

INTERROGATORY 4:

Please provide an explanation of BellSouth's accounting treatment for the rental of infrastructure (including but not limited to poles, trenches, conduit, etc.) to third parties and affiliates. If the rental fees are classified to an operating revenue account, identify the Part 32 account used to record the rental fees and the rental revenue realized during the years 1995, 1996 and 1997.

ANSWER: Amounts received from third parties for the rental of fixed assets are recorded as revenue. Part 32 requires that revenues derived from rental or subrental to others of telecommunications plant provided apart from telecommunications services be recorded in Account 5240, Rent Revenue. These amounts are not reflected as expense reductions. BST's incurred expenses of maintaining and operating the rented property shall be included and remain in the appropriate operating expense accounts. This accounting treatment applies to the accounting years in question (1995-1997).

The accounting treatment for rents charged to affiliates is similar with some modifications. The rental rate is either a market rate or the Full Distributed Cost (FDC) rate in accordance with FCC rules concerning affiliates transactions. In BST, FDC billing is recorded as a credit to Account 5240 for investment related costs and authorized return on investment. Billing for operating and corporate overhead expenses are recorded as credits to the appropriate expense accounts.

INFORMATION PROVIDED BY: Tom Lohman
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Exhibit 1

**CERTIFICATE OF SERVICE
DOCKET NO. 980698-TP (HB4785)**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Federal Express and *Hand Delivery this 13th day of August, 1998 to the following:

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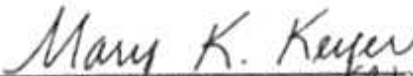
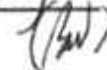
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