:

	Apportioned Costs (Direct, Indirect, and Unattributable)
+	Return (After Tax Basis)
+	Taxes
	Total Billed Costs

9.02 The billable taxes are determined by taking the difference between the return on a pre-tax basis and the return on an after-tax basis.

True-Up Guidelines

10.01 The rate of return (ROR) on transactions with regulated affiliates must not exceed 11.25% during the calendar year. If the affiliate's aggregate return from FDC transactions with regulated affiliates deviates from the 11.25% target, appropriate adjustments must be made to retarget earnings to 11.25%. True-ups for estimated overearnings should be booked in the current year. Final adjustments should be made as soon as final actual results are known.

Other Issues

11.01 In apportioning costs under the FDC principles, issues arise regarding the appropriate method of apportioning items such as excess capacity costs or research and development expenditures. These issues must be addressed on a case by case basis in order to determine the most accurate apportionment method in each circumstance. It is important that these issues be identified when they arise and that the JCO Compliance Coordinator is contacted for assistance in determining a final resolution.

Summary

12.01 BSE subsidiaries which do business with affiliates and do not have a market rate for their services must use the cost apportionment standards prescribed by the FCC. Systems and procedures must be in place to allow for accurate apportionment of costs, including the selection of appropriate apportionment factors. The effects of the JCO should always be considered prior to offering a new product or service to affiliates and procedures must be in place prior to the implementation of new services.

12.02 Questions regarding application of the JCO should be directed to the JCO Compliance Coordinator of the Financial Accounting Matters staff in BSE Comptrollers.

ISSUE: Apportionment of Indirectly Attributable Costs Under the Joint Cost Order

STATUS: Revised (Contact name/number only)

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn P. Carlson (404) 249-4238

RECOMMENDED:

Dawn P. Carlson
Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox
Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

51-10/3

37 PAGES

APPORTIONMENT OF INDIRECTLY ATTRIBUTABLE COSTS UNDER THE JOINT COST ORDER

Introduction

1.01 Under the fully distributed costing (FDC) principles of the Joint Cost Order (JCO), costs which cannot be directly assigned or attributed must be apportioned to activities through indirect attribution or the general allocator (see Accounting Directive No. 008 for a description of the required costing hierarchy). This Accounting Directive provides guidance in selecting the apportionment bases for indirectly attributable costs. Unattributable costs are allocated to products and services based on the general allocator as discussed in Accounting Directive No. 008.

Indirectly Attributable Costs Defined

2.01 Costs that are indirectly attributable to a product are those for which there is a cost-causative linkage with two or more of the products or services. Although these types of costs can be linked with specific products, the exact amount of the costs associated with each product is not known, so a surrogate basis for allocation must be used to apportion the costs to the products or services that cause their incurrence. Of course, the costs must fluctuate with the surrogate and there must be a method to directly measure this relationship. The fact that a surrogate must be used to get the cost to the product level is what distinguishes an indirectly attributable cost from a direct cost. An example of indirectly attributable costs are certain types of benefit costs such as pensions or insurance.

Apportionment of Indirectly Attributable Costs

3.01 Indirectly attributable costs should be apportioned to products and services based on their linkage to costs which have been directly assigned or attributed. Therefore, an allocation base must be selected and an allocation formula and allocation rate developed. For instance, if pensions are determined to fluctuate in relation to salary dollars, salary dollars would be the appropriate apportionment base. The formula, allocation rate, and allocation of indirectly attributable costs would be as follows:

$$\frac{\text{Total Pensions}}{\text{Total Salaries}} = \text{Allocation Rate}$$

Salaries Attributed to Regulated Services
x Allocation Rate
= Pensions Indirectly Attributed to Regulated Services

3.02 In developing the allocation rate, the numerator represents the total indirectly attributable costs that will be allocated, and the denominator represents the total amount (labor dollars, labor hours, number of employees, etc) of the allocation base that will be used. This rate forms a relationship between what is being billed out as direct cost and the indirectly attributable costs to be allocated. Consequently, with each direct dollar billed, a certain amount of indirect costs are attached to it. Below is a more detailed discussion of each step in this allocation process.

3.03 The process of cost allocation can be broken down into three basic steps:

1. Choosing the cost objective (cost pool, product, etc.)

2. Choosing and accumulating the costs that relate to the cost objective.

3. Choosing an allocation base which will link 1 with 2.

Choosing the Cost Objective

4.01 Costs are apportioned to cost objectives in a hierarchial manner. A cost objective is defined as "a function, organizational subdivision, or other work unit for which cost data are desired." Costs are accumulated in the accounting records in general ledger accounts. These costs must ultimately be apportioned to products and services and then to nonregulated or regulated customers (the ultimate cost objective). Therefore, depending on the type cost, the apportionment of a cost could flow according to the following path until it reaches the final cost objective:

General Ledger Account
|
Cost Pools
|
Products or Services
|
Customers

4.02 Before costs are accumulated, it is important to properly identify the cost objective in each phase of the apportionment process.

Cost Pools

5.01 After all costs to be apportioned have been accumulated, the costs must be grouped into homogeneous cost pools. Costs can be pooled in a number of different ways. They can be pooled by departments, by natural categories (i.e., people related, materials-related, property-related, etc.) or they can be pooled by behavior patterns (i.e., variable or fixed). Subsequent allocations are then made of the cost pools rather than the individual costs which comprise the pool. Instead of taking detailed costs in their most elemental form, and individually deciding how they should be allocated, they are aggregated and one base is selected for allocating the group.

5.02 A cost pool is considered homogeneous if each significant activity whose costs are included has the same or a similar causal relationship to the cost objectives as the other activities whose costs are included in the cost pool (i.e., employer contributions to social security, insurance, savings and health plans, etc. can be grouped together because they all have the same causal relationship to the final cost objective - the product or service. Maintenance expense, however, would not be homogeneous to this group). A cost pool is also considered homogeneous if the allocation of the cost pool is not materially different from the allocation that would result if the cost of the activities were allocated separately (e.g., if labor hours and machine hours are used in proportionate amounts to produce a product, cost pools for costs that are machine oriented can be combined with cost pools that are labor oriented since allocating these costs separately will yield the same results as allocating them together).

Allocation Base

6.01 Once the indirect costs have been grouped into homogeneous cost pools, the final step is to allocate these cost pools to the product/service. This necessitates choosing an allocation base. The allocation base is important because it is the key means for linking total indirectly attributable costs or cost pools with cost objectives.

6.02 The required criterion for choosing an allocation base is a cause-and-effect relationship. In other words, the existence of the cost objective should be the dominant factor in causing the incurrence of the costs in question. There are two decisions that must be made with respect to choosing an allocation base. The first one is the type and number of bases to use and the second one is the activity level of those bases.

6.03 With respect to the types of allocation bases, some of the more common allocation bases that are used are labor hours, labor dollars, machine hours, direct material usage, weight or size. In determining which type of base to use, it is important to remember that the cost pool and the allocation base must be related to each other, and both must be identified with the product or service being costed. For example, if costs are accumulated for a repair service and the goal is to allocate fringe benefit costs, materials used would not be an appropriate allocation base since materials have no relationship to fringe benefits, nor are materials necessarily identified with providing repair services.

6.04 Another example of a base that is not identified with the product being costed is the use of an allocation base consisting only of direct dollars relating to services that are performed only for affiliates in an attempt to allocate costs to all of the products and services provided. Additionally, it is important to choose a base that will fluctuate with the indirect costs being allocated. For example, whether to use number of employees or payroll dollars depends on whether the amount that is being allocated will more likely fluctuate because it is people-oriented (i.e., human resources costs) or because it is payroll-oriented (i.e., fringe benefit costs).

6.05 The more pools and allocation bases used, the more accurately the product will be costed. The fewer used, the less accurately the product will be costed. The number of bases should be chosen after considering:

1. factors associated with the individual products or jobs,

2. necessary costs and effort in application, and

3. material differences in final results.

6.06 Where results do not differ significantly, the easiest method available and the least number of pools and allocation bases should be used.

6.07 Activity level of the allocation base must also be addressed. The activity level of the allocation base relates to the time period over which indirect costs should be allocated to products. Cost accountants commonly recognize two levels of capacity utilization - the normal activity versus the annual activity.

6.08 The normal activity approach recognizes the fact that some costs are incurred in the current year to produce items that will benefit the entity for many years (e.g., self constructed assets or research and development expenditures). The normal activity approach takes the position that these costs should be spread over the periods benefited (e.g., if self constructed assets have a useful life of five years, the costs related to these assets should be billed over five years rather than in the current year). This approach has the effect of averaging costs over a period of time and applying this average to the product/service in each given year. With this approach, in some years the billings for these costs will exceed the actual costs incurred. In other years the actual costs incurred will exceed the billed amounts. However, over time the costs incurred will equal the total amounts billed.

6.09 The annual activity approach to cost allocation takes the position that each year's costs should stand on its own. Therefore, each year's costs should be allocated and billed in the year incurred. This attitude arises from the widespread conviction that the year is the key time period and adherence to the idea that costs for a given year generally must cling or attach to the services provided or products produced during that year regardless of the relationship of that year's activity to average long term activity. With this approach the amount of costs billed will fluctuate from year to year if costs fluctuate from year to year. However, in each year the costs billed will equal the costs incurred.

Accounting Requirements

7.01 When developing methods of allocating indirectly attributable costs, certain rules must be adhered to so that consistency can be achieved between costs that are allocated and the allocation bases used. Below are a list of things that must be considered:

1. The same cost accounting period must be used for accumulating the costs as for establishing its allocation base.

2. When developing allocation rates for indirectly attributable costs it should be noted that if a cost that is typically an indirect cost has been directly billed, it should be excluded from the numerator. Additionally, this amount must be added to the denominator, if applicable. The treatment for billing purposes determines whether a particular cost goes in the numerator (cost to be allocated) or the denominator (allocation base), not the account that contains the amount.

3. Cost pools should be aggregated to the maximum extent possible providing the aggregation results in no material distortions in costing the product or service. If the logical bases for two different cost pools are different but interchanging the bases will yield the same or similar results, the cost pools should be combined and allocated using the same base.

4. The activity level required is the normal approach. Since this approach is used, methods must be established in the rate application system to recover costs that benefit future periods.

5. Whenever direct costs are used in establishing allocation bases for a period, the following rules must be adhered to:

   A. Consistency is important in making adjustments to both direct and indirect costs for purposes of determining total costs.

   B. - e appropriate practices for deferrals, accruals, and other adjustments must be used in identifying the cost accounting periods among which any types of adjustments to expense are distributed.

6. Indirectly attributable costs based on estimates may be used in developing allocation rates. However, the estimates must be developed to represent a full cost accounting period.

7. The allocation rates developed should be reviewed at a minimum, annually. Additionally, if any change should occur in the interim that would cause a significant change in the allocation rate in use, a more representative rate should be developed and implemented at the time the change occurs.

7.02 Questions regarding the allocation of indirectly attributable costs as required under the JCO should be referred to the JCO Compliance Coordinator in BSE Comptrollers.

Financial Accounting Matters
Accounting Directive

AD 010
Revised: July 1992
Effective: July 1992

ISSUE: Joint Cost Order Documentation Requirements

STATUS: Revised

ORIGINATOR: Blair S. Parrott (404) 249-5042

CONTACT: Al Smith (404) 249-4238

BellSouth Enterprises Accounting Directive 010 is revised effective July 1, 1992. List of major changes:

1. Section 2: General documentation is defined to include Questionnaires and a Comprehensive Service Information Matrix.
2. Section 3: FDC studies must be submitted semiannually. Information regarding refunds and cost of services provided free of charge must be submitted annually.
3. Section 5: Retention period is five years.
4. Appendices added:

   APPENDIX I: Summary of Documentation Requirements

   APPENDIX II: Market Based Pricing Questionnaire

   APPENDIX III: FDC Questionnaire

   APPENDIX IV: Comprehensive Service Information Matrix

RECOMMENDED:

Al Smith
Al Smith
Staff Manager

CONCURRED:

Blair Parrott
Blair S. Parrott
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

JOINT COST ORDER DOCUMENTATION REQUIREMENTS

Introduction

1.01 In order to ensure that transactions with regulated affiliates as well as all chaining transactions (see AD 005) are priced in accordance with the provisions of the Joint Cost Order (JCO) and the BellSouth Cost Allocation Manual (see AD 011), each BSE subsidiary must have appropriate documentation to support the pricing methodology used. This documentation is subject to audit by BellSouth Internal Audit, external auditors, state commissions, FCC auditors, and other regulatory entities for JCO compliance.

1.02 Each BSE subsidiary doing business with affiliates must maintain the following documentation: (1) Initial Transaction Approval (if consummated after 9/1/90); (2) General Documentation; and (3) Specific Documentation. Accounting Directive 022, "Affiliate Transaction Approval", addresses documentation which must be submitted for the initial approval of new transaction types. After a transaction is approved under the guidelines of AD 022, general documentation as required by AD 010 must be submitted to BSE in order to ensure ongoing compliance of the transaction. Specific documentation provides detail backup for each affiliated bill submitted.

1.03 Appendix I summarizes JCO documentation requirements.

General Documentation

2.01 General documentation addresses the general JCO concepts and how the concepts are implemented for each transaction type. In order to ensure a consistent approach to addressing JCO compliance, the following questionnaires and matrices have been developed to assist BSE companies in documenting JCO compliance:

1. Joint Cost Order Questionnaire – Market Based Pricing (Appendix II)

2. Joint Cost Order Questionnaire – FDC Pricing (Appendix III)

3. Comprehensive Service Information Matrix (Appendix IV)

2.02 The questionnaires should be completed for each product or service type that is provided to affiliates. The questionnaires were developed to ensure a consistent approach to addressing JCO compliance and to ensure that all relevant facts affecting compliance are identified. However, due to the diversity of products and services provided by BSE subsidiaries, the questionnaires can only serve as general guidelines in addressing compliance. If the questionnaires do not adequately cover all issues in a particular situation, addendums should be attached.

2.03 The questionnaires must be updated semiannually and submitted to the JCO Compliance Coordinator in BSE Comptrollers by July 31 and December 31 each year. This documentation is the basis for ensuring JCO compliance and will be provided to auditors as deemed necessary.

2.04 The Comprehensive Service Information Matrix provides a summary of affiliate and nonaffiliate revenues by product/service type. This documentation is crucial because it is often the first step in determining if a market rate exists. Additionally, BSE receives numerous data requests from regulatory auditors for this type of information. Therefore, accurate and timely reporting of this information is important. The Matrix presented in Appendix IV is an example format. Subsidiaries must provide all information requested; however, the format may be revised to meet individual needs.

2.05 The Comprehensive Service Information Matrix must be updated quarterly and submitted to the JCO Compliance Coordinator in BSE Comptrollers within one month after each quarter end.

Specific Documentation

3.01 In addition to the general documentation described above, each subsidiary must have specific documentation on file which supports the pricing of each transaction.

3.02 For affiliates using market based pricing, specific documentation includes, but is not limited to:

* Copies of all invoices to the regulated entities with descriptions of services and prices.

* Copies of invoices to nonaffiliates which show the pricing of similar goods/services at similar prices.

* A recent copy of price lists, if used.

* A listing of those customers in which the nonregulated affiliate provides a similar service to ensure an adequate outside market exists.

3.03 For affiliates using FDC, specific documentation includes, but is not limited to:

- FDC system output providing support for all cost allocations.
- Employee time reports.
- Support for all directly assigned or attributed costs, such as vouchers.
- Support for the computation of the allowable return.
- FDC studies, if applicable.

3.04 Some subsidiaries have found it cost effective to bill a flat rate instead of actual FDC each month. In these situations, the subsidiary must ensure that actual billings do not exceed actual FDC. Studies must be performed at least semiannually to ensure compliance. FDC studies must be submitted to BSE Comptrollers for the following periods:

January 1 - June 30:	Due:	July 31
July 1 - December 31:	Due:	February 28

If an affiliate uses a cost allocation system that allocates and bills actual FDC on a monthly basis, FDC studies are not necessary.

3.05 If billings to affiliates exceed FDC, refunds are required. If the FDC studies show that billings are expected to exceed FDC on an annual basis, an accrual for the estimated refund must be booked prior to year end with final adjustments made as soon as possible after year end. In order to accurately anticipate the expected refund, quarterly or monthly FDC studies may be necessary. BSE Comptrollers must be informed of the final refund amount by February 28.

3.06 Additionally, subsidiaries must identify those transactions in which services are provided to the regulated entities free of charge. The costs associated with providing these services must be tracked and reported annually to the BSE JCO Coordinator by February 28.

Documentation Submitted With Bills

4.01 During rate proceedings and FCC and state regulatory commission compliance audits, BellSouth Telecommunications, Inc. (BST) will be required to demonstrate compliance with the rules for affiliated transactions. Therefore, BST Comptrollers must ensure that a detailed audit trail of each affiliated transaction is maintained to comply with the JCO and to ensure adequate information is available for required audits. The audit trail requirements include chaining transactions, which would require BST Comptrollers to obtain, from nonregulated affiliates, the detail of each transaction in the chain from the nonregulated affiliate dealing directly with BST and from any other nonregulated affiliates involved in the progression of the transaction.

4.02 Each BSE affiliate should coordinate with the billed entity to ensure that the documentation needs of these companies are being met.

Retention Period

5.01 All documentation must be maintained for at least five years after the fiscal year end.

Statement of Compliance

6.01 The FCC requires that BellSouth management provide a management representation letter in conjunction with the annual JCO audit. Accordingly, the Chief Financial Officer of each BSE subsidiary must provide a "Statement of Joint Cost Order Compliance" to the BSE Assistant Vice President & Comptroller. The BSE JCO Compliance Coordinator will coordinate the timing of this letter each year. The report format is contained in Appendix V.

APPENDIX I

JOINT COST ORDER
DOCUMENTATION REQUIREMENTS

DESCRIPTION	AD REF	FREQUENCY	DUE DATE
Transaction Approval	AD 022	As Needed	45 Days Prior to Consummation
General Documentation			
* Questionnaires	AD 010 Appendix II Appendix III	Semiannually	July 31 December 31
* Comprehensive Service Information Matrix	AD 010 Appendix IV	Quarterly	April 30 July 31 October 31 January 31
FDC Studies	AD 010 Par. 3.04	Semiannually	July 31 February 28
Refund Information (If Applicable)	AD 010 Par. 3.05	Annually	February 28
Services Provided Free (If Applicable)	AD 010 Par. 3.06	Annually	February 28
Statement of Compliance	AD 010 Appendix V	Annually	March 30

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 1

COMPANY NAME____________________

PRODUCT OR SERVICE DESCRIPTION____________________

This questionnaire is to be completed semiannually and submitted to BSE Comptrollers by July 31 and December 31. This questionnaire addresses those products and services provided to affiliates at a market rate as defined by the Joint Cost Order (refer to AD 007 for guidance in addressing market pricing issues under the JCO). A separate questionnaire should be completed for each transaction type priced at market rate. All questions should be answered. If additional data is necessary in order to address all issues, an addendum should be attached.

1. In laymen's terms, describe in detail the product or service provided.

2. Specify the approval date in accordance with AD 022 or the transaction start date if prior to 9/1/90.

3. Is the product provided a standard product or a customized product?

4. If the product is a customized product, what controls are used to ensure Joint Cost Order compliance (i.e., are products similar enough to establish a market rate)?

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 2

5. Is billing done on:

    Hourly Basis ________

    Per Unit Basis ________

    Flat Fee ________

    Other (Describe) ________

6. How often do prices change?

7. What is the average price range of the product offered?

8. What is the typical number of sales per customer per year (not dollar volume)

    Affiliates ________

    Nonaffiliates ________

9. What is the average dollar volume per customer per year?

10. Do sales to BST fall outside the average dollar volume in sales?

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 3

11. Are price lists used? (note: a pricing schedule in a contract is not considered a price list unless it is the same price list offered to all customers).

12. Is the same price list used for all customers? If not, why not?

13. If price lists are not used, how are prices determined and what controls are used to ensure Joint Cost Order compliance (i.e., how do you know affiliates are charged the same price as nonaffiliates)?

14. Are written contracts used?

15. If written contracts are used, what controls are used to ensure Joint Cost Order compliance (i.e., how are contracts compared to ensure appropriate pricing)?

16. Are discounts used:

For affiliate sales_______ Discount Range_______

For nonaffiliate sales______ Discount Range_______

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 4

17. If discounts are used, hov are they determined?

18. If discounts are used, what controls are used to ensure Joint Cost Order compliance (i.e., hov do you ensure on average the discounts offered to BellSouth affiliates are as much as discounts offered to nonaffiliates)?

APPENDIX III

Joint Cost Order Questionnaire
FDC Pricing
Page 1

COMPANY NAME ____________________

PRODUCT OR SERVICE DESCRIPTION ____________________

This questionnaire is to be completed semiannually and submitted to BSE Comptrollers by July 31 and December 31. This questionnaire addresses those products and services provided to affiliates at FDC as defined by the Joint Cost Order (refer to AD 008 and 009 for guidance in addressing FDC issues under the JCO). A separate questionnaire should be completed for each transaction type priced at FDC. All questions should be answered. If additional data is necessary in order to address all issues, an addendum should be attached.

1. In laymen's terms, describe in detail the product or service provided.

2. Specify the approval date in accordance with AD 022 or transaction start date if prior to 9/1/90.

3. Identify the reason for using FDC pricing for this product/service:

   (a) There are NO sales to nonaffiliates ________

   (b) The level of sales to nonaffiliates is insufficient to establish a market rate as defined by the JCO ________

      Annual Affiliate Sales $ ____________

      Annual Nonaffiliate Sales $ ____________

   (c) Products offered to nonaffiliates are not the same as products offered to affiliates ________

APPENDIX III

Joint Cost Order Questionnaire
FDC Pricing
Page 2

4. If the reason for using FDC pricing is 3(c), explain the differences in products offered to affiliates versus products offered to nonaffiliates

5. Is a system in place to bill actual FDC costs each month?

6. How often is the system reviewed and updated, including a review of the allocation methodology, controls, system requirements, etc.?

7. If FDC is not billed on an actual basis each month, identify the billing method used:

Hourly Basis	________
Per Unit Basis	________
Flat Fee	________
Other (Describe)	________

8. If FDC is not billed on an actual basis each month, how often are studies done to ensure that actual billings do not exceed FDC?

9. Who performs the study? Who reviews the study?

APPENDIX III

Joint Cost Order Questionnaire
FDC Pricing
Page 3

10. If actual bills exceed FDC, when are refunds issued? When are estimated accruals recorded?

11. What is the policy if actual bills are less than FDC (i.e., is the difference billed to affiliates)?

12. How often is the FDC study reviewed and updated (i.e., do you review the allocation methodology to ensure ongoing JCO compliance)?

Attach a description of the FDC system or FDC study, including a description of the methodology used to allocate all costs under the JCO.

APPENDIX IV

BELLSOUTH ENTERPRISES
JOINT COST ORDER
COMPREHENSIVE SERVICE INFORMATION MATRIX

COMPANY NAME

FOR THE PERIOD ENDING: 6/30/92

SERVICE DESCRIPTION	CUSTOMER AFFILIATE / NON-AFFILIATE	PRICE **	REVENUE: AFFILIATE REVENUE		REVENUE: NON-AFFILIATE REVENUE		TXN. START DATE	AFFILIATE REVENUE RECAP: AFFILIATE 1	AFFILIATE 2	AFFILIATE 3	AFFILIATE 4
SERVICE "X"	AFFILIATE "1"	PMR	[illegible]				JANUARY 1991	[illegible]			
	AFFILIATE "2"	PMR	[illegible]				FEBRUARY 1990		[illegible]		
	"ALL NON-AFFILIATES"	N/A			[illegible]						
SERVICE "X" :TOTALS			[illegible] %	% OF SERVICE REVENUE	[illegible] %	% OF SERVICE REVENUE					
SERVICE "Y"	AFFILIATE "3"	FDC	[illegible]				MARCH 1992			[illegible]	
	AFFILIATE "4"	FDC	[illegible]				SEPTEMBER 1990				[illegible]
	AFFILIATE "1"	FDC	[illegible]				JANUARY 1991	[illegible]			
	"ALL NON-AFFILIATES"	N/A	[illegible]		[illegible]						
SERVICE "Y" :TOTALS			[illegible] %	% OF SERVICE REVENUE	[illegible] %	% OF SERVICE REVENUE					
	TOTAL COMPANY : % OF TOTAL REVENUE		[illegible] %		[illegible] %		TOTAL COMPANY : % OF TOTAL REVENUE	[illegible] %	[illegible] %	[illegible] %	[illegible] %

** "PM" : JCO PRICING METHODOLOGY: Tariff, Prevailing Market Rate (PMR), Fully Distributed Cost (FDC): Refer to BSE Accounting Directive (AD) 007 & 008 for further explanation of the JCO pricing methodologies

APPENDIX V

COMPANY NAME
STATEMENT OF JOINT COST ORDER COMPLIANCE
FOR THE YEAR ENDED DECEMBER 31, 199X

Section 5.0 of BellSouth's Cost Allocation Manual (the "Manual") through December 31, 199X contains information regarding affiliate transactions among our company and BellSouth Telecommunications, Inc. For those services we provide using prevailing market rate, the pricing is supported by actual outside sales to third parties. For those services we provide using fully distributed cost, systems and procedures are in place to attribute costs according to the costing hierarchy mandated by the Federal Communications Commission (FCC) in the Joint Cost Orders and related rules. Although not disclosed in the Manual, all chaining transactions are priced in accordance with the above criteria.

We believe that, for the year ended December 31, 199X, all affiliate transactions among our company and BellSouth Telecommunications, Inc. are accurately stated in the Manual. Systems and procedures, as implemented, meet the requirements of the affiliated transaction rules of the Joint Cost Order and conform with Section 5.0 of the Manual as of ____________ (date to be provided by BellSouth).

With respect to external and internal audits conducted on affiliated transactions our company participated in, we confirm, to the best of our knowledge and belief, the following:

- We have made available all significant information that we believe is relevant to the audit.
- There have been no developments to this date that would materially affect the financial statements for the year ended December 31, 199X.
- We know of no event to this date that, although not affecting such financial statements, has caused or is likely to cause any material change, adverse or otherwise, in the financial position, results of operations or cash flows of the Company.

Date ________________ Name ________________

Title ________________

Exceptions, if any, to the above statements are as follows:

ISSUE: Requirements for Updating BellSouth's Cost Allocation Manual

STATUS: Revised

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn P. Carlson (404) 249-4238

RECOMMENDED:

Dawn P. Carlson

Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox

Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

REQUIREMENTS FOR UPDATING BELLSOUTH'S COST ALLOCATION MANUAL

Introduction

1.01 In compliance with the Federal Communications Commission (FCC) Joint Cost Order (JCO) in Docket 86-111, BellSouth filed a Cost Allocation Manual (CAM) with the FCC which outlines our methods of cost allocation between regulated and nonregulated activities within BellSouth Telecommunications, Inc. (BST). The CAM also outlines the financial relationship between the regulated carriers and their nonregulated affiliates. The costing principles and procedures outlined within the CAM and BellSouth's adherence to those principles and procedures provide assurances to the FCC that nonstructural separation is being handled properly.

1.02 To facilitate this assurance, BellSouth must update the CAM as follows:

1) sixty days prior to the effective date of any cost pool or time reporting changes for BST.

2) on a timely basis for any changes to affiliated transactions or other sections of the CAM.

3) sixty days prior to the implementation of a line of business transfer from a nonregulated affiliate to a regulated affiliate, and

4) quarterly for changes for clarification purposes (i.e. text clarification).

1.03 BellSouth Corporation submits CAM changes to the FCC on a quarterly basis or as needed for special reasons such as major reorganizations. These changes are submitted on the first day of each quarter (January 1, April 1, July 1, and October 1) or on the first day of the month in which a special filing will be made. There is a great deal of work required before any CAM revision is filed with the FCC. A company-wide team effort is imperative to accomplish this task effectively. CAM changes which affect BSE subsidiaries are items (2) and (3) above.

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 022
Issuance: Aug. 1991
Effective: Jan. 1991

ISSUE: Affiliate Transaction Approval

STATUS: New Issue

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn P. Carlson (404) 249-4238

RECOMMENDED:

Dawn P. Carlson

Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox

Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

F01K02W 005923

Documentation Requirements

3.01 Documentation submitted for approval must contain a complete description of the transaction, including:

* Description of the product or service.
* Identification and relationship of all parties involved.
* Frequency of transaction (daily, monthly, yearly, on request).
* Expected future revenues and profits from affiliates and nonaffiliates.
* Financial resources required (monetary, personnel, facilities, etc.).
* Complete description of pricing methodology.
* Identification of Joint Cost Order issues, if any, and how JCO compliance will be ensured.
* Strategic and financial importance to BellSouth.

3.02 If market based pricing is used, a description of the services provided to nonaffiliates should be included, as well as current and expected revenues from nonaffiliates. This information is necessary to ensure that revenues generated from nonaffiliates are similar and significant enough to actually establish a prevailing market rate. It is also important to ensure that the customer base is stable enough to maintain an adequate outside market in future years.

3.03 If fully distributed costing is used, a description of the system and controls used to allocate costs must be included. Responsibilities for maintaining the system and reviewing cost allocations must be identified. If a system is not in place, the expected completion date of the system should be given. Billing cannot occur until an appropriate system is in place.

Strategic and Financial Importance of Transaction

4.01 The strategic and financial importance of the transaction must be documented. Only intercompany transactions that are strategically and financially important to BellSouth will be approved. Such criteria is determined on a case by case basis. Examples of strategically important transactions are those which will:

- Assist BellSouth in entering a desired market.
- Enhance BellSouth's competitive structure.
- Assist BellSouth in furthering technological developments.
- Enhance BellSouth's capability to meet customer needs and demands on a timely basis.

4.02 The transaction must have a positive impact on BellSouth's financial results. This criteria is also determined on a case by case basis, but examples of financially important transactions are those which will:

- Improve BellSouth's Net Income or cash flow.
- Provide economies of scale.
- Utilize excess or idle capacity or resources.

4.03 In assessing the financial importance of a transaction, alternative sources for a service must be considered. Documentation must state whether the affiliate has other sources available for the service, how easily these services can be obtained from external sources, and the external versus internal prices of the service.

Fixed Asset Transfers

5.01 Fixed Asset transfers with a net book value exceeding $ 25,000 must be approved. The following documentation must be submitted:

- Description of parties involved and their relationship.
- Description of the asset(s) and how the asset(s) were used by the transferring entity.
- Description of how the asset(s) will be used by the receiving entity.
- Original cost of the equipment, date of purchase, accumulated depreciation, depreciation method, and estimated useful life.
- Estimated fair market value of the asset, including methods used to determine such value.
- Reason for the transfer, including alternative methods of disposal for the selling entity and alternative methods of acquisition for the purchasing entity.

Management Certification

6.01 The Chief Financial Officer and President of all affiliates involved in the transaction must provide written certification that they have reviewed the proposed transaction and concur that the transaction is strategically and financially important to BellSouth and that the transaction complies with the Joint Cost Order.

Timing

7.01 Documentation for new transactions must be submitted to the BSE Assistant Vice President & Comptroller at least 45 days prior to consummation of the transaction. Significant resources should not be committed to researching a potential intercompany arrangement until approval is obtained.

ISSUE: Affiliate Transaction Approval

STATUS: New Issue

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn P. Carlson (404) 249-4238

RECOMMENDED:

Dawn P. Carlson

Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox

Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

AFFILIATE TRANSACTION APPROVAL

Introduction

1.01 Effective September 1, 1990, all new intercompany transactions must be approved by the Assistant Vice President & Comptroller of BellSouth Enterprises, Inc. (BSE) prior to their implementation. The general provisions of this policy are contained in the BSE Policy Manual, Section 6 (Use of BellSouth Products and Services), Paragraph 2 (Intercompany Transactions). This Accounting Directive provides specific guidance to BSE subsidiaries in implementing this new policy.

Scope

2.01 The policy applies only to new transaction types with an effective date subsequent to September 1, 1990. An ongoing service existing prior to September 1, 1990 does not require review and approval. For example, if nonregulated affiliate A has been providing monthly equipment maintenance to regulated affiliate B since January 1, 1990, this service does not require approval, even if the service will continue to occur after September 1. However, if nonregulated affiliate A begins to sell equipment to regulated affiliate B effective September 1, this transaction must be approved.

2.02 All transactions in which a BSE affiliate, (including BSE Headquarters), sells goods or services require approval regardless of Joint Cost Order (JCO) considerations. Transactions in which a BSE affiliate receives goods or services from the regulated affiliates may require approval based on BellSouth Corporation and BellSouth Services policies.

2.03 Asset transfers from a BSE affiliate with a net book value greater than $ 25,000 must be approved.

Documentation Requirements

3.01 Documentation submitted for approval must contain a complete description of the transaction, including:

- Description of the product or service.
- Identification and relationship of all parties involved.
- Frequency of transaction (daily, monthly, yearly, on request).
- Expected future revenues and profits from affiliates and nonaffiliates.
- Financial resources required (monetary, personnel, facilities, etc.).
- Complete description of pricing methodology.
- Identification of Joint Cost Order issues, if any, and how JCO compliance will be ensured.
- Strategic and financial importance to BellSouth.

3.02 If market based pricing is used, a description of the services provided to nonaffiliates should be included, as well as current and expected revenues from nonaffiliates. This information is necessary to ensure that revenues generated from nonaffiliates are similar and significant enough to actually establish a prevailing market rate. It is also important to ensure that the customer base is stable enough to maintain an adequate outside market in future years.

3.03 If fully distributed costing is used, a description of the system and controls used to allocate costs must be included. Responsibilities for maintaining the system and reviewing cost allocations must be identified. If a system is not in place, the expected completion date of the system should be given. Billing cannot occur until an appropriate system is in place.

Strategic and Financial Importance of Transaction

4.01 The strategic and financial importance of the transaction must be documented. Only intercompany transactions that are strategically and financially important to BellSouth will be approved. Such criteria is determined on a case by case basis. Examples of strategically important transactions are those which will:

- Assist BellSouth in entering a desired market.
- Enhance BellSouth's competitive structure.
- Assist BellSouth in furthering technological developments.
- Enhance BellSouth's capability to meet customer needs and demands on a timely basis.

4.02 The transaction must have a positive impact on BellSouth's financial results. This criteria is also determined on a case by case basis, but examples of financially important transactions are those which will:

- Improve BellSouth's Net Income or cash flow.
- Provide economies of scale.
- Utilize excess or idle capacity or resources.

4.03 In assessing the financial importance of a transaction, alternative sources for a service must be considered. Documentation must state whether the affiliate has other sources available for the service, how easily these services can be obtained from external sources, and the external versus internal prices of the service.

Fixed Asset Transfers

5.01 Fixed Asset transfers with a net book value exceeding $ 25,000 must be approved. The following documentation must be submitted:

- Description of parties involved and their relationship.
- Description of the asset(s) and how the asset(s) were used by the transferring entity.
- Description of how the asset(s) will be used by the receiving entity.
- Original cost of the equipment, date of purchase, accumulated depreciation, depreciation method, and estimated useful life.
- Estimated fair market value of the asset, including methods used to determine such value.
- Reason for the transfer, including alternative methods of disposal for the selling entity and alternative methods of acquisition for the purchasing entity.

Management Certification

6.01 The Chief Financial Officer and President of all affiliates involved in the transaction must provide written certification that they have reviewed the proposed transaction and concur that the transaction is strategically and financially important to BellSouth and that the transaction complies with the Joint Cost Order.

Timing

7.01 Documentation for new transactions must be submitted to the BSE Assistant Vice President & Comptroller at least 45 days prior to consummation of the transaction. Significant resources should not be committed to researching a potential intercompany arrangement until approval is obtained.

COMPANY: BST
TITLE: RECONCILIATION OF FDC STUDY TO INCOME STATEMENT
PERIOD: FYE 12/32/92
DATE: AUGUST 3, 193
AUDITOR: RKY

1KW 11/6/93

WP NO. 51-11

It appears that BSE is trying to show us all costs that are not project coded, not retained by BSE are included in FDC.

(This information IS from ESPI workpapers provided to us.)

This is broken down into 6 parts.

I. An Income Statement reconciliation showing the

1. Total expenses allocated under mgmt fee allocation
This line amount agrees with the total FDC in wp 51-7/1 and 51-7/2. ESPI w/p 51-6/5-1 is the income reconciliation

plus 2. Project Coded Costs
An explanation of the types of project codes is on wp no. 51-11.

less 3. Project coded costs included in management fee allocation.
Per C&L note on ESPI, these are project coded but based on analysis of costs are appropriately allocated under the management fee. (C&L 43.3).
EB Porjects (President's club)
EC Projects (inforum)
EC Projects (Corporate Support Inlcuded in O/H rate)
ES PROJECTS
(c&l WP 43.3)

plus 4. Costs retained

5. Total costs of BSE accounted for
compared with
6. Total expenses per Sequence 17 (Trial Balance)
Company objected to giving us the trial balance.

This was provided for 9/30/92 and 12/31/92. C&L audited the 9/30/92 statements.

In order to determine that only costs that are nonproject coded, not retained are included in the FDC calculation, it is necessary to have access to BSE's financial records. The company has objected to us having this access.

CONFIDENTIAL
ESPI

151

51-11
p1

BSE

Conclusion on Income Stmt Reconciliation

AUDIT DISCLOSURE

SUBJECT: BELLSOUTH ENTERPRISES' (BSE) BILLING TO NONREGULATED SUBSIDIARIES

BSE INCOME STATEMENT RECONCILIATION

Part of BSE's billing to their subs includes Projects that are specifically coded to the subs for which the work was being performed. This is in addition to the Management fee. BSE also retains certain costs at headquarters that are not billed as Project costs or considered part of the FDC calcualtion.

51-8/3-1 In order to determine that all costs are used in the FDC calculation, BSE prepared an income statement reconciliation. All costs at BSE are reconciled here to the Trial Balance. These costs are Project Coded Costs, Total Expenses Allocated for FDC, and Costs Retained. BSE has objected to us having access to their financial records to document these costs.

Because we did not have access to BSE financial records, we could not determine whether the Income Statement Reconciliation to the Trial Balance was correct.

51-11 pg 2

BSE.
~~C&L Analysis & Project Cost~~ KWG/DB 10/22/93

9/3/93
KWG/DB
DCB
BLS 86-111
Types of Project Codes
12/31/92

C&L

1
PBC
PBC

2

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

BELLSOUTH ENTERPRISES INC
~~1992~~ MANAGEMENT FEE STUDY
1/1/92 - 9/30/92

During 1992 BSE used the following types of project codes:

- (B) * BE Projects: Used to track costs to be billed to affiliates.
- (A) * EC Projects: Used for cost identification purposes
- (A) * EN Projects: Similar to EC Projects. Used for cost identification purposes.
- Retained * CD Projects: Used to track corporate development/M&A activities.
- Retained * MC Projects: Used to track costs incurred to support BellSouth Mobile Data. These costs are retained by BSE.
- Billed to BSMD * MD Projects: Used to track costs incurred to support BellSouth Mobile Data. These costs are billed to BellSouth Mobile Data.

14

(A) Some costs are used in [redacted] analysis (overhead; marketing), while others are ignored (supporting International operating; new business development)? Why?

FYI

(B) Most of these types of projects are billed out to subs (the ones for specific projects serviced by BSE). Some, however, are to capture costs that relate to all subs; therefore, they are not directly billed, but are included in 2.19 analysis.

CONFIDENTIAL

43.15

[redacted]

F01K02W 002857
Conf

153

51-11
1

AUDIT DISCLOSURE

SUBEJCT: COMBINATION OF BELLSOUTH ENTERPRIES HADQUARETERS (BSE) WITH BELLSOUTH CORP HEADQUARTERS (BSC)

STATEMENT OF FACTS:

S1-12/1-1

In an interview with Mike Hostinsky of BSC, he stated that BSE Holding Company staff will be disolved. BSE and BSC will be combined under BellSouth Corp. BSE will bill the management fee only to end of 1993; and no management fee will be billed for 1994. At this point in time, Mr. Hostinsky believes BSE will be a shell for legal and tax purposes.

S1-12/2

In a Bellsouth report dated November 18,1992 a question was asked "How did you arrive at one-half of 1% of the total employee work force as the number of employees who would be kept at the financial holding company headquarters?"

The answer was "Compared with several of our sister Bell holding companies, we have a significantly higher percentage of our work functions at the headquarters level. The projected corporate headquarters staff size is a goal tht will bring us more closely into alighment with other similarly situated companies."

S1-12/1-1

The philosophy of the combination as he states is if the function is primarily and operating company function of BSE holding company, the people will be ushed down to thebusiness units. The only thing left at Corporation will be the project billing from corporate to some subsidiaries when BSC will be doing the work.

S1-12/3

BSC provided us with a study which noted that the combination of BSE and BSC will leave 113 employees available for reassignment.

S1-12/1-1

When asked, Mr Hostinsky said he did not know of any sub teams that knew the costs associated with the force reduction; that there was no cost study with dollars for the reduction. The numbers reduced in head counts flow into budgets. He also stated that there was no tracking of incremental costs for this reorganization.

S1-12/4

PSC staff performed an anlaysis of these 113 employees and Estimated ~~approximated~~ that the annual amount associated with them is ____________________. See Schedule following this Disclosure.

~~Data~~ This analysis is based upon 1992 "Position Rate" figures for each pay grade. The Company said average salaries by pay grade are not readily available. Also, missing from this calculation are the non management employees. Time precluded getting this.

AUDIT DISCLOSURE

SUBEJCT: COMBINATION OF BELLSOUTH ENTERPRIES HADQUARETERS (BSE) WITH BELLSOUTH CORP HEADQUARTERS (BSC)

OPINION:

As BSE will no longer bill a management or project billing as it is today in 1992, the costs of these fees that chain into regulation as described in BSE Disclosures 2 and 3 should not be taken into account when setting rates.

Also, as the work force will be reduced, there could possibly be further reduction in the amounts from the nonregulated affiliates that flow into BST. As no dollars have been associated with these work force reductions, we cannot place a number on this.

~~we did not have all the information to~~

we only had approximate information & no $ info for non reg't grouping

RECOMMENDATION:

Follow up in 1994 on the costs that chain into regulation from nonrgulated affiliates including BSC.

mg 11/6/93
RY

156

51-12

PBC

Final Departmental Recommendations

BSC provided us with a study made to combine the workforce of BSE and BSC headquarters. This study is called the "Gunter Study" which had two versions of the combination. Version A will leave 113 employees available for reassignment and Version B will leave 149 employees available for reassignment.

PSC
Rg
11/2/93

Also, as the work force will be reduced, there could possibly be further reduction in the amounts from the nonregulated affiliates that flow into BST.

PSC staff performed an anlaysis of these 113 employees and approximated that the annual amount associated with them.

Of the 113 employees, staff was able to obtain 1992 "Position Rate Figures" for certain pay grades for 66 of the employees available for reassignment. We asked for average salaries in particular pay grades, but the company said they were not readily available and supplied us with these instead.

The rest of the employees were considered nonmanagement, unsupported and other. We did not request dollars for these types of positions.

Staff calculated that the amount of the 66 employees available for reassignment totalled $3,483,800. See Schedule following this Disclosure for calculation.

158

Consolidated Transition Force Matrix, VERSION A 6/30

		Current Total	Current BSC-HQ	Current BSE-HQ	Proposed BSC-HQ	Proposed BSE Business Units	Proposed BST Business Units	Available for Reassignment
1	Public Relations	53	49	4	50	1	0	2
2	Secretary & Treasurer	89	78	11	84	1	0	4
3	Budget	54	28	26	40	1	0	13
4	Comptrollers	154	63	91	98	34	5	17
5	Internal Audit & Security	50	50	0	37	2	9	2
6	Human Resources	169	130	39	83	11	42	33
7	Tax	136	136	0	73	19	44	0
8	Planning	45	22	23	32	0	0	13
9	Legal	92	59	33	68	4	14	6
10	Regulatory	6	0	6	6	0	0	0
11	Information Services	5	0	5	0	0	0	5
12	Support Services & Quality	55	43	12	42	7	0	6
13	Structure	46	0	46	0	46	0	0
14	DC	31	31	0	31	0	0	0
15	Executive	49	28	21	29	8	0	12
p2	TOTAL	1034	717	317	673	134	114	~~114~~

error in addition should be 113

F01K06M 002544

Consolidated Transition Force Matrix, VERSION A

		Current Total	Current BSC-HQ	Current BSE-HQ	Proposed BSC-HQ	Proposed BSE Business Units	Proposed BST Business Units	Available for Reassignment
1	Public Relations	53	49	4	50	1	0	2
2	Secretary & Treasurer	89	78	11	84	1	0	4
3	Budget	54	28	26	40	1	0	13
4	Comptrollers	154	63	91	98	34	5	17
5	Internal Audit & Security	50	50	0	37	2	9	2
6	Human Resources	169	130	39	83	11	42	33
7	Tax	136	136	0	73	19	44	0
8	Planning	45	22	23	32	0	0	13
9	Legal	92	59	33	68	4	14	6
10	Regulatory	6	0	6	6	0	0	0
11	Information Services	5	0	5	0	0	0	5
12	Support Services & Quality	55	43	12	42	7	0	6
13	Structure	46	0	46	0	46	0	0
14	DC	31	31	0	31	0	0	0
15	Executive	49	28	21	29	8	0	12
P3	TOTAL	1034	717	317	673	134	114	114
	Worldwide Wireless	166		166				
		1200		483	[illegible]			
	11-30-92 Report	1141	692	449				

160

Consolidated Transition Force Matrix, VERSION B 12/31

		Current Total	Current BSC-HQ	Current BSE-HQ	Proposed BSC-HQ	Proposed BSE Business Units	Proposed BST Business Units	Available for Reassignment
1	Public Relations	53	49	4	33	1	0	19
2	Secretary & Treasurer	89	78	11	84	1	0	4
3	Budget	54	28	26	40	1	0	13
4	Comptrollers	154	63	91	72	52	5	25
5	Internal Audit & Security	50	50	0	37	2	9	2
6	Human Resources	169	130	39	67	27	42	33
7	Tax	136	136	0	70	19	44	3
8	Planning	45	22	23	32	0	0	13
9	Legal	92	59	33	68	4	14	6
10	Regulatory	6	0	6	6	0	0	0
11	Information Services	5	0	5	0	0	0	5
12	Support Services & Quality	55	43	12	8	7	34	6
13	Structure	46	0	46	0	46	0	0
14	DC	31	31	0	31	0	0	0
15	Executive	49	28	21	29	8	0	12
	TOTAL	1034	717	317	577	168	148	141

1) Change reflects move of some media and employee communications efforts to BST business units, BellSouth Classic to BST Marketing, and consolidation of other executive support functions.

4) Change reflects 12/94 completion of required conversion activities/process improvements, project Renaissance activities and outsourcing payroll activities.

6) Change reflects move of mechanization, assessment program and BSLI functions to BSE business units.

7) Change reflects 12/94 reduction due to efficiencies.

12) Change reflects move of support services to BST business unit.

Consolidated Transition Force Matrix, VERSION A or B Detail

	Current Total	Current BSC-HQ	Current BSE-HQ	Proposed BSC-HQ	Proposed BSE Business Units	Proposed BST Business Units	Available for Reassignment
Movement of Non-HQ employees:							
• From BSE to BST							
—BSAN						98	
—IMSI						31	
• From BSE to Undecided							
—BSSI					129		
• From BSE Units to BSC							
—CHN					43		
					172	129	

pw 11/16/93 8/01/483

162

5 89-12 / 3

COMPANY: BSE
TITLE: ANALYSIS OF GUNTER STUDY
TO COMBINE WORKFORCE OF BSE AND BSC HDQ.
PERIOD: TYE 12/31/92
DATE: OCTOBER 7, 1993
AUDITOR: RKY

KW 11/16/93

WP NO ~~51-11/2~~ 51-12/4

SOURCE: CONSOLIDATED TRANSITION FORCE MATRIX, VERSION A AS OF ~~12/31/~~ 4/30/93.

	DIVISION	AVAILABLE FOR REASSIGNMENT	NUMBER	PAY LEVEL	AVG PAY 51-12/3	NUMBER X PAY LEVEL
51-12/4-1	PUBLIC RELATIONS	1	1	1	30,000	30,000
			1			
51-12/4-2	SECRETARY TREASURER	4	A 1 nonmgmt			
			2	3	44,900	89,800
			1	4	50,100	50,100
			4			
51-12/4-3	BUDGET	13	A 2 USP			
			3	1	30,000	90,000
			1	3	44,900	44,900
			3	4	50,100	150,300
			3	5	55,900	167,700
			1	6	73,900	73,900
			13			
51-12/4-4	COMPTROLLERS says 25 on lead sheet SOURCE DOC'N ONLY SAYS 17	17	A 6 NONMGMT			
			2	1	30,000	60,000
			3	3	44,900	134,700
			2	4	50,100	100,200
			2	5	55,900	111,800
			2	6	73,900	147,800
			17			
51-12/4-5	INTERNAL AUDIT AND SECURITY	2	A 1 NONMGMT			
			1	5	55,900	55,900
			2			

COMPANY: BSE
TITLE: ANALYSIS OF GUNTER STUDY
TO COMBINE WORKFORCE OF BSE AND BSC HDQ.
PERIOD: TYE 12/31/92
DATE: OCTOBER 7, 1993
AUDITOR: RKY

WP NO ~~51-11/7~~ 51-12/4

SOURCE: CONSOLIDATED TRANSITION FORCE MATRIX, VERSION 8 AS OF 12/31/93.

	DIVISION	AVAILABLE FOR REASSIGNMENT	NUMBER	PAY LEVEL	AVG PAY	NUMBER X PAY LEVEL
51-12/4-6	HUMAN RESOURCES	33	A 8 NONMGNT			
			A 3 OTHER			
			9	3	44,900	404,100
			3	4	50,100	150,300
			6	5	55,900	335,400
			1	6	73,900	73,900
			1	7	88,000	88,000
			2	8	121,500	243,000
			33			
51-12/4-7	TAX	0				
51-12/4-8	PLANNING	13	A 2 NONMGNT			
			A 1 USP			
			A 3 OTHER			
			1	1	0	
			1	3	44,900	44,900
			3	5	55,900	167,700
			2	6	73,900	147,800
			13			
51-12/4-9	LEGAL	6	A 5 OTHER			
			1	3	44,900	44,900
	REGULATORY	0	6			
51-12/4-10	INFORMATION SERVICES	5	A 1 USP			
			2	1	30,000	60,000
			1	5	55,900	55,900
			1	7	88,000	88,000
			5			

COMPANY: BSE
TITLE: ANALYSIS OF GUNTER STUDY
TO COMBINE WORKFORCE OF BSE AND BSC HDQ.
PERIOD: TYE 12/31/92
DATE: OCTOBER 7, 1993
AUDITOR: RKY

WP NO ~~51-11/2~~ 51-12 / 4

SOURCE: CONSOLIDATED TRANSITION FORCE MATRIX, VERSION 8 AS OF 12/31/93.

	DIVISION	AVAILABLE FOR REASSIGNMENT	NUMBER	PAY LEVEL	AVG PAY	NUMBER X PAY LEVEL
51-12 / 4-11	SUPPORT SERVICES AND QUALITY	6	A 1 MGMNT			
			A 1 OTHER			
			2	3	44,900	89,800
			1	4	50,100	50,100
			1	7	88,000	88,000
			6			
	STRUCTURE	0				
	DC	0				
51-12 / 4-12	SECURITY	0				
51-12 / 4-13	EXECUTIVE	12	A 5 OTHER			
			1	3		44,900
			A 6 OFC			
			12			
		112	112			3,483,800
	~~PER LEAD SHEET~~ 51-12 / 3 p2	113				
		-1				

112

ΣA = 46

66 for which applied $
46 cannot apply $

51-12
4

Used Version A as Summary in Version A

1/20/93 Transition Team Meeting

Used Version - A -

Corporate Transition Force Matrix

Function/Department: Headquarters Public Relations

PBC

X

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other	Management by Paygrade 1	2	3	4	5	6	7	8	Ofc
Current Structure:														
BSC-HQ	49	40	9	0	3	0	0	5	6	12	10	2	2	----
BSE-HQ	4	4	0	0	0	1	0	0	0	2*	1	0	0	----
• Total														
Proposed Structure:														
BSC-HQ	49*	40	9	0	3	0	0	5	6	12	10	2	2	
BSE Business Units	0	1	0	0	0	0	0	0	0	0	1	0	0	
BST Business Units'	0	0	0	0	0	0	0	0	0	0	0	0	0	
Available for reassignment	1	1	0	0	0	1	0	0	0	0	0	0	0	
• Total														

* BSE PG 5's would assume current PG 5 vacancies in department.

• Total lines should balance.

81

167

51-12 / 4-1

F01K06W 002554

168

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: Headquarters Public Relations

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other	Management by Paygrade 1	2	3	4	5	6	7	8	Ofc
Current Structure:														
BSC-HQ	49	40	9	0	3	0	0	5	6	12	10	2	2	----
BSE-HQ	4	4	0	0	0	1	0	0	0	2	1	0	0	----
* Total	53	44	9	0	3	1	0	5	6	14	11	2	2	----
Proposed Structure:														
BSC-HQ	33	27	6	0	3	0	0	0	0	10	10	1	3	----
BSE Business Units	1	1	0	0	0	0	0	0	0	0	1	0	0	----
BST Business Units	0	0	0	0	0	0	0	0	0	0	0	0	0	----
Available for reassignment	19*	16	3	0	0	1	0	5	6	4	0	0	0	----

* Total

Approximately one-half surplus. Remainder in business units.

pz

* Total lines should

8/16/93
9/16/93

169

51-2
4-1

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: Secretary/Treasury

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other	1	2	3	4	5	6	7	8	Otc
						Management by Paygrade								
Current Structure:														
BSC-HQ														
- Secretary	5	5	0	0	1	0	0	3	0	1	0	0	0	0
- Treasury	73	59	14	0	4	0	0	13	9	20	7	3	3	0
BSE-HQ														
- Treasury	11	9	2	0	0	1	0	3	1	3	0	1	0	0
Total														
- Secretary	5	5	0	0	1	0	0	3	0	1	0	0	0	0
- Treasury	84	68	16	0	4	1	0	16	10	23	7	4	3	0
*Total	89	73	16	0	5	1	0	19	10	24	7	4	3	0
Proposed Structure:														
BSC-HQ														
- Secretary	5	5	0	0	1	0	0	3	0	1	0	0	0	0
- Treasury	79	64	15	0	4	1	0	14	9	22	7	4	3	0
Subtotal	84	69	15	0	5	1	0	17	9	23	7	4	3	0
BSE Business Units	1	1	0	0	0	0	0	0	1	0	0	0	0	0
BST Business Units	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Available for Reassignment	4	3	1	0	0	0	0	2	0	1	0	0	0	0
*Total	89	73	16	0	5	1	0	19	10	24	7	4	3	0

*Total lines should balance.

1/20/93 Transition Team Meeting

Current and Recommended Function Report

Function/Department: Treasury

Brief function description:	Recommended placement:
Investor Relations	Place at BSC-HQ
Shareholder Relations	Place at BSC-HQ
Trust Asset Management	Place at BSC-HQ
Treasury Methods & Procedures	Place at BSC-HQ
Financial Planning	Combine BSC-HQ and BSE, place at BSC-HQ
Cash Investments	Place at BSC-HQ
Capital Market Financing	Place at BSC-HQ and BST
Foreign Currency Management	Place at BSC-HQ; move routine direct support of international operations to BSI
Banking Relations and Daily Cash Management	Combine BSC-HQ and BSE, place at BSC-HQ and BST

Bg 11/2/93

mw 11/11/93

173

1/20/93 Transition Team Meeting Budget

PBC

Corporate Transition Force Matrix

Function/Department: Financial Management/Financial and Business Planning

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other	1	2	3	4	5	6	7	8	O/c
						Management by Paygrade								
Current Structure:														
BSC-HQ	28	28	0	6	0	4	1	1	1	12	1	2	0	0
BSE-HQ	26	26	0	0	0	3	0	1	4	13	3	1	1	0
*Total	54	54	0	6	0	7	1	2	5	25	4	3	1	0
Proposed Structure:														
BSC-HQ	40	40	0	4	0	4	1	1	2	21	3	3	1	0
BSE Business Units	1	1	0	0	0	0	0	0	0	1	0	0	0	0
BST Business Units	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Available for Reassignment	13	13	0	2	0	3	0	1	3	3	1	0	0	0
*Total	54	54	0	6	0	7	1	2	5	25	4	3	1	0

*Total lines should balance.

F01K06W 002588

5/-12
4-3

1/20/93 Transition Team Meeting

Current and Recommended Function Report

Function/Department: Financial Management

Brief function description:	Recommended placement:
Corporate Financial Management	Place in BSC-HQ

KJ 8/2/93
KW 01/6/93

174A

175

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: Comptrollers / Risk Management

BSC

Data as of 11-30-92

p. 1

	Total	Mgmt	NMgmt	Unsp	Other	1	2	3	4	5	6	7	8	Ofc
				Management by Paygrade										
Current Structure:														
BSC-HQ	60.0	49.0	11.0	—	2.0	2.0	1.0	9.0	12.0	16.0	5.0	2.0	—	**
BSE-HQ	91.0	75.0	16.0	—	2.0	11.0	—	8.0	25.0	20.0	7.0	1.0	1.0	—
— Subtotal Comptrollers	151.0	124.0	27.0	—	4.0	13.0	1.0	17.0	37.0	36.0	12.0	3.0	1.0	—
BSC Other Functions	*3.0	3.0	—	—	1.0	—	—	1.0	1.0	—	—	—	—	—
Total	154.0	127.0	27.0	—	5.0	13.0	1.0	18.0	38.0	36.0	12.0	3.0	1.0	0.0
Proposed Structure:														
BSC-HQ Comptrollers	97.0	79.0	18.0	—	4.0	11.0	1.0	14.0	21.0	20.0	5.0	2.0	1.0	—
BSC-HQ Other Functions	*1.0	1.0	—	—	—	—	—	—	—	—	1.0	—	—	—
Total BSC-HQ	98.0	80.0	18.0	—	4.0	11.0	1.0	14.0	21.0	20.0	6.0	2.0	1.0	—
BSE Business Units	34.0	32.0	2.0	—	1.0	—	—	1.0	14.0	12.0	3.0	1.0	—	—
BST Business Units	5.0	4.0	1.0	—	—	—	—	—	1.0	2.0	1.0	—	—	—
Available for reassignment	17.0	11.0	6.0	—	—	2.0	—	3.0	2.0	2.0	2.0	—	—	—
Total	154.0	127.0	27.0	—	5.0	13.0	1.0	18.0	38.0	36.0	12.0	3.0	1.0	—

51-12 4-4

* PG3 from Corporate Support; PG4 from BAPCO; PG6 to BSC-HQ Other Functions.

** Excludes Officer and secretarial support.

How do we know how many BSE were eliminated?

176

82

Comptrollers

Restructuring after June 30, 1993

Headcount at 6/30/93	97.0	
Less:		
Completion of required conversion activities/ process improvements	(4.0)	AFR = 7-9
Planned phaseout of methods and procedures following full Renaissance implementation	(16.0)	
Outsourcing payroll to major subsidiary	(6.0)	
Headcount at 12/31/94	71.0	

Reflects 53% overall reduction from 11/30/92

177

P3

COMPTROLLERS

CURRENT ORGANIZATION: NOVEMBER 30, 1992	PROPOSED ORGANIZATION: JUNE 30, 1993
EXISTING FUNCTIONS:	**PROPOSED FUNCTIONS:**
BSC CORPORATE ACCOUNTING	CORPORATE ACCOUNTING
BSE ACCOUNTING SERVICES	
BSC CORPORATE CONSOLIDATION AND EXTERNAL REPORTING	CONSOLIDATIONS/EXTERNAL REPORTING
BSE FINANCIAL ACCOUNTING MATTERS	
BSC EXECUTIVE PAYROLL/COMPENSATION AND BENEFIT STANDARDS	ACCOUNTING STANDARDS
BSC REGULATORY/OTHER ACCOUNTING STANDARDS	PART TO BST; REMAINDER TO ACCOUNTING STANDARDS
BSE MERGERS AND ACQUISITIONS	MERGERS AND ACQUISITIONS
BSC RISK MANAGEMENT	RISK MANAGEMENT
BSE INTERNATIONAL SYSTEMS	TO INTERNATIONAL
BSE INTERNATIONAL ACCOUNTING	TO INTERNATIONAL
BSE OPERATIONAL REVIEWS	TO INTERNATIONAL, BAPCO AND WIRELESS
BSC AFFILIATED INTERESTS	TO BSC LEGAL
BSE METHODS AND PROCEDURES	METHODS AND PROCEDURES (RENAISSANCE)
TOTAL STAFFING: THIRTEEN WORKGROUPS WITH HEADCOUNT OF 151	TOTAL STAFFING: SIX WORKGROUPS WITH HEADCOUNT OF 97

F01K06H 002587

R 11/2/93
KW 11/6/93

KL-12
4-4

PBC

179

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: Internal Audit (Authorized Headcount)

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other	Management by Paygrade 1	2	3	4	5	6	7	8	Ofc
Current Structure:														
BSC-HQ	42.0	36.0	6.0	0.0	1.0	0.0	0.0	2.0	18.0	11.0	3.0	0.0	1.0	0.0
BSE-HQ	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
* Total	42.0	36.0	6.0	0.0	1.0	0.0	0.0	2.0	18.0	11.0	3.0	0.0	1.0	0.0
Proposed Structure:														
BSC-HQ	31.0	26.0	5.0	0.0	1.0	0.0	0.0	2.0	13.0	7.0	2.0	0.0	1.0	0.0
BSE Business Units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BST Business Units	9.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	1.0	0.0	0.0	0.0	0.0
Available for reassignment	2.0	1.0	1.0 (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0 (2)	0.0	0.0	0.0
* Total	42.0	36.0	6.0	0.0	1.0	0.0	0.0	2.0	21.0	8.0	3.0	0.0	1.0	0.0

81

* Total lines should balance.

(1) This person was placed in BST outside of Internal Auditing.

(2) Currently we are in process of CTAP for one Operations Manager.

NOTE: Total headcount authorized in BST Internal Auditing was 71 for 1992 and will increase to 79 in 1993. Paygrade 8 surplus to be handled through CTAP. Therefore, total Internal Audit authorized headcount in 1993 is 110 (31 BSC + 79 BST).

F01K06W 002594

51-12

4-5.

1/20/93 Transition Team Meeting

180

Current and Recommended Function Report

Function/Department: Internal Audit (Authorized Headcount)

Brief function description:	Recommended placement:
4 CAAP - Computer Assisted Audit Procedures Group	Place in BST Internal Audit groups (they support these groups)
5 ISA - Information Systems Audit Group	Place in BST Internal Audit group in Birmingham
1 OM - Operations Manager	CTAP for surplus OM
1 Clerk surplus	Already placed in another department in BST

p2

F01K06W 002595

B 11/2/93

5-12

182

TOTAL CORPORATE HUMAN RESOURCES FORCE MATRIX

PBC

Current Structure (w/4 PG8 & Sec)	Total	Mgmt	Non-Mgmt
BSC-HQ	130	105	25
BSE-HQ	39	34	5
Total	169	139	30
Future Structure (w/2 PG8 & Sec)			
BSC-HQ	67-83	60-69	7-14
BIS-Professional Services	16-0	9-0	7-0
BSE Business Unit	11	9	2
BST Business Unit	42	36	6
Available for Reassignment	33	25	8
Total	169	139	30

8

51-12 / 4-6

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: TOTAL CORP HR

183

Data as of 11-30-92

	Total	Mgmt	Non-Mgmt	Unsp	Othr	1	2	3	4	5	6	7	8	OFC
				Management by Paygrade										
Current Structure: (w/PG8 & Sec)														
BSC-HQ	130	105	25	0	5	0	2	28	16	38	11	2	3	0
BSE-HQ	39	34	5	0	1	0	4	11	3	11	3	0	1	0
* Total	169	139	30	5	6	0	6	39	19	49	14	2	4	0
Future Structure: (w/PG8 & Sec)														
BSC-HQ	83	69	14	0	3	0	4	14	10	27	8	1	2	0
BSE Business Unit	11	9	2	0	0	0	2	2	1	3	1	0	0	0
BST Business Unit	42	36	6	0	0	0	0	14	5	13	4	0	0	0
Available for reassignment	33	25	8	0	3 25	0	0	9	3	6	1	1	2	0
*Total	169	139	30	0	6	0	6	39	19	49	14	2	4	0

* Total lines should balance

NOTE: The greatest credibility of the future force numbers is in the total number rather than in the distribution by paygrade because the jobs will be evaluated after the new work modules are designed.

trans
totalhr-a83

19-Jan-93
09:23 AM

HR SUBCOMMITTEE REPORT (01-18-93)

Subcommittee			Functions	BSC	BST	BSI
A- Benefits Planning			Strategic Benefits Planning	X		
	Current	Future	Planning for Funded/Health Care Plans	X		
BSC	28		Discrimination Testing	X		
BSE	5		Funded Plans Administration		X	
Total	33	14	Health Care Administration		X	
B- Personnel Services & Benefits Services			Support for BSC	X		
	Current	Future	Support for BSE U.S. subsidiaries	X		
BSC	7		including Benefit Administration,			
BSE	9		Salary, Staffing, etc.			
Total	16	13				
C- Compensation		AFR 3	Exec. Comp & Benefits, Legal Comp.	X		
			Management Compensation Policy	X		
	Current	Future	Management Compensation Design		X	
BSC	22		Salary Surveys		X	
BSE	8		Sales Compensation, Relocation		X	
Total	30	17	Job Evaluation/Title Plan/Perf. Mgmt.		X	
D- HR Mechanization			HRIS	X		
	Current	Future	Mechanization Planning	X		
BSC	12		BST program support (MATCH, etc.)		X	
BSE	1		BSC program support (Benefits	X		
Total	13	1-6	Planning, Comp., Testing, etc.)			
E- HR Strategic Planning			Strategic Plan	X		
	Current	Future	Workforce Planning	X		
BSC	7		Employee Surveys	X		
BSE	0					
Total	7	2				
F- Labor			Labor Policy & CWA liaison	X		
	Current	Future	Wage and Benefit Policy	X	X	
BSC	7		Contract Negotiation		X	
BSE	0					
Total	7	2				
G- Safety and Environment		AFR 5	Interface with Federal Regulators	X		
	Current	Future	Compliance Requirements	X		
BSC	11		Legislation Review and Lobby	X		
BSE	1		Develop Training Materials		X	
Total	12	5	Hazards Communications/Ergonomics		X	
H- Staffing and Development			Executive Development/Succession	X		
			Planning/Assessment Programs			
	Current	Future	Executive Education - BSLI	X		
BSC	30		EEO/AA/Research/test validation	X		
BSE	3		Workforce Legislation Review	X		
Total	33	9-20	Mgmt. Staffing Plans/Program Dev.		X	
I - International HR			Expatriot services			X
	Current	Future	HR Planning			X
BSC	-		BSI Personnel Services			X
BSE	10					
Total	10	0				
BSC	124 + 6 = 130	63 - 79 + (4A VP/Sec.) = 67 - 83	83			
BSE	37 + 2 = 39					
TOTAL	161 + 8 = 169					

F01K06W 002553

184

11/2/93 B 11/2/93

SEB
4-6

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: Tax

	Total	Mgmt	NMgmt	Unsp	Other	1	2	3	4	5	6	7	8
Current Structure:													
BSC-HQ	132	117	15	1	3	0	4	18	47	32	9	1	2
BSE-HQ	0	0	0	0	0	0	0	0	0	0	0	0	0
Total per 11/30/92 Force Report	132	117	15	1	3	0	4	18	47	32	9	1	2
Plus - see note 1	4	4	0					1	1	2			
Total - see note 2	136	121	15	1	3	0	4	19	48	34	9	1	2
Proposed Structure:													
BSC-HQ	73	63	10	1	3		3	10	17	20	6	1	2
BSE Business Units													
Wireless	16	16						4	9	3			
Advertising & Publishing	3	3							2	1			
BST Business Units	44	39	5				1	5	20	10	3		
Available for reassignment	0	0	0										
Total	136	121	15	1	3	0	4	19	48	34	9	1	2
Less anticipated future reductions - see note 3	(3)	(2)	(1)							(2)			
Total as of 12/31/94	133	119	14	1	3	0	4	19	48	32	9	1	2

Notes: (1) Temporary vacancies in the process of being filled.
(2) Authorized headcount for 1992 was 140.
(3) Anticipate reducing headcount by 3 employees in mid to late 1994 due to efficiencies.
(4) To determine number of employees in the business units and headquarters, various structure assumptions were made regarding where specific subsidiaries will be placed. If assumptions are incorrect, the allocation of 136 employees among units and headquarters could change.

What are BST Business Units?

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function Department: Corporate Planning & Development

Data as of 11/30/92

	Total	Mgmt	NMgmt	Unsp	**Other	1	2	3	4	5	6	7	8	**Ofc
Current Structure:														
BSC-HQ	22	21	1	0	4	1	0	2	0	1	10	3		
BSE-HQ	23	22	1	2	5	0	0	1	0	4	5	4	1	
* Total	45	43	2	2	9	1	0	3	0	5	15	7	1	0
Proposed Structure:														
BSC-HQ	32	32		1	6	0	0	2	0	2	13	7	1	
BSE Business Units														
BST Business Units														
Available for reassignment	13	11	2	1	3	1	0	1	0	3	2	0	0	0
* Total	45	43	2	2	9	1	0	3	0	5	15	7	1	0

* Total lines should balance.

** Excludes Executive and Executive Secretary headcount, 1 of each at BSC & BSE

How do we know
how much BSE eliminated

187

BBC

F01K06U 00270

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: LEGAL

PBC

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other (LS)	1	2	3 (LB)	4	5	6	7	8	Ofc
				Management by Paygrade										
Current Structure:														
BSC-HQ	59.0	59.0	0.0	27.0	20.0	0.0	1.0	10.0	1.0	0.0	0.0	0.0	0.0	0.0
BSE-HQ	33.0	33.0	0.0	15.0	12.0	0.0	1.0	3.0	1.0	1.0	0.0	0.0	0.0	0.0
* Total	92.0	92.0	0.0	42.0	32.0	0.0	2.0	13.0	2.0	1.0	0.0	0.0	0.0	0.0
Proposed Structure:														
BSC-HQ	67.0	67.0	0.0	32.0	22.0	0.0	2.0	8.0	2.0	1.0	0.0	0.0	0.0	0.0
BSE Business Units	4.0	4.0	0.0	2.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
BST Business Units	14.0	14.0	0.0	7.0	4.0	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Available for reassignment	6.0	6.0	0.0	0.0	5.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
BellSouth DC	1.0	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
* Total	92.0	92.0	0.0	42.0	32.0	0.0	2.0	13.0	2.0	1.0	0.0	0.0	0.0	0.0

* Total lines should balance

1-20-93/7322/1

FOIK06W 002563

51-12
4-9.

8/11/93

11/1/93

188

INFORMATION SERVICES
Employees by Organization

CURRENT STRUCTURE	Total	Mgmt	Nmgt	Unsp	Other	1	2	3	4	5	6	7	8	ofc
BSC-HQ	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BSE-HQ														
Executive Director	2	2	0	1	0	1	0	0	0	0	0	0	0	0
Planning/Dev	9	8	1	0	0	2	0	0	0	2	1	2	1	0
Sub-total	11	10	1	1	0	3	0	0	0	2	1	2	1	0
BSE-BUSINESS UNITS														
IMSI	31	27	4	0	0	0	0	1	4	20	0	1	1	0
BSAN	98	67	31	0	0	0	0	28	26	8	4	1	0	0
BSSI	129	116	13	0	0	0	0	15	64	26	8	2	1	0
CHN	43	34	9	0	0	0	0	3	15	8	6	1	1	0
Sub-Total	301	244	57	0	0	0	0	47	109	62	18	5	3	0
TOTAL	312	254	58	1	0	3	0	47	109	64	19	7	4	0
PROPOSED STRUCTURE														
BSC-HQ	6 (4)	5	1	0	0	1	0	0	0	1 (0)	1	1	1 (0)	0
BSE-BUSINESS UNITS														
BSSI*	129	116	13	0	0	0	0	15	64	26	8	2	1	0
CHN ?	43	34	9	0	0	0	0	3	15	8	6	1	1	0
Sub-total	172	150	22	0	0	0	0	18	79	34	14	3	2	0
BST-BUSINESS UNITS														
IMSI	31	27	4	0	0	0	0	1	4	20	0	1	1	0
BSAN ?	98	67	31	0	0	0	0	28	26	8	4	1	0	0
Sub-total	129	94	35	0	0	0	0	29	30	28	4	2	1	0
Avail for reassignment	5 (3)	5	0	1	0	2	0	0	0	1 (2)	0	1	0 (1)	0
TOTAL	312	254	58	1	0	3	0	47	109	64	19	7	4	0

*Pending further study

( ) Reflects Corp Plng Team recommendation.

What is CHN
What is BSAN
IMSI

January 20, 1993

21-15
4-10

189

F01X06M 002597

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: Support Services & Quality

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other	1	2	3	4	5	6	7	8	Ofc
				---- Management by Paygrade ----										
Current Structure:														
BSC-HQ	43.0	21.0	22.0	0.0	1.0	3.0	1.0	8.0	2.0	5.0	0.0	1.0	0.0	0.0
BSE-HQ	12.0	11.0	1.0	0.0	1.0	0.0	0.0	4.0	0.0	4.0	1.0	1.0	0.0	0.0
Total	55.0	32.0	23.0	0.0	2.0	3.0	1.0	12.0	2.0	9.0	1.0	2.0	0.0	0.0
Proposed Structure:	OPTION #1													
BSC-HQ	8.0	8.0	0.0	0.0	1.0	1.0	0.0	1.0	0.0	4.0	0.0	1.0	0.0	0.0
BSE Business Units	*41.0	19.0	22.0	0.0	0.0	2.0	1.0	9.0	2.0	4.0	1.0	0.0	0.0	0.0
BST Business Units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available for reassignment (2 AFR already placed)	6.0	5.0	1.0	0.0	1.0	0.0	0.0	2.0	0.0	1.0	0.0	1.0	0.0	0.0
Total	55.0	32.0	23.0	0.0	2.0	3.0	1.0	12.0	2.0	9.0	1.0	2.0	0.0	0.0

* Number will be managed down for resized financial holding company.

191

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: Security

		Total	Mgmt	NMgmt	Unsp	Other	1	2	3	4	5	6	7	8	Ofc
							Management by Paygrade								
Current Structure:															
BSC-HQ		8.0	6.0	2.0	0.0	0.0	0.0	1.0	1.0	0.0	3.0	1.0	0.0	0.0	0.0
BSE-HQ		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
* Total	(1)	8.0	6.0	2.0	0.0	0.0	0.0	1.0	1.0	0.0	3.0	1.0	0.0	0.0	0.0
Proposed Structure:											(2)				
BSC-HQ		6.0	4.0	2.0	0.0	0.0	0.0	1.0	1.0	0.0	1.0	1.0	0.0	0.0	0.0
BSE Business Units		2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0
BST Business Units		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available for reassignment		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
* Total		8.0	6.0	2.0	0.0	0.0	0.0	1.0	1.0	0.0	3.0	1.0	0.0	0.0	0.0

* Total lines should balance.

1. 1 PG5 is currently on BellSouth Cellular payroll and not included in these figures.

2. 1993 PG5 addition will increase BSC-HQ PG5 count to 2.

1/20/93 Transition Team Meeting

Current and Recommended Function Report

Function/Department: Security

Brief function description:	Recommended placement:
Conduct Security Investigations	Place in BAPCO (1 PG5) and BSCC (1 PG5). This was determined by hours project billed to BAPCO & BSCC in 1992. Area of concern is these managers must also work for other BSE Companies which will create additional affiliate billing problems. Although the project billed hours equate to one person this was over a period of one year while the actual work may have been 3 people over a 4 month period.

p2

11/1/93

11/6/93

51-12

P-12

194

1/20/93 Transition Team Meeting

Corporate Transition Force Matrix

Function/Department: **EXECUTIVE SUMMARY**

Data as of 11-30-92

	Total	Mgmt	NMgmt	Unsp	Other	1	2	3	4	5	6	7	8	Ofc
				Management by Paygrade										
Current Structure:														
BSC-HQ	28.0	28.0	0.0	1.0	13.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	12.0
BSE-HQ	21.0	21.0	0.0	1.0	9.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	0.0	9.0
* Total	49.0	49.0	0.0	2.0	22.0	0.0	0.0	2.0	1.0	1.0	0.0	0.0	0.0	21.0
Proposed Structure:														
BSC-HQ	29.0	29.0	0.0	2.0	13.0	0.0	0.0	1.0	1.0	1.0	0.0	0.0	0.0	11.0
BSE Business Units	8.0	8.0	0.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
BST Business Units	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available for reassignment	12.0	12.0	0.0	0.0	5.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	6.0
* Total	49.0	49.0	0.0	2.0	22.0	0.0	0.0	2.0	1.0	1.0	0.0	0.0	0.0	21.0

* Total lines should balance.

Maulden
Harrell
Taylor Coe

5-12
4-13

PBC

8/11/93
rec'd 11/6/93

6/11/2/93

11/16/92

PBC

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 10/07/93
Item No. 2-178
Page 1 of 1

Request: Provide the average amount of salaries paid to the following pay grades at BSE and BSC - 1, 2, 3, 4, 5, 6, 7, 8.

Response: Average salaries by pay grade are not readily available. Below are 1992 "Position Rate" figures for each pay grade requested.

Pay Grade	1992 Position Rate
1	$ 30,000
2	35,700
3	44,900
4	50,100
5	55,900
6	73,900
7	88,000
8	121,500

not proprietary

To 51-12 4 all pay

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 25, 1993

195

51-12
5

KW 11/16/93

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 10/07/93
Item No. 2-179
Page 1 of 1

Request: Provide any and all forecasts of expenses from BSE Corporate to BST for 1994, and from BSC to BSE subs in 1994.

Response: There is no forecasted billing in 1994 from BSE-HQ to BST. The BSC-HQ forecast of 1994 billing to BSE is

12

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 25, 1993

196

11-12
6

AGREEMENT NO. PY-1157-B

BETWEEN

NORTHERN TELECOM INC.

AND

BELLSOUTH SERVICES INCORPORATED

"NOTICE"
The information contained herein should not be disclosed to unauthorized persons. It is meant for use of the parties contracting herein in connection with performance under this Agreement.

pj

LIST OF EQUIPMENT AND PRICES

ITEM	QTY	DESCRIPTION	NET PRICE
		FIRST 128 LINES ISDN AND 256 LINES POTS	
1	1	BAY OF DMS-100 LINE DRAWERS E/W: - 128 MODIFIED OPTICAL ISDN LINE CARDS (OISLC) + 6 SPARE LINE CARDS - 128 SINGLE MODE OPTICAL PATCH CORDS WITH SMA CONNECTORS FROM LINE DRAWERS TO WDM BAY + 2 SPARE CORDS - SUPPLIED EF&I	$126,000
2	1	BAY DMS-100 LINE DRAWERS MODIFIED FOR 128 WDM DEVICES E/W: - 6 SPARE WDM DEVICES - 128 SINGLE MODE OPTICAL PATCH CORDS WITH SMA CONNECTORS FROM WDM BAY TO LGX + 2 SPARES - SUPPLIED EF&I	$ 36,000
3	1	DMS-1 RCU E/W: - 64 OPTICAL INTERFACE CARDS (DFAC) FOR UP TO 128 SUBSCRIBERS & 256 POTS LINES (DN) + 4 SPARE LINE CARDS - 128 SINGLE MODE OPTICAL PATCH CORDS WITH SMA CONNECTORS FROM LINE CARDS TO LSCIE + 2 SPARE CORDS - SUPPLIED EF&I	$ 78,000
4	128	LOW SPEED NETWORK INTERFACE (LNI) ENCLOSURES EACH E/W: - ISDN OPTICAL NETWORK INTERFACE (IONI) - BASIC OPTICAL NETWORK INTERFACE - POWER SUPPLY AND WDM - E & F ONLY	$332,000
	2	PORTABLE UNITS MODIFIED FOR PORTABLE TEST USE	
	2	SPARE LNI FULLY EQUIPPED	
	6	SPARE CARDS (IONI)	
	6	SPARE CARDS (BONI)	
		SUB TOTAL	$572,000

PV

Agreement No. PY-1157-B
Appendix A
Attachment #1

	ITEM	QTY	DESCRIPTION	NET PRICE
			FIRST 128 LINES VIDEO	
LOC 39280 VSS00	5	1	VIDEO SWITCH/SELECTOR E/W: - COMMON EQUIPMENT - 128 SUBSCRIBER CARDS + 6 SPARE CARDS - 128 FIBER PATCH CORDS WITH SMA CONNECTORS FROM VSS TO WDM BAY + 2 SPARE CORDS - SUPPLIED EF&I	$254,000
TA00	6	1	TEST BAY E/W: - A SINGLE SERVER PC - A LOCAL MAINTENANCE CONTROLLER - A VONI - INCLUDES EF&I	$ 10,000
	7	1	CONTROL SOFTWARE FOR ITEM 6	$ 1,000
VSS00	8	1	VIDEO PATCH BAY E/W: - PATCH CORDS FROM THE BAY TO THE VSS - INCLUDES 2 SPARE CORDS - SUPPLIED EF&I	$ 4,000
	9	128	HIGH SPEED NETWORK INTERFACE (HNI) ENCLOSURES E/W VIDEO OPTICAL NETWORK INTERFACE - INCLUDES E & F ONLY	$208,000
		2	SPARE HNI FULLY EQUIPPED	
		6	SPARE CARDS	
		1	HNI MODIFIED FOR PORTABLE TEST USE	
			SUB TOTAL	$477,000 (A)

HARDWIRED PAGES 22, 23, 27

(VS24)

F01K01W 012814 P3

ITEM	QTY	DESCRIPTION	NET PRICE
		SECOND 128 LINES ISDN AND 256 LINES POTS	
10	1	BAY OF DMS-100 LINE DRAWERS E/W: - 128 MODIFIED OPTICAL ISDN LINE CARDS (OISLC) - 128 SINGLE MODE OPTICAL PATCH CORDS WITH SMA CONNECTORS FROM LINE DRAWERS TO WDM BAY + 2 SPARE CORDS - SUPPLIED EF&I - INCLUDES 6 SPARE LINE CARDS	$126,000
11	1	BAY DMS-100 LINE DRAWERS MODIFIED FOR 128 WDM DEVICES E/W: - 6 SPARE WDM DEVICES - 128 SINGLE MODE OPTICAL PATCH CORDS WITH SMA CONNECTORS FROM WDM BAY TO LGX + 2 SPARE LINE CORDS - SUPPLIED EF&I	$ 36,000
12	1	DMS-1 RCU E/W: - 64 OPTICAL INTERFACE CARDS (DFAC) FOR UP TO 128 SUBSCRIBERS & 256 POTS LINES (DN) + FOUR SPARE LINE CARDS - 128 SINGLE MODE OPTICAL PATCH CORDS WITH SMA CONNECTORS FROM LINE CARDS TO LSCIE + 2 SPARE CORDS - SUPPLIED EF&I	$ 53,000
13	128	LOW SPEED NETWORK INTERFACE (LNI) ENCLOSURES EACH E/W: - ISDN OPTICAL NETWORK INTERFACE (IONI) - BASIC OPTICAL NETWORK INTERFACE (BONI) - POWER SUPPLY AND WDM - E & F ONLY	$332,000
	2	SPARE LNI FULLY EQUIPPED	
	6	SPARE CARDS (IONI)	
	6	SPARE CARDS (BONI)	
		SUB TOTAL	$547,000

CEI00

200

ITEM	QTY	DESCRIPTION	NET PRICE
		SECOND 128 LINES VIDEO	
14 VSS02	1	VIDEO SYSTEM E/W: - 128 SUBSCRIBER CARDS + 6 SPARE CARDS - 128 FIBER PATCH CORDS WITH SMA CONNECTORS FROM VSS TO WDM BAY + 2 SPARE CORDS - SUPPLIED EF&I	$222,000
15	1	VIDEO PATCH BAY E/W: - PATCH CORDS FROM THE BAY TO THE VSS - INCLUDES 2 SPARE CORDS - SUPPLIED EF&I	$ 4,000
16	1	MAINTENANCE SYSTEM ADDITION E/W: - A SINGLE BACKUP SERVER PC - SUPPLIED EF&I	$ 3,000
17	1	CONTROL SOFTWARE FOR ITEM 16	$ 1,000
18	128	HIGH SPEED NETWORK INTERFACE (HNI) ENCLOSURES E/W VIDEO OPTICAL NETWORK INTERFACE (VONI) - E & F ONLY	$174,000
	2	SPARE HNI FULLY EQUIPPED	
	6	SPARE CARDS	
		SUB TOTAL	$ 404,000 (A)
		MATERIAL, ENGINEERING, AND INSTALLATION TOTAL	$2,000,000
19		SUPPORT FOR SYSTEM SS-3p1	$3,000,000
		GRAND TOTAL	$5,000,000

SS-3p1

E(A) 881,000

SS-1 1-7 d23

201

(ks24)

P5

LIST OF RELATED STANDARD EQUIPMENT

EQUIPMENT	DESCRIPTION	CONTRACT #
SOUTHERN BELL:		
DMS-100	SWITCH ISDN BAYS SCM-100 IAC/STE	PR-1232-B
PACKET HANDLER	DPN-15	PR-1232-B
FIBER ELECTRONICS	FMT-150	PR-2166-A
FIBER OPTIC CABLE AND HARDWARE	FEEDER CABLE	PR-1728-B
	DISTRIBUTION CABLE	PR-1728-B
	DROP CABLE	PR-1728-B
	SPLICE CLOSURES	OTHER VENDOR
FIBER TERMINATING EQUIPMENT	LGX	OTHER VENDOR
	LSCIE	OTHER VENDOR
VIDEO EQUIPMENT	VIDEO DEMODULATORS	OTHER VENDOR

LIST OF CUSTOMER PREMISE EQUIPMENT

EQUIPMENT	DESCRIPTION	CONTRACT #
CPE PROVIDED EQUIPMENT	VIDEO PC (BPC)	OTHER CONTRACT
	VIDEO PORT CONTROLLERS (SET TOP BOX)	OTHER CONTRACT
	ISDN TERMINAL T2317	OTHER CONTRACT
	ISDN TA (PCTA)	OTHER CONTRACT
	CUSTOMER EQUIPMENT OF FIG. 20 OF THE DEVELOPMENTAL TECHNICAL SPECIFICATION AS REFERENCED IN ATTACHMENT #3	OTHER CONTRACT

204

PROGRAM : CTX0430I

LAND & BUILDINGS PROPERTY RECORD SYSTEM
RECORD OF ACTUAL ORIGINAL COST BY LOCATION
BUSINESS DATE : AUGUST , 1995

DATE : 03/03/97
TIME : 15:29:56

FORM : MP-2410
PAGE : 1697

STATE : FLORIDA

ACCOUNT TYPE : 3000
ACCOUNT : 21219000 (10C)
AREA NUMBER : 3A122
ID NUMBER :

ADDRESS : DESOTO DR
ORLANDO
PROPERTY NAME :
BUILDING TYPE : C -D OWN/LEASE : O (OWNED)

TAX CODE : 40096 DATE VERIFIED : 12/86

DESCRIPTION : CO. OWNED RSM BLDG. ON CO. OWNED LAND (INSTALL OF FIBER OPTIC CABLE T V SYSTEM IN THE HOUSING DEVELOPMENT ORANGE CTY. -40096-

DATE MO/YR	AUTH. NUMBER	T T	DESCRIPTION OF TRANSACTION	PLACING AUTH.	YR PL.	ADDITIONS	RETIREMENTS	BALANCE	COST OF REMOVAL	SALVAGE
06/87	90476				87M	140918.92		140918.92		
06/87	E96476				87M	2866.56		[illegible]		
07/87	E96476					1544.36		[illegible]		
07/88	J9A391							[illegible]	190.00	
07/88	J9A391		VO REPLACEMENT OF THE ROOF		88	550.[illegible]		[illegible]		
11/90	ZRECLASS				87	9[illegible]		162009.67		
CURRENT MONTH ACTIVITY						.00	.00	.00	.00	.00
LOCATION TOTAL						162009.67	.00	162009.67	190.00	.00

[redacted]

PBC

B 11/11/93
KW 10/13/93

205

55-3

Request: Provide workpapers and separation cost studies which detail the assignment and allocation of investment and expenses by plant codes and USOA Accounts for the Heathrow Fiber Optic Field Trial to the intrastate and interstate jurisdictions. This information is required for the overall project undertaking including the CATV System purchased by SBT/BSS from Heathrow Telecommunications, Inc.

Response: The Company amends its response of June 8, 1993 in which it stated that the requested information or a status report would be provided on June 29, 1993.

The response to item 1-059.1 clarified that the purchase of the coax facilities was from Telcom International instead of Heathrow Telecommunication, Inc. This investment is included in the assets used for this trial.

The assignment of direct costs and the allocation procedures for common costs are detailed in the Accounting Plan for Cable TV transport (attachment 1). The procedure for loading overhead costs also are explained.

Cost Office and separations workpapers, for the month of January 1993, are provided. The following demonstrates how the amounts flow through the process for the BUILDINGS account 2121. The other accounts are similarly handled.

The Cost Office summarizes the investment and expenses for CATV transport monthly. This is done by extracting the investment in the "B" FRCs from the Florida Journal. The other common investment costs are developed using the methodology outlined in the Accounting Plan. All the costs are then input onto a spreadsheet along with the current overhead loading factors. This spreadsheet performs the loadings for overheads. A report is produced that is provided to separations (attachment 2). On page 2 under the column "2001-TEL PLANT IN SVC", for ACCOUNT 2121.0, is a balance of $230,004.32. The next few paragraphs will track this amount through the separations process to demonstrate how it is excluded from ratemaking.

1

Response continued:

Separations inputs the amounts reported by the Cost Office into the separations system. Report SS1037-13 (attachment 3) under the column END-OF-MONTH shows the amount of $230,004 for account 2121 BUILDINGS ADJ TO. This report shows that the CATV investment was entered into the separations system. The following paragraphs tracks the investment averaging and exclusion process.

Report SS1037-10 (attachment 4) shows under the column END-OF-MONTH the amount of $641,934,192 for account 2121 BUILDINGS. This amount is the total investment in Florida for account 2121. It comes from the Ledger.

Report SS1037-11 (attachment 5) shows the non-regulated investment under column END-OF-MONTH the amount of $17,223,078 for account 2121 BUILDINGS NR. This amount comes from the Cost Separation System.

Separations uses the average of two months data. Report SS1109-10 (attachment 6) shows account 2121 BUILDINGS TC average investment is $640,780,888 and the account 2121 BUILDINGS NR is $17,477,042. These were computed by summing the current month and the previous month's amounts and dividing by 2.

Report SS1109-13 (attachment 7) shows the (CATV) investment in account 2121 BUILDINGS ADJ TO is $230,004. The investment for account 2121 is the same for the current month and previous month so the average is the same.

Report SS1111-10 (attachment 8) account 2121 Building REG is $623,303,846. It was derived by subtracting the NR investment, in account 2121, of $17,477,042 from the total average investment, in account 2121, of $640,780,888. The CATV investment, in account 2121, of $230,004 is not used in this calculation. This report shows the investment that is subject to regulation. The next step is to remove the adjustments from the amount subject to regulation. This is where CATV investment is removed.

2

Response continued:

The process on attachment 3 through 8 takes the monthly totals by accounts for total plant, non-regulated plant, and other adjustment to plant and develops a two month average. The total plant average is then reduced by the non-regulated average and the resulting amount is used as regulated plant in the separations system.

Report SS1112-10 (attachment 9) shows the amount in account 2121 BUILDINGS REG is $623,303,846. This report also shows the amount in account 2121 BUILDINGS ADJ TO is $230,004. The are the average investment amounts computed above.

Report SS1112-10 (attachment 10) shows the amount in account 2121 BUILDINGS SUBJ TO SEP is $623,073,842. This was derived by subtracting the adjustment to amount, in account 2121, of $230,004 from the total investment, in account 2121, subject to regulation of $623,303,846. The $230,004 is the amount of CATV investment identified by the Cost Office and reported to separations on attachment 2.

As demonstrated with the building account 2121, the investments reported to separations by the Cost Office are removed from the amounts subject to separations. This method was adopted to meet the FCC requirement to keep the investment in CATV trials out of the rate base.

Date Provided: June 29, 1993

File

ITEM NO. 1-884
ATTACHMENT 1
RL 90-08-045SV

BellSouth Services

subject: Accounting Plan for Cable TV Transport

type: Classification Letter

date: August 17, 1990

distribution lists:

file no. related letters:

other:

to: Assistant Comptrollers and Assistant Vice Presidents (Dealing with Accounting Matters)

entities: BellSouth Corporation, BellSouth Services, Southern Bell, and South Central Bell

from: R. T. Bishop, Comptroller

description: Accounting Plan for Cable TV Transport

Attached is the initial issuance of Classification Letter 12-01 which details the accounting plan for Cable TV Transport services offered by Southern Bell. This accounting plan contains the principles to be used in assigning and allocating these costs.

Maintaining this document is the responsibility of the Accounting Support and Research group. Questions may be directed to Frank Dunn at (404) 529-8422.

R. T. Bishop, Comptroller

RECOMMENDED:

R. P. Klein
Segment Manager -
Accounting Support and Research
Comptrollers

D. L. Smith
Director -
Regional Accounting Matters
Comptrollers

RECEIVED
SEP 7 1990

Attachment

4

209

F01K01W 010096

P11/**

09-20-93 02:35PM

TABLE OF CONTENTS

5

1.00 INTRODUCTION

1.1 The transport of broadband signals for cable television operators is an interstate service regulated by the Federal Communication Commission (FCC).

1.2 FCC Orders have granted Southern Bell the authority to construct and maintain certain cable television (CATV) transport facilities.

1.3 The FCC in the Hunter's Creek order and certificate released 9-24-86 stated:

> "That books of account for the broadband channel facilities separate from books of accounts for the telephone facilities shall be maintained to prevent the construction and operation of the broadband channel facilities from being subsidized by other common carrier services."

The FCC in the Lake Mary (Heathrow) community order and certificate released 7-29-87 stated:

> "That books of accounts for the broadband channel facilities authorized herein shall be maintained separately from books of account for other regulated services. That the interstate portion of the authorized facilities shall not be included in whole or in part in the revenue requirement for any other regulated communications common carrier service; and that the proposed cable transport service shall not be subsidized by revenue from any other regulated communications common carrier services."

1.4 The FCC requires the accounting procedures associated with this service be revised so that these assets and expenses are kept in separate books.

1.5 This service is provided over coaxial and/or fiber facilities.

1.6 BellSouth's regulated subsidiary, Southern Bell Telephone and Telegraph Company (SBT), has provided (November, 1986) broadband channel facilities in the Hunter's Creek subdivision, Florida. The facilities are provided over both multimode fiber and coaxial cables. Most of the customers were provided service using coaxial facilities.

6

1.7 Beginning in the Fall of 1989, BellSouth's regulated subsidiary, SBT, provided broadband channel facilities to Heathrow subdivision in Florida. The facilities were provided over single mode fiber and coaxial cables. A limited number of customers (approximately 250) received service over fiber optic facilities and the remainder were provided service over coaxial facilities. Where fiber is provided, normal telephone service will also be provided over the fiber optic facilities. One fiber will be used to provide Plain Old Telephone Service (POTS) and one fiber will be used for CATV. The CATV fiber will also be capable of transporting ISDN.

1.8 The Hunter's Creek and Heathrow CATV systems are switched digital systems used for transport of CATV services.

This accounting plan is not designed to address new technologies or future system designs as CATV systems installed in the future may not be switched digital systems. If CATV super trunking is deployed, then the network design will have to be analyzed and this accounting plan updated accordingly.

2.00 DESCRIPTION OF ACTIVITIES

2.1 The telephone company will provide the central office equipment, Controlled Environmental Vault (CEV), and outside plant equipment necessary to provide CATV broadband transport service. This service will be provided to the cable television company operating within a telephone exchange area. Coaxial or fiber optic cables will be installed from the CATV company (headend) location to the telephone company central office and then to the subscriber interface point (at customer premise) or from the CATV company (headend) location to the subscriber interface point.

2.2 The telephone company will bill the cable company a flat fee per month for each end service user subscribing to CATV service. The telephone company will also bill the cable company for nonrecurring charges provided for in the tariff (e.g., service establishment charge). The cable company will in turn maintain end user contact and bill the end user for the subscribed services.

7

3.00 ACCOUNTING TREATMENT

3.1 REVENUES

3.1.1 Recurring revenue will be generated from a flat monthly rate for the transport of the CATV signals to each service user. This billing will be generated through the Customer Record Information System - Accounts (CRIS) System.

Non-recurring revenues will be generated from service establishment charges and maintenance charges. This billing will be charged to the other Local Private Network revenue account, Account 5040.9100. The Uniform Service Order Code (USOC's) that have been provided for this billing are as follows:

TYPE	COAX	FIBER
Single Family Residence (Heathrow)	WQQZT	HPDSF
Multi-Family Residence (Heathrow)	WQQZU	HPDMF
Any Family Residence (Hunter's Creek)	ZZ1Z3	ZZ9YZ

SUBDIVISION	ACCOUNT	USOC
Heathrow	5040.9100	WQQZT, WQQZU HPDSP, HDDMF
Hunter's Creek	5040.9100	ZZ1Z3, ZZ9YZ

3.2 MATERIALS AND EQUIPMENT

3.2.1 Purchases of equipment or material will be charged to the appropriate investment or expense Field Reporting Code (FRC) and Equipment Category Number (ECN) as follows:

Type Expenditure	Description	Account/SRC	FRC	ECN
Investment	Buildings (Other)	2121.9000	10C	
Investment	Digital Electronic Switching	2212.1000	377C	607Z1
Investment	Pair Gain Circuit Eqpt-Digital	2232.1200	257C	810Z1 814Z1
Investment	Other Digital Circuit Equip	2232.1300	357C	813Z1 814Z1 834Z1 854Z1
Investment	Circuit Eqpt-Other Analog	2232.2900	57C	854Z1
Investment	Sub Pair Gain	2362.2000	B758C	
Investment	Other Terminal Eqpt Other-Regulated	2362.9900	B958C	
Investment	Underground Cable Metallic (Other)	2422.1100	B5C	
Investment	Underground Cable-Non Metallic (Other)	2422.2100	B85C	

8

Type Expenditure	Description	Account/SRC	FRC	EQN
Investment	Buried Cable-Metallic (Other)	2423.1100	B45C	
Investment	Buried Cable-Non Metallic (Other)	2423.2100	B845C	
Investment	Conduit System (Other)	2441.1000	B4C	
Expense	Buildings (Other)	6121.1000	10R, 10M	
Expense	Digital Electronic Switching	6212.1000	377M, 377R	
Expense	Pair Gain Circuit Eqpt-Digital	6232.1200	257M,257R	
Expense	Other Digital Circuit Eqpt	6232.1300	357M,357R	
Expense	Circuit Eqpt-Other Analog	6232.2900	57M,57R	
Expense	Sub Pair Gain	6362.3000	B758M	
Expense	Other Terminal Eqpt Other-Regulated	6362.9900	B958M	
Expense	Underground Cable Metallic (Other)	6422.1100	B5R,B5M	
Expense	Underground Cable-Non Metallic (Other)	6422.2100	B85R,B85M	
Expense	Buried Cable-Metallic (Other)	6423.1100	B45R,B45M,B598M	
Expense	Buried Cable-Non Metallic (Other)	6423.2100	B845R,B845M,B498M	
Expense	Conduit System (Other)	6441.1000	B4R,B4M	
Expense	Depreciation	6561.0000		

3.2.2 The accumulated depreciation accounts for the capital investment are as follows:

Type Expenditure	Description	Account/SRC	FRC
Depreciation	Digital Electronic Switching	3100.2200	377X
Depreciation	Pair Gain Circuit Eqpt-Digital	3100.2610	257X
Depreciation	Circuit Eqpt Other Digital	3100.2610	357X
Depreciation	Circuit Eqpt-Other Analog	3100.2620	57X
Depreciation	Sub Pair Gain	3100.2930	B758X
Depreciation	Other Terminal Eqpt Other-Regulated	3100.3990	B958X
Depreciation	Underground Cable Metallic (Other)	3100.4310	B5X
Depreciation	Underground Cable-Non Metallic (Other)	3100.4320	B85X
Depreciation	Buried Cable-Non Metallic (Other)	3100.4420	B845X
Depreciation	Buried Cable-Metallic (Other)	3100.4410	B45X
Depreciation	Conduit System (Other)	3100.4800	B4X

3.2.3 Payments to vendors will be initiated through the voucher system or Billing Verification Authorization Payment Process (BVAPP), as appropriate. The cost of material should be charged to the appropriate FRC.

9

3.2.4 Investment for Power Used for CATV Transport

(1) Power Investment - (Jointly used "EMERGENCY") - A determination will be made by the equipment engineer as to what percent of the power will be used by Telephone Central Office Equipment, Cable TV Central Office Equipment, and House Services. The predominate user will have the total investment in emergency power equipment charged to its respective field reporting code.

(2) Power Investment - (Dedicated) - The dedicated power supply investment will be assigned to the central office equipment account that it serves.

3.2.5 Outside Plant

(1) Dedicated Outside Plant - Dedicated "COAXIAL" cable used for CATV will be assigned to the CATV coaxial field reporting code, FRC B45C. Dedicated "fiber" used for CATV will be assigned to the CATV fiber field reporting code, B85C for underground cable or B845C for buried cable. Hunter's Creek fiber is dedicated 100% CATV.

(2) Jointly Used Outside Plant - Jointly used "fiber" cable will be assigned to the POTS and CATV fiber field reporting code, B85C for underground cable or B845C for buried cable.

(a) Heathrow cable investment will be manually allocated between telephone plant and cable television services plant based on the engineering designed use and actual deployed use. The fiber at Heathrow was installed with 2 fibers to each living unit with one used for POTS and one used for CATV and ISDN (trial). Therefore, these "fiber" cables will be allocated 50% to POTS and 50% to CATV Transport. If the utilization of the jointly used fiber changes, the allocation percentage will be reviewed to determine if adjustments are necessary.

10

(b) The outside plant FRCs ("B" prefixed) will be apportioned by using a weighted ratio. This ratio will be developed by assigning the Hunter's Creek investment at 100% and the Heathrow investments at 50%. The preallocated investment and the assigned investment will then be separately totalled. The sum of the assigned investment will be divided by the sum of the preassigned investment. The resulting ratio will be the ratio of CATV Transport investment to total investment in the "B" prefixed FRC. This ratio will be developed for the combination of FRCs B85C and B845C.

	preassigned		assigned
Investment at Hunter's Creek	_____	X 100% =	_____
Investment at Heathrow	_____	X 50% =	_____
Total investment	_____		_____

Total assigned / total preassigned = _____ weighted ratio

(c) The resulting CATV Transport ratio will then be used to apportion the investment in outside plant FRCs B5C, B85C, and B845C to CATV Transport. The ratio will be updated as required. This will be required when the investment increases over $10,000 or 5%. The Miami Cost Office will compute the ratio and monitor it for necessary updating.

FRC investment =$_____ x weighted ratio = $_____ CATV assigned investment

(d) The Network Engineering Group will be responsible for informing the Cost Office of any orders, estimates, or jobs being installed at these subdivisions in connection with CATV Transport.

3.2.6 Central Office Equipment

(1) Switching equipment dedicated for CATV will be assigned to the central office assets account for CATV switching FRC 377C, ECN 607X1.

11

(2) Pair Gain circuit equipment used exclusively for CATV will be assigned to the CATV circuit equipment FRC 257C, ECN 814X1.

(3) At Heathrow jointly used circuit equipment will be manually assigned 50% to CATV accounts and 50% to POTS accounts. The jointly used equipment is installed to operate with or support the outside plant facilities. An example of jointly used circuit equipment is the wave division multiplexer (WDM). As explained in 3.2.5, jointly used plant is being utilized equally by CATV and POTS and should be assigned evenly. If the utilization changes, this factor will be reevaluated.

(4) The entire investment at the Hunter's Creek CATV headend location will be directly assigned to CATV transport.

(5) The entire investment in the video selector switch will be directly assigned to CATV Transport SRC 2212.1000, FRC 377C, ECN 607Z1.

(6) The central office equipment identified with ECNs will be apportioned manually by using a ratio developed by assigning the Hunter's Creek investment at 100% and the Heathrow investment at 50%. The sum of the allocated investment will be divided by the sum of the preassigned investment. The resulting ratio will be the ratio of CATV investment to total investment included in the ECN.

	preassigned		assigned
Investment at Hunter's Creek	_____	X 100% =	_____
Investment at Heathrow	_____	X 50% =	_____
Total investment	_____		_____
Total assigned / total preassigned = _____ weighted ratio			

(a) The resulting CATV Transport ratio will then be used to apportion the investment in central office plant to CATV Transport. The ratio will be updated as necessary. This will be required when the investment increases over $10,000 or 5%. The Miami Cost Office will compute the ratio and monitor it for necessary updating.

ECN investment $_____ x weighted ratio = $_____ CATV assigned investment

12

(b) The Network Engineering Group will be responsible for informing the Cost Office of any orders, estimates, or jobs being installed at these subdivisions in connection with CATV Transport.

3.2.7 Central Office, Land and Buildings and Controlled Environmental Vaults

Investments and expenses associated with central office, land and buildings and controlled environmental vaults will be loaded on the CATV investments using the factors developed in the other common costs procedures in 3.6.

3.3 <u>ENGINEERING</u>

3.3.1 Engineering work for CATV activities will be performed by the outside plant engineers or network equipment engineers, as appropriate.

3.3.2 Time spent by network engineers and by outside plant engineers should be reported to the appropriate FRC. (Refer to 3.2.1.)

3.4 <u>INSTALLATION AND MAINTENANCE</u>

3.4.1 Telephone company installation and maintenance personnel will install and maintain certain CATV equipment. Therefore, field personnel should report all their time spent installing , maintaining, and testing this equipment to the appropriate FRCs (refer to 3.2.1 for accounts).

(1) Dedicated equipment installation or maintenance will be assigned to the dedicated accounts.
(2) Jointly used plant installation or maintenance will be split 50% to CATV accounts and 50% to POTS accounts (as explained in 3.2.5).

3.4.2 Installation of the CATV video port controller (set top box) will be provided and installed by the cable TV company. The Telephone Company is providing the set top boxes to the Cable TV company under lease. The accounting for this investment will follow that of leased Customer Premise Equipment.

3.4.3 Inside wire associated with CATV will be provided for by the homeowner, contractor, or CATV company.

13

3.5 MARKETING AND CUSTOMER SERVICE

3.5.1 The marketing and customer service functions for end-users are the responsibility of the cable TV company.

3.6 OTHER COSTS

3.6.1 Common expenses associated with supporting investment are allocated to CATV Transport. These loadings will be applied to wages associated with CATV Transport using the "Generic Billing Application" personal computer program. The outside plant wages assigned to FRCs B758M, B958M, B5R, B5M, B85R, B85M, B45R, B45M, B598M, B845R, B845M, B498M, B4R, and B4M will have loadings applied.

The wages associated with CATV Transport Central Office Equipment will be developed and loaded as follows. The FRCs 377C, 257C, 357C, and 57C will have expense ratios developed. The end of the month total investment in the FRC will be divided by the corresponding total expense. The result will be the expense associated with each dollar of investment by FRC. The wage ratio computed each month as part of the journal process will be used to compute the associated wages per dollar of expense.

The investment assigned to the B prefixed FRC and the investment assigned to the ECN will be summarized by account and the wage ratio then applied. This will result in the derived wages for each account. The CATV Transport wages developed for FRC 377C, 257C, 357C and 57C will be loaded using the Generic Billing Application program.

Each new estimate containing labor charges that are capitalized will have the wage expense portion of the estimate summarized. The wages will then be loaded for non-direct expenses. These non-direct expenses will be calculated and included in the monthly expense summary during the month the estimate closes. These expenses will be calculated only once per estimate.

(14)

A list of common expense and investment loadings to CATV follows:

	CORPORATE OPERATING EXPENSE	ACCOUNT
1.	Executive	6711
2.	Planning	6712
3.	Accounting and Finance	6721
4.	External Relations	6722
5.	Human Resources	6723
6.	Information Management	6724
7.	Legal	6725
8.	Procurement	6726
9.	Other General and Administrative	6728

	COMMON INVESTMENT	ACCOUNT
1.	Land	2111
2.	Motor Vehicles	2112
3.	Special Purpose Vehicle	2114
4.	Garage Work Equipment	2115
5.	Other Work Equipment	2116
6.	Buildings	2121
7.	Furniture	2122
8.	Office Equipment	2123
9.	General Purpose Computers	2124
10.	Capital Stock Tax	
11.	R.O.I. (gross Up)	

	COMMON INVESTMENT EXPENSE	ACCOUNT
1.	Depreciation	6521
2.	Motor Vehicle	6112
3.	Special Purpose Vehicles	6114
4.	Garage Work Equipment	6115
5.	Other Work Equipment	6116
6.	Land and Buildings	6121
7.	Furniture and Artworks	6122
8.	Office Equipment	6123
9.	General Purpose Computers	6124
10.	Property Taxes	7240

15

	PLANT NON-SPECIFIC OPERATING EXPENSE	ACCOUNT
1.	Plant Operations Administration	6534
2.	Engineering	6535

These common costs will be computed using the Generic Billing Application program. This Personal Computer (PC) program will provide loadings for salaries and wages.

3.6.2 In addition to the overheads associated with plant wages, calculated in 3.6.1, the capital investments will have overheads loaded. Investment related expenses include return on investment, property tax, capital stock tax, depreciation/amortization expense and plant specific operations expenses (PSOE) associated with the investment. These charges will be loaded on CATV Transport investment accounts listed in 3.2.1. Each investment will have the Intracompany Investment Compensation (ICIC) carrying charge rates loaded to the investment used for CATV Transport. The rates used will be the total (without PSOE).

3.7 TAXES

3.7.1 Federal and state income taxes applicable to CATV are allocated based on the specifically defined book income for CATV. Applicable federal and state income taxes are accounted for in accordance with the deferred method of comprehensive interperiod tax allocation as set forth in the Accounting Principles Board (APB) Opinion 11. This process results in the recognition of income tax expense, or benefit, in the same period that the related transaction is reported in pretax accounting income even though some transactions may affect the determination of taxes payable in a different period.

16

3.7.2 In computing the tax effects of timing differences, tax on originating transactions is based on current tax rates. The tax effects of reversing differences are recorded based on the applicable tax rates reflected in the accounts as of the beginning of the period. Since permanent differences do not affect other periods, interperiod tax allocations are not utilized to account for such differences.[1]

3.7.3 The income tax expense accounts which are used for CATV are as follows:

Account 7210 - Investment Tax Credit
Account 7220 - Federal Income Taxes - Current
Account 7230 - State Income Taxes - Current
Account 7250 - Provision for Deferred Income Taxes

3.7.4 Applicable sales taxes, gross receipt, income tax, etc. billed for CATV service will be summarized and reported to Separations.

3.8 BILLING COSTS

3.8.1 Billing and collection charges will be calculated using rates charged to Interexchange Carriers (IXC) for similar services. The contracted charge per bill will be used for the bill sent to the CATV company. The rate for billing and collection for casual customers is $.30 per bill and $.0528 per message (in this case number of service users). These costs will be reported to Separations as account 6623.

[1] This clause is in accordance with APB 11. When SFAS 96 is enacted, BellSouth Comptrollers will issue an Accounting Policy Letter which will provide guidance on accounting for income taxes.

17

3.8.2 The CATV company will report new, changed, or deleted end user customer record data to the Major Account Center (MAC). The Major Account Center will process the new or change order (N or D) adding or deleting the service user. The service order processing function includes receiving, editing, and processing the completed service orders. These service order processing costs are in account 6623, Customer Services. The cost of providing this service will be determined by summing the monthly service order activity by USOC counts. The average cost for processing a service order will be used to calculate the expense in account 6623 for CATV.

34.00 ACCOUNTING PLAN MONITORING AND CONTROL

4.0.1 These accounting procedures are subject to the ongoing internal auditing process and to periodic review by external auditors. Management approval of time reports and expense vouchers should ensure that the basic input of expenses is complete and accurate. The detail reporting of both revenues and expenses is intended to provide a clear audit trail.

18

BILLING SUMMARY-OVERHEAD

FLORIDA-HUNTERS CREEK & HEATHROW

MONTH OF JANUARY 1993

CORPORATE OPER. EXPENSE

1	EXECUTIVE	6711	256.26
2	PLANNING	6712	98.29
3	ACCOUNTING & FINANCE	6721	815.30
4	EXTERNAL RELATIONS	6722	157.58
5	HUMAN RESOURCES	6723	641.29
6	INFORMATION MGT.	6724	243.18
7	LEGAL	6725	230.50
8	PROCUREMENT	6726	209.87
9	OTHER GEN & ADMIN	6728.9	2939.46
10	AIRCRAFT	6727	0.00

PLANT NON-SPEC. OPER. EXPENSE

11	RESERVED FOR FUTURE USE	6512.11	0.00
12	NETWORK ADMIN	6532.2	0.00
13	TESTING	6533.1	0.00
14	PLANT OPER ADMIN	6534	6606.75
15	ENGINEERING	6535	266.06
16	TOTAL OVERHEADS (LN 1 - 15)		12464.54

INVESTMENT RELATED COSTS

17	RETURN ON INVESTMENT	753.63
18	INCOME TAX ON R.O.I.	278.94
19	PROPERTY TAX	160.80
20	DEPR/AMORT EXPENSE	1879.23
21	CAPITAL STOCK TAX	0.00
22	PLANT SPEC OPER EXP	1883.22
23	TOTAL INV COSTS (LN 7 - 22)	4955.82

19

F01KB1W 010111

09-20-93 02:40PM

.da Worksheet for CATV Pre-Separations Treatment 03/31/93

REVISED

As Of JANUARY 1993

ACCOUNT	FRC	2001-TEL PLANT IN SVC BALANCE	2003,4-TEL PLANT IN SVC BALANCE	EXPENSE	NEW RATE EFFEC 07/92 DEPRE RATE	DEPRE EXPENSE
2121.0	10C	230,004.32	0.00	0.00	0.001750	402.51
2212.0	377C	752,698.99	(2,588.32)	0.00	0.006250	4704.37
2231.2	67C	500,447.65	(1,996.36)	0.00	0.001000	500.45
2232.1	157C,257C,857C	41,339.69	0.00	0.00	0.006417	265.26
2232.2	57C	1,527,583.03	1,478.89	0.00	0.009083	13875.49
2341.0	158C	(300.29)	0.00	0.00	0.009667	-2.90
2362.3	758C,B018C	1,353.18	(438.55)	0.00	0.006750	9.13
2362.9	B/958C,BD/BF28C	1,293,916.31	4,878.12	0.00	0.006750	8733.94
2421.1	B/12C	4,626.13	353.02	0.00	0.004583	21.20
2421.2	B/D12C,F12C	1,561.13	0.00	0.00	0.006500	10.15
2422.1	548C,B/5C	57,716.04	(12,027.67)	0.00	0.003833	221.24
2422.2	B/85C,985C,BF5C,BD5C	326,897.34	(6,567.55)	0.00	0.004083	1334.83
2423.1	B/43C	847,972.66	61,642.37	0.00	0.004917	4169.20
2423.2	B/845C,BF/BD45C,	804,474.65	124,195.93	0.00	0.005000	4022.37
2441.1	B/4C	66,766.38	1,824.82	0.00	0.001667	111.28
3100.4	45I	0.00	0.00	13,187.14		0.00
6116.1	540M	0.00	0.00	1,645.00		0.00
6231.2	67M,67R	0.00	0.00	3,586.00		0.00
2.2	57M,57R	0.00	0.00	14,088.22		0.00
6362.3	758M,BD18M/R	0.00	0.00	999.91		0.00
6362.9	B/958M/R,BD/F28M	0.00	0.00	26,514.43		0.00
6421.1	B12M/R	0.00	0.00	8,598.41		0.00
6422.1	B5M/R,BF5R/M	0.00	0.00	6,849.92		0.00
6422.2	85R	0.00	0.00	37,424.16		0.00
6423.1	B/45R/M,D45M/R,F45M/	0.00	0.00	190,426.11		0.00
6423.2	845M/R	0.00	0.00	4,981.06		0.00
6441.0	4M	0.00	0.00	104.99		0.00
	TOTAL	6,457,057.41	170,754.70	310,405.35		38,378.52

PROPERTY TAX (ACCT 7240) 0.001025 6,618.48

20

225

F01K01W 010112

**/173

09-20-93 02:41PM

Jan., L7 L

`orida   Worksheet for CATV Pre-Separations Treatment   03/31/93

on JANUARY 1993   REVISED   Total Current Month Charges

HEATHROW AND HUNTERS CREEK

ACCOUNT	FRC	ENGINEERING	PLT. LABOR	2001 ADDITIONS	RETIREMENTS	NET ADDITIONS	2003,2004 ADDITIONS	TO 2001	NET BALANCE	EXPENSE
2121.0	10C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2212.0	377C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2231.2	67C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2232.1	157C,257C,857C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2232.2	57C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2341.0	158C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2362.3	758C,8D18C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2362.9	B/958C,BD/BF28C	0.00	101.53	134.12	0.00	134.12	0.00	0.00	0.00	0.00
2421.1	B/12C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2421.2	B/D12C,F12C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2422.1	548C,B/5C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2422.2	B/85C,985C,BF5C,8D5C	0.00	0.00	0.00	187,565.22	(187,565.22)	0.00	0.00	0.00	0.00
2423.1	B/45C	341.04	6,210.59	13,869.76	0.00	13,869.76	0.00	0.00	0.00	0.00
2423.2	B/845C,BF/BD45C,	0.00	0.00	0.00	331,484.83	(331,484.83)	0.00	0.00	0.00	0.00
2441.1	B/4C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
*3100.4	B/45I	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6116.1	540M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6231.2	67M,67R	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6232.2	57M,57R	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6362.3	758M,8D18M/R	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
[illegible]	B/958M/R,BD/F28M	0.00	27.56	35.28	0.00	0.00	0.00	0.00	0.00	35.28
64...1	B12M/R	0.00	4,876.85	7,690.15	0.00	0.00	0.00	0.00	0.00	7,690.15
6422.1	B5M/R,BF5R/M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6422.2	85R	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6423.1	B/45R/M,D45M/R,F45M/R	0.00	2,628.66	21,086.62	0.00	0.00	0.00	0.00	0.00	21,086.62
6423.2	845M/R	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6441.0	4M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TOTAL	341.04	13,845.19	42,815.93	519,050.05	(505,046.17)	0.00	0.00	0.00	28,812.05

* AMOUNT IN ACCOUNT 3100.4 IS "COST OF REMOVAL" ONLY

(21)

F81K81W 818113

**/82.4

09-20-93 02:41PM

HEATHROW AND HUNTERS CREEK

As Of JANUARY 1993 MONTHLY CARRYING CHARGE RATES

ACCT	FRC	RATE	TOTAL 2001 AMOUNT	RATE	TOTAL W/O DEPR 2003, 2004 AMOUNT
2121	10C	0.017463	4,016.57	0.011190	0.00
2212	377C	0.020553	15,470.22	0.014199	(36.75)
2231	67C	0.020922	10,470.37	0.007220	(14.42)
2232	157C,257C,57C,857C	0.021035	73,472.40	0.017368	25.69
2341	158C		0.00		0.00
2362	758C,958C.B958C	0.660190	855,583.92	0.015242	(364.20)
2421	12C.BD12C	0.022295	4,660.94	0.014685	353.02
2422	BF/5C,548C,85C	0.014945	62,601.52	0.012917	(12,112.50)
2423	BD,BF,45C,845C	0.021372	865,165.89	0.014472	63,435.93
2441	4C,B4C	0.011060	738.44	0.010619	19.38
	TOTAL		1,892,180.27		51,310.15

227

22

F01K01W 018114

9-20-93 02:42PM

P29/**

f-BC

Bll/3/93

lew 10/31/93

228

For Info Purposes - used in comp. on 5-5-2

5-5-5