

RECEIVED-FPSC

ORIGINAL

Legal Department

NANCY B. WHITE
General Counsel-Florida

99 APR -7 PM 4:42

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(305) 347-5558

RECORDS AND
REPORTING

April 7, 1999

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

Re: Docket No. 920260-TL; Audit Report Earnings Review

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Responses to the Audit Report Earnings Review in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me.

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

Sincerely,

Nancy B. White

Nancy B. White (NW)

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU 1 _____
- CTR _____
- EAG _____
- LEG 1 _____
- LIN _____
- OPC _____
- RCH _____
- SEC 1 _____
- WAS _____
- OTH _____

Enclosures

cc: Marshall M. Criser III
William J. Ellenberg II
Denise N. Vandiver, Bureau Chief Auditing

DOCUMENT NUMBER-DATE

04510 APR-7 99

FPSC-RECORDS/REPORTING

AUDIT DISCLOSURE NO. 1

SUBJECT: Intralata Presubscription

STATEMENT OF FACT: Intralata Presubscription gives the telephone customer the ability to preselect a telecommunications company to carry that customer's instate toll calls. Intralata Presubscription expenses are reversed on the surveillance report and charged as if they were an amortization of a deferral. In the 1997 surveillance report BST increased rate base \$5,482,790 for Intralata Presubscription. The \$5,482,790 represents the rate base impact of Intralata Presubscription. The breakdown by account is as follows:

Account 2212 – Digital Electronic Switching Investment	\$2,321,100
Account 3100 – Depreciation Reserve	(140,888)
Account 1439 – Deferred Charges	<u>3,302,577</u>
Total	<u>\$5,482,790</u>

RECOMMENDATION: After reviewing the amounts used on the surveillance report, the Company discovered the rate base impact should have been a reduction to rate base for the net of account 2212 less account 3100, or \$2,180,212, since these amounts are on BST-Florida books. The account 1439 amount represents what the deferred charges would have been if the costs were deferred.

Therefore, Rate Base in the June 1998 filing of the 1997 surveillance report should be reduced by \$7,663,002 (\$5,482,790 + \$2,180,212).

COMPANY COMMENTS: The Company agrees with the \$7,663,002 reduction of the rate base.

DOCUMENT NUMBER-DATE

04510 APR-7 8

FPSC-RECORDS/REPORTING

AUDIT DISCLOSURE NO. 2

SUBJECT: BAPCO

STATEMENT OF FACT: Prior to 1997, total operating revenues reported by BellSouth Advertising and Publishing Company (BAPCO) included National Yellow Pages (NYPS), net of commissions.

RECOMMENDATION: In 1997 total operating revenues of \$268,668,080 reported by BAPCO included NYPS commissions of \$6,504,281. Revenues for 1997 need to be reduced by the commissions. BAPCO's reported revenues are used in the computation of the Publication Fee used on BST books under the old contract. This results in reducing revenue by \$6,504,281.

In addition, BST stated that BAPCO expenses should be adjusted from \$1,785,998 to \$1,745,719 resulting in reducing expenses by \$40,279.

The revenue and expense adjustments reduce Gross Profit for BAPCO in the annual report Schedule (Z-7) by \$6,464,002.

COMPANY COMMENTS: The Company agrees with the \$6,464,002 reduction of BAPCO Gross Profit on Schedule Z-7 of the 1997 Annual Report.

AUDIT DISCLOSURE NO. 3

SUBJECT: Non-regulated Expenses

STATEMENT OF FACT: A random sample of expenses selected by resource type code was examined by the auditors. Because of confidentiality, the invoices will be referenced by number only. The invoices are filed with the confidential work papers.

RECOMMENDATION: Staff auditors recommend the following expenses be transferred from above-the-line because they are non-regulated.

<u>Voucher</u>	<u>Amount</u>
B1-37	\$1,980.55
B1-44	888.00
B1-7	2,506.65
B1-8	2,149.79
B1-60	952.19
B1-46	1,904.24
B1-49	356.75
B2-57	527.71
B2-75	754.51
B2-77	176.22
A2-86	61.11
B2-53	149.47
B1-48	328.15
B1-15	438.00
A2-68	800.00
Total	<u>\$13,973.34</u>

COMPANY COMMENTS: The Company agrees with \$2,124.35 in adjustments. As information, \$728.42 of the amount was already recorded "below the line". The Company will agree to make the additional \$11,120.57 in a spirit of cooperation. Thus, the Company will adjust a total of \$13,244.92 "below the line" for this audit disclosure

AUDIT DISCLOSURE NO. 4

SUBJECT: Accounting Corrections

STATEMENT OF FACT: The following errors were discovered in the random expense sample. Because of confidentiality, the vouchers are referenced by number only. The invoices are filed with the confidential work papers.

<u>Voucher</u>	<u>Account</u>	<u>Amount</u>	<u>Error</u>
C1-1	7150.1000	(\$3,264.35)	Entry was made in error.
C1-15	7150.2000	370.84	Entry was made in error.
C1-16	7150.2000	3,491.31	Entry was made in error.
C1-19	7150.2000	9,000.00	Allocation error.
C1-24	7150.2000	437.59	Allocation error.
C2-14	7160.2000	7.16	Incorrect account charged.
C2-15	7160.2000	28.35	Incorrect account charged.
C2-16	7160.2000	95.21	Incorrect account charged.
C2-19	7160.2000	(3,184.00)	Incorrect account charged.

RECOMMENDATION: The following accounting corrections should be made by the Company to reverse the entries made in error.

<u>Account</u>	<u>Amount</u>	
	<u>Debit</u>	<u>Credit</u>
7150.1000-Gains from Disposition of Land & Artworks	\$3,264.35	
1439.9500-Cost of Sale/Purchase-Deferred		\$3,264.35
1439.9500-Cost of Sale/Purchase-Deferred	370.94	
7150.2000-Losses from Disposition of Land & Artworks		370.94
1439.9500-Cost of Sale/Purchase-Deferred	3,491.31	
7150.2000-Losses from Disposition of Land & Artworks		3,491.31
1439.9500-Cost of Sale/Purchase-Deferred	7,837.87	
7150.2000-Losses from Disposition of Land & Artworks		7,837.87
1439.9500-Cost of Sale/Purchase-Deferred	381.09	
7150.2000-Losses from Disposition of Land & Artworks		381.09
6535.0000-General Engineering Expense	7.16	
7160.2000-Other Operating Losses		7.16
6535.0000-General Engineering Expense	28.35	
7160.2000-Other Operating Losses		28.35

AUDIT DISCLOSURE NO. 4

<u>Account</u>	<u>Amount</u>	
	<u>Debit</u>	<u>Credit</u>
6535.0000-General Engineering Expense	95.21	
7160.2000-Other Operating Losses		95.21
7160.2000-Other Operating Losses	3,184.00	
7370.5000-Special Charges-Entertainment		3,184.00

The total increase to income is \$5,632.86.

COMPANY COMMENTS: The Company agrees with the \$5,632.86 increase in income.

AUDIT DISCLOSURE NO. 5

SUBJECT: Advertisements

STATEMENT OF FACT: Several advertisements were selected in our random sample of expenses selected by resource type code. Because of confidentiality, the invoices will be referenced by number only. The invoices are filed with the confidential work papers.

RECOMMENDATION: The following expenses, which are non-regulatory, were charged above-the-line. These advertisement should be charged below-the-line:

1. Invoice B1-3, Amazing Phone Mysteries (This advertisement was for the Power Touch 350 telephone. Sales of telephones are non-regulatory and should be recorded below-the-line.) \$38,045.44

 2. Invoice B1-2, Mission Possible (This advertisement consisted of three items. Two of the items, Additional Line and Back-up Line, are regulated and should be above-the-line. The third item, MemoryCall, is non-regulated and should be below-the-line. Therefore, one-third of the invoice amount of \$18,279.69 Should be below-the-line.) 6,093.23
- Total \$44,138.67

COMPANY COMMENTS: The Company agrees with \$5,075.71 in adjustments. . As information, \$25,870.91 of the amount was already recorded "below the line". The Company will agree to make the additional \$13,192.05 in a spirit of cooperation. Thus, the Company will adjust a total of \$18,267.76 "below the line" for this audit disclosure.