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August 13, 1998

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

Re: Docket No. 980696-TP

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Memorandum In Opposition To FCTA's Motion To Compel, which we served today. Please file them in the captioned matter.

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

Sincerely,

Mary K. Keyer
Mary K. Keyer (Bo)

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Enclosures

CTR _____ cc: All parties of record
EAG _____ A. M. Lombardo
LEG 2 _____ R. G. Beatty
LIN 1 _____ William J. Ellenberg II (w/o enclosures)
OPC _____
RCH _____
SEC 1 _____
WAS _____
OTH _____

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost)
of Basic Local Telecommunications) Docket No.: 980696-TP
Service, pursuant to Section 384.025,)
Florida Statutes)
_____) Dated: August 13, 1998

BELLSOUTH TELECOMMUNICATIONS, INC.'S
MEMORANDUM IN OPPOSITION TO FCTA'S MOTION TO COMPEL

BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to Rule 25-22.037, Florida Administrative Code, submits the following memorandum in opposition to Florida Cable Telecommunications Association's ("FCTA") Motion For Order Compelling BellSouth Responses to Discovery.

On July 15, 1998, FCTA served its First Set of Interrogatories (1-5) to BellSouth. On July 21, 1998, BellSouth timely filed its objections to these interrogatories, and specifically objected to Interrogatories 4 and 5 as asking for information which is not relevant to a forward-looking cost study as required by Paragraph 4(b), Section 1 of Chapter 93-277, Laws of Florida. BellSouth filed its answers to FCTA's First Set of Interrogatories on August 5, 1998, and raised these same objections to Interrogatories 4 and 5. FCTA, without making any attempts to resolve these disputes with BellSouth, filed a motion to compel BellSouth to provide the information requested by FCTA in Interrogatories 4 and 5.

BellSouth believes its answers to FCTA's Interrogatories 4 and 5 of its First Set of Interrogatories on BellSouth were appropriate. In an effort to resolve this discovery dispute, however, and without waiving its right to object to the admission of information

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that BellSouth believes is irrelevant, BellSouth is providing FCTA with a supplemental answer to Interrogatory 4, attached hereto as Exhibit 1.

With respect to Interrogatory 5, in which FCTA asked BellSouth to "provide a detailed explanation of the methodology used to develop the rental fees charged by BellSouth to third parties and affiliates for the use of its infrastructure (including but not limited to poles, conduit, etc.)," BellSouth must continue its objection. FCTA claims an explanation of the methodology used is relevant because "[t]o the extent that the BCPM Version 3.1 relies upon annual cost factors to develop estimates of forward-looking expenses, those cost factors will be overstated because the Company's operating expenses will not be reduced for the amount of rental income received through the leasing of its infrastructure to third parties and affiliates." FCTA Motion, p. 4. In other words, FCTA is alleging the expenses in BellSouth's cost model are inappropriate because they do not reflect the revenues received. This argument is without merit. An explanation as to how fees were reached will not answer FCTA's allegation that BellSouth's operating expenses will not be reduced by the rental income received from rental fees. FCTA Motion, p. 4. The issue, according to FCTA, is whether there is an offset, not how the rental fee was reached. The methodology used to set the rental fee is not an issue in this docket nor is it relevant to FCTA's alleged reason for wanting the information.

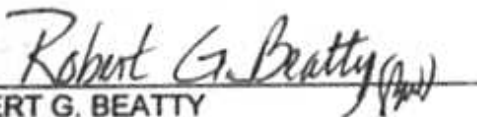
FCTA further argues in support of its motion to compel BellSouth to answer Interrogatory 5 that "the use of embedded investment and expense information is an integral part in the development of the Company's forward looking cost estimate to provide universal service," therefore, historical data is relevant. FCTA Motion, p. 5, ¶

13. This argument, however, is not relevant to Interrogatory 5, but instead was the identical argument set forth by FCTA in Paragraph 8 of its motion to support its claim that BellSouth should be compelled to answer Interrogatory 4. FCTA simply reiterated the identical argument in support of its motion to compel BellSouth to answer Interrogatory 5, regardless of whether it was applicable.

BellSouth supplements its answer to Interrogatory 4, but objects to answering Interrogatory 5 as being irrelevant to this proceeding. BellSouth has been cooperative and has expended much time and resources to providing full, complete, and timely responses to the numerous discovery requests that have been served upon it in this matter. The Commission should not compel BellSouth to devote further time and resources to answer interrogatories which are neither relevant nor reasonably calculated to lead to the discovery of admissible evidence, such as FCTA's interrogatory regarding the methodology used for setting rental fees. Accordingly, FCTA's motion to compel should be denied.

Respectfully submitted this 13th day of August, 1998.

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INTERROGATORY 4:

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

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

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

INFORMATION PROVIDED BY: Tom Lohman
Director
BellSouth Telecommunications, Inc.
Atlanta, Georgia 30375

Exhibit 1

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

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

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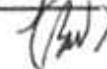
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