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OFFICE OF THE ATTORNEY GENERAL

THE CAPITOL

TALLAHASSEE, FLORIDA 32399-1050

ROBERT A. BUTTERWORTH
Attorney General
State of Florida
August 31, 1998

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee, FL 32399-0850

Re: Docket No. 980733-TL

Dear Ms. Bayo:

Enclosed for filing in the above-referenced dockets, please find an original and ten copies of Attorney General Robert A. Butterworth's Motion to Compel Discovery Responses from BellSouth, for Oral Argument, and Expedited Ruling.

Thank you for your courtesies.

Sincerely,

Michael A. Gross for

Michael A. Gross
Assistant Attorney General
Office of the Attorney General
PL-01 The Capitol
Tallahassee, FL 32399-1050
(850) 414-3300
(850) 488-6589 (Fax)

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APP _____ Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Discovery for Study on Fair and Reasonable Rates and on Relationships Among Costs and Charges Associated with Certain telecommunications Services Provided by LECs, as Required by Chapter 98-277)

Docket No. 980733-TL

Filed:

ATTORNEY GENERAL ROBERT A. BUTTERWORTH'S MOTION TO COMPEL DISCOVERY RESPONSES FROM BELL SOUTH, FOR ORAL ARGUMENT, AND EXPEDITED RULING

Robert A. Butterworth, Attorney General (Attorney General), pursuant to Rule 1.380 Fl.R. Civ. Pr. moves to compel discovery responses from BellSouth Telecommunications, Inc. (BellSouth) to First Set of Interrogatories and First Request for Production of Documents dated August 7, 1998. The Interrogatories and Request for Production are attached hereto as Exhibits A and B. BellSouth's general and specific objections are stated below in italics and are followed by the Attorney General's response thereto.

I. BELL SOUTH'S GENERAL OBJECTIONS

1. BellSouth objects to the requests to the extent that such requests seek to impose an obligation on BellSouth to respond on behalf of subsidiaries, affiliates, or other persons that are not parties to this case on the grounds that such requests are overly broad, unduly burdensome, oppressive, and not permitted by applicable discovery rules.

Response:

BellSouth and other LECs have included in their claimed costs, costs of services that were actually performed by their affiliates or subsidiaries, but then billed to or otherwise transferred to the

LECs. In most cases, these affiliates did not receive their contracts with the affiliates as a result of competitive bidding. Therefore, if the affiliate costs are included, but those costs are shielded from review, then the parties involved in this proceeding will be unable to validate the reasonableness of those costs. For example, all major LECs actually incur much of their headquarters expense on a multi-state basis, but then some portion of that total headquarters expense is allocated to Florida, and then that Florida portion is further split between deregulated, interstate and intrastate services. Therefore, the so-called "intrastate" regulated expense for Florida is in fact simply an allocated portion of a much larger expense that was incurred at the total company level, and allocated to among various categories. There is no way the "intrastate" portion of the expense can be validated without knowing the total expense and the allocations which were used to arrive at the so-called "intrastate" expense.

The LECs use a number of affiliates to provide a number of other services. For example, GTE-Florida has an affiliate (GTEDS), which does much of GTE-Florida's computer programming and data processing. In addition, at the divestiture of the Bell system, the yellow pages was initially assigned to AT&T. However, Judge Greene transferred yellow pages to the LECs, including BellSouth, specifically to provide support for residential basic exchange rates.

And if he was proud of Bellcore, he was chagrined over the fate of "yellow pages" directories, which he awarded to the BOCs at divestiture in the interest of holding down basic telephone rates. He referred to a NYNEX Corp. stand in New York that the directory is not part of the regulated telephone business.¹

BellSouth, and many other LECs, have transferred that yellow page benefit to an affiliate

¹

Page 8, Telecommunications Reports, July 6, 1987.

(without letting a non-affiliate directory publisher bid for that valuable service). One of the items the legislature has asked the Commission to investigate is the claim that "intrastate switched access" and other services "may be providing an implicit subsidy of residential basic local telecommunications service rates."² The legislation also requires that a reasonable residential rate be established. The benefit that Judge Greene specifically transferred to BellSouth and other LECs, specifically to allow the residential basic exchange rate to be lower than it otherwise would be, is a benefit which cannot properly be ignored when setting the proper residential basic exchange rate. The fact that BellSouth has transferred that benefit to an affiliate through a sole source non-competitive bid transfer does not mean that BellSouth overall has lost that value.

This Commission quite properly in the past has recognized directory imputation should be considered when setting rates, and in fact had the companies fill out Schedule Z-7 which specifies how directory imputation is to be calculated.

The yellow page advertising of the directory that is associated with the local LEC is always much more profitable than any other directory in that area, as a direct result of its affiliation with the local LEC. As a result of being the LEC, the LEC becomes the only source that has the complete listing of telephone numbers and associated names. The customers know that the telephone company is the entity that is maintaining that list. Therefore, the customers know that the directory that is affiliated with the LEC has the accurate information, whereas any directory not affiliated with the LEC is more suspect. The much higher profitability of the LEC affiliated directory is a direct result of the provision of basic exchange service.

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Paragraph 1, Legislation.

2. *BellSouth has interpreted the Attorney General's requests to apply to BellSouth's regulated intrastate operations in Florida and will limit its responses and answers accordingly. To the extent that any request or interrogatory is intended to apply to matters other than Florida intrastate operations subject to the jurisdiction of the Commission, BellSouth objects to such request to produce or interrogatory as irrelevant, overly broad, unduly burdensome, and oppressive.*

Response:

First of all, the special project for which discovery Docket No. 980733-TL was opened has resulted from the Florida Legislature's requirements of the Florida Commission. One of the requirements that the Legislature has imposed on the Florida Commission is to determine the fair and reasonable Florida residential basic local telecommunications service rate. The Legislature specifically requires that the Commission must consider the comparable rates in other states when making this determination. HB 4785, Section 2. (2) (a) specifically states:

The Commission shall, by February 15, 1999, report to the President of the Senate and the Speaker of the House of Representatives its conclusions as to the fair and reasonable Florida residential basic local telecommunications service rate considering affordability, the value of service, comparable residential basic local telecommunications rates in other states, and the cost of providing residential basic local telecommunications services in this state, including the proportionate share of joint and common costs. (Emphasis added)

The description of the issues included in the special project in the 1998 Legislature clearly state that one of the key criteria for determining the fair and reasonable residential basis local telecommunications service rate is the "comparable residential basic local telecommunications rates in other states." BellSouth provides residential basic local telecommunications service in other states,

and BellSouth is the best source for the rates it charges for service in other states.

Secondly, much of the costs that are identified as "Florida intrastate" costs are actually allocations of costs that occur at a higher level (e.g. regional or national level). Therefore, in order to determine the intrastate costs, one must know the total costs and the reasonableness of the allocations of those costs to Florida and to Florida intrastate.

For example, the headquarters costs of many companies are incurred at a multi-state level. Then some portion of those costs is allocated to Florida, some portion of these costs is assigned to non-regulated services, and some portion of that remaining cost is separated to intrastate regulated Florida. One cannot determine the reasonableness or the accuracy of the intrastate Florida regulated figure, without knowing the total cost and the allocations involved in determining the Florida intrastate amount.

3. *To the extent that the requests or interrogatories ask for revenue information, BellSouth objects as this information is not relevant to the verification of the cost data and analyses submitted by BellSouth in compliance with Chapter 98-277, General Laws of Florida. Nor is revenue information related to the cost of providing residential basic local telecommunications service.*

Response:

The legislation required that "charges" be analyzed. Section 2. (1) of HB 4785, states:

Therefore, the Public Service Commission shall, by February 15, 1999, study and report to the President of the Senate and the Speaker of the House of Representatives the relationships among the costs and charges associated with providing basic local service, intrastate access, and other services provided by local exchange telecommunications

companies.

Contrary to BellSouth's claim, the Legislature did not limit this study to a study of "costs" only, but also required an analysis that included charges. The relationship between those revenues and costs are for a wide variety of services. Moreover, in the Order on Procedure issued on June 25, 1998, the Commission expressly provided that this discovery docket has been opened for discovery purposes related to the special project established to conduct the study required by the Legislature. Therefore, BellSouth's objections on the grounds that a request is not related to the verification of the cost data and analysis that BellSouth has submitted in this proceeding is without merit. The cost data, revenue data and other analyses that are relevant in this proceeding are those that are necessary to study and report on the issues and concerns required by the Florida Legislature, not just the cost data and analysis that BellSouth has filed in this proceeding.

4. *To the extent that the requests and interrogatories ask for information regarding business or deregulated services, BellSouth objects because such information is irrelevant to the cost of providing residential basic local telecommunications service.*

Response:

The Legislature specifically asked for information other than just the cost of providing residential basic local telecommunications services. HB 4785, Section 2. (1) states:

Therefore, the Public Service Commission shall, by February 15, 1999, study and report to the President of the Senate and the Speaker of the House of Representatives the relationships among the costs and charges associated with providing basic local service, intrastate access, and other services provided by local exchange telecommunications companies.

BellSouth is attempting to place limits on the scope of the issues in this proceeding that would prevent meeting the full requirements set forth by the Florida Legislature. BellSouth is attempting to limit information to pertain to just the cost of residential basic local telecommunications service, but the Florida Legislature requires a report on the costs and charges associated with a much broader range of services.

The legislation did not provide any exemption for business services or deregulated services in the above requirement pertaining to services provided by local exchange telecommunications companies. Business basic local service is a "basic local service," and therefore falls under the above legislative directive.

The services provided by the LECs that the FCC has called "deregulated" still fall within the category of "other services provided by local exchange telecommunications companies." The FCC has determined that some services provided by the LECs are so competitive that at least the FCC believes their price should be deregulated. However, the effect, if the FCC chooses to no longer believe that the price of these services should be regulated, does not change the fact that these are "other services provided by local exchange telecommunications companies."

Many of the FCC deregulated services are actually provided by the same personnel that provide the regulated services. The portion of the total cost that gets counted as the "regulated" cost depends upon the allocation of costs between the deregulated and regulated service categories. Therefore, one must know the details of the allocation to determine the appropriate regulated costs. In the past, since the FCC deregulated services are generally competitive, it is often to the LECs' financial advantage to under-allocate costs to those competitive services, and over-allocate costs to the regulated services. If some deregulated costs are improperly counted as "regulated" costs, then

this could improperly increase the calculated cost of residential basic local exchange service.

The FCC has established some requirements (Part 64 of the FCC Rules) as to how the costs are to be allocated to the FCC deregulated services. The allocation of costs to the deregulated services that follow those FCC rules are available in the ARMIS reports. Information as to what costs were allocated to the deregulated services in the studies filed by the LECs in this case is needed in order to compare those costs to the ARMIS data, and therefore determine if the LECs were actually following the Part 64 requirements for allocating costs to the deregulated services in the studies they are filing in this proceeding. In addition, to the extent that any LEC is accepting very low earnings omits deregulated services, and supporting those low earnings with its regulated service, that is another issue which must be considered when complying with the legislative requirement state above.

5. *To the extent that the requests or interrogatories require BellSouth to perform a separate study or analysis, BellSouth objects to providing such information as being outside the scope of the Commission Staff's original data request and as not being related to the verification of the cost data and analyses submitted by BellSouth in compliance with Chapter 98-277, General Laws of Florida.*

Response:

First, there is no requirement that the requests and interrogatories of the parties must be within the scope of the Commission Staff's original data request. Section 2. (2) (b) of HB 4785 states:

The local exchange companies shall provide to the Commission by

August 1, 1998, cost data and analysis that support the cost of providing residential basic local telecommunications service in their service area, as prescribed by the Commission for purposes of recommending the fair and reasonable rate. For the purpose of verifying the submitted cost data and analysis, the Commission and all intervenors shall have access to the records related to the cost of providing residential basic local telecommunications service of each local exchange company.

That legislation does not say that the intervenors' access to this information is limited to only those records or responses that the Staff has requested in its initial data request. In addition, the Commission's order on discovery in this proceeding did not limit the intervenors' discovery in that manner, either, nor should it have.

In addition, BellSouth's claim that this determination is "not being related to the verification of the cost data and analysis" includes wording that is extracted from Section 2. (2) (b). That part of the legislation pertains only to the costs of providing residential basic local telecommunications services. However, the issues being addressed in this proceeding are more than the issues set forth in only Section 2. (2) (b). Specifically, Section 2. (1) requires a much broader analysis that includes the costs and charges for services other than just residential basic exchange services, such as "basic local service, intrastate access, and other services provided by local exchange telecommunications companies." Section 2. (2) (a) requires an analysis of a wide range of information other than just the cost of providing residential basic local exchange service. Further, the analysis of the cost of providing just residential basic exchange service will require information other than just the information requested in the Staff's data request. See also response to General Objection 3. above.

6. *To the extent that the requests or interrogatories ask for information relevant only to the cost of providing residential basic local telecommunications service in a rate base, rate of*

return environment, BellSouth objects to providing this information where price regulation applies.

Response:

BellSouth's objection is without merit. The Florida Legislature specifically requires the Commission to determine the cost of residential basic local telecommunications service, as well as to determine the relationships between the costs and charges associated with a wide variety of services. Section (2) (a) also requires information for a large number of other parameters. The fact that BellSouth is price regulated does not exempt BellSouth from these requirements set forth by the Florida Legislature.

7. *BellSouth objects to each and every request, interrogatory, and instruction to the extent that such request, interrogatory, or instruction calls for information which is exempt from discovery by virtue of the attorney-client privilege, work product privilege, or other applicable privilege.*

Response:

BellSouth has failed to identify the information alleged to be privileged, has failed to specify the privilege asserted with respect to particular information, and has failed to set forth the grounds which might support any such privilege. Accordingly, this objection is without merit and is waived.

8. *BellSouth objects to each and every request or interrogatory insofar as the request or interrogatory is vague, ambiguous, overly broad, imprecise, or utilizes terms that are subject to multiple interpretations but are not properly defined or explained for purposes of these requests or interrogatories. Any responses or answers provided by BellSouth in response to the Attorney*

General's request and interrogatories will be provided subject to, and without waiver of, the foregoing objection.

Response:

This objection is utterly without merit due to BellSouth's complete failure to specify the application of any particular objection, and is nothing more than an enumeration of potential objections. Therefore, the mere recitation of the objections without more effects a waiver.

9. *BellSouth objects to each and every request or interrogatory insofar as the request or interrogatory is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this action. BellSouth will attempt to note each instance where this objection applies.*

Response:

As in the case of the previous response, no specific application of any of the enumerated potential objections has been made, and any such objections are therefore waived.

10. *BellSouth objects to the Attorney General's discovery requests, interrogatories, instructions and definitions, insofar as they seek to impose obligations on BellSouth that exceed the requirements of the Florida Rules of Civil Procedure or Florida law.*

Response:

This objection is utterly without merit providing no specific application and is therefore waived.

11. *BellSouth objects to providing information to the extent that such information is already in the public record before the Florida Public Service Commission.*

Response:

Without specific application of the stated objection, it is without merit and waived. The Attorney General also disputes BellSouth's contention that availability of information from another source provides an meritorious objection to excuse BellSouth from providing information in its possession.

12. *BellSouth objects to each and every request or interrogatory, insofar as it is unduly burdensome, expensive, oppressive, or excessively time consuming as written.*

Response:

Without specific application, this objection is without merit and is therefore waived.

As in the case of the previous response, no specific application of any of the enumerated potential objections has been made, and the objections are therefore waived.

13. *BellSouth objects to each and every request to the extent that the information requested constitutes "trade secrets" which are privileged pursuant to Section 90.506, Florida Statutes. To the extent that the Attorney General requests proprietary confidential business information which is not subject to the "trade secrets" privilege, BellSouth will make such information available to counsel for the Attorney General pursuant to an appropriate Protective Agreement, subject to any other general or specific objections contained herein.*

Response:

The Attorney General has entered into a Protective Agreement with BellSouth, and this objection is moot.

14. *BellSouth is a large corporation with employees located in many different locations in Florida and in other states. In the course of its business, BellSouth creates countless documents that are not subject to Florida Public Service Commission or FCC retention of records requirements. These documents are kept in numerous locations that are frequently moved from site to site as employees change jobs or as the business is reorganized. Therefore, it is possible that not every document has been provided in response to these discovery requests. Rather, these responses provide all of the information obtained by BellSouth after a reasonable and diligent search conducted in connection with this discovery. BellSouth conducted a search of those files that are reasonably expected to contain the requested information. To the extent that the discovery request purports to require more, BellSouth objects on the grounds that compliance would impose an undue burden or expense.*

Response:

This objection is without merit for failure to indicate specific application to information requested, and is therefore waived.

15. *In any instance in which BellSouth agrees to produce documents, they will be produced at a mutually agreeable time and place. In instances in which the documentation is so*

voluminous that copying or transporting the documents would be burdensome, BellSouth will make the documents available for review upon BellSouth's premises where the documents are located.

Response:

The Attorney General cannot respond to the concerns expressed in this objection unless BellSouth provides specific information regarding the means of producing requested documents.

II. SPECIFIC OBJECTIONS TO REQUESTS FOR PRODUCTION OF DOCUMENTS

16. *BellSouth objects to the Attorney General's Request 6 to the extent the Attorney General asks for all of BellSouth's future responses provided in this proceeding. BellSouth is not aware of any provision in the Florida Rules of Civil Procedure or the Florida Administrative Code which allows the Attorney General to make a continuing request for future responses to requests not yet received by BellSouth. Should there be future requests served on BellSouth for which the Attorney General would like copies of BellSouth's responses, the Attorney General can request copies of those responses at that time with what is customarily referred to as a "me to" request. BellSouth will respond to any such request accordingly. The Attorney General, by making a continuing request such as this, attempts to place an undue administrative burden on BellSouth to track which parties should receive copies of what pleadings and documents in the future.*

Response.

BellSouth claims it would be an "undue administrative burden" to serve the Attorney General with copies of their responses to other parties' requests at the same time they serve those requests

to the asking party. There is no reason to believe that putting the Attorney General on their service list to receive all BellSouth responses in this proceeding would place an "undue administrative burden" on BellSouth. They simply send the Attorney General a response to any parties' request at the same time they send the responses to the requesting party. If the Attorney General would be willing to accept the idea that they can provide our copy within two to three days after providing the copy to the requesting party, to give them additional time to make the copies or otherwise relieve the rush that might occur the day the responses are due to the requesting party, that would be fine. Rule 1.340, Florida Rules of Civil Procedure, requires that answers to interrogatories be served on all other parties. BellSouth is not currently complying with this rule. The same principle applies in the case of production of documents if requested even informally by another party. In fact, Rule 1.351(e) specifically provides that a party may request copies of documents produced by a nonparty pursuant to subpoena, and logic and common sense suggest the same principle must apply in the case of documents furnished by parties. To the extent that this request asks for future answers to interrogatories, it merely asks BellSouth to comply with the aforementioned rule. To the extent that the request asks for future documents, it suggests a good faith and pragmatic alternative to requiring the Attorney General to serve multiple requests for documents produced by BellSouth to other parties.

17. *BellSouth objects to Request 9 as asking for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. See BellSouth's objection to Interrogatory 6 below and General Objection 4.*

Response

See response 4 above.

18. *BellSouth objects to Request 12 insofar as it requests work papers and other calculations which support BellSouth's answers to Interrogatory 9.c, d, e, and f, and General Objection 3.*

Response.

See Response 1 above. In addition, see response to BellSouth's specific objection to Interrogatory 9(c), (d), (e), and (f). BellSouth is simply incorrect in its assumption that this case is limited to determining "the cost of providing residential basic local telecommunications services." As previously quoted, Section 2, Part I requires information on the relationship between costs and charges for a wide variety of services. In addition, Section 2. (2) (a) requires the analysis of a wide range of items other than just cost, including affordability, value of service, comparable "residential basic local telecommunications rates in other states," as well as the cost of providing residential basic local telecommunications services, including a proportionate share of the joint and common costs.

III. SPECIFIC OBJECTIONS TO INTERROGATORIES

19. *BellSouth objects to the information requested in Interrogatory 1.a as being irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Revenue information which is requested in this interrogatory is not relevant to the verification of the cost data and analysis submitted by BellSouth in compliance with Chapter 98-277, Laws of Florida. Nor is the information requested related to the cost of providing residential basic local telecommunications service. See General Objections 3 and 5.*

Response

See Responses 3 and 5 above.

20. *BellSouth objects to Interrogatory 3.b to the extent that it requests information regarding revenues. See General Objection 3.*

Response.

See Response 3 above.

21. *BellSouth objects to Interrogatories 5.b, c, d, and e as being irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. BellSouth will provide the allocation factors used in its study as requested in Interrogatory 5.a. The information requested in Interrogatories 5.b, c, d, and e, however, is irrelevant and speculative.*

Response.

We are withdrawing Interrogatory 5(b) so the objection only applies to 5(c), (d) and (e).

The Commission Staff asked for similar information, but with a modification to the study. This request simply asks for the same information, except without the modification. There is no valid reason to believe that the only admissible evidence in this proceeding is that data which is requested by the Commission Staff. Other parties may require data other than that requested by Staff to analyze the issues being addressed in this proceeding. It is not "speculative." There were established methods under Part 36 and the prior toll pooling arrangement that existed in Florida for allocating the cost, and this simply asks what those allocations would have been following those previously accepted standard procedures absent the Commission Staff modification.

22. *BellSouth objects to Interrogatory 6 and all of its subparts as being irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. The information requested in Interrogatory 6 pertains to deregulated services which is not relevant to the verification of the cost data and analyses submitted by BellSouth in this docket. The 1997 separations study requested in Part 1, Request 3 of the June 19th Division of Auditing request, as referred to in Interrogatory 6, pertained to intrastate only, not deregulated services. The information requested by the Attorney General for deregulated services is irrelevant to the cost of providing residential basic local telecommunications service. BellSouth has gone to great extremes to provide the relevant information requested in response to the numerous data requests served on BellSouth by the Division of Auditing. BellSouth believes the information which was provided is complete and should provide the Commission with the information necessary to complete its study and formulate a report to the Legislature regarding fair and reasonable rates for Florida's customers.*

Response

See Responses 3 and 4 above.

23. *BellSouth objects to the information requested in Interrogatory 7 by the Attorney General as being irrelevant and not reasonably calculated to lead to the discovery of admissible evidence in this case. The information requested by the Attorney General relates to deregulated services. As stated above, and specifically with regard to Interrogatory 7, the revenues, expenses, plant in service and net investment for deregulated service has no effect on customer rates and are irrelevant to the purpose of the fair and reasonable rates docket established by the Public Service Commission. This interrogatory appears to be nothing more than a fishing expedition for*

information which has no relevancy to the issues before the Commission in this docket.

Response.

See Response 4 above.

24. *BellSouth objects to the information requested in Interrogatories 9.c, d, e, and f as being irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. BellSouth has provided in its many filings in this docket the data used in its studies. The Attorney General's request in this interrogatory asks for information based on hypothetical situations which have not occurred in this case. Such requests are irrelevant. Furthermore, Interrogatory 9.e and f ask for information that is not relevant to verifying the cost data and analyses submitted by BellSouth in this case. The data BellSouth has provided was provided in compliance with Commission Rules.*

Response.

We are withdrawing 9(c) and (d) so no response is needed. For 9(e) and (f), see Response 5 above.

25. *BellSouth objects to Request 19 and 21 as asking for information outside the scope of study as defined by the Public Service Commission and as requiring BellSouth to conduct additional contribution analyses not required by the Commission.*

Response.

See Responses 4 and 5 above.

26. *BellSouth objects to Request 20 as being irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. See General Objection 3.*

Response.

We are withdrawing Request 20 .

27. *BellSouth objects to Request 23.a, b, and d as being irrelevant in that the request asks for information regarding interstate revenues. See General Objections 2 and 3.*

Response. See Responses 2 and 3 above.

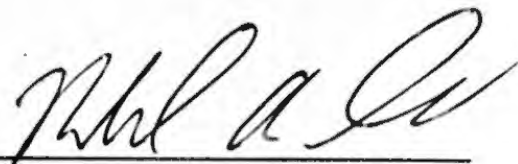
28. The withdrawal of any discovery request is not to be construed as an admission as to the merits of any BellSouth objection. The Attorney General expressly denies that any BellSouth objection has any merit, including objections to discovery withdrawn.

29. Comments for the first Workshop are due on September 24, 1998, and this discovery is due on September 7th. Accordingly, the Attorney General needs BellSouth's discovery responses on an expedited basis, and a short response time after entry of any order compelling discovery.

WHEREFORE, the Attorney General respectfully requests an order compelling discovery from BellSouth on the grounds set forth above, oral argument, expedited ruling, and that BellSouth be compelled to comply with the Attorney General's discovery on or before September 7th, 1998.

Respectfully submitted,

ROBERT A. BUTTERWORTH
ATTORNEY GENERAL



MICHAEL A. GROSS
Assistant Attorney General
Florida Bar No. 0199461
OFFICE OF THE ATTORNEY GENERAL
The Capitol, PL-01
Tallahassee, Florida 32399-1050
(850) 414-3300

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by facsimile to those noted (*) and by U.S. Mail this 2/5 day of August, 1998, to the following:

J. Jeffrey Wahlen/John P. Fons
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302

Tallahassee, Florida 32301

David B. Erwin
127 Riversink Road
Crawfordville, Florida 32327

Beth Keating
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Kimberly Caswell
GTE Florida
Post Office Box 110, FLTC0007
Tampa, Florida 33601

Edward Pascall
AARP
1923 Atapha Nene
Tallahassee, Florida 32301

Tracy Hatch
AT&T
101 North Monroe Street
Suite 700
Tallahassee, Florida 32301

Nancy H. Sims*
BellSouth Telecommunications
150 South Monroe Street, Suite 400

Benjamin Ochshorn
Florida Legal Services, Inc.
2121 Delta Boulevard
Tallahassee, Florida 32303

Everett Boyd
Ervin Law Firm
Post Office Drawer 1170
Tallahassee, Florida 32302

Laura Gallagher
FCTA
310 North Monroe Street
Tallahassee, Florida 32301

Angela Green
FPTA
125 South Gadsden Street, #200
Tallahassee, Florida 32301

Susan Langston
FTIA
Post Office Box 1776
Tallahassee, Florida 32302

Richard Melson
Hopping Law Firm
Post Office Box 6526
Tallahassee, Florida 32314

Mark Ellmer
Post Office Box 220
Port St. Joe, Florida 32456

Jim McGinn
ITS Telecommunications
Post Office Box 277
Indiantown, Florida 34956

Norman Horton
Messer Law Firm
Post Office Box 1876
Tallahassee, Florida 32302

Julie S. Myers
Smith, Bryan & Myers
311 East Park Avenue
Tallahassee, Florida 32301

Thomas M. McCabe
TDS Telecom/Quincy Telephone
Post Office Box 189
Quincy, Florida 32353

Monte Belote
6801 Seaview Way
Tampa, Florida 33615

Frankie Callen
The Greater Orlando Assoc. of Realtors
Post Office Box 587
Orlando, Florida 32802

Gene Adams
Florida Association of Realtors
Post Office Box 1853
Tallahassee, Florida 32302

David Swafford
Pennington Law Firm
Post Office Box 10095
Tallahassee, Florida 32301

Kelly Goodnight
Frontier Communications
180 South Clinton Avenue
Rochester, New York 14646

Steve Brown
Intermedia Communications
3625 Queen Palm Drive
Tampa, Florida 33619

Joseph McGlothlin
McWhirter Law Firm
117 South Gadsden Street
Tallahassee, Florida 32301

Jack Shreve/Charles Beck
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, #812
Tallahassee, Florida 32399-1400

Richard L. Spears
Community Association Institute
9132 Ridge Pine Trail
Orlando, Florida 32819

Donna Canzano
Wiggins Law Firm
Post Office Drawer 1657
Tallahassee, Florida 32302

John L. Brewerton, III, P.A.
250 North Orange Avenue, Suite 1700
Orlando, Florida 32801

Chris Kenna
Compass Management & Leasing
1801 Hermitage Boulevard, Suite 130
Tallahassee, Florida 32308

Debra K. Mink
BOMA Florida
3081 East Commercial Boulevard
Fort Lauderdale, Florida 33308

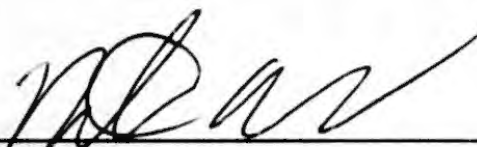
Kenneth Hoffman/John Ellis
Rutledge Law Firm
Post Office Box 551
Tallahassee, Florida 32302

Monica Barone
Sprint
3100 Cumberland Circle, #802
Atlanta, Georgia 30339

Lynne G. Brewer
Northeast Florida Telephone
Post Office Box 485
Macclenny, Florida 32063

Harriet Eudy
ALLTEL Florida, Inc.
Post Office Box 550
Live Oak, Florida 32060

Charles Rehwinkel
Sprint-Florida, Inc.
Post Office Box 2214
Tallahassee, Florida 32316



MICHAEL A. GROSS
Assistant Attorney General

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Discovery for Study on Fair and Reasonable Rates and on Relationships Among Costs and Charges Associated with Certain Telecommunications Services Provided by LECs, as Required by Chapter 98-277)
_____)

Docket No. 980733-TT.

Filed: August 7, 1998

ATTORNEY GENERAL ROBERT A. BUTTERWORTH'S
FIRST SET OF INTERROGATORIES TO
BELLSOUTH TELECOMMUNICATIONS, INCORPORATED

Robert A. Butterworth, Attorney General, propounds the following Interrogatories to BellSouth Telecommunications, Incorporated ("BellSouth") to be answered under oath in full accordance with Rules 25-22.34 and 25-22.35, Florida Administrative code, and Rule 1.340, Florida Rules of Civil Procedure. All answers must be served upon undersigned attorney by September 7, 1998.

INSTRUCTIONS

1. Each Interrogatory should be answered based upon your knowledge and information or belief, and any answer based upon information and belief should state that it is given on such basis. If the complete answer to an Interrogatory is not known, so state and answer as fully as possible the part of the Interrogatory to which an answer is known. For each answer, or part thereof, please identify the individual or individuals who provided the information or helped in providing the information contained in the responses.

A

2. As used herein "you" and "your" means BellSouth together with its officers, employees, consultants, agents, representatives, attorneys, and any other person or entity acting on behalf of BellSouth.

3. As used herein the term "company" or "the company" means BellSouth.

INTRODUCTION

1. In some of the following requests, the data requests dated June 19, 1998 from Tim Devlin of the Division of Auditing and Financial Analysis will be referred to as the "June 19th Division of Auditing Requests."

2. Our copy of those Staff requests contained two different "Part I. Embedded Cost Data" sections. Unless otherwise specifically stated in the following requests, the requests being referred to as "Part I" will be the set of Staff Part I requests which includes seven questions and for which Request 1A begins "Please provide, on a FCC/FPSC basis...."

3. Unless specifically stated otherwise, these requests pertain to your Company's telephone operations in the State of Florida. For example, a request for the number of access lines means the number of access lines of your Company in Florida, not nationwide.

INTERROGATORIES

Separations

1. In the June 19th Division of Auditing Requests, Part I, Request 3 (2f), the Staff requested that the separations study include "any further breakdown of local which your system is capable of, such as EAS or local private line." If your Company does not provide the separations study with local private line broken out separately, please provide the following information:

a. The local private line revenues for 1997;

- b. The local private line loop count used to apportion the exchange line C&WF investments among the Category 1 subcategories;

- c. The investment per loop used to apportion the C&WF Category 1 investments among the Category 1 subcategories;

- d. The investment per loop used to apportion the exchange line circuit equipment investment among the subcategories;

2. In the separations study requested in Part I, Request 3 of the June 19th Division of Auditing Requests, please provide the following data included in that study for Centrex/ESSX or other Centrex-type services.

- a. The revenues from Centrex/ESSX or other Centrex-type service (including, but not necessarily limited to, Intercom, exchange access, Network Access Registers (NARs), and feature services. Please state what revenues are included in the figure provided.;

- b. The number of Centrex/ESSX or other Centrex-type service loops included in the loop count for purposes of apportioning the C&WF Category 1 investments among the Category 1 subcategories;

- c. The number of Intercom (traffic within the Centrex/ESSX or other Centrex-type system) dial equipment minutes (DEMs) included in the calculation of the unweighted DEM factor;
 - d. Please state which of the categories shown in the workpaper referred to in item 3 of the Request for Production include the Centrex/ESSX or other Centrex-type Intercom minutes.
3. With reference to the separations study requested in Part I, Request 3 of the June 19th Division of Auditing Requests,
- a. Have the figures used in this study for the intrastate services been adjusted to reflect the FPSC basis as opposed to the FCC basis for those areas in which there is a significant difference? If not, please provide the figures required to adjust the study so that the intrastate figures are reflective of the FPSC basis.
 - b. Please state the column in the separations study which includes the revenues and expenses of extended calling service (ECS).
4. Part I, Request 3A(2)(a) of the June 19th Division of Auditing Requests requires the use of an unweighted DEM for intrastate (but a weighted DEM for interstate). Please provide the DEM factor for each service category which was utilized in the study filed in response to the

switched subscriber loop (C&WF Category 1.3) had that study followed Part 36 requirements and not been modified as requested in Part I, Request 3A(2)(b) of the June 19th Division of Auditing Request.

- e. Please provide the calculation showing how the value of the intrastate frozen SPF was spread between the intrastate toll and intrastate switched access categories in response to part d. of this Request. If frozen intrastate SPF was not utilized, please show how the factor that was utilized was spread between the intrastate toll and intrastate switched access categories.

Part 64

6. With reference to the 1997 separations study requested in Part I, Request 3 of the June 19th Division of Auditing Requests, please provide the following data pertaining to the Part 64 deregulated services for 1997, as calculated in preparing the 1997 separations study.
 - a. What was the amount of revenues for the Part 64 deregulated services?
 - b. What was the total expense and taxes (other than income taxes) of the Part 64 deregulated services?
 - c. What was the plant in service for the Part 64 deregulated services?

- d. What was the net investment for the Part 64 deregulated services?

 - e. What was the amount of the federal income tax for the Part 64 deregulated services? Include the income tax rate and cost of money used and show the calculation which arrived at the federal income tax figure.

 - f. What was the state income tax amount for the Part 64 deregulated services? Include the income tax rate and cost of money used and show the calculation which arrived at the state income tax figure.

 - g. What was the net income for the Part 64 deregulated services.

 - h. Please list the name of each of the services that was considered a deregulated Part 64 service for purposes of the preparation of the Part 36 separations study in response to the June 19th Division of Auditing Requests, Part I, Request 3.
7. If the information is readily available, please provide a breakdown showing the revenues, expenses (including taxes other than income), plant in service, and net investment broken

down by major Part 64 deregulated service. If any portion of this information is not readily available in the manner in which the Company has done the calculations, please provide only the information that is readily available. However, please do, at a minimum, provide the revenue breakdown by Part 64 service.

Depreciation

8. Please provide the following information from your Company's most recent depreciation study, if you have one. If a depreciation study for your Company has not been prepared within the last eight years, you do not need to respond to this request. This request is not asking you to conduct a depreciation study if you have not already conducted one.
 - a. Separately for all central office equipment accounts and all outside plant equipment accounts, from the most recent Company depreciation study which contains a calculation of the "observed" indicated average service life, please provide the "best fit" observed average service life indication. State whether it was calculated using a full mortality study or a computed mortality study. For the computed mortality results, please provide the best fit average service life indications for each of the most recent five years in the study, as well as the average of the most recent band that has been calculated, if any.
 - b. Please provide the date of the study from which the information provided in part a. of this Request was taken.
 - c. For each of the central office equipment and outside plant accounts, please provide the net salvage analysis from the most recent Company depreciation study (if any). This should show the historical cost of retirements, cost of gross salvage, cost of removal, and cost of net salvage, including the historic net salvage percent for several

years as contained in the Company study. Include any rolling bands or other calculations that are normally included in this analysis.

Directory Advertising

9. With respect to Item 6 of the Request for Production:
- a. Are the directory advertising revenues and costs which are included in the separations study requested in Part I, Request 3 of the June 19th Division of Auditing Requests, the same revenues and costs which are shown in the "per book" column of Schedule Z-7? If not, please provide a column with the same lines as shown on Schedule Z-7, but showing the amounts that were included in the above-referenced separations study.

 - b. Were the revenues and costs that were included in Schedules B-1, I-1, and I-2 requested in the June 19th Division of Auditing Requests, Part I, Request 1A the same as shown in the "per books" column of Schedule Z-7? If not, please provide a column which has the same row labels as Schedule Z-7, but show the figures for each of those rows as they were included in the income statement provided in response to the above-referenced income statement.

 - c. If replacing the gross profit of directory advertising that was included in the separations study requested in Part I, Request 3 of the June 19th Division of Auditing Requests with the gross profit shown in the "Consolidated" column of Schedule Z-7, which is calculated by subtracting line 20 of the "Consolidated" column from line 15 of the "Consolidated" column, or two-thirds of line 15, whichever is higher, would have any significant effect on revenues, expenses, taxes, uncollectible amounts, income taxes, interest, or balance sheet items other than those shown on Schedule Z-

7, please indicate what other items should be adjusted, and the amount of their adjustment assuming that the figures shown in the "Consolidated" column of Schedule Z-7 were used to replace the figures for directory advertising that were included in your separations study. If you believe there are no other items that would be significantly impacted, please so state. If any figures are provided, please provide the workpapers which support the figures provided.

- d. If the gross profit of yellow pages included in Part I, Request 1A of the June 19th Division of Auditing Requests was replaced with the gross profit from the "Consolidated" column of Schedule Z-7, which is calculated by subtracting line 20 of the "Consolidated" column from line 15 of the "Consolidated" column, or two-thirds of line 15, whichever is higher, would have any significant effect on revenues, expenses, taxes, uncollectible amounts, income taxes, interest, or balance sheet items other than those shown on Schedule Z-7, please indicate what other items should be adjusted, and the amount of their adjustment assuming that the figures shown in the "Consolidated" column of Schedule Z-7 were used to replace the figures for directory advertising that were included in your response to the above-referenced request. If you believe there are no other items that would be significantly impacted, please so state. If any figures are provided, please provide the workpapers which support the figures provided.
- e. Please explain the relationship which exists between your Company (the LEC) and the Company which publishes the directory in your area. Explain any-relationship between the owners of the LEC company and the company that publishes the directory in your area.
- f. When your Company as an LEC selected the directory publisher, did you open that selection to competitive bidding from many directory publishers? If not, why not?

Basic Local Service

10. Please separately provide the current monthly rates and the 1997 average quantities in service for flat-rate single-line business basic local service and separately for flat-rate single-line residence basic local service.

11. Is it a correct statement that a higher percentage of residential basic local service usage occurs during the weekend than is true for business local exchange usage?

12. Is it a true statement that none of your Company's Florida central offices experience their peak traffic during the normal weekend time period? If this is not a correct statement, provide the correct statement, including what percent of the local offices peak during the weekend.

13. Is it a true statement that the local usage costs per call or per minute for basic local services are higher during peak periods than they are during off-peak time periods? If the response is anything other than an unqualified "yes", please provide the correct statement.

14. Is it a correct statement that business basic local service includes a listing in the yellow pages? If this is not a correct statement, please provide the correct statement.
 - a. What is the name of the largest city where your Company currently provides business basic local service in Florida?

- b. In the city provided in response to Part a., what is the recurring rate for a business to place an **additional** listing in the yellow pages (in the yellow pages associated with your Company or an affiliate of your Company)? Please assume this additional listing is identical to the type of listing that is the standard listing that comes with business basic local service (i.e. it's not bold, etc.).

15. Is it a correct statement that your Company's repair policy has a different target for repairing residential basic local service as compared to repairing business basic local service?

- a. Please provide the repair time that is the goal or requirement for repairing residential basic local service for which service is out.

- b. Please provide the repair time that is the goal or requirement for repairing business basic local service for which service is out.

- c. For 1997, or for the most recent year for which the information is available, please provide the average time for a business line between the time the service outage or other problem was reported, and the time it was repaired.

- d. For 1997, or for the most recent year for which the information is available, please provide the average time for a residential line between the time the service outage or other problem was reported, and the time it was repaired.

16. For 1997 (or for the most recent year for which the data is available), please separately provide the following information for flat-rate single-line business basic local service and flat-rate single-line residence basic local service:
- a. The monthly average number of originating local calls per line;

 - b. The monthly average originating local usage per line in minutes.
17. Please separately provide the current flat-rate single-party residence basic local rates that your Company charges in each of the jurisdictions (including Florida) where your Company provides service.
18. For the year 1997, please provide the total annual number of your Company's initiated residential customer disconnections due to non-payment.
- a. Does your Company disconnect residential customers for non-payment of Interexchange Carrier (IXC) charges for which your Company is doing the billing (assuming all other parts of the bill are paid)?

 - b. Does your Company disconnect residential customers for non-payment of your Company's intraLATA toll charges even if the basic local exchange portion and other portions (and related taxes) of the customer's bill has been paid?

19. Regarding the Staff's Data Requests dated June 19, 1998 from the Division of Communications of the FPSC,
- a. Request 4(a) of those Requests asks for a "contribution analysis" for certain services. (Staff had defined "contribution analysis" at the start of that set of requests) Please also provide the "contribution analysis" (separately for residence and business" for the following services:
 - I. non-published service;

 - II. non-list service.

 - b. For each of the services listed in part a. of this Request, please provide all of the information requested in Requests 4(b) and 4(c) of the June 19th Division of Communications of the FPSC Requests.
20. For 1997, please provide the total residential extended area service (EAS) revenue.
- a. For 1997, please provide the total residential EAS cost. Please provide TSLRIC, if available. The costs included in the TSLRIC should not include any cost that is also included in the TSLRIC analysis for basic exchange or other services. If TSLRIC is not available for EAS, please provide the costs which are available, and indicate what type of costs are being provided.

- b. If the information requested in part a. of this request is not available, please provide the average incremental cost per residential EAS line for those lines that have EAS, and provide the number of residential lines that had EAS in 1997.

21. Please provide a complete list of all of the residential services, other than basic exchange service and other than any type of toll service which is currently subscribed to or used by (i.e. customers may place calls to directory assistance but do not subscribe to directory assistance on a monthly basis) more than one percent of your residential customers in an average month.

- a. For each of the services listed in your answer to Interrogatory 21 which are not listed in Request 4(a) of the June 19th Division of Communications of the FPSC Requests, please provide the "contribution analysis" ("contribution analysis" is defined at the beginning of that set of requests). Also provide all information requested in parts 4(b) and 4(c) of the June 19th Division of Communications' Requests for these services.

22. With reference to customers located outside the base rate area,

- a. Does your Company currently have any additional recurring charge for residential service that is outside the base rate area, or otherwise for lines within an exchange which are considered to be in more rural areas as compared to otherwise similar residential services in more urban areas in that same exchange?

- b. If the answer to Interrogatory 22a. is yes, please explain what these charges are.

- c. For 1997, please provide the annual residential recurring revenues from the outside the base rate area charges or other charges discussed in the prior portions of this Interrogatory.

23. For your Company for the year 1997, please provide the following:

- a. Your Company's total interstate carrier common line revenues, separately identified as originating or terminating.
- b. The total interstate carrier common line minutes, separately identified as originating or terminating.
- c. Please provide the average number of total access lines, including residential and business, in service in 1997. The access lines provided should be all of those that are switched access lines. (Dedicated, private line, or special access lines should not be included in this count.)
- d. Please provide your Company's Florida total state carrier common line revenues, separately identified as originating or terminating.

- c. Please provide the total state carrier common line minutes, separately identified as originating or terminating.

24. For your Company for the year 1997, please provide the following:

- a. The interstate EUCL revenues, broken by class (residence, business, single line business, multi-line business, etc.). Please also provide the total interstate EUCL revenues for the same year.

- b. Separately, the average number of residential access lines, single line business access lines, and multi-lines to which the interstate EUCL applied.

25. What is the current monthly interstate EUCL charge? If there are different charges for different types of customers or access lines, please provide each of the charges?

26. Please separately provide your Company's current intrastate originating and terminating Carrier Common Line Charge (CCLC) rates.

27. For traffic to or from a residential premise, when your Company provides intrastate switched access service for a toll call handled by an IXC, in the vast majority of cases does your Company connect that call to or from the residential premises over the switched access lines? If the response to this Interrogatory is no, please provide the correct statement.
- a. For intralATA toll service provided by your Company, is it a correct statement that for the vast majority of the minutes connecting to or from residential premises, that the Company connects that traffic to or from the residential premises over the switched access line? If this is not a correct statement, please provide the correct statement.
28. Please provide the total recurring charge that a customer would pay under the Company's Centrex/ESSX or other Centrex-type service that contained 20 stations. The recurring charge should include any charges that exist including Intercom service, exchange access, the line charges, the NARs (if your pricing arrangement uses them. Please assume the average number of NARs that is used along with 20 lines. If the Company does not know of any such number, please use four NARs.), rate for features such that each line has at least Call Forwarding and Three-Way Calling. (If distance from the central office affects the price, please assume that the customer is located slightly less than one-fourth of a mile from the central office.)
- a. Please indicate what the additional charge would be to have Caller ID on each of these lines.
- b. Please provide a breakdown of the rates and quantities by each rate element that sums to the figure provided in response to part a. (i.e. the rate and quantity for exchange access, NARs, etc.).

- c. Please provide the total recurring rate that a residential customer would pay in order to have a RI line along with Call Forwarding and Three-Way Calling. Please provide a breakdown of that total showing the rate for each rate element.
- d. Please indicate what additional charge would apply to also have Caller ID on the residential line discussed in part c. of this Request.
- e. If one residential customer wanted 20 residential lines, would the total charge be 20 times the rates provided in response to parts d. and e. above? If not, please indicate what the total recurring charge would be for a residential customer with 20 residential lines, Call Forwarding and Three-Way Calling. Also indicate what the total recurring charge would be to a residential customer with 20 residential lines with Call Forwarding, Three-Way Calling, and Caller ID. Provide the details of the calculations showing quantities and rates by rate elements.
29. Please provide your Company's current Centrex/ESSX or other Centrex-type service tariffed rates.

Incremental and Proxy Cost Models

In the following requests, any reference to incremental or proxy models should be to all of the types of models the Company expects to utilize in this proceeding, other than a Part 36 separations study, such as that which would be provided in response to Part I, Request 3 of the June 19th Division of

Auditing Requests. If the Company is going to utilize more than one "non-embedded" study (TSLRIC, proxy, incremental, marginal, etc.), then the response to each request should separately respond for each of the non-embedded studies that the Company will utilize. In the following requests, we will refer to this whole category of non-embedded cost studies as the TSLRIC studies or proxy models.

30. Other than the TSLRIC studies the June 19th Division of Communications Requests asked for, and the separations study requested in the June 19th Division of Auditing Requests, Part I, Request 3, does your Company plan to utilize in this proceeding the results from any other incremental, marginal, embedded, proxy or other cost models? If yes, list the name of the other studies that your Company will utilize in this proceeding.

31. For each of the TSLRIC studies provided in response to all parts of the Division of Communications' Request dated June 19th, Requests 1-4, please separately state the following for each of those studies.

a. State what percent of the switched access line facility costs (sometimes referred to as the switched loop or common line) was included in the TSLRIC study for that service.

b. Please state how the percent of these switched access line facility costs that was used in this model was determined.

c. If your Company is planning to utilize any other model as identified in your answer to Interrogatory 30, please provide the information requested in parts a. and b. of this Interrogatory for each of those other models as well.

32. For each of the TSLRIC studies provided in response to all parts of the Division of Communications' Request dated June 19th, Requests 1-4, please separately state the following for each of those studies.
- a. State what percent of the line card and other NTS COE costs connected to the switched access line was included in the TSLRIC study for that service.

 - b. Please state how the percent of these line card and other NTS COE costs that was used in this model was determined.

 - c. If your Company is utilizing a proxy model in this proceeding, please state what percent of the line card and other NTS COE costs are included in the costs shown in that proxy model.

 - d. Please state how the percent of these line card and other NTS COE costs that was used in this model was determined.

 - e. How were common overhead costs and other joint and common costs, other than the loop costs and NTS COE costs, included in the costs utilized in this model? Explain the concept used.

- f. **Please provide any percentages or figures used to include the joint and common costs, other than loop and NTS COE costs. (i.e. TSLRICs were increased by ten percent for the joint and common costs other than the loop and NTS COE?)**

 - g. **Please provide the workpapers showing the calculation of the values the Company used to adjust this study for the joint and common costs, other than loop and NTS COE.**

 - h. **If your Company is planning to utilize any additional studies as identified in your answer to Interrogatory 30, please provide the information requested in parts a. through g. above for each of those additional studies.**
33. **Please provide, on paper, the output showing the results for your Company in Florida which you expect to utilize in this proceeding. Please indicate what user inputs, if any, or loading steps must be followed in order for the user to duplicate those outputs, utilizing the models on disk provided in response to Items 15 and 16 of the Request for Production.**
- a. **Please provide the name and phone number of a person who is knowledgeable in the operation of this model, and provide permission for our experts to contact them to discuss technical details of getting the model to run.**

34. Will the Company be relying on any of the same proxy or incremental cost models in this proceeding as they are utilizing in the "Determination of the cost of basic local telecommunications service pursuant to Section 364.025" proceeding, Docket No. 98-0696-TP?

a. If the study which your Company will utilize in this proceeding is different from the study utilized in the proceeding referenced in Interrogatory 34, please explain why there is a difference and provide the value of the inputs, factors, formula, or other items which are different between these two cases, showing the values used in the other proceeding, and the values used in this proceeding.

35. Since drop wires normally contain more than one pair of wire, this Interrogatory seeks to determine how the cost of that drop is distributed among the services that are carried through that drop wire. In your TSLRIC study for residential basic flat rate service:

a. Assume that the Company is using a three pair drop in a residential subdivision. Please assume that the residential customers each have two lines in service, and therefore two pairs out of the three pairs of the drop are in service. Under this circumstance, would the procedure used in your Company cost study effectively assign the cost of the three pair drop to the first telephone service, or would the procedure used in your cost study effectively recover one-half of the drop cost in each of the two lines that are in service? If neither, please explain how the costs of the three pair drop would be handled in your study under the above circumstance.

b. Please explain where in your model the calculations pertaining to the distribution of the drop costs among the services occur.

- c. For a residential drop, are the costs of that drop effectively included in the cost of the first line in service at each residence, or are the costs of the drop effectively divided by the number of pairs in service.

 - d. If your Company is also utilizing a proxy model or other model to calculate the residential flat rate costs, please provide the information requested in the prior portions of this Request for that proxy or other model (other than a separations study).
36. Since several different lines of services can be carried in a distribution cable pair, this Interrogatory seeks to determine how the cost of a distribution cable pair are spread among the services utilizing that cable pair in the Company model. In your TSPIC study for residential basic flat rate service:
- a. Assume that down a particular road in a residential subdivision in your model, your model has assumed a 24 pair copper distribution buried cable. Assume the area that could be served by that cable includes twelve living units (or potential living units), and the cable has 18 lines in service. Under these assumptions, would the procedure used in your model effectively split the cost of that 24 pair cable among the twelve living units (effectively assigning the cost of one-twelfth of the cable to the first service in each living unit), or would your model effectively divide the cost of the 24 pair cable by the 18 lines in service to arrive at the cost per service associated with this cable? If neither of these apply, please explain how the procedure in your model would handle the costs under the above assumptions.

 - b. If your Company is also utilizing a proxy model or other model to calculate the residential flat rate costs, please provide the information requested in the prior

portion of this Interrogatory for that proxy or other model (other than a separations study).

37. Is it correct that in your service territory during the development of a new residential subdivision, the developers normally provide the trench used to place distribution cables in that subdivision? If this is not a correct statement, please provide the correct statement.
- a. Please state, generally, in your area during the development of a residential subdivision, what costs of the telephone distribution system installed in that subdivision are borne by the developer, and what costs are borne by the telephone company.
 - b. In your TSLRIC cost study for residential basic exchange flat rate service, have you excluded from the costs in that study, those costs which are normally paid for by the developer? If yes, please explain what costs were excluded and where in your model those costs are excluded. If you have not excluded those costs, please explain why not.
 - c. Is it a correct statement that in your service territory when a new residential subdivision is being developed, the normal practice is for the LEC to install the buried distribution cables generally prior to the time that the roads, driveways, sidewalks, lawns, bushes, etc. are in place? If this is not a correct statement, please provide the correct statement.

d. In your TSLRIC model for residential basic exchange service, please indicate what percent of the distribution cables in a residential subdivision were assumed to include the costs of installing them before the roads, driveways, sidewalks, lawns, bushes, etc. are in place, and what percent were assumed to be installed after these surface obstructions were in place.

c. If your Company is utilizing a proxy model or other non-separations study other than the above-reference TSLRIC model, please provide the information requested in the prior portions of this Interrogatory for that other model as well.

38. In your TSLRIC study for residential basic flat rate service, please indicate what sharing of the poles among utilities was assumed in your study. Please specifically provide the percent of the pole cost that was included in the study or model, after adjusting for only the sharing of those pole costs among utilities. (i.e. the percent would be 100% if no sharing among utilities occurred.) If your Company is utilizing a proxy model or other non-separations study other than the above-reference TSLRIC model, please provide the information requested in this Interrogatory for that other model as well.

39. For each investment category utilized in your voice grade flat rate residential basic exchange service TSLRIC study, please indicate what the annual cost of money is for each dollar of gross investment in that account. (i.e. What would the annual cost of money amount be as a result of a \$1 gross investment in that account?)

a. If your Company is utilizing a proxy model or other non-separations study other than the above-referenced TSLRIC model, please provide the information requested in the prior portions of this Interrogatory and Item 18 of the Request for Production for that other model as well.

40. For each investment category utilized in your voice grade flat rate residential basic exchange service TSLRIC study, please indicate what the annual income tax (including federal, state and local) is for each dollar of gross investment in that account. (i.e. if there was \$1 of gross investment in that account, what would the annual income tax amount be that would be included in the cost as a result of the income tax associated with that \$1 investment?)

a. If your Company is utilizing a proxy model or other non-separations study other than the above-reference TSLRIC model, please provide the information requested in the prior portions of this Interrogatory and Item 19 of the Request for Production for that other model as well.

41. Is it a correct statement that the properly calculated TSLRIC of a service will not include any of the costs of facilities which are shared by that service and another service (or services)? If this is not a correct statement, please provide the corrected statement, as well as a citation to and copy of the economic, regulatory or other standard that your Company claims supports the corrected statement provided.

a. Is it a correct statement that the properly calculated TSLRIC of a service will not include any of the costs of facilities which are used jointly by that service and another service (or services)? If this is not a correct statement, please provide the corrected statement, as well as a citation to and a copy of the economic, regulatory or other standard that your Company claims supports the corrected statement provided.

b. Is it a correct statement that the properly calculated TSLRIC of a service will not include any of the common costs of the company? If this is not a correct statement, please provide the corrected statement, as well as a citation to and a copy of the economic, regulatory or other standard that your Company claims supports the corrected statement provided.

- c. **Is it a correct statement that if a service is priced below its properly calculated TSLRIC, that service would be considered to be subsidized? If this is not a correct statement, please provide the corrected statement, as well as a citation to and a copy of the economic, regulatory or other standard that your Company claims supports the corrected statement provided.**

- d. **Is it a correct statement that if a service is priced equal to or above its properly calculated TSLRIC, that service is not receiving a subsidy? If this is not a correct statement, please provide the corrected statement, as well as a citation to and a copy of the economic, regulatory or other standard that your Company claims supports the corrected statement provided.**

42. Please provide your Company's definition of TSLRIC.

43. Is it a correct statement that the properly calculated TSLRIC of a service is equal to the additional cost incurred by the Company to produce the entire output of a particular service, holding constant the production of all other services produced by the company? If this is not a correct statement, please provide the corrected statement, as well as a citation to and a copy of the economic, regulatory or other standard that your Company claims supports the corrected statement provided.

44. Is it a correct statement that the properly calculated TSLRIC of a service is equal to the company's total cost of producing all of its services, assuming the service in question is

offered, less the company's total cost of producing all of its services without the service in question? If this is not a correct statement, please provide the corrected statement, as well as a citation to and a copy of the economic, regulatory or other standard that your Company claims supports the corrected statement provided.

45. With reference to the concept of cost causation,

a. Is it a correct statement that if a Company incurs additional cost to produce the entire output of a particular service, holding constant the production of all other services produced by the company, that additional cost is properly considered to be caused by the provision of that particular service? If no, please provide the correct statement and provide a citation to and copy of the economic, regulatory or other standard that your Company claims supports the statement provided in your answer to this Interrogatory.

b. Is it a correct statement that if a company does not avoid certain costs in the long run when a service in question is eliminated (or not offered), while holding constant the production of all other services produced by the Company, those costs which are not eliminated if the service in question is eliminated are not properly considered to be "caused" by the provision of that service in question? If no, please provide the correct statement and provide a citation to and copy of the economic, regulatory or other standard that your Company claims supports the statement provided in your answer to this Interrogatory.

46. Please provide a complete citation to the definition of TSLRIC that has been specifically approved by the FPSC, as well as a citation to the order, rules of the Commission or other relevant document that proves that the definition provided has been specifically approved by the FPSC.

47. Is it a correct statement that if a service is priced above its "Stand-Alone" cost, that service is properly considered to be producing a subsidy? If no, please provide the correct statement and provide a citation to and copy of the economic, regulatory or other standard that your Company claims supports the statement provided in your answer to this Interrogatory.
- a. Is it a correct statement that the properly calculated Stand-Alone cost for a service will include the full cost of all facilities needed to provide the service in question, even those facilities which are jointly used by other services? If no, please provide the correct statement and provide a citation to and copy of the economic, regulatory or other standard that your Company claims supports the statement provided.
- b. Is it a correct statement that if a service is priced equal to or below its properly calculated Stand-Alone cost, that service is not producing a subsidy? If no, please provide the correct statement and provide a citation to and copy of the economic, regulatory or other standard that your Company claims supports the statement provided.
- c. Please provide a complete citation to the definition of Stand-Alone Cost that has been specifically approved by the FPSC, as well as the citation to the order, rules of the Commission or other relevant document that proves that the definition provided has been specifically approved by the FPSC.

VERIFICATION

STATE OF FLORIDA

COUNTY OF _____

I, _____, having this day personally appeared before the notary public whose signature and seal are affixed to this document, and either being personally known to the notary public or otherwise having my identity established in a manner set forth in Section 117.05(5)(b), Florida Statutes, and not otherwise being a person whose document the notary public is prohibited from notarizing under Section 117.05(6), Florida Statutes, duly swear, depose and state that I have executed the foregoing Interrogatories and that the responses are true and correct to the best of my knowledge and belief.

Sworn to and subscribed before me this _____ day of _____, 1998.

Signature of Notary Public, State of Florida

Print, type or stamp commissioned name of Notary Public

Commission No. _____

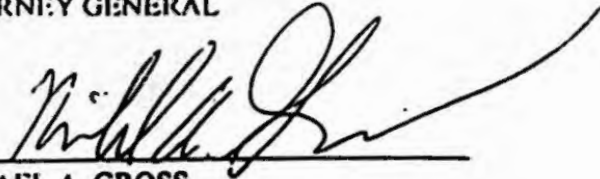
My Commission Expires: _____

Personally Known _____ or Produced Identification _____ (Check One)

Type of Identification Produced: _____

Respectfully submitted,

ROBERT A. BUTTERWORTH
ATTORNEY GENERAL


MICHAEL A. GROSS
Assistant Attorney General
Fla. Bar No. 0199461

Office of the Attorney General
PL-01 The Capitol
Tallahassee, FL 32399-1050
(850) 414-3300
(850) 488-6589 (Fax)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by hand-delivery to those noted (*) and by U.S. Mail to all this 7th day of August, 1998, to the following:

J. Jeffrey Wahleii/John P. Fons
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302

Beth Keating
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Edward Pascall
AARP
1923 Atapha Nene
Tallahassee, FL 32301

Tracy Hatch
AT&T
101 N. Monroe St.
Suite 700
Tallahassee, FL 32301

Nancy H. Sims*
BellSouth Telecommunications
150 S. Monroe St.
Suite 400
Tallahassee, FL 32301

David B. Erwin
127 Riversink Rd.
Crawfordville, FL 32327

Kimberly Caswell
GTE Florida
P.O. Box 110, FLTC0007
Tampa, FL 33601

Benjamin Ocishorn
Florida Legal Services, Inc.
2121 Delta Blvd.
Tallahassee, FL 32303

Everett Boyd
Ervin Law Firm
P.O. Drawer 1170
Tallahassee, FL 32302

Laura Gallagher
FCTA
310 N. Monroe St.
Tallahassee, FL 32301

Angela Green
FPTA
125 S. Gadsden St. #200
Tallahassee, FL 32301

Susan Langston
FTIA
P.O. Box 1776
Tallahassee, FL 32302

Richard Melson
Hopping Law Firm
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Mark Ellmer
P.O. Box 220
Port St. Joe, FL 32456

Jim McGinn
ITS Telecommunications
P.O. Box 277
Indiantown, FL 34956

Norman Horton
Messer Law Firm
P.O. Box 1876
Tallahassee, FL 32302

Julie S. Myers
Smith, Bryan & Myers
311 E. Park Ave.
Tallahassee, FL 32301

Thomas M. McCabe
TDS Telecom/Quincy Telephone
P.O. Box 189
Quincy, FL 32353

Monte Belote
6801 Seaview Way
Tampa, FL 33615

Frankie Callen
The Greater Orlando Assoc. of Realtors
P.O. Box 587
Orlando, FL 32802

Gene Adams
Florida Association of Realtors
P.O. Box 1853
Tallahassee, FL 32302

David Swafford
Pennington Law Firm
P.O. Box 10095
Tallahassee, FL 32301

Kelly Goodnight
Frontier Communications
180 S. Clinton Ave.
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Intermedia Communications
3625 Queen Palm Dr.
Tampa, FL 33619

Joseph McGlothlin
McWhirter Law Firm
117 S. Gadsden St.
Tallahassee, FL 32301

Jack Shreve/Charles Beck
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St. #812
Tallahassee, FL 32399-1400

Richard L. Spears
Community Association Institute
9132 Ridge Pine Trail
Orlando, FL 32819

Donna Canzano
Wiggins Law Firm
P.O. Drawer 1657
Tallahassee, FL 32302

John L. Brewerton III, P.A.
250 N. Orange Ave.
Suite 1700
Orlando, FL 32801

Chris Kenna
Compass Management & Leasing
1801 Hermitage Blvd.
Suite 130
Tallahassee, FL 32308

Debra K. Mink
BOMA Florida
3081 E. Commercial Blvd.
Ft. Lauderdale, FL 33308

Kenneth Hoffman/John Ellis
Rutledge Law Firm
P.O. Box 551
Tallahassee, FL 32302

Monica Barone
Sprint
3100 Cumberland Circle #802
Atlanta, GA 30339

Lynne G. Brewer
Northeast Florida Telephone
P.O. Box 485
Macclenny, FL 32063

Harriet Eudy
ALLTEL Florida, Inc.
P.O. Box 550
Live Oak, FL 32060

Charles Rehwinkel
Sprint-Florida, Inc.
P.O. Box 2214
Tallahassee, FL 32316



MICHAEL A. GROSS
Assistant Attorney General

Company Name _____
 For the Year Ending December 31, 1982

Description	Consolidated Amount	Per Line Amount
1. Revenue (Account 5200):		
2a. Local		
2b. Foreign		
3. National		
4. Sales		
5. Commission		
6. Other		
7. Total (lines 2a-6)		
8. Expenses (Account 6622) (c):		
9. Printing (production & distribution)		
10. Commission		
11. Delivery (included in line 9)		
12. Salvage		
13. Other (g)		
14. Total (lines 9 thru 13)		
15. Gross Profit (line 7 minus line 14)		
16. Gross Profit Base (e)		
17. Customer Growth Factor (b)		
18. CPI-U Factor (d)		
19. Adjusted 1982: (L16 x (L17 x L18))		
20. Nonregulated (f)		

Footnotes:

- (a) Gross Profit Base as Stated in FPSC Rule 25-4.0405.
- (b)
$$\frac{\text{Average Current Year Access Lines}}{\text{Average 1982 Access Lines Per Rule 25-4.0405}}$$
- (c)
$$\frac{\text{Annual Average CPI-U for Current Year}}{\text{Annual Average CPI-U for 1982}}$$
- (d) (Line 15 less line 19) or (1/3 of line 15) whichever is smaller but not less than zero.
- (e) Only those expenses formerly included in account 649 should be included in this schedule.
- (f) The consolidated amount should contain the entire net gross amount from the Directory Advertising operation in the local franchise area to be considered in setting rates for telecommunications service. This will include the gross amounts billed from all sources, including all amounts from the publishing or directory companies as well as the Local Exchange Companies.

Analysis of Directory Advertising Operations
Schedule Z-7

Company Name _____
For the Year Ended December 31, 1997

Items	Consolidated (\$) Amount	Per Booklet Amount
1. Revenues (Account 5230):		
2a. Local		
2b. Foreign		
3. National		
4. Sales		
5. Commissions		
6. Other		
7. Total (lines 2 thru 6)		
8. Expenses (Account 6622) (c):		
9. Printing (production & distribution)		
10. Commissions		
11. Delivery (included in line 9)		
12. Salvage		
13. Other (d)		
14. Total (lines 9 thru 13)		
15. Gross Profit (line 7 minus line 14)		
16. Gross Profit 1982 (e)		
17. Customer Growth Factor (b)		
18. CPI-U Factor (f)		
19. Adjusted 1982: (L16 x (L17 x L18))		
20. Nonregulated (g)		

Footnotes:

- (a) Gross Profit Base as Stated in FPSC Rule 25-4.0405.
- (b)
$$\frac{\text{Average Current Year Access Lines}}{\text{Average 1982 Access Lines Per Rule 25-4.0405}}$$
- (c)
$$\frac{\text{Annual Average CPI-U for Current Year}}{\text{Annual Average CPI-U for 1982}}$$
- (d) (Line 15 less line 19) or (1/3) of line 15 whichever is smaller but not less than zero.
- (e) Only those expenses formerly included in account 649 should be included in this schedule.
- (f) The consolidated amount should contain the entire or gross amount from the Directory Advertising operation in the local franchise area to be considered in setting rates for telecommunications service. This will include the gross amounts billed from all sources, including all amounts from the publishing or directory companies as well as the Local Exchange Companies.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Discovery for Study on Fair and Reasonable Rates and on Relationships Among Costs and Charges Associated with Certain Telecommunications Services Provided by LECs, as Required by Chapter 98-277

Docket No. 980711-FL
Filed: August 7, 1998

**ATTORNEY GENERAL ROBERT A. BUTTERWORTH'S
THIRD REQUEST FOR PRODUCTION OF DOCUMENTS
TO BELL SOUTH TELECOMMUNICATIONS, INCORPORATED**

Robert A. Butterworth, Attorney General, requests BellSouth Telecommunications, Incorporated ("BellSouth") to produce the following documents for inspection and copying at the Office of the Attorney General, PL-01 The Capitol, Tallahassee, FL 32399-1050, on or before September 7, 1998, or at such other time and place as may be mutually agreed upon by counsel.

INSTRUCTIONS

1. If any document is withheld under any claim of privilege, please furnish a list identifying each document for which privilege is claimed, together with the following information: date, sender, recipients, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.

2. If BellSouth has possession, custody, or control of the originals of the documents requested, please produce the originals or a complete copy of the originals. If BellSouth does not have possession, custody, or control of the originals of the documents requested, please produce any copies in the possession, custody, or control, however made, of BellSouth.

3. Please construe "and" as well as "or" either disjunctively or conjunctively as necessary to bring within the scope of this production of documents any document which might otherwise be construed to be outside the scope.

4. Words in the past tense include the present, and words in the present tense include the past. Use of the singular includes the plural, and use of the masculine includes the feminine where appropriate, and vice versa.

DEFINITIONS

1. "Document" or "documents" means any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, cards, tapes, film, electronic facsimile, computer storage device or any other media, including, but not limited to memoranda, notes, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, agreements, books, pamphlets, periodicals, appointment calendars, records and recording of oral conversations, work papers, and notes, any of which are in your possession, custody, or control.

2. As used herein "you" and "your" means BellSouth together with its officers, employees, consultants, agents, representatives, attorneys (unless privileged), and any other person or entity acting for or on behalf of BellSouth.

INTRODUCTION

1. In some of the following requests, the data requests dated June 19, 1998 from Tim Devlin of the Division of Auditing and Financial Analysis will be referred to as the "June 19th Division of Auditing Requests."

2. Our copy of these Staff requests contained two different "Part I. Embedded Cost Data" sections. Unless otherwise specifically stated in the following requests, the requests being referred to as "Part I" will be the set of Staff Part I requests which includes seven questions and for which Request 1A begins "Please provide, on a FCC/FPSC basis...."

3. Unless specifically stated otherwise, these requests pertain to your Company's telephone operations in the State of Florida. For example, a request for the number of access lines means the number of access lines of your Company in Florida, not nationwide.

DOCUMENTS REQUESTED

General Request

6. Please provide copies of all responses provided by your company to any request by Staff and any other party in this proceeding. This request includes responses that have already been provided by your company, and also is a continuing request that applies to all future responses provided by your company in this proceeding. Copies of all attachments or documents provided in response to the requests of Staff or other parties should also be provided.

Separations study

7. Part I, Request 3 of the June 19th Division of Auditing Requests asked your Company to provide a 1997 Part 36 separations study with certain assumptions. Please provide the workpapers which support the Company response to this Staff request, including but not necessarily limited to, the following workpapers:


- a. Workpapers showing the traffic factor development;
- b. Workpapers showing the quantity and development of the loop counts, circuit miles, and terminations; and
- c. For all traffic factors, loop counts, circuit miles, and terminations, the summation workpapers should be provided showing these counts by category (i.e. local, private line loops, or intrastate intraLATA toll minutes of use, etc.) and the summation of those counts.
- d. The COE and cable and wire facility categorization workpapers.

8. The workpaper showing DEMs for all categories and summing those minutes to arrive at the unweighted DEM factor utilized.
9. Please provide the workpapers and other documents which support the responses provided to all portions of Interrogatory 6.
10. Please provide a copy of the pages from the Company study which show the calculation of the observed average service life indication for each of the accounts for which information is listed in response to Interrogatory 8 a.
11. Please prepare and provide a copy of the FPSC Schedule Z-7 "Analysis of Directory Advertising Operations" for the year ended December 31, 1997. A blank copy of Schedule Z-7 is attached to this Request. Be sure to follow the instruction in Footnote (4) of the Schedule, which requires that "the gross amounts billed from all sources" be included.
12. Please provide the workpapers and other calculations which support the responses provided to all portions of Interrogatory 9.
13. If your answer to Interrogatory 11 is negative, please provide the studies which show the time of day and day of week of residential local exchange usage, and separately for business local exchange usage.
14. If your answer to Interrogatory 13 is negative, please provide all supporting explanations and workpapers.
15. Please provide copies of the document which supports the response to Interrogatory 15a.
16. Please provide copies of the document which supports your answer to Interrogatory 15b.
17. If the answer to Interrogatory 22a. is yes, please provide a copy of the tariff.
18. If the answer to Interrogatory 27 is no, please provide evidence supporting the correct statement.
19. If the answer to Interrogatory 27a. is no, please provide evidence in support of the statement provided.
20. Please provide a copy of each of the Company's proxy models or TSLRIC studies on an Iomega ZIP 100 MG disk or on a CD, that is readable by an IBM compatible personal computer. (As a less preferable option, the Company model can be provided on 3.25" computer disks that are readable by an IBM compatible personal computer.)

21. Please provide the Company documents which explain how the model is to be run, as well as the documents which explain the calculations and concepts incorporated in the model (i.e. User Guide, Loop Methodology, etc.).
22. Please provide the workpapers which support the inputs utilized in this model.
23. With respect to Interrogatory 39, please provide the workpapers which show the calculation of the cost of money, including the cost of money factor for each investment account in the voice grade flat rate residential basic exchange service TSLRIC study. The workpapers provided should allow the tracking of the determination of the cost of money from the associated gross investment amounts.
24. With respect to Interrogatory 40, please provide the workpapers which show the calculation of the income tax factor or other calculations used in the Company study to determine the income tax. The workpapers provided should allow the tracking of the determination of the income tax from the associated gross investment amounts.
25. Please provide a complete copy of the definition of TSLRIC that has been specifically approved by the FPSC, as well as a copy of the order, rules of the Commission or other relevant document that proves that the definition provided has been specifically approved by the FPSC.
26. Please provide a complete copy of the definition of Stand-Alone Cost that has been specifically approved by the FPSC, as well as a copy of the order, rules of the Commission or other relevant document that proves that the definition provided has been specifically approved by the FPSC.
27. Please provide the supporting documents for the percent used in you answer to Interrogatory 31b.
28. Please provide the supporting documents for the percent used in you answer to Interrogatory 32b.
29. Please provide the supporting documents for the percent used in you answer to Interrogatory 32d.

Respectfully submitted,

ROBERT A. BUTTERWORTH
ATTORNEY GENERAL



MICHAEL A. GROSS
Assistant Attorney General
Fla. Bar No. 0199461

Office of the Attorney General
PL-01 The Capitol
Tallahassee, FL 32399-1050
(850) 414-3300
(850) 488-6589 (Fax)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by hand-delivery to those noted (*) and by U.S. Mail to all this 7th day of August, 1998, to the following:

J. Jeffrey Wahlen/John P. Fons
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302

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Florida Public Service Commission
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Indiantown, FL 34956

Norman Horton
Messer Law Firm
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Tallahassee, FL 32302

Julie S. Myers
Smith, Bryan & Myers
311 E. Park Ave.
Tallahassee, FL 32301

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TDS Telecom/Quincy Telephone
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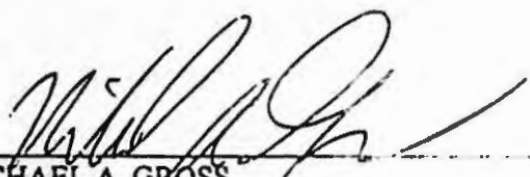
Kenneth Hoffmar/John Ellis
Rutledge Law Firm
P.O. Box 551
Tallahassee, FL 32302

Monica Barone
Sprint
3100 Cumberland Circle #802
Atlanta, GA 30339

Lynne G. Brewer
Northeast Florida Telephone
P.O. Box 485
Macclenny, FL 32063

Harriet Eudy
ALLTEL Florida, Inc.
P.O. Box 550
Live Oak, FL 32060

Charles Rehwinkel
Sprint-Florida, Inc.
P.O. Box 2214
Tallahassee, FL 32316



MICHAEL A. GROSS
Assistant Attorney General

Analysis of Directory Advertising Operations
Schedule Z-7

Company Name _____
for the Year Ended December 31, 1997

Items	Consolidated (f) Amount	Per Hooks Amount
1. Revenues (Account 5230):		
2a. Local		
2b. Foreign		
3. National		
4. Sales		
5. Commissions		
6. Other		
7. Total (lines 2 thru 6)		
8. Expenses (Account 6622) (c):		
9. Printing (production & distribution)		
10. Commissions		
11. Delivery (included in line 9)		
12. Salvage		
13. Other (g)		
14. Total (lines 9 thru 13)		
15. Gross Profit (line 7 minus line 14)		
16. Gross Profit Base (a)		
17. Customer Growth Factor (b)		
18. CPI-U Factor (c)		
19. Adjusted 1982: (L16 x (L17 x L18))		
20. Nonregulated (d)		

Footnotes:

- (a) Gross Profit Base as Stated in FPSC Rule 25-4.0405.
- (b)
$$\frac{\text{Average Current Year Access Lines}}{\text{Average 1982 Access Lines Per Rule 25-4.0405}}$$
- (c)
$$\frac{\text{Annual Average CPI-U for Current Year}}{\text{Annual Average CPI-U for 1982}}$$
- (d) (Line 15 less line 19) or (1/3 of line 15) whichever is smaller but not less than zero.
- (e) Only those expenses formerly included in account 649 should be included in this schedule.
- (f) The consolidated amount should contain the entire or gross amount from the Directory Advertising operation in the local franchise area to be considered in setting rates for telecommunications service. This will include the gross amounts billed from all sources, including all amounts from the publishing or directory companies as well as the local exchange companies.