

ORIGINAL

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February 2, 1998

Mrs. Blanca S. Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 920260-TL

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Request for Confidential Classification, which we ask that you file in the captioned matter.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

Nancy B. White
(PW)

Nancy B. White

ACK _____

AFA _____

APP _____

CAF _____

CMU _____ Enclosures

CTR _____

cc: Michael Buckley, Audit Manager

All parties of record

A. M. Lombardo

R. G. Beatty

William J. Ellenberg II

DOCUMENT NUMBER-DATE

01710 FEB-28

FPSO-RECORDS/REPORTING

CERTIFICATE OF SERVICE
Docket No. 920260-TL

I HEREBY CERTIFY that a copy of the foregoing has been

furnished by U.S. Mail this 2nd day of February, 1998 to:

=====

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Nancy B. White

Nancy B. White

(BW)

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of)	
the Revenue Requirements and Rate)	Docket No. 920260-TL
Stabilization Plan of Southern)	
Bell Telephone and Telegraph)	
Company)	
<hr/>		Filed: February 2, 1998

BELLSOUTH TELECOMMUNICATIONS, INC.'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION

COMES NOW BellSouth Telecommunications, Inc. ("BellSouth" or the "Company"), pursuant to Rule 25-22.006(3)(a) and (4), Florida Administrative Code, and files its Request for Confidential Classification for certain information contained in Staff's Surveillance Audit Report for the 12 months ending December 31, 1996, and supporting workpapers.

1. During 1997, Staff conducted audit field work on BellSouth's schedules of Rate Base, Net Operating Income, and Capital Structure for the twelve month period ending December 31, 1996 as prepared by BellSouth for its Surveillance Report. Staff has now completed its field work relating to these efforts.

2. On January 12, 1998 a telephonic audit exit conference was held with representatives of both Staff and BellSouth. Staff has identified certain documents and information that it desires to include in its audit workpapers to support its audit in this docket. BellSouth received a copy of the final audit report.

3. Pursuant to Rule 25-22-006(3)(a) and (4), Florida Administrative Code, BellSouth is hereby filing its Request for Confidential Classification for certain portions

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of Staff's Surveillance Audit Report for the twelve months ending December 31, 1996, and supporting workpapers. These documents contain numerous categories of proprietary confidential business information which will be discussed in detail hereafter.

4. Pursuant to Rule 25-22.006(4)(c), BellSouth has included three attachments with this filing:

5. Attachment A is a listing showing the location in the subject documents of the information designated by BellSouth as confidential.

6. Attachment B contains two edited copies of the subject documents with the confidential information deleted. Copies of Attachment B are not being served on the other parties in this proceeding.

7. Attachment C is a sealed package containing copies of the documents with the material which is confidential and proprietary highlighted. Copies of Attachment C are not being served on the other parties in this proceeding.

AUDIT REPORT AND WORKPAPERS

8. The final audit report and the supporting workpapers contain proprietary, confidential business information. The specific categories of such information will be discussed below.

A. VENDOR SPECIFIC CONTRACTUAL AND OTHER INFORMATION

9. With respect to the portions of the audit report and supporting workpaper documents referenced in Attachment A as containing vendor-specific contractual and

other information, this information is entitled to confidential classification pursuant to Section 364.183(3) and (3)(d), Florida Statutes. The workpapers contain vouchers, bills and other references to vendor-specific pricing negotiated by BellSouth and details of competitive contracts. Public disclosure of this information would impair the Company's ability to contract for similar goods and services in the future on favorable terms. BellSouth often has opportunities to negotiate bulk discounts or other favorable pricing with its vendors. These vendors require that the terms of these contractual arrangements be kept confidential in order to avoid undue pressure from other customers to reduce prices or to give them similar terms and conditions in their contacts. Through public disclosure of such contractual information, these vendors providing crucial products and services to BellSouth could likely react by increasing BellSouth's prices or adversely changing favorable terms and conditions rather than lowering all other potential customers' prices for similar services or products or providing similar contractual arrangements enjoyed by BellSouth. Also, if vendor-specific information were subject to public disclosure, these vendors may withhold valuable information regarding proprietary product or service capabilities which must be available for proper evaluation by BellSouth to fully analyze proposals from vendors in future negotiations. Moreover, if other vendors had access to the prices BellSouth is currently paying for its services, such vendors would be in an unfair bargaining position relative to BellSouth in future contract negotiations. Any of these results would cause

harm to BellSouth in its operations and could tend to increase the Company's cost of doing business which, in turn, would be harmful to BellSouth's ratepayers. Thus, Section 364.183(3)(d), Florida Statutes provides that this information is proprietary confidential business information exempt from the public inspection and examination provisions of Section 119.07(1), Florida Statutes. Finally, pursuant to private agreements entered into with its vendors, BellSouth is under an obligation not to release this information to the public. Section 364.183(3), Florida Statutes, specifically provides that proprietary confidential business information includes information possessed by the Company which is subject to existing non-disclosure agreements with third parties, which if released, could be harmful to the Company.

**B. AUDIT STRATEGY, CONTROLS, WORK PROGRAMS AND
METHODOLOGIES OF EXTERNAL AUDITORS**

10. With respect to the portions of the audit report and supporting workpaper documents referenced in Attachment A as containing information relating to the auditing strategy, controls, work programs and methodologies used by BellSouth's external auditors, this information is entitled to confidential classification on the basis that they constitute the proprietary work product of such firm and is considered competitively valuable by these external auditors. Thus, pursuant to Section 364.183(3)(e), Florida Statutes, this information is entitled to confidential classification.

11. These strategies, controls, workprograms and methodologies are internally developed by Coopers and Lybrand (C&L), BellSouth's external auditors, are unique to that firm and collectively represent the firm's audit program. Such information relates to the external auditor's competitive accounting practices and procedures employed to provide its services to clients and is not otherwise publicly available. Consequently, this is information relating to such competitive interests, the disclosure of which would harm C&L's competitive business interests if publicly disclosed. If C&L's competitors were to gain public access to its audit methodologies, C&L would be competitively and financially harmed. If the information came into the hands of a C&L competitor, that competitor would have the advantage of knowing a particular audit strategy and work program methodology which has been developed internally by C&L. Without this information, C&L's competitors would have to spend their own money and resources in order to create similar work strategies and work program methodologies. Therefore, in accord with Section 364.183(e), Florida Statutes, this information should be kept confidential because it relates "to competitive interests, the disclosure of which would impair the competitive business of the provider of the information." The audit workpapers include most of the process-related steps employed by C&L in conducting their review of the Company. The information contained in these documents discloses the blueprint used by C&L to conduct its analyses, and has step-by-step procedures and analytical results from such procedures.

12. This Commission has previously held that such audit strategy and work program methodologies are entitled to confidential classification. PSC-93-1062-CFO-TL, issued September 21, 1993 in these consolidated dockets; Order No. 25297, issued November 5, 1991 in Docket No. 890190-TL; affirmed in Order No. PSC-92-0135-TL, issued March 31, 1992.

C. INFORMATION RELATING TO COMPETITIVE INTERESTS AND UNREGULATED OPERATIONS

13. With respect to the portion of the audit report and workpapers referenced in Attachment A as containing competitively sensitive information relating to the financial operations of several of BellSouth's unregulated affiliates. Such information contained therein is proprietary confidential business information under ' 364.183(3)(e), Florida Statutes. This information contains actual and forecast unregulated expenses, as well as net income information and forecasted revenue information.

14. The business of these unregulated affiliates is a competitive business, and companies participating in these markets do not typically share their expenses, profit margins and projected revenue information with their competitors. Section 364.183(3)(e), Florida Statutes, specifically includes "information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information" as proprietary confidential business information. The cost structure and profitability of competitive enterprises is considered to be proprietary business

information and is not generally shared publicly, and is certainly not shared directly with competitors of these companies. Knowledge of discrete elements in a competitor's cost structure in the context of these competitive businesses, would make it easier to estimate the competitor's overall costs which must be covered through revenues. Consequently, knowledge of a competitor's costs could help in setting strategies in certain markets subject to the greatest competition.

15. Knowledge of another competitor's revenue and cost structure trends for the future clearly places the firm possessing such knowledge in a superior position relative to the other company. Such knowledge could be even more valuable to competitors than past information since it discloses a company's planned financial results and its expectations concerning competitive efforts. Accordingly, disclosure would give others a competitive advantage which would result in competitive harm and impair the effectiveness of BellSouth's unregulated affiliate's business.

16. In accordance with Rule 25-22.006, Florida Administrative Code, the information for which confidential treatment is sought is intended to be and is treated by the Company as private and has not been disclosed on a non-confidential basis.

WHEREFORE, BellSouth moves the Prehearing Officer to enter an Order declaring the information described above, and contained in the indicated portions of

the document responses to be confidential, proprietary business information and thus not subject to public disclosure.

Respectfully submitted this 2nd day of February, 1998.

BELLSOUTH TELECOMMUNICATIONS, INC.


ROBERT G. BEATTY

NANCY B. WHITE

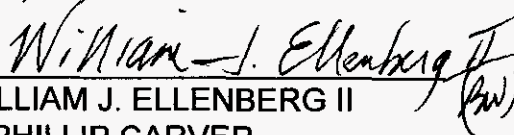
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ATTACHMENT A

FPSC DOCKET 920260-TL

**FSPC STAFF AUDIT OF
1996 SURVEILLANCE REPORT**

JUSTIFICATION FOR CONFIDENTIALITY REQUEST

Attached is a list titled "Reasons Why Items are Proprietary", Items A through C.

LOCATION OF THE PROPRIETARY INFORMATION

Attached is a list of the Workpaper binders, page numbers, and line numbers which contain proprietary information. This list shows a code for the reason the line items are proprietary, as described in the page "Reasons Why Items are Proprietary".

REASONS WHY ITEMS ARE PROPRIETARY

- A. This information reflects vendor specific pricing and/or contractual terms negotiated by Southern Bell. Public disclosure of this information would impair Southern Bell's ability to contract for goods and/or services on favorable terms. Pursuant to Section 364.183(3)(d), Florida Statutes such information is classified as proprietary, confidential business information which is exempt from the Open Records Act.

- B. This information includes copies of and/or summaries of external auditors' workpapers. Reference is made to correspondence from Coopers & Lybrand to the Florida Public Service Commission (FPSC) dated July 28, 1997, requesting confidential treatment, and the response from Tim Devlin of the FPSC dated August 15, 1997. This information should be given the same treatment as internal audit information, which is considered to be proprietary, confidential business information pursuant to Section 364.183(3)(b), Florida Statutes, and is exempt from the Open Records Act.

- C. This information relates to competitive interest and/or unregulated operations, the disclosure of which would impair the competitive business and/or unregulated operations of Southern Bell. Such information is specifically considered to be proprietary, confidential business information pursuant to Section 364.183(3)(e), Florida Statutes.

BellSouth Telecommunications, Inc.
FPSC Staff Audit
1996 Surveillance Report
Summary of Proprietary Information
Included in Auditor Workpapers and Audit Report

Binder Reference	Page Number(s)	Line(s)/ Column(s)	Reason Proprietary
5 of 5	11-11/1 thru 11-11/2	All	B
5 of 5	11-10/2 thru 11-10/18	All	A
5 of 5	11-20/3 thru 11-20/14	All	A, C
5 of 5	11-21 thru 11-21/12	All	A, C
5 of 5	11-1 thru 11-1/59	All	B
5 of 5	11-3 thru 11-3/41	All	B
5 of 5	11-2 thru 11-2/3	All	B