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July 31, 2000

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Ms. Blanca Bayó, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: FPSC Docket No. 990649-TP:
Testimony and Exhibit Filings and
Notice of Intent to Seek Confidential Classification

Dear Ms. Bayó:

Enclosed for filing on behalf of AT&T Communications of the Southern States, Inc. and MCI WorldCom, Inc. are an original and fifteen copies of the following documents in the above-referenced docket:

1. An original and fifteen copies of the public version of Rebuttal Testimony of Greg Darnell with Exhibits GJD-1 through GJD-11. 09158-00

2. An original and fifteen copies of the public version of the Rebuttal Testimony of John C. Donovan/Brian F. Pitkin with Exhibits JCD/BFP-1 through JCD/BFP-15. 09160-00

3. An original and fifteen copies of the public version of the Rebuttal Testimony of Brenda J. Kahn with Exhibits BK-1 through BK-2. 09162-00

4. An original and fifteen copies of the public version of the Rebuttal Testimony of Jeff King with Exhibits JAK-1 through JAK-3 (the printed copy of Exhibit JAK-3 is missing some of the text on the first few pages due to a printing problem, but the electronic copy being served includes all of the text; we anticipate filing a revised copy of JAK-3 when our printer is fixed) (Exhibits JAK-4 and JAK-5 will be late-filed); 09156-00

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09159-00 ; 09159-00 ;
This notice of intent was filed in a docketed matter by or on behalf of a "telco" for Confidential DN 09161-00 **. The confidential material is in locked storage pending staff advice on handling.**
09163-00 ; & 09165-00

09158-00

5. An original and fifteen copies of the public version of the Rebuttal Testimony of Catherine Pitts with Exhibits CEP-1 through CEP-8; 09164-00

6. An original and fifteen copies of the public version of the Rebuttal Testimony of Roger L. Riggert and John C. Donovan with Exhibits RLR-1 through RLR-2. 09166-00

7. An envelope containing one copy of the confidential version of the Rebuttal Testimony of Greg Darnell, John C. Donovan/Brian F. Pitkin, Brenda J. Kahn, Catherine Pitts and Roger L. Riggert/John C. Donovan, along with the corresponding confidential Exhibits, with the confidential information highlighted in yellow and with the confidential information itemized on the attachment to this letter. Also enclosed are two additional copies of the public versions of all of the testimonies and exhibits, which have the confidential information redacted. Pursuant to Rule 25-22.006, Florida Administrative Code, AT&T and MCI WorldCom respectfully request that the indicated confidential information be treated as confidential until the appropriate request for confidential classification can be filed. Because all of the claimed confidential information is proprietary BellSouth or GTE Florida information, we will coordinate with these companies for them to file the appropriate confidential request. (09157 Darnell) (09159 Pitkin Donovan) (09161 Kahn) (09163 Pitts) (09165 Riggert Donovan)

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

Floyd R. Self

FRS/amb
Enclosure
cc: Parties of Record

Confidential items

Witness	Starts on	Page	Line	Ends	Page	Line
Darnell						
GJD Exhibit 5						
GJD Exhibit 8 Pages 2 through 9						
GJD Exhibit 9 Pages 2 through 5						
Donovan/Pitkin						
JCD/BFP testimony		24	23		25	12
		28	2		28	2
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JCD/BFP Exhibit 10						
	Column C	1	5		6	339
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Kahn						
BJK testimony		12	14		12	15
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Confidential items

Witness	Starts on	Page	Line	Ends	Page	Line
Pitts						
CEP -testimony		7	13		8	2
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CEP Exhibit 2- All						
CEP Exhibit 3- All						
CEP Exhibit 4- All						
CEP Exhibit 5- All						
CEP Exhibit 6- All						
CEP Exhibit 8- All						
Riggert/Donovan						
RLR/JCD testimony		28	1		28	1
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		35	13		35	13

H:\users\ANN\990649 list of confidential material in testimony.doc

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Rebuttal Testimony of Brian Pitkin, John Donovan, Brenda Kahn, Roger Riggert, Greg Darnell, Jeff King, and Catherine Pitts on behalf of AT&T Communications of the Southern States, Inc. and MCI WorldCom, Inc. in Docket No. 990649-TP has been furnished by Hand Delivery (*) and/or Overnight Delivery to the following parties of record this 31st day of July, 2000:

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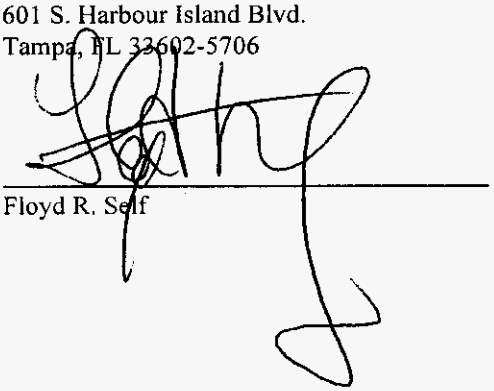

Floyd R. Self

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF

GREG DARNELL

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC. and
MCI WORLDCOM

Docket No. 990649-TP

July 31, 2000

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Greg Darnell, and my business address is 6 Concourse Parkway, Suite 3200, Atlanta, Georgia, 30328.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by MCI WorldCom, Inc. as Regional Senior Manager -- Public Policy.

Q. HAVE YOU PREVIOUSLY TESTIFIED?

A. Yes, I have testified in proceedings before regulatory commissions in Alabama, California, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee and on numerous occasions have filed comments before the FCC. Provided as Exhibit GJD-11 to this testimony is a summary of my academic and professional qualifications.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING AND FOR WHAT PURPOSE?

A. I am testifying on behalf of MCI WorldCom, Inc. and AT&T Communications of the Southern States, Inc. The purpose of this testimony is to address BellSouth's proposed Expenses and Common Cost (issue 7 (t) and 7(u)) that are used in the development of its UNE rates and the appropriate method for determining deaveraged UNE rates (issue 2(a)).

I. EXPENSE AND COMMON COST

Q. ARE BELLSOUTH'S EXPENSE AND COMMON COST FACTORS IMPORTANT?

A. Yes. As proposed in this proceeding, BellSouth's Expense and Common Cost Factors account for approximately 32.75% of the 2-wire analog UNE loop rate.

Q. IF THE FLORIDA PSC PERMITS BELLSOUTH TO USE EXCESSIVE EXPENSE AND COMMON COST FACTORS, WHAT WILL BE THE IMPACT OF SUCH ACTION?

A. Residential local competition, like what has occurred in New York and Texas, will not develop in Florida. If residential local competition is desired in Florida, the Commission does not have the luxury of making compromises on the inputs used to develop UNE rates. Florida is a very large market and as such should be very attractive to many ALECs. Thus, it is reasonable to ask why residential local competition has not flourished in Florida. The primary reason is simple: current BellSouth UNE rates are too high.

The current local retail rates in Florida do not afford this Commission the luxury of compromising when deciding UNE rates. This means, if Florida wants UNE-based local competition, similar to what is occurring in New York and Texas, it has to set all inputs at forward-looking economic cost and not "split the baby" on the input issues.

Q. WHAT EVIDENCE IS THERE THAT SUGGESTS THAT THE EXPENSE AND COMMON COST FACTORS PROPOSED DO NOT REFLECT BELLSOUTH'S FORWARD-LOOKING COST?

A. The evidence currently available that suggests that BellSouth's expense and common cost factors are excessive is as follows: 1) BellSouth fails to eliminate all retail expense from its UNE rates; 2) The Productivity Factor BellSouth used to forecast its expenses is too low; 3) BellSouth's proposal would double recover Land, Building and Power expense; 4) Prior Factors filed by BellSouth indicate that lower plant specific expenses should exist; and 5) Trends in Corporate Operations Expense indicate that Common Costs *should be declining.*

Q. DOES BELLSOUTH'S COST MODEL REMOVE ALL RETAIL COST FROM WHOLESALE RATES?

A. No. BellSouth claims to have removed all retail expense from its calculations. Walter Reid states in his testimony, "[R]etail cost including marketing, billing, collection and other costs that will be avoided" by BellSouth have been directly assigned to the retail function and as such "are excluded from the calculation of UNE Cost." [1] BellSouth conducts an avoided cost study to eliminate retail cost from its UNE rates. In this proceeding, BellSouth calculates that $1,426,416,105 of retail expense exists in Uniform System of Accounts (USOA) 6611, 6612, 6613 and 6623 and eliminates this expense from its forward--looking cost

[1] Testimony of Walter Reid, Before the Florida Public Service Commission, Docket No. 990649-TP, filed May 1, 2000, p. 4 ("Reid Testimony").

projections.[2]

Q. HOW MUCH AVOIDED RETAIL EXPENSE DID WALTER REID CALCULATE IN THIS COMMISSION'S PREVIOUS UNE PROCEEDING?

A. Walter Reid previously determined that $1,926,591,887 of retail cost should be eliminated from UNE rates.[3]

Q. HAS BELLSOUTH TRULY REDUCED ITS RETAIL EXPENSE BY ONE HALF BILLION DOLLARS ($500 MILLION) IN THE LAST THREE YEARS, OR IS THE REDUCTION IN AVOIDED RETAIL EXPENSE CONTRIVED THROUGH DIFFERENCES IN COST MODELING ASSUMPTIONS?

A. Contrary to the results of BellSouth's updated avoided retail cost calculations, BellSouth's amount of retail expense has grown significantly as a percent of revenue and in absolute terms over the time period for which these cost studies are based. Thus, it is clear that BellSouth's $500 million reduction in the amount of avoided retail expense is contrived through differences in cost modeling assumptions.

Q. IS THE METHODOLOGY USED BY BELLSOUTH IN THIS PROCEEDING TO DETERMINE THE AMOUNT OF AVOIDED RETAIL EXPENSE CORRECT?

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[2] See BellSouth Cost Calculator, Appendix F, 6611SC00.xls, 6612SC00.xls, 6613SC00.xls and 6623SC00.xls.

[3] See, Rebuttal Testimony of Walter S. Reid, on Behalf of BellSouth Telecommunications, Inc., Rebuttal Exhibit WSR-6, page 1, line 6, filed December 9, 1997. For ease of reference, Exhibit GJD-1 contains a copy of this Walter Reid rebuttal testimony exhibit.

A. No. BellSouth's methodology calculates an amount of directly avoidable retail expense that is contained in Uniform System of Accounts (USOA) 6611, 6612, 6613 and 6623 and eliminates this expense from its forward-looking cost projections. However, BellSouth fails to recognize that retail expense also exists in other USOAs. This Commission determined in Docket No. 960833-TP that retail expense also exists in USOA 6120, 6710 and 6720. This Commission determined that the retail cost contained in Accounts 6120, 6710 and 6720 should be determined "based on the ratio of the costs we identified as directly avoided to total expenses".[4] Retail costs contained in these accounts have been referred to as indirectly avoided retail cost.

Q. WHAT IS INDIRECTLY AVOIDED RETAIL COST AND WHY IS IT APPROPRIATE TO INCLUDE THESE COSTS AS WELL IN THE CALCULATION OF TOTAL RETAIL COST?

A. It has been determined that if direct cost accounts are reduced, costs contained in overhead and support accounts will also be reduced. For example, if a company has a smaller product line (i.e. wholesale only) it will need a smaller executive staff, smaller planning staff, smaller legal staff, smaller accounting group and fewer support facilities. Therefore, when retail costs are eliminated from Product Management (6611), Sales (6612), Product Advertising (6613) and Customer Services (6623), it is appropriate to reduce the expense in Executive and Planning (6710), General and Administrative (6720) and General Support (6120).

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[4] Florida Public Service Commission, Final Order on Arbitration, Order No. PSC-96-1579-FOF-TP, December 31, 1996, page 56.

Q. USING THIS COMMISSION'S METHODOLOGY TO DETERMINE RETAIL EXPENSE, HOW MUCH ADDITIONAL RETAIL EXPENSE SHOULD BE ELIMINATED FROM BELLSOUTH'S PROPOSED UNE RATES TO ACCOUNT FOR INDIRECTLY AVOIDED RETAIL COSTS?

A. Assuming the new direct retail avoided cost study that BellSouth has provided in this proceeding is correct, which I believe is an erroneous and overly generous assumption, $223,376,929 of additional retail expense contained in Accounts 6120, 6710 and 6720 should be eliminated from BellSouth's proposed UNE rates.[5] This will bring the total retail expense to be eliminated from the expense projections that are used to develop BellSouth's UNE rates to $1,649,793,034. This amount of retail expense is still $276,798,853 below the amount of retail expense that BellSouth witness Walter Reid determined in Docket No. 960833-TP.

Q. HOW DID BELLSOUTH USE ITS HISTORICAL EXPENSES TO FORECAST FORWARD-LOOKING EXPENSES?

A. BellSouth took its booked total company regulatory 1998 expenses, and adjusted them for out of period occurrences, increased them for expected inflation, increased them for anticipated additional expense caused by increased demand, and then decreased them for projected productivity gains to project year 2000 through year 2002 test period expense levels. BellSouth then took the projected year 2000 through 2002 expense levels, averaged them, and compared them to adjusted 1998 data to determine

[5] See, Attached Exhibit GJD-2 for the calculations that went in to determining this indirectly avoided retail cost amount.

expense development factors.

Q. WHAT PRODUCTIVITY FACTOR DID BELLSOUTH USE TO FORECAST ITS EXPENSE?

A. BellSouth used a 3.1% total productivity factor taken from a United States Telephone Association (USTA) study that was filed with the FCC. This USTA study has not been adopted by the FCC. MCI WorldCom submitted reply Comments on January 24, 2000 with the FCC in CC Docket No. 94-1 and addressed the deficiencies of the USTA study.[6] In these Reply Comments MCI WorldCom noted that the reasonable range of LEC productivity is between 9.1 and 9.5%. However, due to the FCC's decision in the CALLS proceeding, a new FCC productivity factor has not been established. The FCC's current approved total productivity factor for BellSouth is 6.5%. (47 C.F.R. §61.45) Given that the FCC's currently effective 6.5% productivity factor has been subject to in depth analysis and debate from both BellSouth and ALECs, there is no reason for this Commission to undertake an effort to set a Florida state specific productivity factor. The Florida Commission should require BellSouth to use the a productivity factor in its expense forecasts that is no less the FCC's 6.5% productivity factor.

Q. WHAT IMPACT WOULD A 6.5% PRODUCTIVITY FACTOR HAVE ON BELLSOUTH'S EXPENSE FORECASTS?

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[6] See, Reply Comments of MCI WorldCom, Inc., Before the Federal Communications Commission, In the Matter of Price Cap Performance Review for Local Exchange Carriers, CC Docket 94-1, Access Charge Reform, CC Docket No. 96-262, filed January 24, 2000.

A. The use of a 6.5% productivity factor will change the projected expense for the 2000-2002 test period contained in BellSouth's Appendix F, Excel Spreadsheet EXPDVF00.xls, and this would result in a change to the expense development factors used in the Shared and Common Cost Application of BellSouth's Cost Calculator. When these new inputs are run through BellSouth's Cost Calculator, new Shared and Common Cost Factors result. Exhibit GJD-3 contains the revised expense development factors and the revised Shared and Common Cost factors that would be created by the use of the FCC's 6.5% productivity factor.

Q. WOULD THE USE OF AN INAPPROPRIATELY LOW PRODUCTIVITY FACTOR TO FORECAST EXPENSE RESULT IN UNE RATES THAT ARE NOT FORWARD LOOKING?

A. Given how BellSouth's cost model works, yes. Further, the FCC's and USTA's productivity factors are derived for expense and investment trend analysis. Forward-looking UNE pricing should only concern itself with the result of the trend. As such, the use of a productivity factor based on a trend analysis, such as the FCC's, may tend to overstate forward-looking cost.

Q. IS THERE EVIDENCE THAT BELLSOUTH HAS PROPOSED UNE RATES THAT DOUBLE RECOVER LAND, BUILDING AND POWER EXPENSE?

A. Yes. However, exactly how much double recovery is being proposed has not yet been reconciled. Reconciliation of the accounts and the methodology for applying common and shared costs, is paramount to our verification of the inputs of BellSouth's model. To date, BellSouth has not provided the necessary information for this to be accomplished. However,

BellSouth has provided enough information, in its responses to AT&T Interrogatory numbers 28, 29, 30, 32 & 35 to demonstrate that there may be a problem, attached as Exhibit GJD-10. For example, BellSouth was asked what adjustments were made to several common cost components, and its rationale for said adjustments, prior to its application to the study. BellSouth responded that there were no adjustments. In addition, BellSouth has not quantified the projected revenues over the study period that will have a positive effect on the common costs. So, at this time, the level of adjustments necessary to reconcile the common cost amounts to be used in the study cannot be determined. Simply put, BellSouth has the opportunity to double recover some of its costs unless the appropriate adjustments have been made.

For example, BellSouth is currently receiving revenues from its Collocation rate elements for power consumption and building floor space. Unless the Land & Building accounts and the Central Office Power amounts are adjusted to reflect the positive effect of this revenue, the expense amount applied to the other rate elements will be overstated. This is very similar to pole rental revenue. If BellSouth is renting or leasing out part of its building space, the costs that are offset by the lease should be deducted from the account before apportioning the Land & Building costs to other rate elements.

Similarly, BellSouth has competitive services utilizing its Corporate Communications network. These competitive services are providing a revenue contribution to the accounts that capture the expenses of its Corporate Communications network. Part of the cost of providing operator

services includes the Corporate Communications facilities to transport the calls between various locations. Additionally, the rate elements for (SS7) signaling specifically include cost for transport that utilizes Corporate Communications facilities. These are other opportunities for over recovery if adjustments are not made to the accounts prior to the expense being applied to the UNEs.

Q. ARE THERE ANY OTHER REASONS YOU SUSPECT BELLSOUTH HAS OVERSTATED EXPENSE AND NOT MADE ALL OF THE APPROPRIATE ADJUSTMENTS?

A. Yes. Exhibit GJD-4 contains an analysis of the BellSouth plant specific expense factors proposed in this cases as compared to plant specific expense factors BellSouth has proposed at the FCC in 1997 and 1998. As is clearly seen, BellSouth has proposed higher plant specific expense factors in this proceeding than it proposed to the FCC in 1997 and 1998. Given the overall trend that expense as a percent of investment is declining, expense factors today should be lower, not higher than they were a couple years ago.

Q. WHAT IMPACT WOULD BELLSOUTH'S FCC PLANT SPECIFIC EXPENSE FACTORS HAVE ON UNE RATES?

A. BellSouth's FCC plant specific expense factors would cause the total monthly cost, before taxes and common cost application, for a 2-wire loop to decrease by $0.29. Exhibit GJD-5 demonstrates the calculations used to make this determination.

Q. CAN BELLSOUTH'S BOOKS OF ACCOUNT BE USED AS A STARTING POINT FOR DETERMINING FORWARD-LOOKING

EXPENSE?

A. Yes, BellSouth's books of account can be used as a starting point for determining forward-looking expense. However, the task of adjusting booked expenses to approximate forward-looking expense is not an exact science. Trend analysis can provide some useful information. While trend analysis can provide information on whether expenses are increasing or decreasing as a percent of investment or revenue, trend analysis cannot tell you how much longer a trend will continue or if a new trend is just beginning. Further, different companies may be at different points of a trend. What makes this problematic is that forward-looking cost development should not be concerned with the trend but the final result of the trend. Exhibit GJD-6 is a trend analysis done on all USOAs using the FCC's ARMIS 43-03 report for BellSouth for the Commission's review.

Much has been made about the automation trend of both network operations and administration. Generally speaking, automation substitutes investment for expense. The cost of maintaining historical equipment and out-of-date practices must be fully eliminated from the expense and shared and common cost ratios being applied to investment that creates the UNE rates in order for the resulting rates to be based on forward-looking cost.

Q. HAS THE COMMISSION PREVIOUSLY DECIDED WHAT BELLSOUTH'S COMMON COST FACTOR SHOULD BE?

A. Yes. The Commission decided in Docket Nos. 960757-TP, 960833-TP and 960646-TP that BellSouth's Common Cost factor should be 5.30%. BellSouth now claims as a result of this Commission's decision issued April 29, 1998 it needs to revise its previous calculations to shift recovery

of some of its shared costs from non-recurring rates to recurring rates.[7] If this is true, it begs the question of why this was not done two years ago. This aside, BellSouth has not demonstrated a need or provided any compelling reason for this Commission to increase the 5.30% BellSouth Common Cost factor it previously determined.

Q. DO YOU HAVE ANY OTHER EVIDENCE THAT SUGGESTS BELLSOUTH'S PREVIOUSLY APPROVED 5.30% COMMON COST FACTOR SHOULD BE REDUCED?

A. Yes. As can be seen on Exhibit GJD-7, BellSouth Corporate Operations Expense as a percent of revenue has been declining. Most notably, since BellSouth has been given a real competitive reason to closely manage its Corporate Overhead expense (i.e. since the Telecommunications Act of 1996 and the establishment of FCC Local Competition rules in August of 1996), Corporate Operations Expense has declined at a faster rate. Corporate Operations Expense is a primary contributor to the Common Cost factor. As such, the fact that Corporate Operations expense has declined significantly even since 1998 (i.e. the vintage of the data BellSouth used as the root of its analysis), is evidence that BellSouth's Common Cost factor should be reduced, not increased.

II. DEAVERAGED UNE RATES

Q. WHAT RULES ARE THERE CONCERNING HOW UNE RATES SHOULD BE DEAVERAGED?

A. All UNE rates, averaged and deaveraged, must adhere to the general

[7] Reid Testimony, p. 4.

pricing standards covered in 47 C.F.R. Section 51.503 and the forward-looking economic cost standards covered in 47 C.F.R. Section 51.505. Further, in accordance with 47 C.F.R. Section 51.507(f), UNE rates must be deaveraged "in at least three defined geographic areas within the state to reflect geographic cost differences."

Q. AS A RESULT OF THESE RULES, WHAT CAN BE USED TO DETERMINE DEAVERAGED UNE RATES?

A. The only item that can be considered in determining deaveraged UNE rates is the forward-looking economic cost (FLEC) differences caused by different geographic areas. This is because, assuming the average UNE rate is cost based, if something other than FLEC is used to deaverage the existing rate, the resulting deaveraged rates will no longer be cost based.

For example, if we used the percentage of tourists by city to deaverage existing UNE rates, the resulting deaveraged UNE rates in Orlando would be higher than the rates in Tallahassee. Given that the percentage of tourists has no direct influence over the cost of telecommunications, the resulting deaveraged rates would not be cost based.

I use the noticeably peculiar example of tourists to illustrate a point. However, the same result would hold true (i.e. non-cost based deaveraged UNE rates), if something telecommunication related but not telecommunication cost related is used to deaverage existing UNE rates. For example, if BellSouth's retail rates - which even BellSouth admits are not cost based- were used to deaverage existing UNE rates, the resulting deaveraged UNE rates would likewise not be cost based.

Q. HOW DOES BELLSOUTH PROPOSE TO DEAVERAGE EXISTING UNE RATES?

A. By grouping together wire centers by rate group and then determining the average cost of wire centers that have the same retail rates.

Q. WHY DO MCI WORLDCOM AND AT&T OPPOSE BELLSOUTH'S PROPOSAL TO DEAVERAGE UNE RATES BY RATE GROUP?

A. MCI WorldCom and AT&T believe that deaveraged UNE rates must reflect the relative forward-looking cost differences of the UNEs between geographic areas. BellSouth's proposal to deaverage UNE rates through the use of the average cost of wire centers that have the same retail cost is a violation of FCC rules and the Act. BellSouth's proposal to create non-cost based deaveraged UNE rates will send incorrect economic signals to the marketplace. Further, BellSouth's proposal to create the geographic zones by rate group is a thinly veiled attempt to insulate its retail rates from cost based competition.

Q. HOW DOES BELLSOUTH'S PROPOSAL TO USE ITS RATE GROUPS TO ESTABLISH DEAVERAGED UNE RATES INSULATE ITS RETAIL RATES FROM COST BASED COMPETITION?

A. By first grouping wire centers together by rate group, BellSouth's deaveraging methodology inappropriately raises the UNE rates where its retail rates are high. This means that where BellSouth's retail rates are high, its deaveraging methodology would ensure that the wholesale rates (i.e. UNE rates) available to ALECs are inappropriately increased.

BellSouth takes all the wire centers that serve areas in certain rate groups and lumps all of them together in one basket or zone. For example, BellSouth's methodology would take all of the wire centers that serve areas that correspond to its rate groups 7 & 6 (i.e. its highest retail rates) and group all of these wire centers into zone 1. BellSouth then develops an average loop cost for all of the wire centers that serve those rate groups. However, wire centers in rate groups 7 & 6 often are made up by both low cost wire centers and high cost wire centers. By placing low cost wire centers and high cost wire centers in the same zone, the weighted average cost of each zone is inappropriately skewed. Although Al Varner states that BellSouth's rate group to zone mapping "provides consistency between the structure of BellSouth's retail, resale and UNE rates," [8] the goal of this Commission should not be to make UNE rates consistent with non-cost based pricing or to protect BellSouth's non-cost based retail rate structure. Rather, the goal of this Commission should be to let competition drive retail rates toward their underlying cost and allow competition to eliminate the inefficiencies caused by non-cost based pricing.

BellSouth's deaveraging proposal results in higher than cost based deaveraged UNE rates that insulate BellSouth's non-cost based high retail rates in low cost areas from cost based UNE based local competition. This Commission should not protect BellSouth from cost based competition and should reject BellSouth's deaveraging proposal.

[8] Al Varner Direct Testimony, p. 22, line 13-14.

Q. DOES BELLSOUTH'S PROPOSAL COMPLY WITH 47 C.F.R. 51.503?

A. No. 47 C.F.R. 51-503 requires that BellSouth's Unbundled Network Element prices be based on forward-looking economic cost. This rule applies to averaged and deaveraged rates of both individual UNEs and combination of UNEs. BellSouth's retail rate groups are not currently based on forward- looking economic cost. Therefore, BellSouth's proposal to deaverage UNE rates using its current rate groups as the basis for categorization would violate 51.503 because it does not result in forward-looking economic cost-based, deaveraged UNE rates.

Q. DOES BELLSOUTH'S PROPOSAL COMPLY WITH 47 C.F.R.51.505(d)?

A. No. 47 C.F.R. 51.505(d) states that the revenues of other services cannot be considered in the development of a UNE rate. BellSouth's proposal violates 51.505(d) by considering the revenues of its retail services in the development of its deaveraged UNE rates.

Q. WHAT ARE GTE'S UNE DEAVERAGING PROPOSALS?

A. GTE makes three proposals as follows:

First, GTE proposes that the Commission retain a single rate for GTE and develop different cost-based rates applicable to BellSouth and SPRINT. In this proposal, GTE claims that by having different rates for GTE, BellSouth and SPRINT, the Commission could satisfy its deaveraging requirements. In essence, GTE argues that GTE territory could be zone 1, BellSouth could be zone 2 and SPRINT territory could be zone 3.

GTE's second argument is that it should be permitted to establish three zones for the state of Florida once it reviews the submission of BellSouth and SPRINT.

Finally, GTE proposes, if the Commission rejects its first two deaveraging proposals, to develop three cost based zones by: first calculating the average costs for UNEs at a wire center level; second identifying those UNEs that have significant cost differences between wire centers; and third, map or group each wire center into one of three cost-based zones.[9]

Q. DO GTE'S DEAVERAGING PROPOSAL COMPLY WITH FCC RULES?

A. GTE's first two proposals do not comply with FCC rules. The FCC's deaveraging rule (51.507(f)) applies on a per ILEC basis. GTE's first two proposals do not result in three or more deaveraged UNE rate zones for GTE, and, therefore, these two proposals must be rejected. GTE's third proposal may comply with FCC rules, provided only cost based differences are used in the mapping or grouping of wire centers into each three zones.

Q. IF GTE'S THIRD DEAVERAGING PROPOSAL DOES COMPLY WITH FCC RULES, SHOULD IT BE USED TO ESTABLISH DEAVERAGED RATES FOR GTE?

A. Although GTE's third deaveraging proposal appears to be similar to Florida's interim deaveraging methodology (and the methodology I

[9] Direct Testimony of Dennis Trimble, May 1, 2000.

proposed in those negotiations), it should not be adopted as a permanent method. Instead, this Commission should use Sprint's deaveraging methodology, which is better, to establish deaveraged rates.

Q. HOW IS SPRINT'S DEAVERAGING METHODOLOGY BETTER THAN GTE'S OR FOR THAT MATTER, THE METHODOLOGY THAT YOU PREVIOUSLY ADVOCATED?

A. SPRINT's proposal can be objectively and equally imposed on all ILECs. Further, SPRINT's proposal achieves the proper deaveraging goal, which is to group areas with similar cost characteristics into the same UNE rate zones. As such, SPRINT's deaveraging methodology would be easy for the Commission to administer and also achieves the proper deaveraging goal.

Q. WHAT IS SPRINT'S UNE DEAVERAGING PROPOSAL?

A. SPRINT's deaveraged UNE proposal is as follows:

> rates should be deaveraged to the degree necessary to achieve a result wherein the averaged rate does not deviate significantly from the actual forward-looking cost of providing that element anywhere within the defined zone. While it is impossible to quantify with absolute precision what "significant" deviations of rates from costs are, SPRINT believes that differences between rates and costs in excess of 20% would be of sufficient magnitude to potentially distort competitors' investment decisions. Using that criteria, each incumbent LEC should be required to construct a deaveraged rate schedule such that the

average rate in each zone is no more than 20% higher or 20% less than the forward-looking cost of providing that element.[10]

I have been involved in deaveraged UNE proceedings and/or negotiations in all of the states in the BellSouth region, and SPRINT's UNE deaveraging methodology is superior to anything that I have reviewed thus far. SPRINT's methodology sets a sure and concrete standard (+ or – 20%) that can be objectively and equally applied to all ILECs. This would provide the Commission with a means to quickly make rate determinations and administer rules in the future. Further, the establishment of a fixed cost deviation criteria places wire centers with similar cost characteristics in the same zone.

Q. DOES SPRINT'S DEAVERAGING PROPOSAL COMPLY WITH FCC RULES?

A. Yes.

Q. WHAT ARE MCI WORLDCOM'S AND AT&T'S RECOMMENDATIONS?

A. MCI WorldCom and AT&T recommend that SPRINT's deaveraged UNE cost methodology be applied to average UNE loop cost by wire center determined in this proceeding for BellSouth and GTE.

Q. HAVE YOU DONE THIS ANALYSIS?

A. Yes, Exhibits GJD-8 and GJD-9 provide the zone weighting percentages for BellSouth and GTE using SPRINT's deaveraging methodology. These

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[10] Direct Testimony of James W. Sichter, p. 15, lines 15-25, p. 16 lines 1-6.

zone weighting percentages can be applied to the average UNE rate to determine the deaveraged rate for each zone. Also, the list of wire centers in each zone is included in Exhibit GJD-8.

Q. DOES THIS CONCLUDE YOU PREFILED DIRECT TESTIMONY?

A. Yes.

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		BST Common Cost Factor in TELRIC Study		Common Cost Factor Using Historical BST Data		Difference
COSTS COMMON TO BOTH WHOLESALE & RETAIL OPERATIONS		840,416,637		1,000,050,187		
TOTAL COSTS @ 11.25%		18,660,705,137		15,404,131,434		
TOTAL COSTS EXCLUDING COSTS COMMON TO BOTH WHOLESALE & RETAIL	Ln2 - Ln1	17,820,288,500		14,404,081,247		
DIRECTLY ASSIGNED AND DIRECTLY ATTRIBUTED RETAIL COSTS		1,839,824,540		1,837,702,486		
RETAIL PORTION OF ALLOCATED COMMON COSTS	Ln1 * (Ln4 / Ln3)	86,767,347		127,588,472		
TOTAL RETAIL COSTS	Ln 4 + Ln5	1,926,591,887		1,965,290,958		
WHOLESALE PORTION OF ALLOCATED COMMON COSTS	Ln1 - Ln5	753,649,290		872,461,715		
DIRECTLY ASSIGNED & ATTRIBUTED WHOLESALE COMMON COSTS		88,399,885		87,316,352		
TOTAL WHOLESALE COMMON COSTS	Ln7 + Ln8	842,049,175		959,778,067		
TOTAL DIRECTLY ASSIGNED & DIRECTLY ATTRIBUTED WHOLESALE COSTS	Ln2 - (Ln6 + Ln9)	15,892,064,075		12,479,062,409		
WHOLESALE COMMON COST FACTOR	Ln9 / Ln10		5.30%		7.69%	-2.39%
PERCENT CHANGE						-31.11%

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Shared Cost Comparison

		BST SHARED COST FACTOR		
		In TELRIC	Using Historical	Percent
Acct	Description	Study	BST Data	Reduction
2121	Buildings	0.0006	0.0016	-62.50%
2211	Analog Elect Sw	0.0458	0.0612	-25.16%
2212	Digital Elect Sw	0.0330	0.0462	-28.57%
2215	Electromechanical Sw	0.0359	0.0476	-24.58%
2220	Operator Systems	0.0378	0.0543	-30.39%
2231	Radio Systems	0.0262	0.0341	-23.17%
2232	Circuit Eqpt	0.0357	0.0466	-23.39%
2232	Circuit Eqpt	0.0313	0.0413	-24.21%
2232	Circuit Eqpt	0.0282	0.0392	-28.06%
2232	Circuit Eqpt	0.0285	0.0388	-26.55%
2232	Circuit Eqpt	0.0978	0.0392	149.49%
2311	Station Apparatus	0.8280	1.2592	-34.24%
2341	Large PBX	0.0549	0.0722	-23.96%
2362	Other Terminal Equipment	0.1140	0.1613	-29.32%
2411	Poles	0.0157	0.0320	-50.94%
2421	Aerial Cable	0.0376	0.0595	-36.81%
2421	Aerial Cable	0.0225	0.0325	-30.77%
2422	Underground Cable	0.0238	0.0367	-35.15%
2422	Underground Cable	0.0170	0.0244	-30.33%
2423	Buried Cable	0.0295	0.0438	-32.65%
2423	Buried Cable	0.0179	0.0268	-33.21%
2424	Submarine Cable	0.0134	0.0214	-37.38%
2424	Submarine Cable	0.0135	0.0217	-37.79%
2426	Intrbldg Network Cable	0.0161	0.0247	-34.82%
2426	Intrbldg Network Cable	0.0180	0.0286	-37.06%
2441	Conduit Systems	0.0122	0.0195	-37.44%
Weighted Averages		0.0337	0.0497	-32.17%

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Shared Labor Comparison

		BST SHARED LABOR FACTOR		
		In TELRIC Study	Using Historical BST Data	Percent Increase
ADDRESS & FACILITY INVENTORY (AFIG)	S&W 24XX, 64XX	0.4813	0.4322	11.36%
INSTALLATION & MAINTENANCE CENTER (IMC)	S&W 23XX, 24XX, 63XX, 64XX	0.4813	0.4322	11.36%
INSTALLATION & MAINTENANCE SPEC SVCS	S&W 23XX, 24XX, 63XX, 64XX	0.4813	0.4322	11.36%
CO INSTALLATION & MAINTENANCE - CIRC. & FAC.	S&W 22XX, 62XX	0.2734	0.2860	-4.41%
TRUNK & CARRIER GROUP (TCG)	S&W 2232, 24XX, 6232, 64XX	0.4528	0.4100	10.44%
CIRCUIT PROVISIONING GROUP (CPG)	S&W 2232, 6232	0.2734	0.2860	-4.41%
ACCESS CUSTOMER ADVOCATE CENTER (ACAC)	S&W 22XX, 24XX, 62XX, 64XX	0.4243	0.3883	9.27%
WORK MANAGEMENT CENTER (WMC)	S&W 22XX-24XX, 62XX-64XX	0.4266	0.3904	9.27%
NETWORK PLUG-IN ADMINISTRATION (PICS)	S&W 22XX, 62XX	0.2734	0.2860	-4.41%
OUTSIDE PLANT ENGINEERING	S&W 24XX, 64XX	0.4813	0.4322	11.36%
CUSTOMER POINT OF CONTACT - ICSC	S&W 6623 CP01, CP02	0.4432	0.3878	14.29%
NETWORK SERVICES CLERICAL	S&W 6532	0.4851	0.3980	21.88%
OSPC	S&W 24XX & 64XX	0.4813	0.4322	11.36%
OPAC	S&W 24XX & 64XX	0.4813	0.4322	11.36%
CRT	S&W 24XX & 64XX	0.4813	0.4322	11.36%
COIM - SW. EQ.	S&W 22XX, 62XX	0.2734	0.2860	-4.41%
RCMAG	S&W 22XX, 62XX	0.2734	0.2860	-4.41%
SW/TRK BASED TRANS	S&W 22XX, 62XX	0.2734	0.2860	-4.41%
COIMA- SFTWR	S&W 22XX, 62XX	0.2734	0.2860	-4.41%
NRC	S&W 22XX-24XX,62XX-64XX	0.4266	0.3904	9.27%
PAR	S&W 22XX-24XX,62XX-64XX	0.4266	0.3904	9.27%
EBAC	S&W 22XX-24XX,62XX-64XX	0.4266	0.3904	9.27%
BRC	S&W 22XX-24XX,62XX-64XX	0.4266	0.3904	9.27%
RRC	S&W 22XX-24XX,62XX-64XX	0.4266	0.3904	9.27%
FG10	S&W 2121,6121	0.2071	0.2342	-11.57%
FG20	S&W 22XX-24XX,62XX-64XX	0.4266	0.3904	9.27%
CABS ACCTG	S&W 6623, CP01	0.4432	0.3878	14.29%
POTS OP	S&W 6621	0.3080	0.3064	0.52%
DA OP	S&W 6622	0.3080	0.3064	0.52%
COIN COLL	S&W 6623, CP01	0.4432	0.3878	14.29%
COLL REP -RES	S&W 6623,CP03	0.4432	0.3878	14.29%
COLL REP - BUS	S&W 6623,CP03	0.4432	0.3878	14.29%
BO SVC REP - RES	S&W 6623 CP02	0.4432	0.3878	14.29%
BO SVC REP - BUS	S&W 6623 CP02	0.4432	0.3878	14.29%
COMPT CLER	S&W 6623,CP03	0.4432	0.3878	14.29%
ACCT EXEC	S&W 6612	0.4432	0.3878	14.29%
SYSTEMS DES	S&W 6612	0.4432	0.3878	14.29%
SVC CONS	S&W 6612	0.4432	0.3878	14.29%
TOTAL IOT & OSP	S&W 23XX, 24XX, 63XX, 64XX	0.4813	0.4322	11.36%
TOTAL COE	S&W 22XX, 62XX	0.2734	0.2860	-4.41%
OTHER THAN IOT, COE & OSP	S&W EXCL 22XX-24XX & 62XX-24	0.4859	0.4006	21.30%
Weighted Average		0.4322	0.3914	10.43%

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COMPARISONS OF COMMON COSTS FACTORS

	$MILLIONS	
Hatfield Model (Appendix C, page 134)		
AT&T 1994 GROSS REVENUES	41,115	SOURCE: HATFIELD MODEL
AT&T 1994 CORPORATE OPERATIONS EXPENSE	3,879	
REVENUE LESS CORPORATE OPERATIONS EXP.	37,236	
COMMON COST FACTOR	10.4%	
BST HISTORICAL DATA INPUT INTO HATFIELD FORMULA		
BST 1994 GROSS REVENUE	13,597	SOURCE: BST FORM M
BST 1994 ACTUAL CORPORATE OPERATIONS EXP.	1,199	SOURCE: BST FORM M
REVENUE LESS CORPORATE OPERATIONS EXP.	12,398	
COMMON COST FACTOR	9.7%	
BST PROJECTED DATA INPUT INTO HATFIELD FORMULA		
BST TOTAL COST OF SERVICE (COS)	18,661	SOURCE: (BST SHARED &
BST PROJECTED CORPORATE OPERATIONS EXP.	1,120	COMMON COST STUDY)
COS LESS CORPORATE OPERATIONS EXP.	17,541	
COMMON COST FACTOR	6.4%	

BELLSOUTH TELECOMMUNICATIONS, INC.

Analysis of Avoided Retail Cost

TOTAL REGULATED BST 1998

Row	Directly Avoided Retail Expense Accounts	Source	[A] Total Regulated	[B] Amount Retail
1	6611 Product Management	1	116,205,769	105,250,989
2	6612 Sales	1	372,562,308	273,986,415
3	6613 Product Advertising	1	88,104,492	80,811,298
4	6623 Customer Services	1	1,145,368,924	966,367,403
5	Total Directly Avoided Retail Expense	1	1,722,241,493	1,426,416,105
6	Total Operating Expense	2	9,638,837,000	
7	Directly Avoided Cost Percentage	5[B] / 6[A]		14.80%
	Indirectly Avoided Retail Expense Accounts			[A] * 7 [B]
8	6710 Executive & Planning	2	85,244,000	12,614,947
9	6720 General & Administrative	2	899,003,000	133,040,154
10	6120 General Support	2	525,196,000	77,721,828
11	Total Indirect Avoided Retail Expense	Sum	1,509,443,000	223,376,929
12	**Total Retail Expense**	**5[B] + 11[B]**		**$1,649,793,034**

Source:
1) BellSouth Appendix F, 6611SC00.xls, 6612SC00.xls, 6613SC00.xls and 6623SC00.xls
2) BellSouth 1998 ARMIS 43-03 Total Regulated

BELLSOUTH TELECOMMUNICATIONS, INC.

EXPENSE DEVELOPMENT FACTOR CALCULATION 2000-2002

ACCOUNT	1998 EXPENSE AMOUNT	2000-2002 AVERAGE EXPENSE PROJECTION	1998 EXPENSE DEVELOPMENT FACTOR
6112	1,555,292	683,245	0.439304
6113	6,458,946	4,239,228	0.656334
6114	127,079	131,006	1.030905
6115	560,602	389,677	0.695105
6116	(5,485,813)	(4,133,820)	0.753547
6121	262,585,739	238,741,226	0.909193
6122	18,884,541	17,169,700	0.909193
6123	25,207,206	22,902,072	0.908553
6124	218,506,997	198,431,121	0.908123
6211	65,850,908	48,032,674	0.729416
6212	413,964,390	257,861,859	0.622908
6215	-	-	0.000000
6220	15,592,537	9,730,705	0.624062
6231	528,980	526,500	0.995312
6232	182,332,200	175,810,134	0.964230
6311	1,835,989	767,375	0.417963
6341	3,649,443	3,632,335	0.995312
6351	-	-	0.000000
6362	120,712,443	120,145,470	0.995303
6411	83,249,917	82,859,647	0.995312
6421	311,293,091	303,890,763	0.976221
6422	61,737,136	61,447,718	0.995312
6423	593,532,388	587,171,805	0.989284
6424	24,193	24,080	0.995315
6426	2,497,443	2,485,158	0.995081
6431	-	-	0.000000
6441	8,780,440	8,739,279	0.995312
6511	-	-	0.000000
6512	11,634,405	11,287,486	0.970182
6531	52,357,604	52,112,155	0.995312
6532	49,113,025	48,882,787	0.995312
6533	166,989,375	166,206,430	0.995311
6534	244,084,858	240,292,410	0.984463
6535	238,647,832	233,762,937	0.979531
6540	256,775,987	-	0.000000
6561	-	-	0.000000
6562	-	-	0.000000
6563	-	-	0.000000
6564	-	-	0.000000
6565	-	-	0.000000
6611	116,205,769	117,761,394	1.013387
6612	372,562,311	383,690,325	1.029869
6613	88,104,493	90,785,717	1.030432
6621	38,524,043	39,647,564	1.029164
6622	150,351,925	155,014,176	1.031009
6623	1,145,368,918	1,175,768,599	1.026541
6711	58,141,303	50,535,825	0.869190
6712	27,094,357	23,550,139	0.869190
6721	73,921,521	64,209,485	0.868617
6722	97,173,033	84,461,809	0.869190
6723	111,859,422	97,227,070	0.869190
6724	380,964,529	140,313,530	0.368311
6725	42,292,696	36,760,381	0.869190
6726	48,161,359	41,861,361	0.869190
6727	17,893,924	14,141,072	0.790272
6728	126,649,768	103,546,904	0.817585
6790	(18)	(16)	0.907407
Totals	6,308,854,526	5,513,498,498	

1996
ACCOUNT AVERAGE ANNUAL COST FACTORS
PLANT SPECIFIC EXPENSE STUDY

****
* FOR USE IN SERVICE COST STUDIES ONLY *
****

	BELLSOUTH	ALABAMA	FLORIDA	GEORGIA	KENTUCKY	LOUISIANA	MISSISSIPPI	N CAROLINA	S CAROLINA	TENNESSEE
LAND - COE	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
BUILDINGS - COE	0.0038	0.0018	0.0053	0.0039	0.0025	0.0042	0.0037	0.0031	0.0047	0.0037
DIGITAL ELEC SWITCH	0.0493	0.0345	0.0400	0.0360	0.0468	0.0462	0.0377	0.0342	0.0391	0.0371
OPERATOR SYSTEMS	0.1498	0.2527	0.0906	0.0574	0.2074	0.0572	0.1498	0.2283	0.0490	0.2062
DIGTL CIRC-DDS	0.0160	0.0192	0.0281	0.0053	0.0108	0.0161	0.0103	0.0147	0.0196	0.0137
DIGTL CIRC-PAIR GAIN	0.0171	0.0197	0.0169	0.0152	0.0153	0.0224	0.0184	0.0178	0.0175	0.0164
DIGTL CIRC-OTHER	0.0180	0.0095	0.0227	0.0138	0.0189	0.0230	0.0133	0.0244	0.0201	0.0159
POLES	0.0269	0.0300	0.0179	0.0512	0.0085	0.0087	0.0414	0.0433	0.0108	0.0251
AERIAL CA - METAL	0.0385	0.0371	0.0558	0.0375	0.0288	0.0356	0.0329	0.0372	0.0404	0.0383
AERIAL CA - FIBER	0.0032	0.0037	0.0029	0.0033	0.0039	0.0028	0.0032	0.0022	0.0007	0.0041
UNGROUND CA - METAL	0.0182	0.0150	0.0196	0.0176	0.0140	0.0162	0.0192	0.0236	0.0201	0.0176
UNGROUND CA - FIBER	0.0046	0.0040	0.0032	0.0063	0.0039	0.0015	0.0025	0.0030	0.0066	0.0101
BURIED CA - METAL	0.0303	0.0249	0.0346	0.0314	0.0258	0.0307	0.0207	0.0363	0.0323	0.0237
BURIED CA - FIBER	0.0058	0.0017	0.0039	0.0184	0.0112	0.0041	0.0032	0.0011	0.0019	0.0030
SUBMARINE CA-METAL	0.0037	0.0000	0.0061	0.0021	0.0011	0.0002	0.0000	0.0019	0.0419	0.0012
SUBMARINE CA-FIBER	0.0037	0.0000	0.0061	0.0021	0.0011	0.0002	0.0000	0.0019	0.0419	0.0012
INTRBLD NTWK-METAL	0.0026	0.0000	0.0023	0.0034	0.0010	0.0052	0.0000	0.0115	0.0000	0.0075
INTRBLD NTWK-FIBER	0.0026	0.0000	0.0023	0.0034	0.0010	0.0052	0.0000	0.0115	0.0000	0.0075
CONDUIT SYSTEMS	0.0029	0.0018	0.0033	0.0070	0.0004	0.0010	0.0020	0.0018	0.0003	0.0010

004664

Description	Account	Alabama	Florida	Georgia	Kentucky	Louisiana	Mississippi	N. Carolina	S. Carolina	Tennessee
COE Switching	6210	3.45%	4.00%	3.60%	4.68%	4.62%	3.77%	4.62%	4.62%	3.71%
COE Transmission	6230	1.97%	1.69%	1.52%	1.53%	2.24%	1.84%	2.24%	2.24%	1.65%
Poles	6411	3.00%	1.78%	5.12%	0.85%	0.87%	4.14%	0.87%	0.87%	2.51%
Aerial Copper Cable	6421.1	3.71%	5.58%	3.75%	2.88%	3.56%	3.29%	3.56%	3.56%	3.83%
Aerial Fiber Cable	6421.2	0.37%	0.29%	0.33%	0.39%	0.28%	0.32%	0.28%	0.28%	0.41%
Underground Copper Cable	6422.1	0.15%	1.96%	1.76%	1.40%	1.62%	1.92%	1.62%	1.62%	1.76%
Underground Fiber Cable	6422.2	0.40%	0.32%	0.63%	0.39%	0.15%	0.25%	0.15%	0.15%	1.01%
Buried Copper Cable	6423.1	2.49%	3.46%	3.14%	2.58%	3.07%	2.07%	3.07%	3.07%	2.37%
Buried Fiber Cable	6423.2	0.17%	0.39%	1.84%	1.12%	0.41%	0.32%	0.41%	0.41%	0.30%
Conduit	6441	0.18%	0.33%	0.70%	0.04%	0.10%	0.20%	0.10%	0.10%	0.10%

Docket No. 990649-TP
Witness: Darnell
Exhibit No. _____(GJD-5)
Is confidential

COSA	Row #	Row Title	90 Total Co.	91 Total Co.	92 Total Co.	93 Total Co.	94 Total Co.	95 Total Co.	96 Total Co.	97 Total Co.	98 Total Co.	99 Total Co.
BSTC	5001	Basic Area Revenue	3,736,119	3,739,568	3,862,278	3,960,260	4,119,244	4,288,859	4,623,278	4,856,040	5,029,751	5,402,737
BSTC	5002	Original Extended Area	42,123	116,115	283,238	434,445	531,939	673,749	823,896	975,044	1,188,096	1,369,579
BSTC	5003	Cellular Mobile	-	-	-	-	-	-	-	-	-	-
BSTC	5004	Other Mobile Services	17,162	17,355	17,185	15,975	11,350	3,827	763	512	485	483
BSTC	510	Basic Local Services	3,795,404	3,873,038	4,162,701	4,410,680	4,662,533	4,966,435	5,447,937	5,831,596	6,218,332	6,772,799
BSTC	5010	Public Telephone	272,991	280,565	294,147	309,313	314,493	303,451	286,554	83,981	-	#VALUE!
BSTC	5040	Local Private Line	150,716	184,510	197,036	217,725	241,354	276,821	336,393	395,954	464,033	530,374
BSTC	5050	Customer Premises	18,886	19,764	23,429	24,773	26,509	26,620	27,470	24,917	22,343	21,189
BSTC	5060	Other Local Exchanges	1,460,841	1,537,037	1,621,242	1,689,951	1,720,050	1,842,908	2,143,970	2,321,064	2,601,783	2,885,686
BSTC	5069	Other Local Settlements	1,255	1,145	239	96	67	84	94	(303)	(1,314)	(1,357)
BSTC	520	Local Network Service Revenues (Acct.	5,700,093	5,896,059	6,298,794	6,652,538	6,965,006	7,416,319	8,242,418	8,657,209	9,305,177	10,208,691
BSTC	5081	End User	798,222	832,417	862,421	904,007	950,843	1,002,621	1,060,838	1,159,586	1,409,680	1,551,041
BSTC	5082	Switched Access	1,607,516	1,641,163	1,697,613	1,729,071	1,886,721	1,844,798	1,826,525	1,857,278	1,645,114	1,511,660
BSTC	5083	Special Access	370,118	387,270	393,513	375,456	407,335	449,584	518,221	615,446	763,742	918,699
BSTC	5084	State Access	923,720	908,396	853,705	881,841	908,261	884,253	812,360	784,102	803,691	758,354
BSTC	5080	Network Access Services	3,699,576	3,769,246	3,807,252	3,890,375	4,153,160	4,181,256	4,217,944	4,416,412	4,622,227	4,739,754
BSTC	5100	LD Message Revenue	1,226,068	1,104,174	940,518	897,462	855,092	717,198	508,483	404,066	344,758	274,418
BSTC	5111	LD Inward-only	73,515	45,901	32,468	24,824	22,468	13,938	13,210	12,352	10,400	7,115
BSTC	5112	LD Outward-only	91,667	86,655	111,781	129,155	133,973	109,402	83,053	71,216	53,031	54,488
BSTC	5110	Unidirectional LD Services	165,182	132,556	144,249	153,979	156,441	123,340	96,263	83,568	63,431	61,603
BSTC	5121	Subvoice LD Pvt Network	1,392	2,605	1,005	886	783	668	626	562	509	466
BSTC	5122	Voice LD Pvt Network	152,085	127,342	111,768	105,171	100,735	91,520	77,597	69,405	62,076	57,284
BSTC	5123	Audio LD Pvt Network	38	32	37	32	33	34	35	35	9	1
BSTC	5124	Video LD Pvt Network	2	2	2	53	217	1,469	2,127	2,407	2,819	3,312
BSTC	5125	Digital LD Pvt Network	35,472	45,612	55,765	69,303	77,787	91,976	118,433	135,060	160,127	195,697
BSTC	5126	LD Pvt Network Switching	-	-	-	-	-	-	-	-	-	-
BSTC	5128	Other LD Pvt Network	-	-	(1)	(20)	126	262	(422)	(13)	(59)	(52)
BSTC	5129	Other LD Pvt Settlements	(39,457)	(35,859)	(30,087)	(24,551)	(22,183)	(38,955)	(34,075)	(41,618)	(46,703)	(57,309)
BSTC	5120	LD Private Network Services	149,532	139,734	138,489	150,874	157,498	146,974	164,321	165,838	178,778	199,399
BSTC	5160	Other LD	24,594	20,119	19,057	17,197	21,078	21,685	25,139	18,549	21,902	21,342
BSTC	5169	Other LD Settlements	(7)	-	-	-	-	-	-	-	-	-
BSTC	525	LD Network Service Revenues (Acct.	1,565,369	1,396,583	1,242,313	1,219,512	1,190,109	1,009,197	794,206	672,021	608,869	556,762
BSTC	5230	Directory	630,680	660,265	684,971	705,427	731,351	759,484	463,212	95,688	100,100	99,832
BSTC	5240	Rent	76,849	90,066	31,946	28,993	26,822	20,579	22,317	25,605	63,073	96,167
BSTC	5250	Corporate Operations	(18,923)	(13,764)	-	-	-	-	-	-	-	-
BSTC	5261	Special Billing Arrangement	1,184	1,455	1,513	1,196	1,178	1,855	2,043	2,740	1,389	2,020
BSTC	5262	Customer Operations	2,807	2,506	2,556	2,484	1,827	1,545	1,592	1,675	1,506	1,837
BSTC	5263	Plant Operations	97	91	62	99	125	134	106	7	17	3
BSTC	5264	Other Incidental Regulated	70,518	81,127	66,327	98,580	121,527	110,284	195,234	233,695	300,283	342,709
BSTC	5269	Other Settlements	-	-	-	-	-	-	(8)	-	-	-
BSTC	5260	Miscellaneous (class A)	74,606	85,179	70,458	102,359	124,657	113,818	198,967	238,117	303,195	346,569
BSTC	5270	Carrier Billing and Collection	216,510	169,747	135,489	142,710	169,832	132,754	152,624	169,806	195,622	201,017
BSTC	5200	Miscellaneous Services	1,425,183	1,440,572	1,193,733	1,285,827	1,392,480	1,409,856	837,120	529,216	661,990	743,585
BSTC	5280	Nonregulated	445,461	449,079	270,869	306,338	339,818	383,221	453,806	559,727	707,523	877,439
BSTC	5301	Uncoll-telecommunications	112,970	145,690	131,639	116,892	100,538	115,951	134,750	168,274	133,426	154,340
BSTC	5302	Uncoll-other	-	11	223	2,497	3,407	71	88	101	-	95
BSTC	5300	Uncollectible Revenue	112,970	145,701	131,862	119,389	103,945	116,022	134,838	168,375	133,426	154,435
BSTC	530	Total Operating Revenues	12,277,251	12,356,759	12,410,230	12,928,863	13,596,810	13,900,606	14,410,656	14,666,210	15,772,360	16,971,796

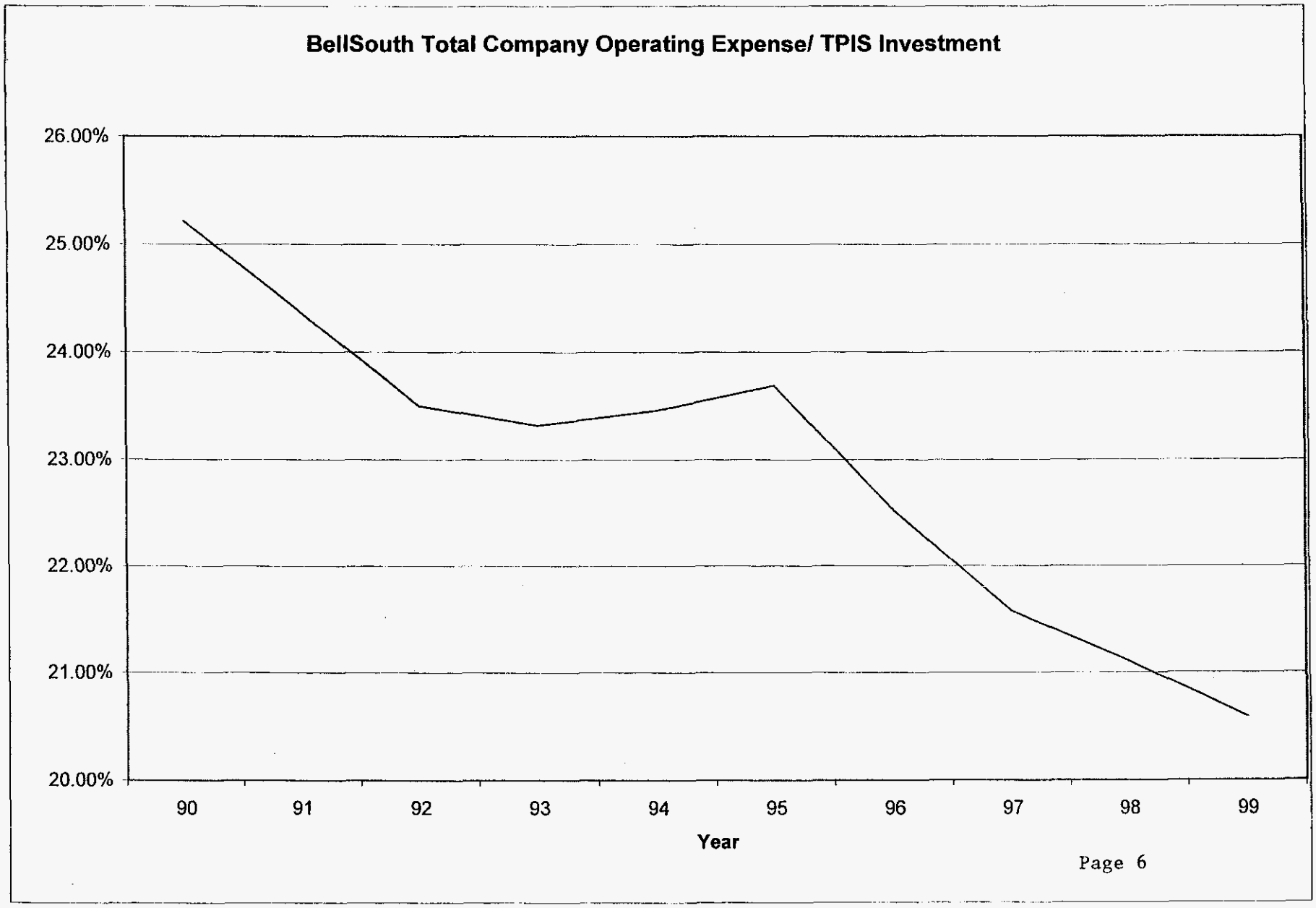
004697

COSA	Row_#	Row_Title	90	91	92	93	94	95	96	97	98	99
			Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.
BSTC	6112	Motor Vehicles	11,686	10,986	17,808	15,181	14,495	9,327	7,105	5,111	2,296	6,279
BSTC	6113	Aircraft	4,523	6,536	5,582	5,112	4,695	4,815	4,714	5,130	7,071	6,451
BSTC	6114	Tools and other work equipment	2,166	2,466	6,171	4,696	4,026	3,304	2,978	537	(5,445)	4,402
BSTC	6110	Network Support	18,375	19,988	29,561	24,989	23,216	17,446	14,797	10,778	3,922	17,132
BSTC	6121	Land And Building	215,470	218,618	290,534	263,514	293,218	297,328	272,324	277,231	278,257	284,956
BSTC	6122	Furniture And Artwork	11,171	6,625	10,535	10,140	35,812	19,598	11,265	15,890	20,459	17,618
BSTC	6123	Office Equipment	63,172	55,034	45,142	29,616	27,421	27,556	20,648	25,444	25,739	20,953
BSTC	6124	Gen Purpose Computers	316,113	320,421	315,380	313,144	315,227	335,848	293,398	267,025	239,032	227,211
BSTC	6120	General Support	605,926	600,698	661,591	616,414	671,678	680,330	597,635	585,590	563,487	550,738
BSTC	6211	Analog Electronic	174,225	159,418	119,209	107,718	100,801	69,362	61,811	68,937	65,850	42,451
BSTC	6212	Digital Electronic	227,703	305,380	344,617	346,624	386,201	424,219	362,875	442,400	435,507	256,075
BSTC	6215	Electro-mechanical	9,231	854	-	-	-	-	-	-	-	-
BSTC	6210	Central Office Switching	411,159	465,652	463,826	454,342	487,002	493,581	424,686	511,337	501,357	298,526
BSTC	6220	Operator Systems	6,402	6,569	5,481	13,035	9,565	24,480	21,404	21,349	15,616	14,477
BSTC	6231	Radio Systems	5,413	4,511	3,676	4,666	2,991	2,112	1,086	590	530	694
BSTC	6232	Circuit Equipment	180,079	176,148	183,268	182,313	197,967	193,020	191,474	182,575	182,779	197,340
BSTC	6230	Central Office Transmission	185,492	180,659	186,944	186,979	200,958	195,132	192,560	183,165	183,309	198,034
BSTC	6311	Station Apparatus	44,575	35,872	1,093	1,071	3,285	3,061	2,626	1,874	1,893	1,306
BSTC	6341	Large PBX	90,923	76,719	3,445	3,666	1,733	2,964	2,723	3,849	3,922	3,378
BSTC	6351	Public Tel Terminal Equipment	51,244	50,077	52,734	51,195	52,205	57,421	24,990	12,321	-	-
BSTC	6362	Other Terminal Equipment	154,747	219,815	199,462	211,095	229,428	244,452	268,167	311,072	325,598	445,267
BSTC	6310	Information O/T	341,489	382,483	256,734	267,027	286,651	307,898	298,506	329,116	331,413	449,951
BSTC	6411	Poles	55,089	56,287	65,015	72,429	71,418	62,252	75,831	70,672	83,253	87,326
BSTC	6421	Aerial Cable	302,965	288,401	337,474	317,575	337,010	335,522	321,469	305,812	311,605	289,603
BSTC	6422	Underground Cable	55,121	58,185	64,532	64,129	63,720	64,811	67,134	61,700	61,743	53,234
BSTC	6423	Buried Cable	490,974	470,028	469,905	486,086	521,499	535,559	548,469	561,233	593,564	592,883
BSTC	6424	Submarine Cable	147	229	214	61	117	124	217	72	24	151
BSTC	6425	Deep Sea Cable	-	-	-	-	-	-	-	-	-	-
BSTC	6426	Intrabuilding Network Cable	71,085	7,456	3,933	4,045	4,996	4,467	3,944	2,677	2,498	1,631
BSTC	6431	Aerial Wire	2,138	1,642	1,624	732	-	-	-	-	-	-
BSTC	6441	Conduit Systems	11,699	11,366	8,260	8,768	9,707	10,585	11,041	9,185	8,782	5,914
BSTC	6410	Cable and Wire Facilities	989,218	893,594	950,957	953,825	1,008,467	1,013,320	1,028,105	1,011,351	1,061,469	1,030,742
BSTC	6511	PHFTU	-	-	-	-	5	-	-	-	-	-
BSTC	6512	Provisioning	-	22,252	8,169	9,029	7,376	8,050	10,997	9,552	12,103	12,564
BSTC	6510	Other PP&E Expense	-	22,252	8,169	9,029	7,381	8,050	10,997	9,552	12,103	12,564
BSTC	6531	Power	33,962	41,831	38,077	40,572	43,381	46,904	48,097	54,971	53,286	56,486
BSTC	6532	Network Administration	119,817	112,412	103,624	98,467	91,085	76,266	64,529	49,545	49,560	50,902
BSTC	6533	Testing	281,573	277,108	275,543	280,364	265,604	250,840	242,603	195,784	209,667	237,076
BSTC	6534	Plant Operations Administration	314,182	323,848	326,996	349,445	354,700	339,702	336,355	375,349	274,368	336,356
BSTC	6535	Engineering	294,352	282,207	264,751	263,209	276,078	325,887	285,162	298,364	243,783	219,796
BSTC	6530	Network Operations	1,043,886	1,037,406	1,008,991	1,032,057	1,030,848	1,039,599	976,746	974,013	830,664	900,616
BSTC	6540	Access Expense	18,024	14,339	12,802	11,177	56,642	56,247	43,407	71,707	256,776	339,950
BSTC	6561	Depreciation-TPIS	2,671,458	2,604,621	2,660,368	2,793,554	2,901,560	3,007,298	3,152,764	3,264,751	3,352,035	3,438,102
BSTC	6562	Depreciation-PHFTU	39	18	2	2	2	2	(12)	-	1	1
BSTC	6563	Amortization-tangible	23,552	16,641	19,484	17,721	21,023	24,956	15,912	9,912	11,295	17,060
BSTC	6564	Amortization-intangible	1	-	1	-	234	560	328	320	320	64,647
BSTC	6565	Amortization-other	17,623	17,544	17,285	17,244	17,461	17,447	17,448	17,448	41,452	41,774
BSTC	6560	Depreciation/Amortization	2,712,673	2,638,824	2,697,140	2,828,521	2,940,280	3,050,263	3,186,440	3,292,431	3,405,103	3,561,584

			90	91	92	93	94	95	96	97	98	99
COSA	Row #	Row Title	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.	Total Co.
BSTC	6611	Product Management	110,521	104,830	81,276	87,472	110,755	141,960	196,515	228,145	280,985	236,526
BSTC	6612	Sales	211,746	247,892	257,644	301,431	310,937	297,036	310,012	330,189	424,015	445,673
BSTC	6613	Product Advertising	52,583	66,402	68,916	62,852	65,806	106,013	127,554	136,015	111,080	98,689
BSTC	6610	Marketing Expense	374,850	419,124	407,836	451,755	487,498	545,009	634,081	694,349	816,080	780,888
BSTC	6621	Call Completion	98,903	87,945	83,968	82,568	80,282	67,847	62,165	44,287	38,526	40,113
BSTC	6622	Number Services	168,003	167,861	179,469	196,130	205,749	198,066	196,014	173,514	150,401	131,936
BSTC	6623	Customer Services	778,686	813,902	845,722	914,543	945,377	948,103	967,507	908,454	1,211,654	1,300,161
BSTC	6620	Services Expense	1,045,592	1,069,708	1,109,159	1,193,241	1,231,408	1,214,016	1,225,686	1,126,255	1,400,581	1,472,210
BSTC	6711	Executive	27,579	27,082	36,696	33,106	30,358	40,927	50,644	38,196	63,275	67,855
BSTC	6712	Planning	8,734	10,596	17,228	13,328	15,379	16,262	13,654	14,716	29,327	70,148
BSTC	6710	Executive and Planning	36,313	37,678	53,924	46,434	45,737	57,189	64,298	52,912	92,602	138,003
BSTC	6721	Accounting & Finance	125,532	127,825	138,697	144,138	136,523	112,281	109,395	87,238	79,197	76,913
BSTC	6722	External Relations	111,804	110,344	97,835	100,599	100,439	117,021	100,456	110,370	107,376	108,691
BSTC	6723	Human Resource	84,643	82,064	103,569	106,286	138,264	155,890	204,732	175,995	124,265	111,759
BSTC	6724	Information Management	277,499	289,276	237,352	252,406	394,727	584,499	515,231	510,823	417,914	307,876
BSTC	6725	Legal	34,849	36,571	42,743	51,223	51,345	52,295	45,598	46,209	45,598	52,214
BSTC	6726	Procurement	55,381	52,333	40,274	40,223	36,666	35,793	38,675	54,170	47,986	21,016
BSTC	6727	Research & Development	38,163	39,742	44,736	42,000	33,313	33,983	30,588	27,857	19,171	11,657
BSTC	6728	Other General & Administrative	312,193	364,813	289,283	372,349	262,089	376,867	445,866	298,552	134,775	221,510
BSTC	6720	General & Administrative	1,040,064	1,102,968	994,489	1,109,224	1,153,366	1,468,629	1,490,541	1,311,214	976,282	911,636
BSTC	6790	Provision Uncollectible Notes	-	-	-	-	81	32	16	-	-	-
BSCT	720	Total Operating Expense	8,829,463	8,891,942	8,847,604	9,198,049	9,640,778	10,171,221	10,209,905	10,185,119	10,450,764	10,677,051
BSTC	7110	Income Custom Work	8	1	-	1	-	-	-	-	-	-
BSTC	7130	Return Nonregulated Use	-	-	-	-	-	-	-	-	-	-
BSTC	7140	Gains/losses Foreign	-	-	-	-	-	-	-	-	-	-
BSTC	7150	Gains/losses from Land/artworks	(218)	193	4	372	196	(75)	6,861	(672)	781	(2,811)
BSTC	7160	Other Operating Gains/losses	(984)	1,502	(65)	1,462	8,818	2,855	175	340	218	516
BSTC	7100	Other Operating Inc/exp	(1,194)	1,696	(61)	1,835	9,014	2,780	7,036	(332)	999	(2,295)
BSTC	7210	Operating Invest. Tax Credit-net	125,281	105,406	88,435	82,164	63,241	51,378	48,124	44,640	40,603	34,805
BSTC	7220	Operating Federal Income Taxes	856,137	900,859	812,814	982,147	999,474	917,590	1,059,317	1,081,620	1,263,828	1,442,592
BSTC	7230	Operating State & Local Taxes	130,970	150,763	131,986	154,250	161,521	155,627	170,254	167,717	208,158	231,424
BSTC	7240	Operating Other Taxes	537,728	558,942	570,251	591,531	590,899	610,374	622,955	591,474	606,219	651,253
BSTC	7250	Provision Deferred Income Taxes	(158,874)	(221,645)	(43,908)	(542,803)	(73,842)	(90,103)	(78,561)	37,651	116,033	260,434
BSTC	7200	Operating Taxes	1,240,680	1,283,513	1,382,708	1,102,961	1,614,811	1,542,110	1,725,841	1,833,822	2,153,635	2,550,898
BSTC	7310	Dividend Income	1	24	15	18	-	16	17	302	-	16
BSTC	7320	Interest Income	24,278	5,189	68,741	3,834	2,083	4,464	8,157	2,568	3,304	3,776
BSTC	7330	Income from Sinking/other Funds	-	-	-	-	-	-	-	-	-	-
BSTC	7340	AFUDC	9,124	10,661	9,372	14,499	11,909	16,160	18,479	16,156	19,956	24,829
BSTC	7350	Gains/losses from Property	10	(5)	(75)	(6)	102	14	2,003	141	232	54
BSTC	7360	Other Nonoperating Income	(1,320)	17,648	(29,430)	(1,000,406)	450,720	(369,782)	439,700	413,357	(534,556)	(1,366,912)
BSTC	7370	Special Charges	35,407	20,806	33,604	33,637	47,191	40,101	50,633	39,518	43,665	31,205
BSTC	7300	Nonoperating Inc/exp	(3,314)	12,711	15,019	(1,015,698)	417,623	(389,229)	417,723	393,006	(554,729)	(1,369,442)
BSTC	7510	Interest On Funded Debt	526,842	526,843	523,541	495,831	459,549	476,880	447,804	445,920	412,695	426,248
BSTC	7520	Interest Expenses-capital Leases	4,180	3,933	6,184	4,409	3,600	3,493	1,141	1,470	1,566	2,438
BSTC	7530	Amortization Debt Issuance	6,677	6,655	6,318	4,591	5,692	4,769	1,783	1,889	1,758	1,742
BSTC	7540	Other Interest Deductions	93,904	117,355	59,629	82,856	88,882	105,740	109,073	99,317	149,554	212,808
BSTC	7500	Interest & Related Items	631,603	654,786	595,672	587,687	557,723	590,882	559,801	548,596	565,573	643,236
BSTC	7610	Extraordinary Income Credits	-	-	-	-	-	-	-	-	-	-

COSA	Row #	Row Title	90 Total Co.	91 Total Co.	92 Total Co.	93 Total Co.	94 Total Co.	95 Total Co.	96 Total Co.	97 Total Co.	98 Total Co.	99 Total Co.
BSTC	7620	Extraordinary Income Charges	-	-	70,689	152,251	-	221,985	-	15,209	-	-
BSTC	7630	Current Income Tax Effects	-	-	(15,476)	(46,949)	-	(52,073)	-	(5,885)	-	-
BSTC	7640	Provision Deferred Tax-net	-	-	(14,502)	(15,328)	-	(44,093)	-	-	-	-
BSTC	7600	Extraordinary Items	-	-	(40,711)	(89,974)	-	(125,819)	-	(9,324)	-	-
BSTC	7910	Income Effects Diff-net	(12,992)	(49,161)	(27,194)	(59,488)	1,818	(28,894)	(265,548)	(388,838)	(121,959)	(139,982)
BSTC	7990	Nonregulated Net Income	-	-	-	-	-	-	-	-	-	-
BSTC	750	Total Expenses	10,719,246	10,864,995	10,878,931	12,052,022	11,384,857	12,845,375	12,336,336	12,573,025	13,845,661	15,382,904
BSTC	2111	Land	151,970	153,960	156,117	157,456	158,589	164,405	164,135	161,236	161,849	169,987
BSTC	2112	Motor Vehicles	258,956	277,753	304,889	315,521	325,940	346,759	403,198	437,746	489,761	577,699
BSTC	2113	Aircraft	-	-	29,750	37,625	34,727	32,777	-	-	-	-
BSTC	2114	Tools and other work equipment	273,651	305,280	377,080	393,583	410,510	426,532	439,614	454,211	446,860	458,114
BSTC	2121	Buildings	2,311,745	2,381,562	2,470,620	2,587,144	2,672,685	2,753,862	2,860,579	2,860,443	2,925,740	2,990,830
BSTC	2122	Furniture	110,581	97,135	99,576	83,317	74,476	65,493	53,918	40,646	33,091	24,951
BSTC	2123	Office Equipment	552,278	203,954	159,430	151,683	157,572	159,291	147,025	150,394	150,411	149,772
BSTC	2124	Gen Purpose Computers	1,105,135	1,546,154	1,673,672	1,799,727	1,900,327	2,092,464	2,250,871	2,281,891	2,231,537	1,886,202
BSTC	2110	Land & Support	4,764,316	4,965,798	5,271,134	5,526,056	5,734,826	6,041,583	6,319,340	6,386,567	6,439,249	6,257,555
BSTC	2211	Analog Electronic Switching	2,670,421	2,472,362	2,281,055	1,939,598	1,664,009	1,443,533	1,334,318	1,239,167	1,161,622	1,004,133
BSTC	2212	Digital Electronic Switching	3,713,070	4,281,088	4,716,252	5,310,713	5,761,430	6,069,363	6,640,400	7,125,632	7,641,769	8,141,792
BSTC	2215	Electro-mechanical Switching	3,428	221	185	148	111	74	36	-	-	-
BSTC	2210	Central Office Switching	6,386,919	6,753,671	6,997,492	7,250,459	7,425,550	7,512,970	7,974,754	8,364,799	8,803,391	9,145,925
BSTC	2220	Operator Systems	102,947	107,306	112,374	118,982	133,078	145,823	143,194	152,946	148,096	142,284
BSTC	2231	Radio Systems	196,294	182,068	168,054	157,201	134,747	105,128	98,677	92,373	74,512	56,326
BSTC	2232	Circuit Equipment	5,735,239	6,088,294	6,564,062	7,071,148	7,669,117	8,300,930	9,177,318	10,064,520	10,993,267	11,928,392
BSTC	2230	Transmission	5,931,533	6,270,362	6,732,116	7,228,349	7,803,864	8,406,058	9,275,995	10,156,893	11,067,779	11,984,718
BSTC	2311	Station Apparatus	1,642	2,483	2,666	2,272	1,109	1,312	1,562	1,565	1,716	-
BSTC	2321	Customer Premises Wiring	797,554	654,793	-	-	-	-	-	-	-	-
BSTC	2341	Large PBX	28,198	32,666	38,608	44,416	48,396	53,738	55,514	63,282	68,265	64,125
BSTC	2351	Public Telephone Terminal	293,991	278,897	260,871	260,114	266,305	269,994	245,659	-	-	-
BSTC	2362	Other Terminal	276,889	297,476	309,614	323,647	284,497	300,480	335,348	329,207	351,162	394,254
BSTC	2310	Information O/T	1,398,274	1,266,315	611,759	630,449	600,307	625,524	638,083	394,054	421,143	458,379
BSTC	2411	Poles	700,458	732,001	767,815	806,868	838,622	869,041	894,836	917,128	946,157	973,642
BSTC	2421	Aerial Cable	3,594,120	3,776,656	3,974,150	4,193,033	4,357,248	4,566,591	4,774,049	4,961,948	5,159,234	5,350,264
BSTC	2422	Underground Cable	2,682,733	2,735,860	2,803,631	2,852,807	2,892,300	2,960,417	3,036,519	3,087,329	3,150,831	3,201,439
BSTC	2423	Buried Cable	7,267,984	7,637,920	8,034,664	8,525,938	8,912,987	9,330,828	9,748,064	10,231,828	10,749,638	11,267,653
BSTC	2424	Submarine Cable	26,205	24,582	24,311	24,177	23,642	23,104	22,450	21,996	22,258	22,126
BSTC	2425	Deep Sea Cable	-	-	-	-	-	-	-	-	-	-
BSTC	2426	Intrabuilding Network	171,063	173,193	175,886	178,145	180,329	181,476	179,199	178,847	184,231	186,681
BSTC	2431	Aerial Wire	93,628	94,169	94,106	-	-	-	-	-	-	-
BSTC	2441	Conduit Systems	1,777,076	1,847,745	1,909,927	1,979,288	2,050,022	2,125,554	2,180,915	2,221,049	2,266,113	2,309,853
BSTC	2410	Cable and Wire Facilities	16,313,267	17,022,126	17,784,490	18,560,256	19,255,150	20,057,011	20,836,032	21,620,125	22,478,462	23,311,658
BSTC	2681	Capital Leases	59,952	40,164	61,909	55,616	46,322	37,454	24,197	18,610	42,313	42,132
BSTC	2682	Leasehold Improvements	56,826	58,140	72,317	74,380	94,118	106,571	105,038	107,738	115,276	128,845
BSTC	2680	Amort Tangible Assets	116,778	98,304	134,226	129,996	140,440	144,025	129,235	126,348	157,589	170,977
BSTC	2690	Intangibles	-	-	-	-	1,330	979	1,562	1,562	1,562	379,548
BSTC	2001	TPIS	35,014,034	36,483,882	37,643,591	39,444,547	41,094,545	42,933,973	45,318,195	47,203,294	49,517,271	51,851,044
BSTC	2002	PHFTU	1,970	832	321	453	434	148	11	12	25	20,500
BSTC	2003	TPUC	304,697	174,331	299,591	214,416	230,316	309,923	243,133	313,684	339,023	625,457
BSTC	2004	Reserved	87,137	88,804	116,539	97,100	74,566	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

COSA	Row #	Row Title	90 Total Co.	91 Total Co.	92 Total Co.	93 Total Co.	94 Total Co.	95 Total Co.	96 Total Co.	97 Total Co.	98 Total Co.	99 Total Co.
BSTC	2005	Plant Acquisition Adjustments	5,785	4,958	4,463	4,078	3,865	3,308	2,954	2,537	2,152	1,766
BSTC	1220	Material And Supplies	233,111	215,238	318,449	309,665	329,116	309,733	303,149	227,587	210,495	200,704
BSTC	1410	Other Non-Current	-	-	-	-	-	-	-	-	-	-
BSTC	1438	Deferred Maint. & Retiremenst	-	-	-	-	-	-	-	-	-	-
BSTC	1439	Deferred Charges	695,426	395,884	223,775	191,427	181,249	174,680	190,107	169,386	164,431	363,493
BSTC	1500	Other Jurisdictional Assets-net	602,751	474,965	389,564	281,040	378,931	347,120	(115,885)	(484,271)	(976,398)	(1,190,121)
BSTC	230	IS Cash Working Capital	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
BSTC	370	Total Investment	36,944,911	37,838,894	38,996,293	40,542,726	42,293,022	44,225,059	46,181,328	47,854,816	49,857,030	52,650,810
BSTC	3100	Accum Depreciation	12,850,791	14,111,271	15,095,725	16,668,910	18,203,036	19,943,516	22,175,990	24,154,685	26,436,152	28,033,117
BSTC	3200	Accum Depreciation-PHFTU	123	137	128	67	70	58	41	56	56	-
BSTC	3410	Accum Amort-cap Leases	31,543	13,863	28,240	29,820	25,841	23,170	15,455	11,697	12,236	16,844
BSTC	3420	Accum Amort-leasehold Imprv	30,789	34,588	40,775	45,439	45,844	53,201	60,193	63,318	70,232	78,060
BSTC	3400	Accum Amort-tangibles	62,332	48,451	69,015	75,259	71,685	76,371	75,648	75,015	82,468	94,904
BSTC	3500	Accum Amort-intangibles	-	-	-	-	-	-	922	1,242	1,562	64,646
BSTC	3600	Accum Amort-other	-	-	-	-	-	-	-	-	-	-
BSTC	4100	Net Current Deferred	16,835	(7,820)	1,103	(173,856)	(3,424)	(4,465)	(2,409)	(1,123)	(1,342)	(1,535)
BSTC	4340	Net Noncurrent Deferred	3,812,555	3,623,430	3,535,485	3,163,380	3,313,418	3,182,894	3,104,318	3,118,945	3,236,613	3,478,377
BSTC	4040	Customers Deposits	125,503	123,243	113,631	96,564	80,348	40,677	41,398	46,758	46,044	44,382
BSTC	4120	Other Accrued Liabilities	855,357	809,909	947,763	1,452,242	1,539,417	1,314,400	1,166,048	958,589	918,562	963,988
BSTC	4310	Other Long-Term	-	-	-	-	-	-	-	-	-	-
BSTC	4360	Other Deferred Credits	429,365	44,676	108,418	578,904	14,347	553,414	112,348	164,141	178,265	244,574
BSTC	4370	Other Jurisdictional Liabilities	314,910	236,284	178,075	129,037	225,111	222,192	24,735	45,187	(324,833)	(398,721)
BSTC	495	Total Reserve	18,467,771	18,989,581	20,049,343	21,990,507	23,444,008	26,593,875	28,281,275	30,323,740	32,271,123	34,026,079
BSTC		Expense Trend	6,098,766	6,238,779	6,137,662	6,358,351	6,643,856	7,064,711	6,980,058	6,820,981	6,788,885	6,775,517
BSTC		CO Switching Exp/CO Switching Invest	6.44%	6.89%	6.63%	6.27%	6.56%	6.57%	5.33%	6.11%	5.70%	3.26%
BSTC		Operator Sys Exp/Operator Sys Invest	6.22%	6.12%	4.88%	10.96%	7.19%	16.79%	14.95%	13.96%	10.54%	10.17%
BSTC		CO Transmn Exp/CO Transmn Invest	3.13%	2.88%	2.78%	2.59%	2.58%	2.32%	2.08%	1.80%	1.66%	1.65%
BSTC		Info O&T Exp/Info O&T Investment	24.42%	30.20%	41.97%	42.36%	47.75%	49.22%	46.78%	83.52%	78.69%	98.16%
BSTC		C&WF Expense/C&WF Investment	6.06%	5.25%	5.35%	5.14%	5.24%	5.05%	4.93%	4.68%	4.72%	4.42%
BSTC		Total Operating Exp/TPIS	25.22%	24.37%	23.50%	23.32%	23.46%	23.69%	22.53%	21.58%	21.11%	20.59%
BSTC		Network Operations Exp/TPIS	2.98%	2.84%	2.68%	2.62%	2.51%	2.42%	2.16%	2.06%	1.68%	1.74%
BSTC		Customer Svc Expense/Total Revenue	8.52%	8.66%	8.94%	9.23%	9.06%	8.73%	8.51%	7.68%	8.88%	8.67%
BSTC		Corporate Operations Exp/Revenue	8.77%	9.23%	8.45%	8.94%	8.82%	10.98%	10.79%	9.30%	6.78%	6.18%
BSTC		Total Expense/TPIS	30.61%	29.78%	28.90%	30.55%	27.70%	29.92%	27.22%	26.64%	27.96%	29.67%
BSTC		Total Reserve/TPIS	52.74%	52.05%	53.26%	55.75%	57.05%	61.94%	62.41%	64.24%	65.17%	65.62%
BSTC		Analog Switching Expense/Invest	6.52%	6.45%	5.23%	5.55%	6.06%	4.81%	4.63%	5.56%	5.67%	4.23%
BSTC		Digital Switching Expense/Invest	6.13%	7.13%	7.31%	6.53%	6.70%	6.99%	5.46%	6.21%	5.70%	3.15%


BellSouth Total Company Operating Expense/ TPIS Investment
26.00%
25.00%
24.00%
23.00%
22.00%
21.00%
20.00%
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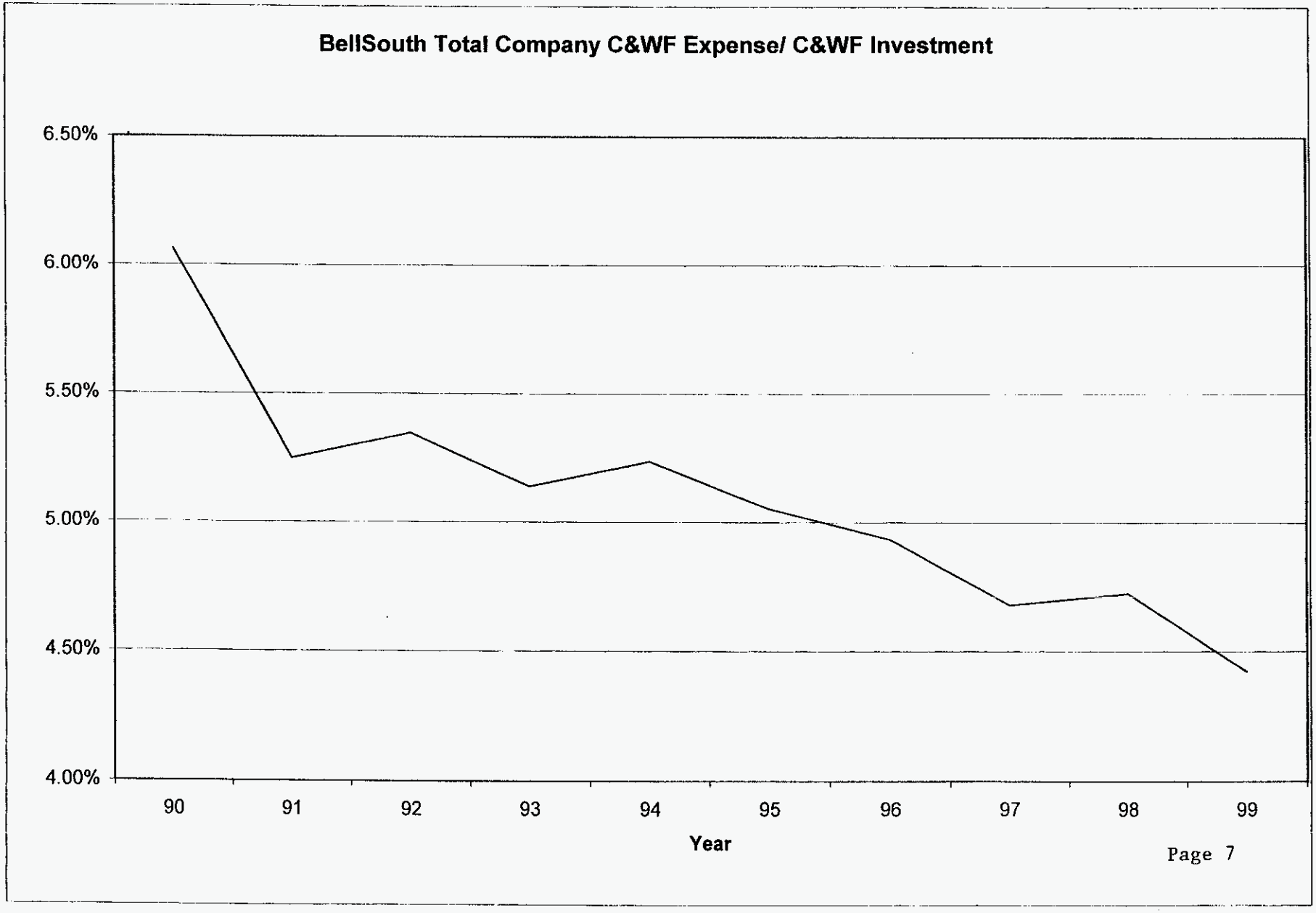
Year
Page 6


BellSouth Total Company C&WF Expense/ C&WF Investment
6.50%
6.00%
5.50%
5.00%
4.50%
4.00%
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Year
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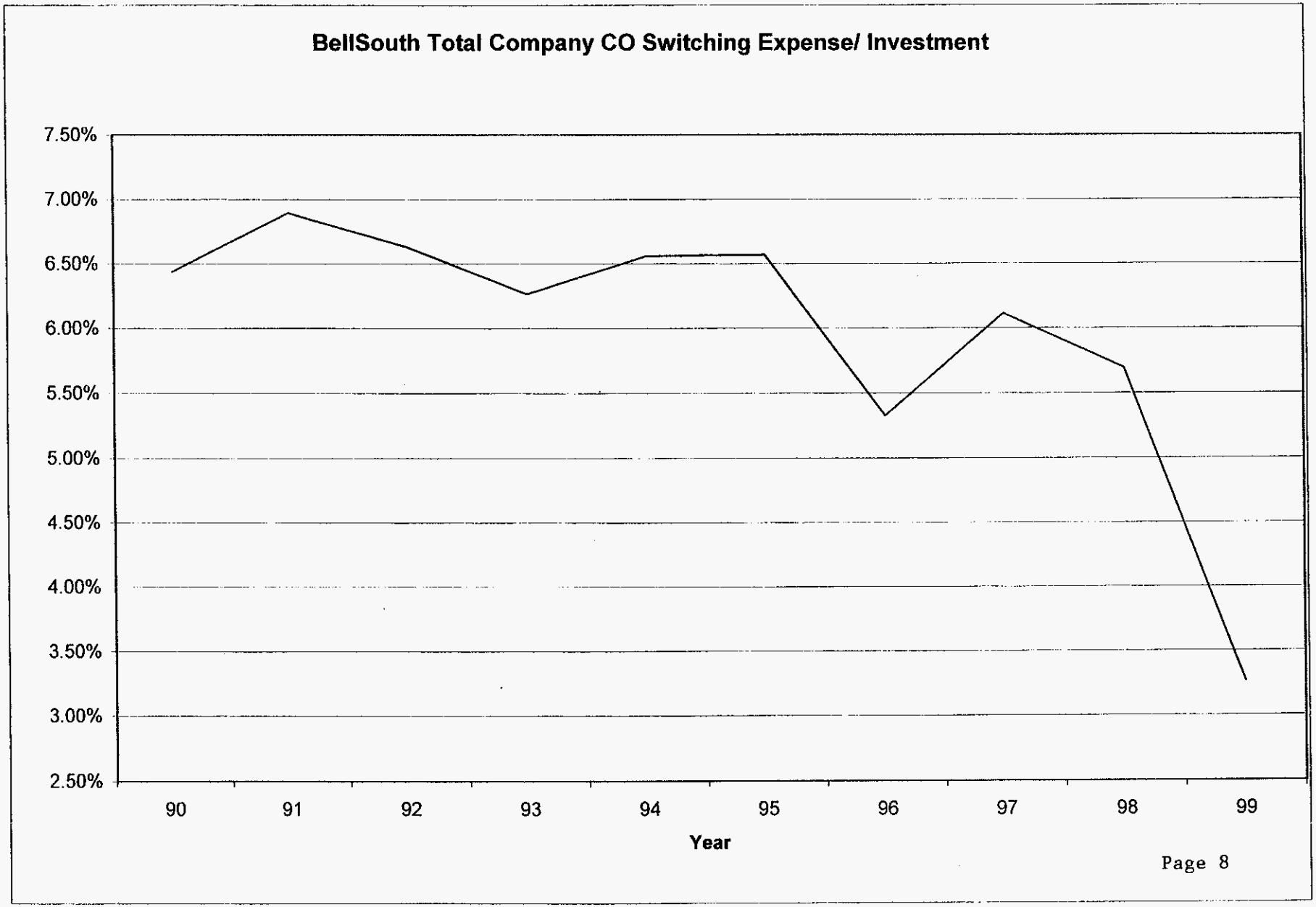
BellSouth Total Company CO Switching Expense/ Investment
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7.00%
6.50%
6.00%
5.50%
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
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Year
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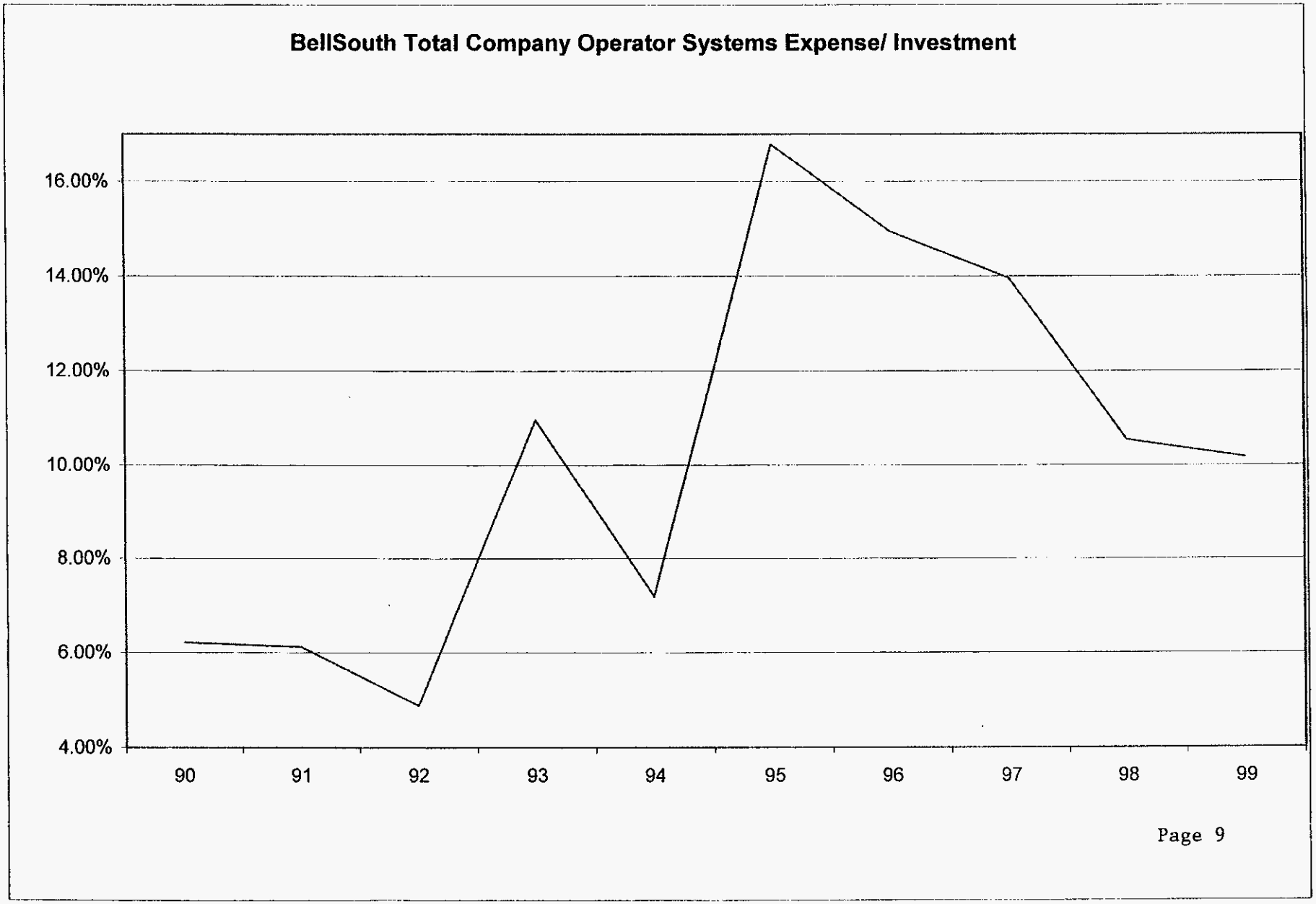
BellSouth Total Company Operator Systems Expense/ Investment
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14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
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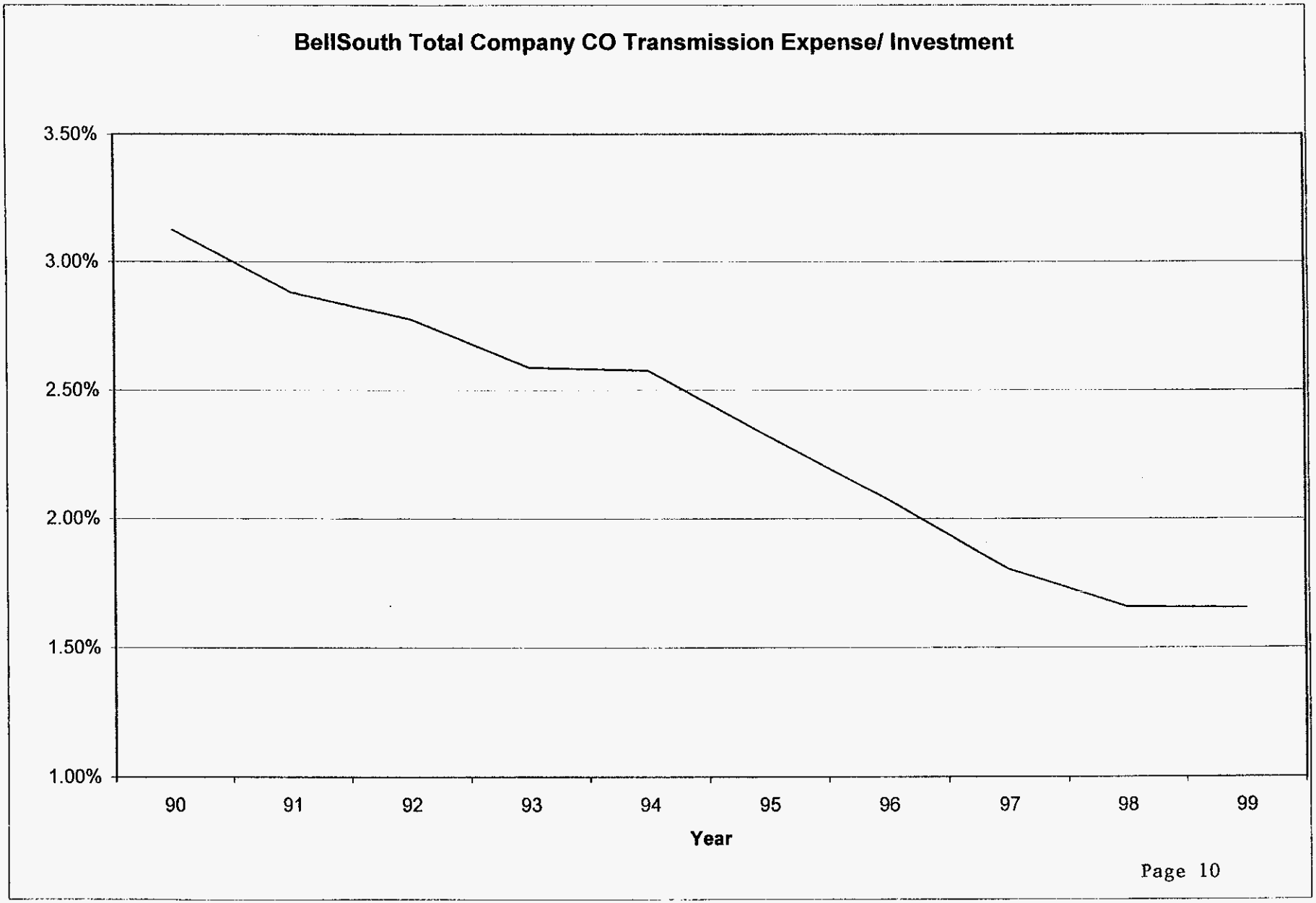
BellSouth Total Company CO Transmission Expense/ Investment
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3.00%
2.50%
2.00%
1.50%
1.00%
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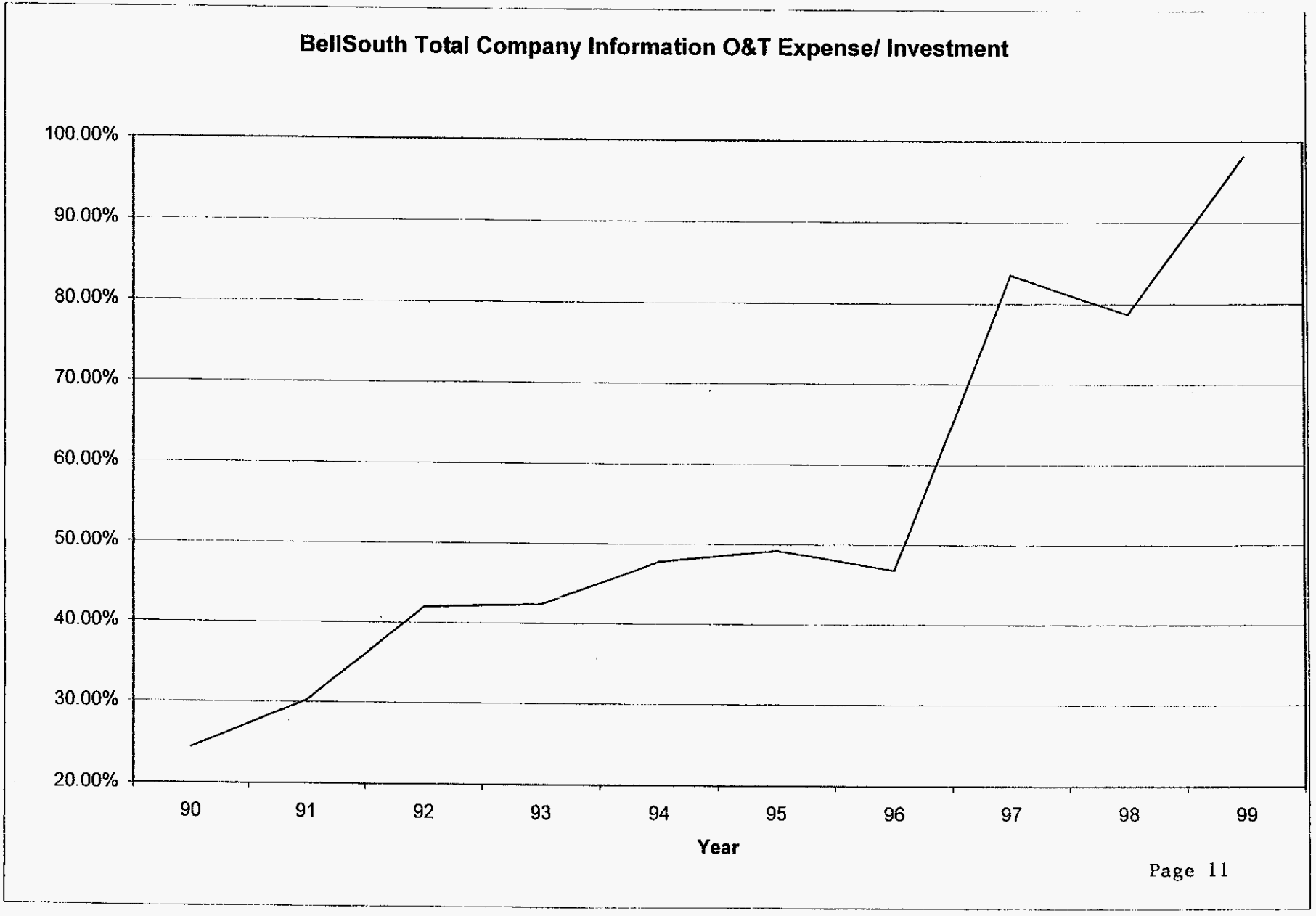
Year
Page 10


BellSouth Total Company Information O&T Expense/ Investment
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90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
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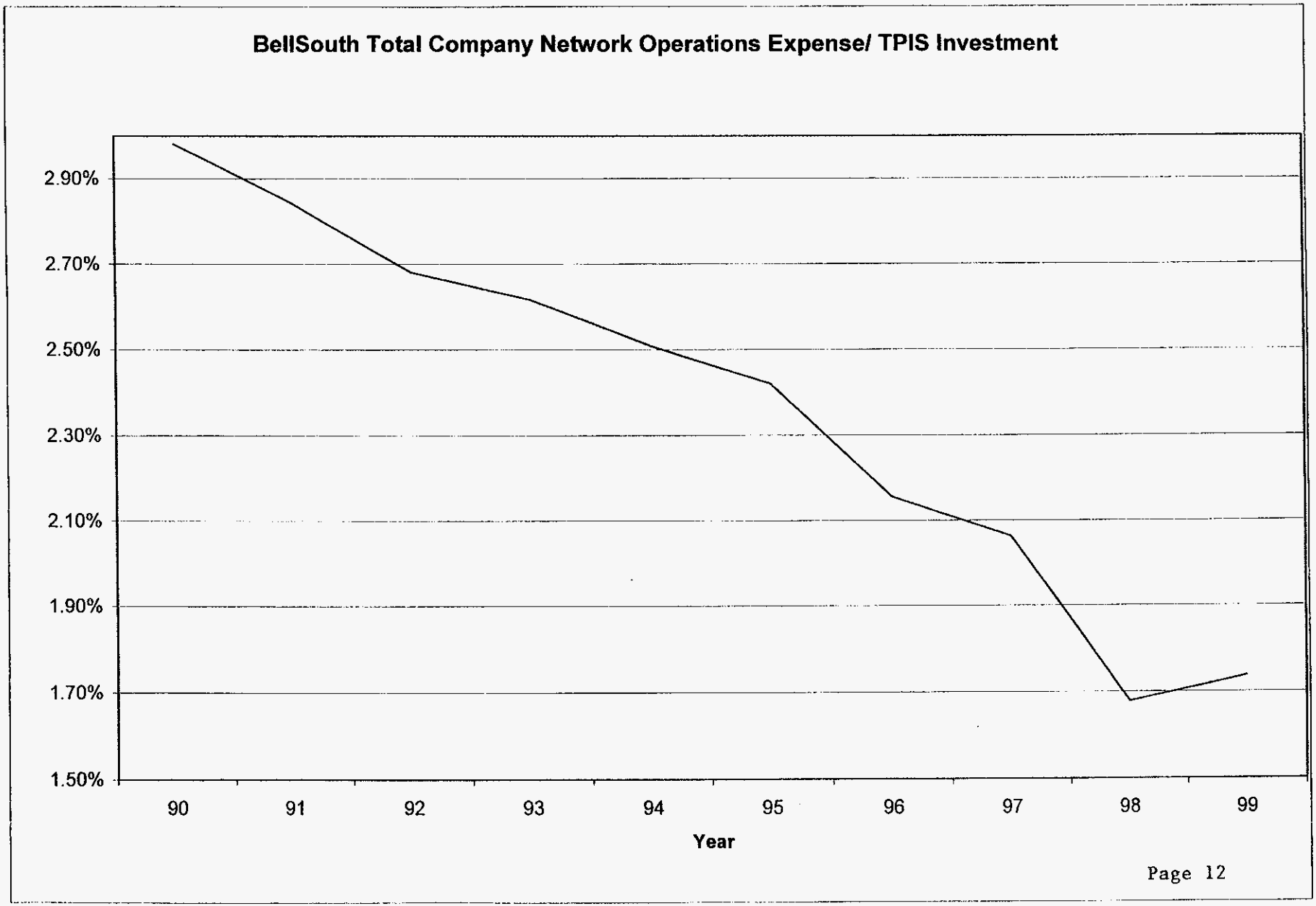
BellSouth Total Company Network Operations Expense/ TPIS Investment
2.90%
2.70%
2.50%
2.30%
2.10%
1.90%
1.70%
1.50%
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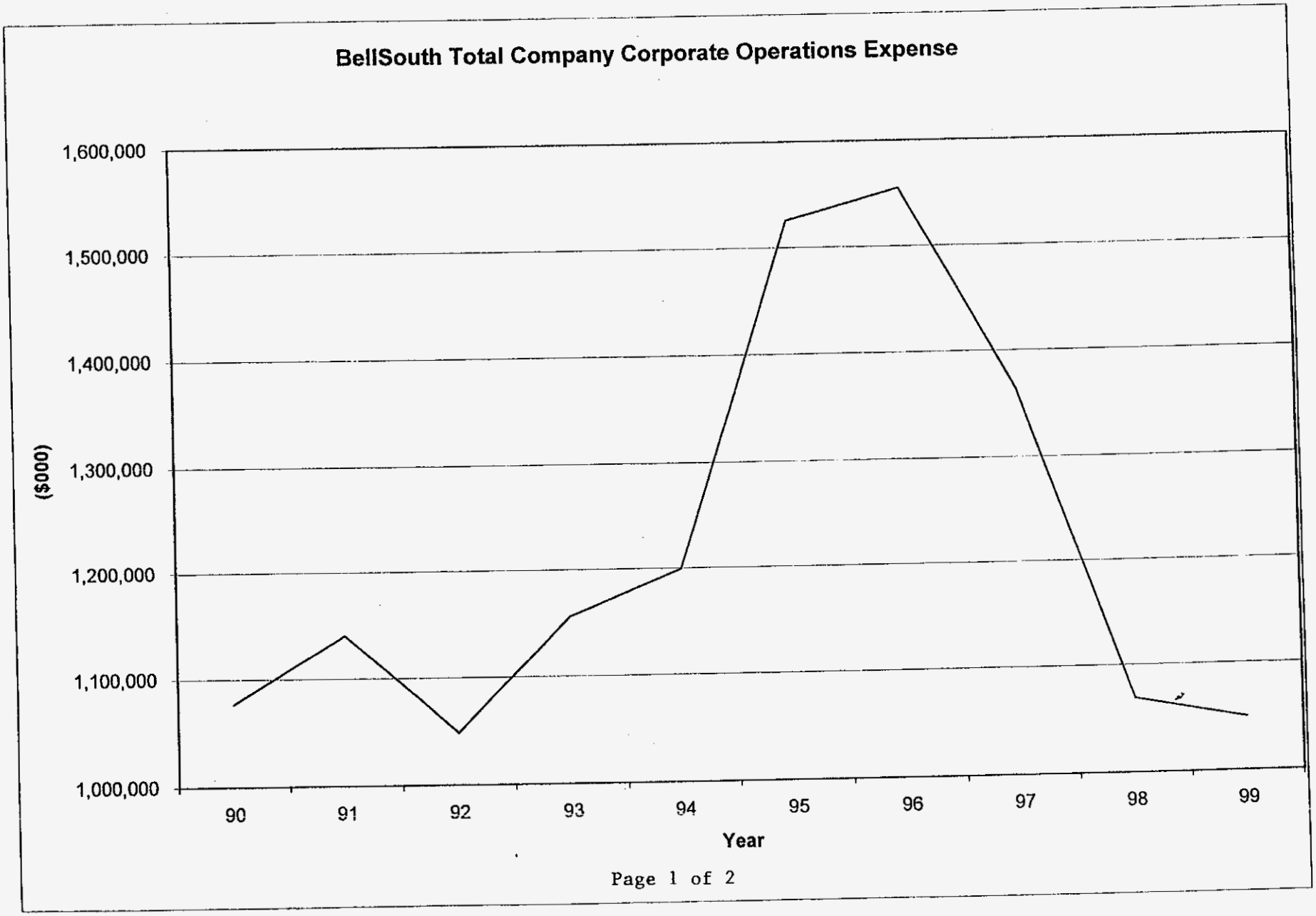
BellSouth Total Company Corporate Operations Expense
($000)
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1,500,000
1,400,000
1,300,000
1,200,000
1,100,000
1,000,000
90
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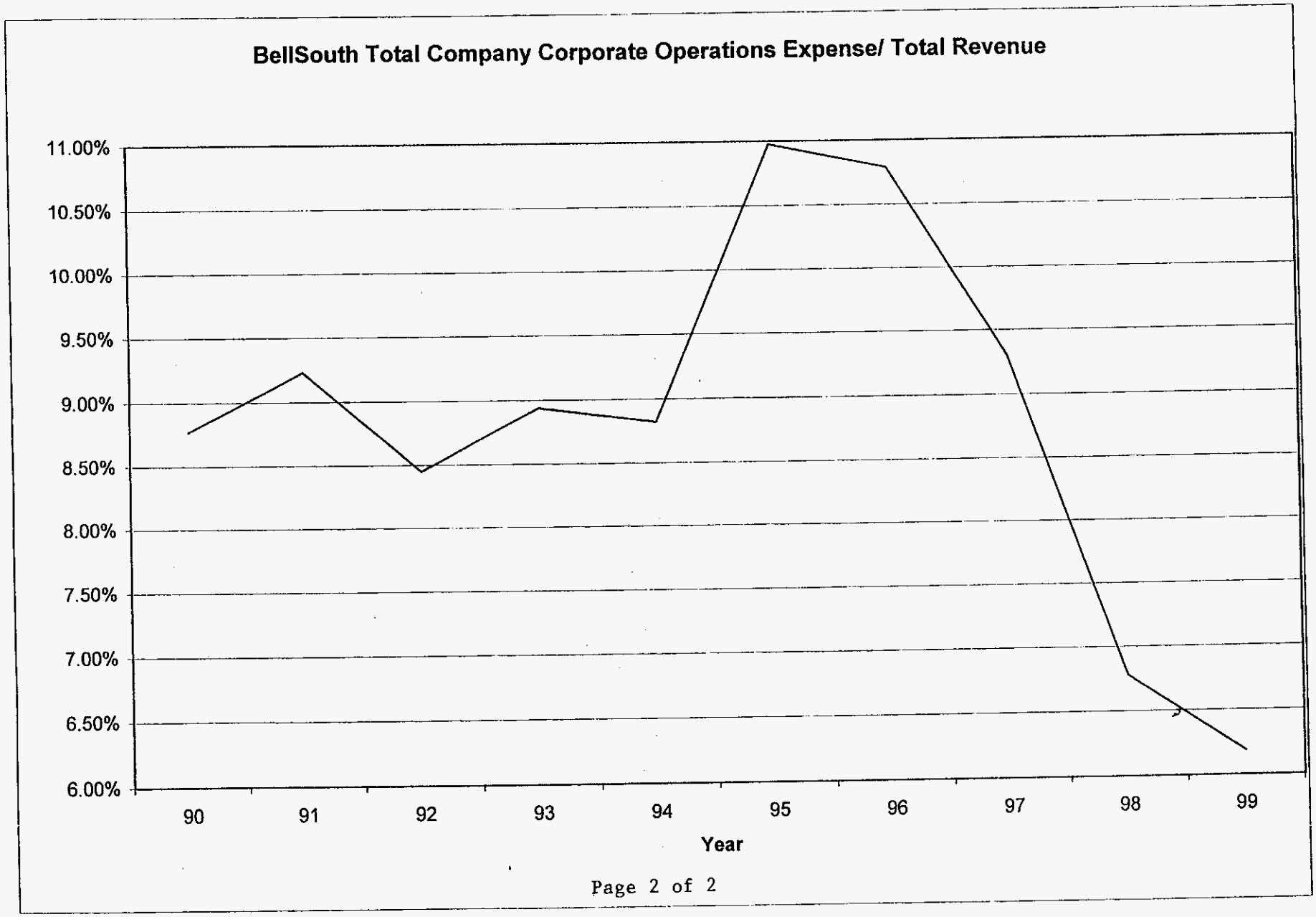
Year


BellSouth Total Company Corporate Operations Expense/ Total Revenue
11.00%
10.50%
10.00%
9.50%
9.00%
8.50%
8.00%
7.50%
7.00%
6.50%
6.00%
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Year

	A	B	C	D	E	F
1	**BellSouth Deaveraging Analysis**					
2	**Zone**	**Minimum**	**Mid Point**	**Maximum**	**AVG Zone Cost**	**Zone Weighting**
3	1	3.1071	3.7285	4.4742	4.09	66.80%
4	2	4.4742	5.3691	6.4429	5.73	93.47%
5	3	6.4429	7.7315	9.2778	7.06	115.27%
6	4	9.2778	11.1333	13.3600	10.84	176.92%
7	5	13.3600	16.0320	19.2384	15.91	259.78%
8	6	19.2384	23.0860	65.1708	25.18	411.15%

Docket No. 990649-TP
Witness: Darnell
Exhibit No. _____(GJD-8)
BST Deaveraging Analysis
Pages 2 through 9 are confidential

	A	B	C	D	E	F
1		GTE Deaveraging Analysis				
2	Zone	Minimum	Mid Point	Maximum	AVG Zone Cost	Zone Weighting
3	1	3.05	3.67	4.40	$ 3.05	28.14%
4	2	4.40	5.28	6.33	$ 4.66	42.97%
5	3	6.33	7.60	9.12	$ 7.82	72.07%
6	4	9.12	10.94	13.13	$ 10.60	97.62%
7	5	13.13	15.76	18.91	$ 15.99	147.27%
8	6	18.91	22.69	27.23	$ 21.55	198.56%
9	7	27.23	32.68	39.21	$ 34.51	317.91%
10	8	> 39.21			$ 81.22	748.20%

Docket No. 990649-TP
Witness: Darnell
Exhibit No. _____(GJD-9)
GTE Deaveraging Analysis
Pages 2 through 5 are confidential

BellSouth Telecommunications, Inc.
FPSC Dkt No. 990649-TP
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REQUEST: Provide a complete description of the methodology BellSouth used to distribute Land and Building costs to the various rate elements. List all adjustments made to the accounts, prior to distribution, and the rationale for the adjustments.

RESPONSE: Projected costs for Non-COE Related Land and Buildings were included in the processing of the Shared and Common Cost Application. The cost attribution basis used in assigning Non-COE Land and Building costs to network related plant or to non network related groupings (Common, Retail, etc.) varied by cost pool. The attribution basis for each cost pool primarily related to the salary and wage costs of the personnel occupying the property or the average annual capital costs of the equipment housed. The resulting portions of Non-COE Land and Building costs, which were assigned to shared or common costs, were included in the computation of the applicable shared or common cost factors. These factors were then applied to the applicable network related investment or to total costs in each study to include shared and common costs in each rate element.

No adjustments were made to projected Non-COE Land and Building costs prior to cost assignment in the Shared and Common Cost Application.

COE Related Land and Building investment amounts are distributed to COE rate elements by multiplying the in-place investment representing the element by the respective Land and Building (L&B) Loading Factors. L&B Loading Factors are developed in accordance with the procedure detailed in Section 5 of BellSouth's Cost Study Filing in this proceeding dated April 17, 2000, beginning on Page 2. Capital-related and operational expenses are then calculated for these associated land investments and building investments in the same manner as for the basic element itself.

BellSouth Telecommunications, Inc.
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RESPONSE: (Continued)

No adjustments were made to projected COE Land and Building investments prior to development of the factors.

RESPONSE PROVIDED BY:

Charles V. Lee
Director
3535 Colonnade Parkway
Birmingham, Alabama 35243

BellSouth Telecommunications, Inc.
FPSC Dkt No. 990649-TP
AT&T's 1st Set of Interrogatories
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REQUEST: Provide a complete description of the methodology BellSouth used to distribute Central Office Power costs to the various rate elements. List all adjustments made to the accounts, prior to distribution, and the rationale for the adjustments.

RESPONSE: Central Office power equipment investment amounts are distributed to non power COE rate elements by multiplying the in-place investment representing the element by a Power Loading Factor. Power Loading Factors are developed in accordance with the procedure detailed in Section 5 of BellSouth's Cost Study Filing in this proceeding dated April 17, 2000, beginning at Page 2. Capital-related and operational expenses are allocated to these associated power investments in the same manner as for the basic rate elements.

Commercial power used for COE is booked to expense Account 6531. This expense is divided by total COE investment to get an amount of power expense per dollar of COE investment. This ratio is included in the Plant Specific Expense Factor. Account 6531 power expense for an element is calculated along with other operational expenses when the Plant Specific Expense Factor is multiplied by the investment representing the rate element. Development of the Plant Specific Expense factor is described in Section 5 of BellSouth's Cost Study Filing in this proceeding dated April 17, 2000, beginning on Page 7.

No adjustments were made to the investment or expense accounts prior to distribution.

RESPONSE PROVIDED BY:

Charles V. Lee
Director
3535 Colonnade Parkway
Birmingham, Alabama 35243

BellSouth Telecommunications, Inc.
FPSC Dkt No. 990649-TP
AT&T's 1st Set of Interrogatories
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REQUEST: Provide a complete description of the methodology BellSouth used to distribute Corp. Communications costs to the various rate elements. List all adjustments made to the accounts, prior to distribution, and the rationale for the adjustments.

RESPONSE: Projected Corporate Communications costs were included in the processing of the Shared and Common Cost Application. The cost attribution basis used in assigning Corporate Communications costs to network related plant or to non network related groupings (Common, Retail, etc.) was Total Salaries and Wages. The resulting portions of Corporate Communications costs, which were assigned to shared or common costs, were included in the computation of the applicable shared or common cost factors. These factors were then applied to the applicable network related investment or to total costs in each study to include shared and common costs in each rate element.

No adjustments were made to projected Corporate Communications costs prior to cost assignment in the Shared and Common Cost Application.

RESPONSE PROVIDED BY:

Charles V. Lee
Director
3535 Colonnade Parkway
Birmingham, Alabama 35243

BellSouth Telecommunications, Inc.
FPSC Dkt No. 990649-TP
AT&T's 1st Set of Interrogatories
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REQUEST: Provide a complete description of the methodology BellSouth used to distribute OS & DA costs to the various rate elements. List all adjustments made to the accounts, prior to distribution, and the rationale for the adjustments.

RESPONSE: OS & DA costs were not attributed to any unbundled network element.

RESPONSE PROVIDED BY:

Charles V. Lee
Director
3535 Colonnade Parkway
Birmingham, Alabama 35243

BellSouth Telecommunications, Inc.
FPSC Dkt No. 990649-TP
AT&T's 1st Set of Interrogatories
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REQUEST: Provide a detailed description of how cost per fuse amp is calculated.

RESPONSE: BellSouth assumes this request relates to collocation. Costs for collocation were not included in this filing.

RESPONSE PROVIDED BY:

Reginald Starks
Director
675 West Peachtree Street
Atlanta, Georgia 30375

GREGORY J. DARNELL
PROFESSIONAL EXPERIENCE

6/21/96 – Date REGIONAL SENIOR MANAGER, MCI, LAW & PUBLIC POLICY.

Responsibilities: Define MCI's public policy and ensure effective advocacy throughout BellSouth Region.

9/1/95 - 6/21/96 SENIOR STAFF SPECIALIST III, MCI, NATIONAL ACCESS POLICY.

Responsibilities: Define MCI's national access policies and educate field personnel. Present MCI's access policy positions to Executive Management and obtain concordance.

9/1/94 - 9/1/95 SENIOR STAFF SPECIALIST III, MCI, CARRIER RELATIONS.

Responsibilities: Manage MCI's business relationship with ALLTEL.

1/1/93 - 9/1/94 SENIOR STAFF SPECIALIST II, MCI, SOUTHERN CARRIER MANAGEMENT.

Responsibilities: Chief of Staff.

9/1/91 - 1/1/93 MANAGER, MCI, ECONOMIC ANALYSIS.

Responsibilities: Testify before state utility commissions on access issues. Write tariff and rulemaking pleadings before the FCC. Serve as MCI's expert on Local Exchange Carrier revenue requirements, demand forecasts and access rate structures.

1/1/90 - 9/1/91 SENIOR STAFF SPECIALIST I, MCI, FEDERAL REGULATORY.

Responsibilities: Direct analysis to support MCI's positions in FCC tariff and rulemaking proceedings. Provide access cost input to MCI's Business Plan. Write and file petitions against annual tariff filings and requests for rulemaking. Train State Utility Commissions on the use and design of financial databases.

1/1/89 - 1/1/90 STAFF SPECIALIST III, MCI, FEDERAL REGULATORY.

Responsibilities: Track and monitor tariff transmittals for Ameritech, BellSouth, SWBT and U S West. Author petitions opposing RBOC tariff filings. Represent MCI at National Ordering and Billing Forum.

10/9/87 - 1/1/89 SUPERVISOR, MCI, TELCO COST ANALYSIS.

Responsibilities: Supervise team of analysts in their review of interstate access tariff changes. Coordinate updates to Special Access billing system.

1/1/86 - 10/9/87 FINANCIAL ANALYST III, MCI, TELCO COST.

Responsibilities: Analyze MCI's access costs and produce forecasts.

6/1/85 - 1/1/86 STAFF ADMINISTRATOR II, MCI, LITIGATION SUPPORT.

Responsibilities: Support MCI's antitrust counsel in taking depositions, preparing interrogatories and document requests.

1/1/84 - 6/1/85 PRODUCTION ANALYST, MCI, LITIGATION SUPPORT.

Responsibilities: Review and abstract MCI and AT&T documents obtained in MCI's antitrust litigation.

8/1/82 - 1/1/84 LEGAL ASSISTANT, GARDNER, CARTON AND DOUGLAS.

Responsibilities: Research and obtain information from the FCC, FERC and SEC.

EDUCATIONAL EXPERIENCE

9/1/91 - 1/1/93 GEORGE WASHINGTON UNIVERSITY, GRADUATE SCHOOL OF TELECOMMUNICATIONS.

Studies: Advanced courses in Public Policy, Electrical Engineering and Economics.

9/1/78 - 6/1/82 UNIVERSITY OF MARYLAND, B.A., ECONOMICS.

Studies: Macro and Micro Economics, Statistics, Calculus, Astronomy and Music.