BST

CONFIDENTIAL COSTING METHODS GROUP

DOCKET 92-02-60TL

EST PERIOD ENDED 12/31/92

X 8 XVI NOV. 12, 1993

COPY

DOCUMENT NUMBER-DATE

00048 JAN-3

FPSC-RECORDS/REPORTING

WORKING PAPER STANDARD INDEX

BST- Florida Audit

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BST

Internal Audit on Data Serv

1992

KW 6/3/93
K 10/12/93

CONFIDENTIAL

46-1

Internal Audit Report

BELLSOUTH TELECOMMUNICATIONS

DISBURSEMENTS

M21-23-10-A-SF

Dataserv - Controllers

OCTOBER 1992

AUDITORS

Angela DeLaune
Paula Majerus

BellSouth Telephone

Review of Internal Audit Workpapers KW

Database - M21-23-10-A-SF 7/12/93

B 10/22/93

5

34

10

ESP1

H6-1

1

BST
Notes on C&L Workpapers
1992

jw 6/13/93
Bg 10/22/93

Data Serv Binder 33

Services to Data Serv:
Telecomm - Tariff
Internal Auditing - Costing Stds
Legal - costing Stds

From Data Serv
Mtc. of Computer Eq - Prevailing Mkt 46%
Sale of Parts - " "
Selected Repair Servic - Costing Stds

S. Cal Edison had lower gross margin than SBT but in gen. non aff. pricing was higher

Compared Gross Margin on 3800 Data Serv Accts to determine if affil are at prevailing mkt.

Birmingham & Alabama Costs were higher than other non aff on comparison However only 48700 total for each - any error would probably be immaterial.
In Birmingham Parts costs were up due to replacing photo conductors & hard disk assemblies

Compared costs 1992 for repair fac to prior year w/no sig diff - I passed on FDC calculation of Serv undercharge by 17m

Except C&L workpapers show problems found in C&L Min. audit on inventory. Discussed follow up audit. See 46-2/1

THE WALTER LATHAM COMPANY (708) 348-6787

Proprietary
CONFIDENTIAL

BST

Notes on C&L Report to Mgmt
TPE 12/31/92

KW
9/8/93
B 10/22/93

12/31/92:

Scanning Mgmt Systems SMS - designs, develops, implements point of sale hardware & software for retail customers.

Need to Establish System to evaluate inventory Reserves.

Field consumables not recorded as constant
When physical count is taken compared to G/L & difference is reserve for excess & obsolete parts
It kept off books & not identified with any specific parts or group of parts.

Reserves for stores inv computed by assigning a reserve % to on hand quantities in excess of historical usage levels

Don't take into acct. future usage, technological advance or available mkt data.

Inventory sh be evaluated more closely.
Need Perpetual Inventory System
C&L estimated reserves between 3.7 & 6.3 Million $ co. at 4.1 mil. No adj

12

"ESP1"

46-2
1-1

DS
KW

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 06/17/93
Amended Response to
Item No. 2-104
Page 1 of 1

Request: Has C&L Minneapolis completed their independent analysis of inventory reserves? If so, provide a copy. If not, provide expected completion date.

Response: In its response of June 24, 1993, the Company stated that Dataserv had not engaged C&L Minneapolis to do an audit solely of inventory reserves. C&L does perform an annual financial statement audit for Dataserv and this audit would have encompassed a review of reserves. No separate audit report has been issued or is expected to be issued on inventory reserves.

This request was discussed with Kathy Welch on June 24, 1993, and at that time Kathy asked for C&L's financial statement audit report. The Company amends its response of June 24, 1993 to provide Coopers & Lybrand Audit of Dataserv's 1991 and 1992 financial statements.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

SPECIFIED CONFIDENTIAL

Date Provided: June 29, 1993

p1

Coopers &Lybrand

certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholder of Dataserv, Inc.

We have audited the accompanying consolidated balance sheets of Dataserv, Inc., a wholly-owned subsidiary of BellSouth Business Systems, Inc., as of December 31, 1992 and 1991, and the related consolidated statements of operations, stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dataserv, Inc. as of December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Minneapolis, Minnesota
February 26, 1993

SPECIFIED CONFIDENTIAL

PROPRIETARY

Dataserv, Inc.
Consolidated Balance Sheets
as of December 31, 1992 and 1991
(in thousands except par value per share)

	1992	1991
Assets		
Current Assets:		
10 Cash		
Accounts receivable - net		
Inventories		
Deferred income taxes		
Other current assets		
Total current assets		
Property and equipment - net		
Capitalized software costs - net		
Other non-current assets - net		
19 Total assets		
Liabilities and Stockholder's Equity		
Current Liabilities:		
22 Accounts payable		
Accrued expenses		
Amounts due parent and affiliates		
Deferred revenue		
Total current liabilities		
Deferred compensation		
28 Deferred income taxes		
Commitments and contingent liabilities		
Stockholder's Equity:		
Common stock, $.05 par value, 42,500 shares authorized, 33,325 shares issued and outstanding at December 31, 1992 and 1991		
33 Additional paid-in-capital		
Retained earnings		
Total stockholder's equity		
37		

46-2/1-1/2

46-2/1-1/2-1

PROPRIETARY

The accompanying notes are an integral part of the consolidated financial statements.

Dataserv, Inc.
Consolidated Statements of Operations
for the Years Ended December 31, 1992 and 1991
(in thousands)

	1992	1991
Revenues:		
10 Maintenance		
Parts sales		
Equipment and software sales		
13 Total revenues		
Cost of sales and service:		
15 Maintenance		
Parts sales		
Equipment and software sales		
Total cost of sales and service		
Gross margin		
Selling, general and administrative expenses		
Interest (income) expense		
22 Loss from wind-down of used equipment product lin		
24 Income from continuing operations before income taxes		
Income taxes		
26 Income from continuing operations		
28 Gain on discontinued operations of Dataserv Equipment, Inc.		
29 Net income		

46-2
1

The accompanying notes are an integral part of the consolidated financial statements.

Dataserv, Inc.
Consolidated Statement of Stockholder's Equity
for the Years Ended December 31, 1992 and 1991
(in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)
11 Balance at January 1, 1991	$	$	$
13 Capital contribution by parent net of distributions of $2,947			
Net income			
Dividends to parent			
19 Balance at January 1, 1992			
Net income			
Dividends to parent			
Balance at December 31, 1992	$	$	$

The accompanying notes are an integral part of the consolidated financial statements.

PROPRIETARY

SPECIFIED CONFIDENTIAL

Dataserv, Inc.
Consolidated Statement of Cash Flows
for the Year Ended December 31, 1992 and 1991
(in thousands)

	1992	1991
Cash flows from operating activities:		
10 Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
13 Depreciation and amortization		
Provision for losses on accounts receivable		
Provision for inventory writedowns		
Provision for capitalized software writedowns		
17 Provision for deferred income taxes		
Changes in assets and liabilities:		
19 Receivables		
Inventories		
Other current assets		
Accounts payable		
Accrued expenses		
Deferred revenue		
Deferred income taxes		
26 Net cash provided by operating activities		
Cash flows used in investing activities:		
28 Additions to property and equipment		
Additions to capitalized software		
Additions to other assets		
31 Net cash used in investing activities		
Cash flows used in financing activities:		
33 Repayment of amounts due parent		
Capital contribution from parent		
Payment of dividends		
Distribution of capital to parent		
Change in cash overdraft		
Net cash used in financing activities		
Net increase (decrease) in cash		
41 Cash at beginning of year		
Cash at end of year		
Cash flow information:		
43 Interest paid		
Income taxes paid, including payments to parent in lieu of federal income taxes of $2,404 and $10,755, in 1992 and 1991		
46		

The accompanying notes are an integral part of the consolidated financial statements.

PROPRIETARY

SPECIFIED CONFIDENTIAL

Dataserv, Inc.
Notes to Consolidated Financial Statements
($ in thousands)

(1) Basis of Presentation

Dataserv, Inc. (the Company) is a wholly-owned subsidiary of BellSouth Business Systems, Inc. (the Parent), which is ultimately a subsidiary of BellSouth Corporation (BellSouth). The Company's primary business is the sale, maintenance and repair of computer equipment and systems throughout the United States.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of Dataserv, Inc. include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company accounts and transactions have been eliminated.

Inventories

Inventories are valued as follows:

Parts held for sale or use in maintenance and repair, are stated at the lower of cost (average cost method) or net realizable value.

Equipment for sale is stated at the lower of cost (specific identification method) or net realizable value.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization is computed on a straight-line basis over estimated useful lives as follows:

Buildings	30 years
Leasehold improvements	5-10 years
Equipment	5 years
Recyclable maintenance parts and machines	5 years

Expenses for refurbishing recyclable parts used in the maintenance business are charged to operations as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations.

Dataserv, Inc.
Notes to Consolidated Financial Statements (Continued)
($ in thousands)

Capitalized Software Costs

Development costs of software to be licensed to third parties have been capitalized in accordance with Statement of Financial Accounting Standards No. 86. The capitalization of these costs begins when a product's technological feasibility has been established and ends when the product is available for general release to customers. Amortization is computed using the straight-line method on an individual product basis, generally over a five-year period. The amount of software development costs capitalized in 1992 and 1991 was and $2,202, respectively. The amortization was and for 1992 and 1991, respectively.

Income Taxes

For Federal income tax purposes, the results of the Company's operations are included in BellSouth Corporation's consolidated tax return. In accordance with the BellSouth Consolidated Federal Income Tax Allocation Policy, the Company is generally allocated Federal income tax or benefit, to the extent it contributes taxable income or loss to the consolidated group. Alternative Minimum Tax (AMT) is computed and recognized on a separate company basis and may consequently reduce the amount of tax benefit or increase income taxes payable. The Company files separate state tax returns in the jurisdictions in which it conducts business.

Deferred income taxes are provided for income and expenses which are recognized in different periods for income tax purposes than for financial reporting purposes.

The Company will adopt the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" during 1993. The effect of changing the method of accounting for income taxes to comply with this statement is expected to be immaterial to the Company's operations and financial position.

(3) Related Party Transactions

Included in income from continuing operations are maintenance revenues from the Company's affiliates of and for the years ended December 31, 1992 and 1991, respectively. In addition, fees of and were billed to the Company during 1992 and 1991, respectively, for certain selling, general and administrative services performed by various BellSouth subsidiaries.

The Company has a revolving line agreement with the Parent in the form of unsecured notes, due upon demand, bearing interest at a rate approximating the Parent's commercial paper rate. The line does not have an established limit. The interest rate at December 31, 1992 and 1991 was and respectively. Interest expense relating to the line amounted to and for the years ended December 31, 1992

Dataserv, Inc.
Notes to Consolidated Financial Statements (Continued)
($ in thousands)

and 1991, respectively. Outstanding borrowings under the line were $1,500 and $5,400 at December 31, 1992 and 1991, respectively.

(4) Income Taxes

The components of income tax expense (benefit) for continuing operations are as follows:

	Current	Deferred	Total
Year ended December 31, 1992:			
14 Federal			
State			
16 Total			
Year ended December 31, 1991:			
18 Federal			
State			
20 Total			

22 During 1992, BellSouth transferred a liability for deferred compensation
23 of and a corresponding deferred tax asset of to the Company.
24 This transaction resulted in a non-cash dividend of to BellSouth.

During 1991, deferred tax liabilities of 20 relating to certain net assets of Dataserv Equipment, Inc. which were retained by the Company were transferred from BellSouth to the Company.

The differences between the Company's effective tax rate and the Federal statutory tax rate for continuing operations are explained below:

	1992	1991
Federal statutory tax rate	34.0%	34.0%
State income taxes - net of Federal income tax benefit	5.2	4.8
Other	1.6	(0.1)
Effective tax rate	40.8%	38.7%

Dataserv, Inc.
Notes to Consolidated Financial Statements (Continued)
($ in thousands)

(5) Benefit Plan

The Company has a defined contribution plan for its employees who have completed a qualified period of employment. The plan provides for participant and employer contributions. The cost of the plan to the Company approximated and for the years ended December 31, 1992 and 1991, respectively.

The Financial Accounting Standards Board has issued Statement No. 106, "Employers Accounting for Post Retirement Benefits Other than Pension", which the Company plans to adopt in fiscal year 1993. The Company does not expect the adoption of the statement to have a significant impact on its financial position or results of operations.

(6) Discontinued Product Line and Operations

In May 1991, the Company made a decision to refocus on strategic markets and growth opportunities. In connection with this refocus, the Company decided to discontinue its used equipment product line. Accordingly, a
22 provision was made for estimated operating losses and the writedown of all remaining assets. The Company completed the wind-down of the used equipment business by the first quarter of 1992. Revenues
25 of related to the used equipment business are included in the accompanying 1991 Statement of Operations.

During December 1990, the Board of Directors of the Parent voted to sell all outstanding stock of DEI, a wholly-owned equipment leasing subsidiary, to Meridian Leasing Corporation. This transaction was recorded as a disposal of a segment of a business. The 1991 gain on disposal reflects a change in the 1990 estimated income tax benefit of this transaction.

(7) Commitments and Contingent Liabilities

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are without merit or are adequately covered by insurance, or if not so covered, are of such kind or involve such amounts that unfavorable disposition would not have a material effect on the financial position of the Company.

The Company's headquarters, certain warehouse and ancillary office space, and certain equipment, are currently rented and are classified as operating leases for financial statement purposes. These leases expire at various times through the year 2000. The following is a schedule of future minimum rental payments required under leases that have an

Dataserv, Inc.
Notes to Consolidated Financial Statements (Continued)
($ in thousands)

initial or remaining non-cancelable term of over one year at December 31, 1992:

Year ending December 31:

10 1993
1994
1995
1996
1997
Thereafter
16

Rent expense related to continuing operations was [redacted] and [redacted] for the years ended December 31, 1992 and 1991, respectively.

(8) Additional Financial Information

The following sets forth the components of certain balance sheet amounts at December 31:

Accounts receivable - net:

23 Trade accounts
Due from parent and affiliates
Other
Less: Allowance for uncollectibles

27

Inventories:

29 Parts
Equipment for sale

31

Property and equipment - net:

33 Land and buildings
Leasehold improvements
Equipment
38 Recyclable maintenance parts and machines

Less: Accumulated depreciation and amortization

40

Dataserv, Inc.
Notes to Consolidated Financial Statements (Continued)
($ in thousands)

9 Depreciation and amortization expense related to the property and equipment of continuing operations for the years ended December 31, 1992 and 1991 was [redacted] and [redacted] respectively.

Other non-current assets - net:

	A	B
Computer software purchased	$	$
Organization costs	—	—
Less: Accumulated amortization	—	-
	$	$

16 A book overdraft amounting to [redacted] at December 31, 1991 was included in accounts payable in the accompanying consolidated balance sheet. There were no overdrafts in 1992.

KW
9/8/93
B 10/22/93

46-2
1-1
2

BST

Determine Data Serv Overall Rate Of Return TPE 12/31/92

KW
9/8/93
B 11/22/93

46-2
1-1/2

9

p3

[redacted] Plant

[redacted] W/C [redacted] p3 p3

[redacted]

14

[redacted] p4 NOI

[redacted] Return Overall

CONFIDENTIAL

26

46-2
1-1
2-1

COMPANY:	BST
TITLE:	ANALYTICAL REVIEW
PERIOD:	1991 AND 1992
DATE:	JUNE 1, 1993
AUDITOR :	RKY

WP NO. 7

I. An analytical review was performed to determine the amounts involved in the affiliated transactions. From this staff would select those affiliated companies to audit. Our first plan was to select three affiliated companies based on dollar amounts, select three small companies and then do BSE - chaining. Anything under $10,000,000 was considered a small company.

Our analytical review is based on answers to 2-012, 2-012.1 and 5-006. 5-006 is considered Proprietary by BST.

The three affiliates with the largest amounts of dollar transactions were:

	BILLED TO BST 1992
BELLSOUTH CORPORATION	99,766,526
BELLCORE	162,580,303
BELLSOUTH COMMUNICATIONS, INC.	209,991,149

Only two smaller companies were selected because the audit team felt that was all we could handle in the time frame and the amount of people working on the costing methodologies area.

The two samller companies were:

SUNLINK -- ANY AND ALL SUBS OR AFFILIATES THAT ARE IN THE REAL ESTATE AREA.

	BILLED TO BST 1992
SUNLINK	3,269,678
CSL CHASTAIN	694,717
CSL BIRMINGHAM	9,557,626
DATA SERV.	4,936,617

We did not consider the Advertising and Publishing Group becasue the costs of publishing are being addressed in a separate group. Group 3 led by Rick Wright.

Mobile Systems Group and Bellsouth Information Systems were part of the small companies. We did not consider them because of staff and time limits.

Not proprietary

BST
Analytical Review of Data Serv
1992
6/3/93
6/14/93

COMPANY: BST
TITLE: ANALYTICAL REVIEW
PERIOD: 1991 AND 1992
DATE: JUNE 1, 1993
AUDITOR : RKY

WP NO. 7

IV. A comparison of the amounts allocated to Fl for 1991 and 1992 was performed. We could not do this for total states as 1991 was for SBT and four states and 1992 was for BST for 9 states.

The following schedule is for those charges that were allocated to Florida that increased or decreased 10% or above for affiliates that allocated $500,000 or more.

	Fl 1991	FL 1992	%INCREASE (DECREASE)
SOUTH CENTRAL BELL TO BST IN 1992	17,479,768	0	100.0000%
BELLSOUTH SERVICES TO BST IN 1992	367,378,631	0	100.0000%
SUNLINK	0	1,630,138	100.0000%
CSL BIRMINGHAM	0	2,241,640	100.0000%
BELLSOUTH INFORMATION SYSTEMS	543,180	980,216	80.4588%
MOBILE COMMUNICATIONS CORP OR AM AND AFFIL	355,972	600,902	68.8060%
BAPCO	1,202,527	1,064,303	-11.4945%
STEVENS GRAPHICS	0	664,870	100.0000%
BELLSOUTH COMMUNICATIONS INC	25,287,590	52,729,091	108.5177%
DATA SERV INC AND AFFIL	891,250	1,218,592	36.7284%
BSHR	921,706	0	-100.0000%

PSC staff has sent this information to other team members for follow up.

BAPCO to Rick Wright
Sunlink, STevens Graphics, and Data Serv to Kathy Welch
BEllsouth Communications to me (ry)
SCB and BSS are all part of BST in 1992 and part of the BST CSAP portion of the audit.

CONFIDENTIAL

4/6-4

FLORIDA PUBLIC SERVICE COMMISSION

93 MAR 25 AM 10:41

FINANCIAL ANALYSIS DIV

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 3-2-93
Amended Response to
Item No. 2-0047
Page 1 of 1

Request: Provide a copy of the Dataserv Atlanta Repair Facility Cost Center statement for the year end 1991 and 1992. (Be sure to include revenues and expenses).

Response: See attached for 1991 and 1992 Dataserv, Inc. Atlanta Repair Facility Income Statements.

This material constitutes confidential proprietary business information and will be the subject of a "Notice of Intent to Request Specified Confidential Classification."

The return appears reasonable on the portion of costs assigned at FDC - amounts are immaterial. Since no longer using DataServ no further work being done

FLORIDA PUBLIC SERVICE COMMISSION

93 MAR 31 PM 2:57

FINANCIAL ANALYSIS DIV

Proprietary

Date Provided: March 24, 1993

DOCUMENT NUMBER-DATE
03388 MAR 26 93
FPSC-RECORDS/REPORTING

DATE: 03/03/93
MAINTENANCE COMPANY
ATLANTA REPAIR ROLLUP
150100 AND 250181

DATASERV, INC.
STATEMENT OF INCOME
FOR THE PERIOD ENDED DECEMBER 1992

B

	YEAR TO DATE	
BOARD REPAIR	—	√
REVENUES	—	
SALARIES	—	√
OVERTIME	—	✗
ICP	—	
PAYROLL TAXES	—	
CONSUMABLE PARTS	—	
FACILITIES RENT	—	√
UTILITIES	—	
TELEPHONE	—	
PAGE/ANSWERING SERVICE	—	
PROPERTY TAXES	—	
BUILDING MAINTENANCE	—	
TRAVEL	—	√
MEALS	—	
AUTOMOBILE	—	
ENTERTAINMENT	—	
EMPLOYEE BENEFITS	—	
EMPLOYEE RELATIONS	—	
EMPL RELATIONS-MEALS	—	
RECRUITMENT	—	
TRAINING & EDUCATION	—	
TEMPORARY HELP	—	
HARDWARE EXPENSE	—	
SUPPLIES	—	
EQUIPMENT RENT	—	
NON-CAP FURN & EQUIP	—	
TOOLS	—	
EXTERNAL REPAIR COSTS	—	
FREIGHT-INBOUND	—	
FREIGHT-OUTBOUND	—	
DEPREC-TEST EQUIPMENT	—	
DEPREC - RECYCLED PRTS	—	
DEPREC-LSHLD IMPRVMTS	—	
DEPREC COMPUTER EQUIP	—	√
DEPREC FURN & FIX	—	√
SALES TAX PAID	—	
COURIER	—	
DUES & SUBSCRIPTIONS	—	
POSTAGE	—	
MISCELLANEOUS	—	
COST OF SALES	—	
GROSS MARGIN	—	
GROSS MARGIN %	—	
OPERATING INCOME (LOSS)	—	

√ Traced to G/L

[redacted] return based on [redacted] investment

46-5/1

PROPRIETARY

51
52

ITEM NO. 2-0047
ATTACHMENT
PAGE 2 OF 2

FOIKOEH 000440

DATE: 03/04/93
MAINTENANCE COMPANY
ATLANTA REPAIR ROLLUP
150100 AND 250181

DATASERV, INC.
STATEMENT OF INCOME
FOR THE PERIOD ENDED DECEMBER 1981

PAGE 1

B

	YEAR TO DATE
BOARD REPAIR	
REVENUES	
SALARIES	
OVERTIME	
ICP	
PAYROLL TAXES	
CONSUMABLE PARTS	
FACILITIES RENT	
TELEPHONE	
PAGE/ANSWERING SERVICE	
BUILDING MAINTENANCE	
TRAVEL	
MEALS	
AUTOMOBILE	
EMPLOYEE BENEFITS	
EMPLOYEE RELATIONS	
EMPL RELATIONS-MEALS	
RECRUITMENT	
TRAINING & EDUCATION	
PROF FEES-CONSULT	
TEMPORARY HELP	
SOFTWARE EXPENSE	
HARDWARE EXPENSE	
SUPPLIES	
EQUIPMENT RENT	
NON-CAP FURN & EQUIP	
TOOLS	
CUSTOMER RELATIONS	
EXTERNAL REPAIR COSTS	
FREIGHT-INBOUND	
FREIGHT-OUTBOUND	
DEPREC-TEST EQUIPMENT	
DEPREC-LSHLD IMPRVMTS	
DEPREC COMPUTER EQUIP	
DEPREC FURN & FIX	
COURIER	
POSTAGE	
MISCELLANEOUS	
INTERNAL PARTS REPAIR	
COST OF SALES	
GROSS MARGIN	
GROSS MARGIN %	
OPERATING INCOME (LOSS)	

PROPRIETARY

ITEM NO. 2-0047
ATTACHMENT
PAGE 1 OF 2

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ublic Service Comm Apr 14,93 9 P.03

BST
Printer Repair Facility Analysis
TO Determine FDC
1992

Ow
6/13/93
8/10/22/93

CCT
Data Serv Investment in Repair Facility 1992 KW 6/3/93 B 6/22/93

05-27-93 04:09PM P13/**

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 05/20/93
Item No. 2-081
Page 1 of 1

Request: Re Data Serv: Provide Data Serv's investment in the Atlanta Repair facility in 1992.

15

Response: Dataserv's net investment in the Atlanta repair facility for 1992 was [redacted] 46-5 46-5/1-1

This information constitutes proprietary confidential business information and is the subject of a "Notice of Intent to Request Confidential Classification."

CONFIDENTIAL

PROPRIETARY

Data Serv KW

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 06/07/93
Item No. 2-092
Page 1 of 1

Request: Provide the balance sheet for Dataserv for 1992 for the Maintenance Co. Atlanta Repair Rollup Division.

Response: The Dataserv repair center located in Atlanta is a profit center not a division and accordingly no balance sheet is available.

46-5
1

SBT

Determination of Atlanta Repair Facility Investment

1992

KW 6/29/93

B 11/22/93

		Atlanta Repair G/L Balance (250181)	Total Plant Balance per G/L	Acc % of Total	Total Acc Deprec. Per G/L	Portion Atlanta Based on %'s
Leasehold						
Furniture & Fixtures						
Test Equip						
Computer						
Recyclable Parts		$				
Less Deprec						
		$ [redacted]				
Net Income per 46-5 Return		[redacted]				
19 Per Co Response D-281					$ [redacted]	46-5A
Difference					[redacted]	
Cir 150100 Atlanta Admin Test Equip					[redacted]	46-5
Computer				A	[redacted]	1-1
				(B)		1
Remaining Difference					B [redacted]	
EA		[redacted]				
26	Rate of Return		[redacted]			

CONFIDENTIAL

46-5

1-1

33

ESP1

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 07/02/93
Amended Response to
Item No. 2-106
Page 1 of 1

Request: Re Dataserv: Provide the list of Cost Centers used in the G/L and to what they relate (i.e. - Center 41005, 41100, 41120).

Response: The Company amends its response of July 12, 1993 in which it stated that the requested information would be provided on or before July 16, 1993.

A list of the Dataserv cost centers and the associated description for each is being mailed in overnight mail to be received on July 14, 1993.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Staff reviewed the entire G/L to determine if any other divisions were related to Bell. Asked for detail by division. Reviewed this printout.

Date Provided: July 13, 1993

p1

ITEM NO. 2-106
ATTACHMENT

DATASERV, INC.

1993 HIERARCHY

12-Jul-93

	COMP ID		DESCRIPTION	RESPONSIBILITY	RC #
	MAIN	1	TOTAL CUSTOM SOLUTIONS	IVARS WAGNER	
		A	CUSTOM SOLUTIONS ADMINISTRATION	IVARS WAGNER	130600
			CUSTOM SOLUTIONS NON-OPERATING CENTER	IVARS WAGNER	831000
		B	TOTAL FIELD ORGANIZATION	IVARS WAGNER	
			BUSINESS DEVELOPMENT	JOE RIOLO	180123
			DELTA GROUP	RICK JOHNSON	
			SUPPORT	RICK JOHNSON	180110
			BUSINESS DEVELOPMENT	RICK JOHNSON	180122
			SERVICE DELIVERY	RICK JOHNSON	
			SERVICE DELIVERY ADMIN	RICK JOHNSON	180130
			SERVICE DELIVERY	HEATHER MYERS	180131
			TECHNOLOGY CONVERSION	RICH EVERROAD	180132
			HELP DESK	CAROL WILLCOX	180134
			ADVISORY SERVICES	HEATHER MYERS	180136
			PLAN NET	RICK JOHNSON	180138
			CUSTOMER EDUCATION	TBA	TBA
			CONS	TBA	TBA
			INTEGRATED SOLUTIONS DIVISION	JIM MAURER	
			ISD DIVISION ADMINISTRATION	JIM MAURER	120000
			NAT'L TECH SUPPORT	CECIL HAURI	140010
			INTEGRATION/DEPOT	DAN CORCORAN	180133
			TELECOM ACCOUNTS	TED KOCHER	
			TELECOM ADMIN	TED KOCHER	122000
			TELECOM ASSET MANAGEMENT	TED KOCHER	122140
			TELECOM DISTRICT - DC	TED KOCHER	122110
			TELECOM DISTRICT - IL	TED KOCHER	122120
			TELECOM DISTRICT - MN	TED KOCHER	122130
			NETWORK ACCOUNTS	RICKY WILLEFORD	
			NETWORK ADMIN	RICKY WILLEFORD	123000
			3480 BUSINESS	RON HARTKEMEYER	122290
			NETWORK - NORTHEAST	RICKY WILLEFORD	122190
			NETWORK - SOUTHEAST	RICKY WILLEFORD	123190
			NETWORK - CENTRAL	CURT ABBOTT	123290
			NETWORK - WEST	CURT ABBOTT	142190
			NETWORK - SOUTH	CURT ABBOTT	145590
41			[redacted]	CHRIS RHODES	123011
			[redacted]	CHRIS RHODES	123012
			[redacted]	CHRIS RHODES	123013
			[redacted]	CHRIS RHODES	123014
			[redacted]	CHRIS RHODES	142196
			[redacted]	GARY LUXENBERG	142290
47			[redacted]	BRIAN ESTREM	142390
			STRATEGIC ACCOUNTS	JIM MAURER	
			NATIONAL SERVICE MANAGER	GARY LUX/LARRY PROPER	
51			NAT'L SERVICE MANAGER ADMIN	GARY LUX/LARRY PROPER	141000
			[redacted]	SCOTT WAGONER	142101
			[redacted]	BOB BOERG	141201
			[redacted]	GARY LUXENBERG	142201
			[redacted]	TIM PETERS	142301
			[redacted]	TIM PETERS	143101
			[redacted]	GARY LUXENBERG	143201
			[redacted]	GARY LUXENBERG	143301
			[redacted]	CHRIS RHODES	122100
			[redacted]	SCOTT WAGONER	142100
			[redacted]	GARY LUXENBERG	142200
			[redacted]	TIM PETERS	142300
			[redacted]	TIM PETERS	143100
64			[redacted]	GARY LUXENBERG	143200
			[redacted]	GARY LUXENBERG	143300
			NATIONAL SERVICE MANAGER	RON HARTKEMEYER	
67			NAT'L SERVICE MANAGER ADMIN	RON HARTKEMEYER	143000
			[redacted]	SCOTT WAGONER	142102
			[redacted]	BRIAN ESTREM	141202
			[redacted]	BRIAN ESTREM	142302
			[redacted]	BRIAN ESTREM	141203
			[redacted]	ERICH METZGER	142103
72			[redacted]	GARY LUXENBERG	142203

F01K02W 006427 p2

/

	BRIAN ESTREM	142303
	TIM PETERS	143103
	MAX SAUREZ	143303
	RON HARTKEMEYER	142403
	RON HARTKEMEYER	142503
	RON HARTKEMEYER	142603
	RON HARTKEMEYER	142409
	BRIAN ESTREM	141208
	GARY LUXENBERG	142208
	BRIAN ESTREM	142308
	TIM PETERS	143108
	TIM PETERS	143208
	BRIAN ESTREM	143308
	TIM PETERS	143110
	GARY LUXENBERG	
	GARY LUXENBERG	143115
	GARY LUXENBERG	143215
	GARY LUXENBERG	143315
	GARY LUXENBERG	143415
	GARY LUXENBERG	143615
	GARY LUXENBERG	143815
21		
RETAIL SYSTEMS DIVISION	GARY MAINOR	
DIVISION ADMINISTRATION	GARY MAINOR	110100
NATIONAL ACCOUNT MANAGEMENT	LEO SMITH	110150
TECH SUPPORT	DAVID WATERFILL	110181
SERVICE CENTERS	KEN WURSCHER	
SERVICE CENTER ADMIN	KEN WURSCHER	110400
PHILADELPHIA	ED ALLEGRETTO	110411
ATLANTA	DAVID HALL	110422
LOUSIVILE	ROGER YOCKEY	110431
CHICAGO	DENNIS OBERT	110441
MINNEAPOLIS	WARREN ROSS	110461
DALLAS	JIM HAMLET	110481
LOS ANGELES	FRANK SHUFELT	110471
SELECT ACCOUNTS DIVISION	LES RADER	
SELECT ACCOUNTS DIV. ADMIN.	LES RADER	170120
SELECT ACCOUNTS TERRITORY ROLLUP	LES RADER	
TERRITORY 1	DENNY HOFF	170115
TERRITORY 2	RON SMALL	170116
TERRITORY 3	LEWIS TRAMMELL	170111
TECHNICAL SUPPORT	GORDON LITTLER	170127
0 GROUP OPERATIONS	GARY MAINOR	
OPERATIONS	DON HONECK	
TSS SUPPORT	SCOTT WEEKLUND	232800
SHIPPING	TOM TORBORG	232670
TEST & TEARDOWN	TOM HONE	232690
INVENTORY-MAINTENANCE	DAVE MOLINE	232680
PURCHASING	DAVE MOLINE	232620
INVENTORY PLANNING AND SCHEDULING	DAVE MOLINE	232650
INVENTORY OPERATIONS	DAVE MOLINE	
INVENTORY OPS PHILADELPHIA	DAVE MOLINE	232411
INVENTORY OPS ATLANTA	DAVE MOLINE	232422
INVENTORY OPS TAMPA	DAVE MOLINE	232423
INVENTORY OPS LOUISVILLE	DAVE MOLINE	232431
INVENTORY OPS CHICAGO	DAVE MOLINE	232441
INVENTORY OPS DALLAS	DAVE MOLINE	232461
INVENTORY OPS LOS ANGELES	DAVE MOLINE	232471
PARTS REPAIR	TOM HONE	232910
TEST METHODS	CHARLIE CARROLL	232610
PRODUCT SUPPORT	JEFF FIDELER	233610
RECEIVING	TOM TORBORG	232680
RAD SUPPORT SERVICES	PATTY JOHNSON	232720
TRANSPORTATION	JIM FLESCHER	232710
TRAINING	DAVID WATERFILL	232310
CUSTOMER INFORMATION SERVICES	JOLENE LOUWAGIE	232640

F01K02W 006428

P.?

KW
9/8/93
R 10/2/92

		OPS CALL COORDINATORS	JOLENE LOUWAGIE	222730
	C	SALES	IVARS WAGNER	
		CUSTOMER ACCOUNTS	JEANETTE KOPPANG	880100
		RETAIL CUSTOMER ACCOUNTS	LYNDIA ARDOYNO	380100
		PROSPECT SALES TEAM MGR	BRUCE MALMGREN	300000
		MAJOR ACCOUNTS	LISA HEIPLE-ROSS	310100
		MAJOR ACCOUNTS	BOB DENMAN	300100
		MAJOR ACCOUNTS	ED AYD	390100
MAIN	2	ATLANTA	GARY MAINOR	
		ATLANTA ADMINISTRATION	ALAN BENEFIELD	180100
		ATLANTA REPAIR FACILITY	ALAN BENEFIELD	180181
PRTS	3	TECHNOLOGY SUPPORT SERVICES DIVISION	MIKE CIBULKA	
		COMPUTER PARTS	MIKE CIBULKA	
		REVENUE	MIKE CIBULKA	14100
		OFFSITE INVENTORY	MIKE CIBULKA	24300
		PURCHASING	BOB DILLON	24200
		ADMINISTRATION	MIKE CIBULKA	44300
		CUSTOMER SERVICE	SUSAN ROGERS	44400
		MARKETING	DAN McMULLEN	34100
		PARTS NON-OPERATING CENTER	MIKE CIBULKA	94100
RADD	4	RETAIL APPLICATIONS DIVISION	HAROLD SCHRUM	
		SOLUTIONS	HAROLD SCHRUM	10010
		SURPASS	HAROLD SCHRUM	10020
		SMS	HAROLD SCHRUM	13000
		ADMIN	HAROLD SCHRUM	15060
		SHOP	HAROLD SCHRUM	15070
		RAD NON OPERATING CENTER	HAROLD SCHRUM	90100
CORP	6	CORP G&A		
		EXECUTIVE	PHIL HINDERAKER	41200
		LEGAL	CAROLINE WATSON	41360
		CFO GROUPS	GARY JORDAN	
		FINANCE	DAVE HAFNER	41020
		FINANCIAL REPORTING AND TAX	JACKIE ANDERSON	41030
		CUSTOMER ACCOUNT SERVICES	CARLA HOFFER	41140
		PLANNING & ANALYSIS	GARY JORDAN	41040
		MIS	BYRON BAKER	41400
		CORPORATE NON-OPERATING CENTER	GARY JORDAN	91100
		GROUP OPERATIONS	GARY MAINOR	
		WORD PROCESSING	ANITA GRAVES	41130
		FIXED BUDGET	DON HONECK	41600
		HUMAN RESOURCES	KATHY ANDRUS	41300
		FACILITIES	JIM PAULET	41066
		COMMUNICATIONS SUPPORT	PATTI JOHNSON	41150
		CORPORATE MARKETING	BRUCE MALMGREN	41100
		CUSTOMER SUPPORT	TONI SIGNORETTI	41180
		TELECOMMUNICATIONS SERVICES	JOLENE LOUWAGIE	41860

46-5
1-1

46-5
1-1
2-1

F01K02W 006429
p 4

37

46-5
1-1
2

B C

DATASERV

1992

Profitability Analysis (Six Month Average - June YTD)

	BellSouth	Non-Affiliate
Revenue		
Contract		
Footage and Usage		
Time and Material		
Total Revenue		
Expenses		
Salary		
Overtime		
Bonus		
Payroll Taxes and Employee Benefits		
Travel Costs		
Consumable Parts Costs		
Depreciation on Repairable Parts		
Repair Costs		
Telephone/Communication Costs		
Misc.		
Total Expense		
On-Site Field Margin		
On-Site Field Margin %		

PROPRIETARY

SPECIFIED CONFIDENTIAL

ITEM NO. 2-048
ATTACHMENT

38

DATASERV

1992

Profitability Analysis (Six Month Average - June YTD)

	B BellSouth	C Non-Affiliate
Revenue		
Contract		
F&U		
T&M		
Total Revenue		
Expenses		
Salary		
OT		
Bonus		
Tax/Bene's		
T&E		
Consumable Parts		
Recycled Pts/Test		
Repair Costs		
Tele/Comm		
Misc		
Total Expenses		
On-Site Field Margin		
On-Site Field Margin %		

46-6/2

In error - See 46-6/1 & 46-6 p1

PROPRIETARY

F01K01W 781394

BST
Repair Cost Comparison 1993   kw 6/3/93 B10/12/93

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 3-2-93
Amended Response to
Item No. 2-0048
Page 1 of 1

Request: Provide a copy of the analysis prepared for the Dataserv Centers of costs for affiliates vs. non affiliates.

Response: Attached is the 1992 Dataserv Profitability Analysis which compares, based on January - June, 1992, actuals, an average month of revenues and expenses associated with maintaining BellSouth data centers to the revenues and expenses associated with maintaining the data centers of non-affiliates. The revenues and costs to maintain a data center will vary depending on the location of the data center and the amount and mix of equipment being maintained. Consequently, on-site field margin percentage is the appropriate measurement of affiliate and non-affiliate data center profitability. On-site field margin percentage is simply on-site field margin divided by total revenue. On-site field margin is revenue less the <u>direct</u> costs incurred to provide the service. It does <u>not</u> include any corporate overhead allocations.

This material constitutes confidential proprietary business information and is the subject of a "Notice of Intent to Request Specified Confidential Classification."

Date Provided: March 24, 1993

40   CONFIDENTIAL   96-622

CONFIDENTIAL

Revised '93 BST Data Serv Cost Centers

TPE 12/31/92

KW 9/4/93
6/14/93

		(ISD AL, MS, TN, KY, LA) Birmingham 143207	(GA, NC, SC ISD BellS) Charlotte Atlanta 143107	(ISD Network SE) 123190	(ISD South) 142290	(ISD West) 142190	(ISD NW Central) 123290
130210	Contract Rev						
130220	Install. Inv						
431510	Footage Elsewh						
431610	Time & Mat						
491410	Fee Inc.						
510010	Salaries						
511015	O/T						
512015	TCP						
512510	Payroll Taxes						
521010	Contract Labor						
540110	Fac Rent						
540320	Utilities						
540410	Telephone						
540510	Pager/ans Se						
540610	Prop Tax						
540710	Bldg Mtc						
540810	Moving Exp						
551010	Travel						
551020	Meals						
551030	Auto						
551040	Entertainment						
551050	Dept Ent.						
560010	Emp. Ben.						
560310	Emp Rel						
560410	Relocation						
561015	Recruitment						
561510	Training						
566510	Meals Trav						
561910	Temp Help						
561810	Software Exp						
561710	Hardware Exp						
562010	Supplies						
562310	Eq Rent						
562320	IBM Lab/Pts						
5627[illegible]	Non Cap Furniture						
562410	Tools						
562715	Cust Rel						
564110	Ext Rep Cost						
565110	Freight						
565120	Freight						
566310	Storage						

41

	C	D	E	F	G	H
	Birmingham					
	143207	143107	123190	142290	142190	123290
570110 Dep Test Eq.						
570120 Dep Rep Eq.						
570180 Dep Computer						
570210 Dep Furn & Fix.						
580150 Sales Tax						
580450 Courier						
580570 Dues						
580710 Postage						
581650 Misc.						
597300 COS Trans. fuel						
599510 Int Pt Rep.						
Net Profit						
	∝	∝	∝	∝	∝	∝

Rev

Rev Profit Margin

Source: GL

∝ traced to income statement by division

CONFIDENTIAL

42

ESP1

46-6
BP2

Proprietary C&L w/p for Kathy Welch

471

DOCUMENT NUMBER-DATE

06237 JUN-9 8

PBC

BELLSOUTH CORPORATION
COMPARISON OF CAMPANILE LEASE RATES - Original lease

ATTACHMENT 1
PAGE 2

	YEAR Beg. on	C C&L LEASE *	D BLS LEASE	E 5.56 REDUCTION	F RATE ADJUSTMENT	G X 261,955 BLS SQ FT (ADJUSTMENT)
1	08-14-~~88~~ 87	L [redacted] **	L [redacted]	[redacted]	[redacted]	[redacted]
2	08-14-~~89~~ 88					
3	08-14-~~90~~ 89					
4	08-14-~~91~~ 90					
5	08-14-~~92~~ 91					
6	08-14-~~93~~ 92		L			
7	08-14-~~94~~ 93					
8	08-14-~~95~~ 94					
9	08-14-~~96~~ 95					
10	08-14-~~97~~ 96					
	SUM OF LEASE RATES	[redacted] / 10	[redacted] / 10	[redacted] / 10		
	AVG RATES PER SQ. FOOT	[redacted]	[redacted] ①	[redacted] ②	①-②: [redacted]	
18	TOTAL ADJUSTMENT NEEDED FOR EQUIVALENT AVERAGE LEASE RATES					[redacted]

20 * C&L lease rates in this schedule include the [redacted] expense stop difference after the first 25 months. Actual base lease rates in the lease are [redacted] lower.

24 ** Adjustment for the difference in tenant improvement allowances. BellSouth TI allowance was [redacted] per foot. C&L TI allowance was [redacted] per foot. Difference of [redacted] therefore, included as a reduction of rent in year 1. Also included is [redacted] reduction for the moving allowance negotiated by C&L [redacted] 116/61,428 ft.)

28

This W/P agrees to client's analysis in P/y

PROPRIETARY " Confidential "

as adjusted by TM *

(L) - agreed to C&L lease w/i $0.03/yr.

L - agreed to 2nd amendment

F01K02W 002898 p2

Date Prepared 3/25/93

Prepared by
a) C & L
b) Client and Examined by LiCo

Reviewed by C & L [illegible]

BLS 86-111
Lease analysis
12/31/92

Conf.

5060 30.81

PBC

BELLSOUTH CORPORATION
COMPARISON OF CAMPANILE LEASE RATES
REFLECTS EFFECTS OF DELAYING INCREASE IN RPSF TO 1/1/93

ATTACHMENT 1
PAGE 1

	YEAR	C C&L LEASE *	D BLS LEASE	E 5.38 REDUCTION	F RATE ADJUSTMENT	G X 256752 L BLS SQ FT (ADJUSTMENT)
1	08-14-88	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2	08-14-89					
3	08-14-90					
4	08-14-91					
5	08-14-92					
6	08-14-93					
7	08-14-94					
8	08-14-95					
9	08-14-96					
10	08-14-97					
	SUM OF LEASE RATES	[redacted] / 10	[redacted] / 10	[redacted] / 10		
	AVG RATES PER SQ. FOOT	[redacted]	[redacted]	[redacted]	[redacted]	

TOTAL ADJUSTMENT NEEDED FOR EQUIVALENT AVERAGE LEASE RATES [redacted]

21 * C&L lease rates in this schedule include the
23 [redacted] expense stop difference after the first 25 months. Actual base lease rates in the lease are [redacted] lower.

25 ** Adjustment for the difference in tenant improvement
27 allowances. BellSouth TI allowance was $10-$13 per foot. C&L TI allowance was $16 per foot. Difference of
29 [redacted] therefore included as a reduction of rent in year 1. Also included is a [redacted] reduction for the moving allowance negotiated by C&L ([redacted] 16/61,428 ft.)

30 NET PRESENT VALUE [redacted] [redacted] [redacted]

33 NET PRESENT VALUE OF PRO FORMA STREAM OF RATES [redacted]

34 ANNUAL ADJUSTMENT FACTOR TO OBTAIN EQUAL NPV [redacted] — this is the adj./ft² needed to reduce BLS's rate to be comparable w/ the C+L rate

36 PRO FORMA LEASE PAYMENT STREAM:

1 (after [redacted] adjustment)
2
3
4
5
6
7
8
9
10

[redacted]

45 46

47 TOTAL ADJUSTMENT NEEDED FOR EQUAL NPV LEASE RATES
ANNUAL ADJ. X 261,955 FOR 10 YEARS [redacted] avg [redacted]

L - applied to rentable ft² per 2nd amendment reduced by cancelled space in 5th amendment (5203 ft²)

CONF

F01K02W 002900 pY

Date Prepared 3/25/93
Prepared by
a) C & L
b) Client and
Examined by ECC
Reviewed by
C & L SR/MGR

BLS 86-111
Lease Analysis incl. delaying increase in Rent
12/31/92

Conf

SGB

30.82

Purpose: To show comparison of newly adjusted rates (retaining [redacted] as of 1/93) to NPV rate comparable to C+L rates. See further detail on memo at [redacted].

ATTACHMENT A

BELLSOUTH CORPORATION

COMPARISON OF ADJUSTED BILLING RATE PER SQUARE FOOT

TO RATE PER SQUARE FOOT BASED ON NET PRESENT VALUE

		C	D	E	F	G
		ADJ	NPV	ANNUAL BILLING AT		ADJ RATE
	NUM.	RATE	RATE			OVER (UNDER)
	OF	BILLED	PER	ADJ RATE	NPV RATE	NPV RATE
YEAR	SQ. FT.	SQ. FT. (A)	SQ. FT. (B)	(A X B)	(A X C)	(E - D)
endings	(A)	(B)	(C) 30.82	(D)	(E)	(F)
8-14-88	256,752	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
8-14-89	256,752			[redacted]	[redacted]	[redacted]
8-14-90	256,752			[redacted]	[redacted]	[redacted]
8-14-91	256,752			[redacted]	[redacted]	[redacted]
8-14-92	256,752		3084	[redacted]	[redacted]	[redacted]
8-14-93	256,752			[redacted]	[redacted]	[redacted]
8-14-94	256,752			[redacted]	[redacted]	[redacted]
8-14-95	256,752			[redacted]	[redacted]	[redacted]
8-14-96	256,752			[redacted]	[redacted]	[redacted]
8-14-97	256,752			[redacted]	[redacted]	[redacted]
				[redacted]	[redacted]	[redacted]
LEASE TERM (YEARS)				10	10	
AVERAGE BILL OUT RATE				[redacted]	[redacted]	

PROPRIETARY

CONF

28 (A) This column reflects the rate/ft² billed out. It is the actual lease rate reduced by the amt. retained ([redacted] thru 12/92; [redacted] for remainder)

(B) This is the rate/ft² BLS would have been able to bill out, had their lease rates been comparable to C+L (see calculation @ [redacted]).

Conclusion: This W/P shows that by increasing the retained amt. to
32 [redacted] as of 1/93, BLS will have retained the amt. necessary to be comparable to the C+L lease. No further adjustment is needed.

F01K02W 002982

Date Prepared 3/25/93
Prepared by
a) C&L
b) Client and Examined by ECB
Reviewed by C&L SR/MGR

BLS 86-111
Analysis of Lease Rates
12/31/92

"conf"

49

8648

30.83

F01K02W 002903

BELLSOUTH 86-111
Summary of Unadjusted Differences
12/31/92

SUD Reference	W/P Reference	Account/ Cost Pool	Account Description	NON-REGULATED Asset	NON-REGULATED Liability	NON-REGULATED Equity	NON-REGULATED Dr / (Cr) Pretax Income	REGULATED Asset	REGULATED Liability	REGULATED Equity	REGULATED Dr / (Cr) Pretax Income	Explanation
#1	BST WEST Analytics T/M # 10	6534 CP09	Plant Ops Admin Expense				298,884					To correct error - double booking of credit adjustment made by clie
		6534 CP09	Plant Ops Admin Expense								(298,884)	
#2	19.f 8	7220	Ops Federal Income Tax								377,000	To adjust taxes to SOBI as calculated by C&L
		7220	Ops Federal Income Tax				(377,000)					
#2	19.f 8	7230	Ops State Income Tax								54,500	To adjust taxes to SOBI as calculated by C&L
		7230	Ops State Income Tax				(54,500)					
#3	19.f 1b	7220	Ops Federal Income Tax				77,770					To adjust taxes for the difference between the ARMIS and the amount of ending tax expense
		7230	Ops State Income Tax				213,868					
		7220	Ops Federal Income Tax								(153,991)	
		7230	Ops State Income Tax								(29,143)	
		*	Unidentified difference- Reg Expense								(108,504)	
#4	166.98	1190	Accounts Receivable					1,170,000				To correct for bill to BAPCO booked incorrectly. An adjustment was booked in 2/93 to correct the error.
		1190	Accounts Receivable	130,000								
		6724	Information Management				(130,000)					
		6724	Information Management								(1,170,000)	
			TOTALS	130,000	0	0	29,022	1,170,000	0	0	(1,329,022)	

TOTAL NONREGULATED EXPENSES = 304,824,000

ERROR AS A % OF NONREGULATED $ = 0.0095%

The unadjusted differences are not material to the 12/31/92 FCC 43-03 and there appears to be adequate allowance for any undetected errors. The Company has complied with the FCC's requirement of adjusting the 43-03 for adjustment(s) that would impact non-regulated operations by greater than $1 million.

BGB Agree - amounts are not material.

19.1

PROPRIETARY

Cont

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Cecil Smith 56-111
SAD
12-21-92

JH 3-19-93
X

Conf

19.2

F01K02W 002905

52

BellSouth 86-111
Summary of Adjusted Differences
12/31/92

Identified By	SAD Reference (Tab #)	WP Reference	Account/ Cost Pool	Account Description	Common Pretax Income	Nonregulated Debit (Credit) Asset	Nonregulated Debit (Credit) Liability	Nonregulated Debit (Credit) Equity	Nonregulated Debit (Credit) Pretax Income	Regulated Debit (Credit) Asset	Regulated Debit (Credit) Liability	Regulated Debit (Credit) Equity	Regulated Debit (Credit) Pretax Income	Explanation
	7	10.f1	7370	Special Charges - NR					299,925					
			7370	Special Charges - Reg									(299,925)	To correct the 1992 YTD taxes for Nonreg.
	8	10.g1	6623	Customer Services - Reg					(201,829)					
			6623	Customer Services - NR									201,829	To correct erroneous input data for billed -line calculations.
	8	10.g1	7540	Other Int Deductions - Reg					(8,812)					
			7540	Other Int Deductions - NR									8,812	To correct erroneous input data for billed -line calculations.
	9	10.h1	6623	Customer Services - NR					298,525					
			6623	Customer Services - Reg									(298,525)	To adjust for 1992 BC MemoryCall sales expen
	10	10.i1	7100	Other OPS Gain/Loss - NR					12,220					
			7100	Other OPS Gain/Loss - Reg									(12,220)	To correct the other operating gain / loss recognition associated with expiring capital lea
	11	10.j1	6212	Digital Electronic - NR					100,179					
			6212	Digital Electronic - Reg									(100,179)	To correct the Jan - Jun MemoryCall Expense.
	12	10.k1	6725	Legal - Reg					(114,836)					
			6725	Legal - NR									114,836	To correct the double entry of Florida legal expense.
	13	10.l1	6725	Legal - NR					498,791					
			6725	Legal - Reg									(498,791)	To ensure that associated lawsuit expenses ar properly stated for 1992.
	15	10.n1	6623	Customer Services - Reg					(238,830)					
			6623	Customer Services - NR									238,830	To correct the cost allocation for the items covered in the tariff.
Subtotal					0	(577,201)	0	0	3,479,225	577,201	0	0	(3,479,219)	
FCC	16	10.o1	2212	Digital Electronic Switching NR		721,791								
			2212	Digital Electronic Switching Reg						(721,791)				To move Investment related to Protocol Conversion from Reg to Nonreg
			3100	Accumulated Depreciation NR			228,079							
				Accumulated Depreciation Reg							(228,079)			
			4340.1	Deferred Taxes NR			136,902							
			4340.1	Deferred Taxes Reg						(136,902)				
			6212	Switch Maintenance NR					13,857					
			6212	Switch Maintenance Reg									(13,857)	
			6531	Power NR					2,757					
			6531	Power Reg									(2,757)	
			6532	Network Administration NR					1,383					
			6532	Network Administration Reg									(1,383)	
			6533	Testing NR					848					
			6533	Testing Reg									(848)	
			6534	Plant Administration NR					3,265					
			6534	Plant Administration Reg									(3,265)	
			6535	Engineering NR					10,294					
			6535	Engineering Reg									(10,294)	
			6561	Depreciation NR					85,450					
			6561	Depreciation Reg									(85,450)	
Subtotal					0	721,791	364,981	0	97,843	(858,693)	(228,079)	0	(97,843)	
Total Adjustments					0	144,530	364,981	0	4,072,094	(740,127)	(228,079)	0	(4,007,308)	

PROPRIETARY

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F01K02H 002906

53

BellSouth 86-111
Summary of Adjusted Differences
12/31/92

Identified By	SAD Reference (Tab #)	WP Reference	Account/ Cost Pool	Account Description	Common Pretax Income	Nonregulated Debit (Credit) Asset	Nonregulated Debit (Credit) Liability	Nonregulated Debit (Credit) Equity	Nonregulated Debit (Credit) Pretax Income	Regulated Debit (Credit) Asset	Regulated Debit (Credit) Liability	Regulated Debit (Credit) Equity	Regulated Debit (Credit) Pretax Income	Explanation
CAL	14	10.m1	6612	Sales - NR					331,200					
			6612	Sales - Reg									(331,200)	To correct the unusually large negative nonreg ratio in Cost Pool 03.
Subtotal						0	0	0	331,200	0	0	0	(331,200)	
Internal Audit	2	10.a1	6720	Procurement - NR					101,222					
		10.a1	6720	Procurement - Reg									(101,222)	To correct the difference between reg/nonreg allocation methodology in CSS Account 6720 and the CAM and the system documentation.
	3	10.b1	6362	Other Terminal Equipment - Reg									140,400	To adjust for the error rates for the various Account/ JFC / FRC combinations.
		10.b1	6362	Other Terminal Equipment - NR					1,032,220					
			6421	Aerial Cable Expense - Reg									404,892	
			2421	Aerial Cable - Reg						(383,809)				
			2423	Buried Cable - Reg						(81,086)				
			6423	Buried Cable Expense - Reg										
			6534	Plant Ops Admin. - Reg									(97,274)	
			6534	Plant Ops Admin - NR					(100,711)				(831,708)	
Subtotal					0	0	0	0	963,740	(464,895)	0	0	(490,044)	
Company	4	10.c1	6532	Network Administrative - NR					1,000,348					
		10.c1	6532	Network Administrative - Reg									(1,000,348)	To correct Jan - Aug time reporting to reflect th labor profile method.
	4	10.c1	6533	Testing Expense - Reg									1,220,041	To correct Jan - Aug time reporting to reflect th labor profile method.
		10.c1	6533	Testing Expense - NR					(1,220,041)					
	4	10.c1	6533	Testing Expense - NR					34,253					To correct the COM system constraints error.
		10.c1	6533	Testing Expense - Reg									(34,253)	
	4	10.c1	6533	Testing Expense - NR					9,902,208					To correct the understatement of average time.
		10.c1	6533	Testing Expense - Reg									(9,902,208)	
	4	10.c1	6532	Network Administrative - NR					3,144,701					To correct the understatement of average time.
		10.c1	6532	Network Administrative - Reg									(3,144,701)	
	5	10.d1	2121	Buildings - Reg						577,201				To reflect the impact that the changes in floor space records had on reg/nonreg activities for 1992.
			2121	Buildings - NR		(577,201)								
	5	10.d1	6121	Land & Building - NR					187,807					
			6121	Land & Building - Reg									(187,807)	To reflect the impact that the changes in floor space records had on reg/nonreg activities for 1992.
	6	10.e1	6727	Research & Development - Reg									180,520	To correct the error in the calculation of the 19 1992 CSS ratio for allocating R&D.
			6727	Research & Development - NR					(180,520)					
	7	10.f1	7220	OPS Federal Income Tax - Reg									8,824,497	To correct the 1992 YTD taxes for Nonreg.
			7220	OPS Federal Income Tax - NR					(8,824,497)					
	7	10.f1	7230	OPS State & Local - Reg									1,785,422	To correct the 1992 YTD taxes for Nonreg.
			7230	OPS State & Local - NR					(1,785,422)					

PROPRIETARY

Cont

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C&H 3-1-93

BLS 86-111
Testing Expense
12/31/92

A. Testing - New Profiles - Network determined that the labor profile method was the preferred time reporting method for all Test Center Employees. Profiles were implemented in September and October 1992. This adjustment was to correct January - August.

B New Cost Pool - Cost pool (which is common) was established 07/92, however, due to CDM system constraints there were no costs assigned to the cost pool. The adjustment corrected this situation. They were assigned to a reg cost pool.

C 1991 Correction - In 1991, at C&L's request, Network performed an analysis to substantiate the number of hours reported to FRC 61T, the common code for Testing Expense. The review consisted of developing an average time per task (hours for certain codes divided by all task) for all test center activities (service orders and maintenance task) and applying this average to the number of customer reported troubles to determine the number of hours that should have been reported to 61T. The review concluded that too many hours were charged to the common FRC 61T resulting in an over allocation to nonreg. An $11.3M nonreg to reg adjustment was made in 12/91 to correct the reported results. The difference (amount and direction) between the 1991 and 1992 adjustment was due to an oversight (the hours for several FRCs were omitted from the 1991 analysis) in determing the average time per task. As a result the average time was significantly understated.

This issue is further addressed in MAP4.

A 6532 Network Administration - NR 1,869,345
6532 Network Administration - Reg 1,869,345
* 6533 Testing Expense-Reg 1,220,041
6533 Testing Expense - NR 1,220,041

A - C = 649,304

B * 6533 Testing Expense - NR 34,253
6533 Testing Expense - Reg 34,253

C * 6533 Testing Expense - NR 9,592,268
6533 Testing Expense - Reg 9,592,268

C * 6532 Network Admin - NR 3,144,701
6532 Network Admin - Reg 3,144,701

* See Graph's analytics 19 for adjustment tie out

19.C1

Note: See w/p 19.C2a for CP 6533 adjustment tie out

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CONF

cH 31.93

1992 JCO AUDIT TESTING ADJUSTMENT

In 1991, C&L expressed a concern that the methods (some were profiled and others were positive time reporting) and documentation for the way testing technicians charged their time was lacking. Their primary concern was the documentation for time charged to FRC 61T, Customer Reported Troubles, which is a common expense. Since there was not enough time for the Network Staff to review the time reporting for all Test Center employees, a review was conducted by Network to substantiate the hours charged at the FRC level. The review consisted of developing an average time per task (hours for certain codes divided by all task) for all test center activities (service orders and maintenance task) and applying this average to the number of customer reported troubles to determine the number of hours that should have been reported to 61T. The review concluded that too many hours were charged to the common FRC 61T resulting in an over allocation to nonreg. An $11.3 million nonreg to reg adjustment was made in 12/91 to correct the reported results.

In early 1992, Network determined that the labor profile method was the preferred time reporting method for all Test Center employees. In July 1992, Network issued methods and procedures for establishing labor profiles to the field and committed to have all centers properly profiled on September 1, 1992. Using actual IMC Test Center hours for November 1992 (which are based on the new profiles) and the weighted averages of the SSC/MAC profiles, we restated January - August 1992 Test Center expenses to determine if an adjustment is necessary for 1992. The results indicate a reg to nonreg shift of $649,304.00. The weighted averages were used for the SSC/MACs due to problems in reconciling the actual hours with the profiles.

The difference (amount and direction) between 1991 and 1992 was due to an oversight (the hours for several FRCs were omitted from the 1991 analysis) in determining the average time per task. As a result, the average time was significantly understated.

BellSouth applied the labor profile method to 1991 testing expense and found that the 1991 adjustment should have been $1.4m reg to nonreg (instead of $11.3m nonreg to reg as mentioned above). Therefore, the net adjustment to correct 1991 testing expense is $12.7 [19.0] reg to nonreg (See wp 180.40).

→ For detailed testing of this amount, see wp 180.35.

19.02

F01K02W 002909

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Q#3 '93 Net Adjustments

	1992 NR Adj.		1991 True-up	
	A	B	C	D
	6533 CP02	6532 CP01	6533 CP02	6532 CP02
AL	180.35 (233,959)	180.35 303,771	180.40 1,657,248	180.40 429,103
GA	65,928	393,288	973,220	751,465
KY	(429,785)	10,256	354,726	195,122
LA	(71957)	117,746	1,207,700	95,890
MS	(357010)	186,347	460,544	155,313
NC	(110779)	36,927	967,654	71,475
SC	(231467)	263,148	84,574	443,436
TN	(225,889)	282,185	1,410,743	578,864
FL	374,878	275,677	2,475,660	404,033
	19.C1 (1,220,040)	19.C1 1,869,343	19.C1 9,592,269	19.C1 3,144,701

	A+C Total	B+D Total
	6533 CP02	6532 CP01
AL	1,423,289	732,874
GA	1,039,148	1,144,753
KY	(75,059)	205,378
LA	1135,943	213,636
MS	103,534	341,660
NC	856875	108,402
SC	(146,893)	706,584
TN	1,184,854	861,049
FL	2,850,538	699,710

See Graphs Analytics 48 51

See BST Analytics question #72.

NOTE: This w/p ties the prior year and current year adjustments, for comparison to Analytics.

19.C2a

F01K02W 002910

Conf

cjH 3-1-93

4-70

File Code: 794.0303

Date: December 15, 1992

To: Ross Martin
Lyn Rogers-Haney
Bonnie Perez
Wes Allbritton
Charles Morris

From: Mary Stamp

Subject: Common YTD Adjustment for FRCs 24P and 24W

Attached is the worksheet for the common part of FRCs 24P and 24W from the PDCC test center in Atlanta. The test center has run a monthly report of the time charged to each of the FRCs. I have taken these times and converted them to total hours.

The SN908 has been used to convert these hours to dollars. Lines 114 and 115 from the November, 1992 company YTD report were used for this Account 6533 adjustment. The factors used to allocate these dollars to the states were received from Gail Harper.

If you have any questions, it looks like I will be in the office Friday, December 18 and Wednesday, December 23.

NOTE: A new cost pool, CP03, was established in July '92 to separate nonreg testing expense costs associated with Packet Switching. Special Purpose Function Codes were used to identify these costs. However, due to an error in programming, when these costs were processed through COM, instead of being separated into nonreg, they were spread over productive hours as loadings. Thus, these costs were not identifiable as nonreg and were put into reg. The resulting adjustment (19.C4) shifts these costs from reg to nonreg.

cc: Jim Whitson

19.C3

F01K02W 002911

Cont

12.15.92 05:51 PM

PU3

GH 3-1-93

4-21

PDCC.XLS

PDCC

Date	FRCs Hours	24P Minutes	Hours	24W Minutes
9201				
9202				
9203				
9204				
9205				
9206	81	40	6	26
9207	150	31	14	44
9208	152	23	29	27
9209	105	8	40	21
9210	117	46	30	21
9211	11	20 *	14	25
9212				
Total	646	168	133	164
Total Hours	648.80 a		135.73 d	

SN908	Company	Nov. 1992 YTD	c = a × b 24P	e = d × b 24W
LN 114	$30.73 b		$19,937.62	$4,171.09
LN 115	$12.93		$8,388.88	$1,755.03
FG 40 column		Total	$28,326.61	$5,926.12

	Prorate Factors	24P	24W
Alabama	0.0851	$2,410.59	$504.31
Florida	0.2427	$6,874.87	$1,438.27
Georgia	0.1793	$5,078.96	$1,062.55
Kentucky	0.0563	$1,594.79	$333.64
Louisiana	0.1037	$2,937.47	$614.54
Mississippi	0.0577	$1,634.45	$341.94
N Carolina	0.0951	$2,693.86	$563.57
S Carolina	0.0651	$1,844.06	$385.79
Tennessee	0.1150	$3,257.56	$681.50
		$28,326.61 1	$5,926.12 1

FRCs 24P & 24W times for PDCC from Sandy Spears 404-726-7007
* confirmed numbers with Sandy Spears for Nov. 1992

40 1 34,252.73 19.c1

HQ prorate factors from Gail Harper 404-529-8957

SN908 lines
114 - CPH 1190, 1406, 61-65XX - SAL
115 - CPH 1190, 1406, 61-65XX - OTH

19.c4 Page 1

F01K02W 002912

Conf

BST

~~Cgl WP's~~ TPE 12/31/98

KW 10/26/93

59

4-1-1

SBT

KW
4/26/93

Notes on C&L Workpapers
1982
NARUC

Hal- 529-2473

NARUC Ind - Affiliated Transactions - Sunlink
Procedures

7 1)
2)
3)
4)
5)

12 Finding - Sunlink & Colorado have charged less than FDC

Chevron Complex - Substantial outside market
NPV calculation is best for determining how its recouping cost + return.

Leases compared SBT (48m sq ft & 11m sq ft) & the MOVATS lease (36m sq ft)
C&L inspected for comparability
Affiliated 24% of total
Assumed MOVATS would renew 5yr lease & new tenant on the 11th year

However subsequent to year end MOVATS decided not to renew because mkt conditions have changed but C&L did not revise their mkt analysis

C&L's site visit determined that all the space is comparable except the low environment space.

Engineer Mgr's office was the only above avg office

33 C&L did 16 yr NPV calculation to arrive at a net rate per sq ft of [redacted] SBT & [redacted]

Warehouse space - no outside market
interpreted FDC to mean over the life of the lease - not on a yearly basis

To get FDC SB calculated the avg net investment (adj annually for working capital items) & applied before tax rate of return to determine ROI. Then included budgeted expenses required from lease (overhead EOH)
(If after tax ROR used - would have had to add income tax)

BST
C&L Workpaper Notes
YRE 12/31/92

KW 8/1/93

Then compare allowed return per sq-ft to effective lease charge

GAAP uses effective lease rate - average or underage is accumulated & carried forward from year to year

FDC has been higher than the lease rate
SB includes property tax in its calc of effective lease cost C&L did NOT - approx 2000 diff
1992 - effective actual [redacted], FDC = [redacted]

Jacksonville Warehouse - [redacted] actual [redacted] FDC
However, test passed because total has been lower over the life of the lease

St Augustine Warehouse - actual [redacted], FDC [redacted]

Colonnade - no outside mkt. (89.9% affil)
focused on 3700 bldg 98.15% affil
BSSI - actual 314, FDC [redacted] (depr & ROT only)
BSSII - actual [redacted] FDC [redacted]
3700 Bldg actual [redacted] FDC [redacted]
3800 bldg is only 15.9% affil. - no work done
1100 Bldg - (BST, BIS & BST) & non-aff - approx 49% aff

Net present value calculated using 10% discount rate

Did not test Seminole Trans. w/ Data Serv immaterial

61

47-1

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-9

AD 005 - EFFECTIVE 1/91 - REVISED AUGUST 1991.

APPLICATION OF THE JCO TO BSE, INC AND SUBS.
SEE WP ALSO

AD 5
2.02-- all affiliates of BSE are affected by the JCO. Where BSE owns less than 100%, if BSE can exercise influcence than affected by Jco.

2.03 Rules also apply to transactions between nonreg affiliates if the costs associated with these transactions are subsedquently transferred, in whole or in part , to the regulated carrrier through transactions with nonreg affiliates. Such transactions are referred to as chaining.

5.01 CHAINING TRANSACTIONS

JCO rules will apply if transactions between non reg affiliates are passed ultimately into regulation. Thsese are chaining transactions defined as follows:

"When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service from another nonregulated affiliate."

5.02 BSE requires that all interco transactions comply with the JCO because cost that are included in a chaining transaction that are several layers removed from the ultimate destination can be difficult to identify.

6.01 IMPLEMENTATION

Following the JCO is the primary responsibiity of the Chief Financial Officer of each BSE sub.

7.01 COMPLIANCE COORDINATOR

BSE Comptrollers has a JCO Compliance Coordinator available on its Financial Accounting Matters staff to assist each BSE sub in resolving issues.

47-2

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-9

AD 007 - EFFECTIVE JAN 1992 - REV ISED AUGIST 1991

SEE WP ALSO

MARKET BASED PRICING OF SERVICES UNDER THE JCO

THIS DIRECTIVE IS TO MAKE SURE ALL COMPANIES COMPLY WITH JCO AND PROVIDE ADDITIONAL GUIDANCE IN ESTABLISHING A MARKET RATE.

2.01 This section defined prevailing market rate; and 2.02 includes may questions that are asked to determine if an adequate market rate exists.

3.01 This sections explaines how to establish an outside market and the documentation necessary to estabish an outside market.

4.01 Discussed Third Party Sales -- must be to independent party unrelated to BSC.

5.01 Dedicated Services -- Must be investigated to insure that these services are provided to outside parties and are similar enough to constitute an adequate market.

6.01 Contractual Arrangments. Contracts may differ as a result of services provides and therefore pricing differences. "In order to establish an outside market, BSE companies must be ablve to show that contracts with affiliates areprices according to similar contracts with outside parties". This may require producing evidence.

7.01 Competitive Bidding. FCC declined to amend the JCO for competitive bid prices. see AD 007 FOR DISCUSSION.

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-9

AD 008 - effective JAN 1991- REVISED AUGUST 1991.

ALSO SEE WP NO ____-

1.01 AND 1.02 :-- If no prevailing market price exists, the price charged to regulated is FDC.

DETERMINING FDC

2.01 talks about cost apportionment based on cost-causative measures.
2.02 and 2.03 discuss the Cost Pools.

3.01 talks about the general allocator-- how unatrributable costs are apportioned to reg and nonreg.

3.02 "The only costs subject to the allocation of unattributable costs should be true internally-generated costs."

There is the General Allocator and the Marketing Allocator. This section discusses both.

4.01 Determining Appropriate Apportionment Factors

"When costs cannot be directly assigned, they must be grouped into homogenous cost pools and apportined based on some apportionment factor. Selecting an appropriate apportionment base is important to the accurate allocation of costs."

FCC specifically says revenues cannot be used as an apportionment base.

5.01 Variances from FDC

The JCO states that if market rate is not available BSE subs (nonreg affiliates) must charge at FDC to regulated utilities. BELLSOUTH" has decided that charging at less than FDC is ok if the nonreg affiliates has procuderes in place to be ablve to prove that charges do not exceed FDC. "This includes apportionment of all costs as prescribed by the JCO with all supporting documentation." If the nonaffiliate charges less than FDC, they must still have all supporting documentation stated in the JCO.

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-9

Also the sub must obtain approval from the JCO Compliance Coordinator in BSE Comptrollers.

Nonreg affiliates cannot exceed FDC. if so must refund.

7.01 Rate of Return Requirements.

FCC authorized return effective 1/1/91 is 11.25% after tax basis and 15.76% on pretax basis. This AD describes how came up with authorized return, how to apportion net investment to get to billable return, how to accumulate total costs and determine billable taxes.

10.01 The ROR must not exceed the authorized amount. True ups should be made and overearnings refunded.

11.01 talks about appropriate method of apportioning excess capacity costs or R&D exepnses. These issues are addressed on a case by case basis.

AD 009 APPORTIONMENT OF INDIRECTLY ATTRIBUTABLE COSTS UNDER THE JCO.

SEE WP NO

COMPANY: BSE
TITLE: SUMMARY OF BSE ACCOUNTING DIRECTIVES
PERIOD: TYE 12/31/93
DATE: JULY 22, 1993
AUDITOR: RKY

WP NO. 51-9

AD 0010 JOINT COST ORDER DOCUMENTATION REQUIREMENTS.

ALSO SEE WP NO.
1.01 To be sure the transactions with reg affiliates and chaining transactions follow the JCO and CAM, each BSE sub "must have appropriate documentation to upport the pricing methodology used". "This documejntation is subject to audit by BellSouth Internal Audit, exernal auditors, state commissions, FCC auditors, and other regulatory entities for JCO compliance."

Each sub must have the following documentation:
1. Initial transaction approval (if after 9/1/90)
2. General Documentation
3. Specific Documentation.

The general documentation consists of three questionnaires, One for Market based Pricing(updated semiannually), FDC Pricing(updated semiannually), and a comprehensive Service Information Matrix (updated quarterly.

Specific Documentation for affiliates using market based pricing are copies of invoices to the reg entities, copies of invoices to nonaffiliate, and recent copy of price lists, and listing of customers in which nonreg affiliate provides a similar service to ensure adequate outside market. This is not limited.

Specific Documentation for affiliates using FDC is FDC system output supporting cost allocations, employee time reprots, support for all directly assigned or attributed costs, such as vouchers, support for comuptation of allowable return, and FDC studies, if available.

Where subs bill a flat rate each month instead of FDC, subs must ensure not more than FDC. If more than FDC,. need to refund.

4.01 Documentation submitted with bills.

BST will be required to demonstrate compliance with FDC during rate proceedings. "The audit trail requirements include chaining transactions, which would require BST Comptrollers to obtain, from nonregulated affilaites, the detail of each transaction in the chain from the onoregulated affiliate dealing directly with BST and from any other nonreg affiliates involved in the progression of the transaction."

AD 022 DOCUMENTATION REQUIREMENTS FOR AFFILIATE TRANSACTION APPROVAL.

SEE WP NO.

ITEM NO. 2-097
ATTACHMENT

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 005
Revised: Aug. 1991
Effective: Jan. 1991

ISSUE: Application of the Joint Cost Order to BellSouth Enterprises, Inc. and Subsidiaries

STATUS: Revised

ORIGINATOR: Jennifer M. Fox (404) 249-4553

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BellSouth Enterprises Accounting Directive 005 is revised effective January 1, 1991 to require that all intercompany transactions comply vith the Joint Cost Order.

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F01K02W 005870

APPLICATION OF THE JOINT COST ORDER TO BELLSOUTH ENTERPRISES, INC. AND SUBSIDIARIES

Introduction

1.01 On February 6, 1987, the Federal Communications Commission (FCC) released the Report and Order on Joint and Common Costs (JCO), CC Docket No. 86-111. In general, the JCO, as amended by the Order on Reconsideration released October 16, 1987, prescribes cost allocations standards that a regulated carrier must use to separate costs between regulated and nonregulated activities when its resources are jointly used to provide nonregulated products or services. The JCO also prescribes certain affiliated transaction requirements for the regulated carrier in dealing with its nonregulated affiliates. The affiliated transaction rules are contained in Section 32.27 of the FCC Part 32 rules.

Scope

2.01 The Section 32.27 rules apply to all transactions which involve the transfer of assets, products, or services between regulated carriers and nonregulated affiliates. Affiliates are defined as follows:

> Business entities, regardless of legal form, that directly or indirectly control, through one or more intermediaries, or are controlled by, or are under common control with the accounting company.

2.02 Therefore, all affiliates of BellSouth Enterprises (BSE) are affected by the JCO, whether these affiliates take the form of corporations,partnerships, or joint venture interests. Additionally, affiliates in which BSE owns less than 100% are also affected by these rules if BSE can exercise control over or significantly influence these entities.

2.03 The rules also apply to transactions between nonregulated affiliates if the costs associated with these transactions are subsequently transferred, in whole or in part, to the regulated carrier through transactions with nonregulated affiliates. Such transactions are referred to as chaining transactions (see 5.01 to 5.03). Because it is sometimes difficult to determine if costs could eventually chain into regulation, effective 9/1/90 BellSouth Enterprises implemented a new policy requiring that all intercompany transactions comply with the provisions of the JCO (BellSouth Policy Manual, Section 6, Paragraph 2). Accounting Directive 022 provides guidance in implementing this new policy.

2.04 The FCC's ultimate goal in the JCO is to ensure that ratepayers pay just and reasonable rates for telephone service. The achievement of this goal requires guarding against cross-subsidy of nonregulated ventures by regulated services.

Pricing Hierarchy: Sales of Products, Supplies, or Services

3.01 The FCC set forth the following pricing hierarchy when pricing products, supplies, or services from the nonregulated affiliates to the regulated entities:

* The nonregulated affiliate must price products, supplies, or services sold to the regulated entities using the prevailing market rate, if one exists. The prevailing market rate is defined as the price charged to nonaffiliates for the same goods or services.

* If no prevailing market rate exists, the price charged to the regulated affiliate must be based on the JCO fully distributed costing standards.

3.02 The regulated entities must use the same pricing hierarchy as stated in paragraph 3.01 when selling products, supplies, or services to the nonregulated affiliates except that a tariff rate must be used first if such a rate exists.

3.03 The following Accounting Directives provide detail guidance on applying the JCO rules to the sales of products, supplies, or services:

No. 007, Market Based Pricing of Services Under the Joint Cost Order

No. 008, Application of Fully Distributed Costing Under the Joint Cost Order

No. 009, Apportionment of Indirectly Attributable Costs Under the Joint Cost Order

Pricing Hierarchy: Asset Transfers

4.01 The FCC set forth the following pricing hierarchy when pricing asset transfers between regulated and nonregulated affiliates:

- Asset transfers should be priced at a tariff rate if such a rate exists.

- Absent a tariff rate, asset transfers should be priced using a prevailing price list held out to the general public in the normal course of business if such a price list is available and if actual sales have been made to third parties. The prevailing price list must be that of the selling affiliate, not that of competing vendors. The selling affiliate must be able to prove that actual bona fide third party sales were made based on the price list.

- If no actual bona fide third party sales have been made to substantiate a prevailing market rate, transfers of assets from the nonregulated affiliates to the regulated affiliates must be priced at the LOWER of net book value or estimated fair market value. However, asset transfers from the regulated affiliates to the nonregulated affiliates must be priced at the HIGHER of net book value or estimated fair market value.

4.02 Accounting Directive No. 006, Joint Cost Order Requirements for Asset Transfers, provides detail guidance on applying the JCO rules to asset transfers between the regulated and nonregulated affiliates.

Chaining Transactions

5.01 Although the FCC does not govern transactions between nonregulated affiliates, the JCO rules must be applied to these transactions if costs passed between nonregulated affiliates will ultimately enter regulation. Such transactions are referred to as chaining transactions. Chaining transactions are defined as follows:

> When a carrier obtains an asset or service from a nonregulated affiliate that has obtained the asset or service from another nonregulated affiliate.

5.02 Costs that are included in a chaining transaction that are several layers removed from the ultimate destination (i.e., billings to the regulated affiliates) may be difficult to identify as a JCO transaction. Therefore, BellSouth Enterprises requires that all intercompany transactions comply with the JCO.

5.03 All intercompany transactions must comply with the JCO. This includes ensuring that billings from affiliates that are included in costs billed to the regulated entities were determined in accordance with the JCO rules.

Implementation

6.01 Each BSE subsidiary is responsible for ensuring all transactions with affiliates are in compliance with the JCO rules. The primary responsibility resides with the Chief Financial Officer of each Company. In many cases, application and implementation of the rules require a great deal of judgment and interpretation. In order to develop a consistent approach to implementation throughout BSE, Accounting Directives have been developed which address many of the implementation issues within the BSE subsidiaries. These directives were developed based on the JCO requirements as well as the policies of BellSouth Corporation and BellSouth Enterprises.

JCO Compliance Coordinator

7.01 In order to ensure JCO compliance within the BSE subsidiaries, a JCO Compliance Coordinator is available on the Financial Accounting Matters staff in BSE Comptrollers to assist each company in resolving all JCO issues. This includes assisting companies in identifying those transactions that fall within the jurisdiction of the JCO rules, identifying and resolving JCO related issues, assisting in the interpretation of the rules, assisting companies in implementing those rules, maintaining overall documentation of BSE's compliance, and assisting in the coordination of JCO audits as they relate to the BSE subsidiaries.

7.02 Questions regarding JCO interpretation or implementation should be directed to the JCO Compliance Coordinator within BSE Comptrollers.

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 006
Revised: Aug. 1991
Effective: Jan. 1991

ISSUE: Joint Cost Order Requirements for Asset Transfers

STATUS: Revised

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BellSouth Enterprises Accounting Directive 006 is revised effective January 1, 1991. List of major changes:

1. Section 4.06: Asset transfers between nonregulated affiliates must be done at net book value.

2. Section 6:03: Subsidiaries must obtain approval from BellSouth Enterprises for asset transfers exceeding a net book value of $25,000.

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JOINT COST ORDER REQUIREMENTS FOR ASSET TRANSFERS

Introduction

1.01 The Federal Communications Commission (FCC) Joint Cost Order (JCO) sets forth certain pricing requirements when assets are transferred between regulated carriers and their nonregulated affiliates. Simply stated, these rules are as follows:

* Asset transfers must be priced at a tariff rate if such a rate exists.

* Absent a tariff rate, asset transfers must be priced using a prevailing price list held out to the general public in the normal course of business if such a price list is available and if actual sales have been made to third parties.

* If no actual bona fide third party sales have been made to substantiate a prevailing market rate, transfers of assets from the nonregulated affiliates to the regulated affiliates must be priced at the <u>LOWER</u> of net book value or estimated fair market value. However, asset transfers from the regulated affiliates to the nonregulated affiliates must be priced at the <u>HIGHER</u> of net book value or estimated fair market value, if a tariff or prevailing price is not available.

1.02 This Accounting Directive provides guidance in implementing the above rules within all BellSouth Enterprises (BSE) subsidiaries. Attachments 1 and 2 show the hierarchy that must be followed when applying the asset transfer rules.

Defining Assets

2.01 A key factor in understanding the asset transfer rules is identifying when an asset has been transferred. In some cases, a particular transaction could be interpreted to be an asset transfer or an inventory transfer, depending upon the facts surrounding the case. If the transfer was deemed to be an inventory transfer, the rules for pricing products, supplies, or services must be followed. However, if the transfer was deemed to be an asset transfer, the above asset transfer rules must be followed. The application of the asset transfer rules may produce a different answer than if the inventory rules were applied.

2.02 In general, the FCC will look at ownership of the asset to determine if an asset or inventory item has been transferred. If the affiliate is simply performing a purchasing function on behalf of the regulated affiliate, a service has been performed and the rules for pricing services would be applied. However, if the affiliate maintained ownership of the item prior to transferring it to the regulated entity, the FCC may deem that an asset transfer has occurred. This would particularly be true if both affiliates intended to use the asset for internal operating purposes as opposed to resell.

2.03 If the nonregulated affiliate has an outside market for the item, the asset transfer rules and the rules for pricing goods and services would produce the same results. However, if no prevailing market rate is available, properly defining the transaction type becomes important because application of the rules could produce different results.

Determining the Appropriate Asset Transfer Rule

3.01 The asset transfer rules as stated in paragraph 1.01 can be broken down into a general rule and residual rules. The general rule is that a regulated carrier must value transactions with affiliates involving transfers of assets into or out of regulation at tariff rates or prevailing prices whenever possible. This requirement is intended to produce a result comparable to that which would occur in an arm's length transaction with nonaffiliated third parties. This requirement is consistent with the FCC's goal to limit the potential for cross-subsidization of nonregulated affiliates by the ratepayer.

3.02 Absent a tariff or prevailing price, carriers must value these transactions by applying the residual rules. These rules require regulated and nonregulated affiliates to determine the net book value and estimated fair market value (EFMV) of assets sold to or purchased from each other. These values are compared in order to determine the amount the carrier will record in its regulated books of accounts. The value selected will depend on whether assets are being transferred into or out of regulation. Regulated carriers must record assets transferred to nonregulated affiliates at the higher of net book value or EFMV. However, regulated carriers must record assets received from nonregulated affiliates at the lower of net book value or EFMV.

3.03 The FCC explains its reasons for prescribing inconsistent residual rules. The Commission's goal is to protect the ratepayer from bearing losses which could result from the transfer of assets out of regulation to nonregulated affiliates. For assets transferred from nonregulated affiliates into regulation, the FCC's goal is to protect ratepayers from rate base inflation due to assets being transferred at artificially high prices.

Establishment of Transfer Prices for Specific Assets

4.01 In order to comply with these requirements, BSE affiliates must transfer assets to the regulated entities at the prevailing price for those assets. However, the prevailing price can be used only if the nonregulated affiliate has sales of similar type assets to third parties. The sales price to the regulated entity must be the same as prices charged to nonaffiliates for equipment of similar type, age, and condition.

4.02 If a prevailing price cannot be properly established, the transfer price must be the lower of net book value or EFMV. Net book value is defined as cost less accumulated depreciation, related deferred taxes, and other reserves.

4.03 In determining the EFMV, carriers and their nonregulated affiliates may use appraisals, competitive bids, market surveys or other appropriate valuation methods. Valuation methods determined through independent third party sources provide stronger evidence of the EFMV.

4.04 Application of these rules can result in different transfer prices for the same type asset. For example, if a nonregulated affiliate transfers furniture and office equipment to a carrier under the residual rules and EFMV is lower than net book value, the transaction must be recorded at EFMV. Conversely, if the same type furniture and office equipment is transferred from a carrier to a nonregulated affiliate under the residual rule and EFMV is lower than net book value, the transaction must be recorded at net book value.

4.05 In general, the nonregulated affiliate must record on its books any write downs associated with the transfer of assets under the Joint Cost Order when EFMV is less than net book value. This accounting treatment ensures that the loss associated with the transfer does not enter regulation.

4.06 It is BellSouth policy that all fixed asset transfers between nonregulated affiliates be done at net book value.

Other Considerations

5.01 Certain studies, analyses or evaluations will be required to support the net book value and EFMV of assets transferred into or out of regulation. In an arm's length environment, parties to the transaction develop the information required to reach an informed decision on the reasonableness of the price asked by the seller and offered by the buyer. Each party bears the costs of obtaining the required information. Accordingly, if the transfer is out of regulation, the carrier should bear the cost incurred to determine the minimum transfer value (i.e., the determination of the existence of a tariff rate, prevailing price, or in the absence of both, the net book value and EFMV of the assets transferred). The nonregulated affiliate should bear the cost of reviewing the supporting information and any additional studies or analyses it may perform to reach an informed decision. Conversely, if the transfer is into regulation, the nonregulated affiliate will bear the cost of determining the maximum transfer value (i.e., the existence of a prevailing price, or in its absence, the net book value and EFMV of the assets transferred). The carrier will bear the cost of reviewing this information and the cost of any additional studies or analysis it may require to evaluate the affiliate's proposal.

Documentation Requirements

6.01 During rate proceedings, FCC and state regulatory commission compliance and attestation audits, and BellSouth Telecommunications, Inc. (BST) will be required to demonstrate compliance with the rules for affiliated transactions.

6.02 Documentation for asset transfers should include the following:

1. Prevailing Prices: Copies of price lists together with the list of third party transactions relied on to establish the prevailing price.

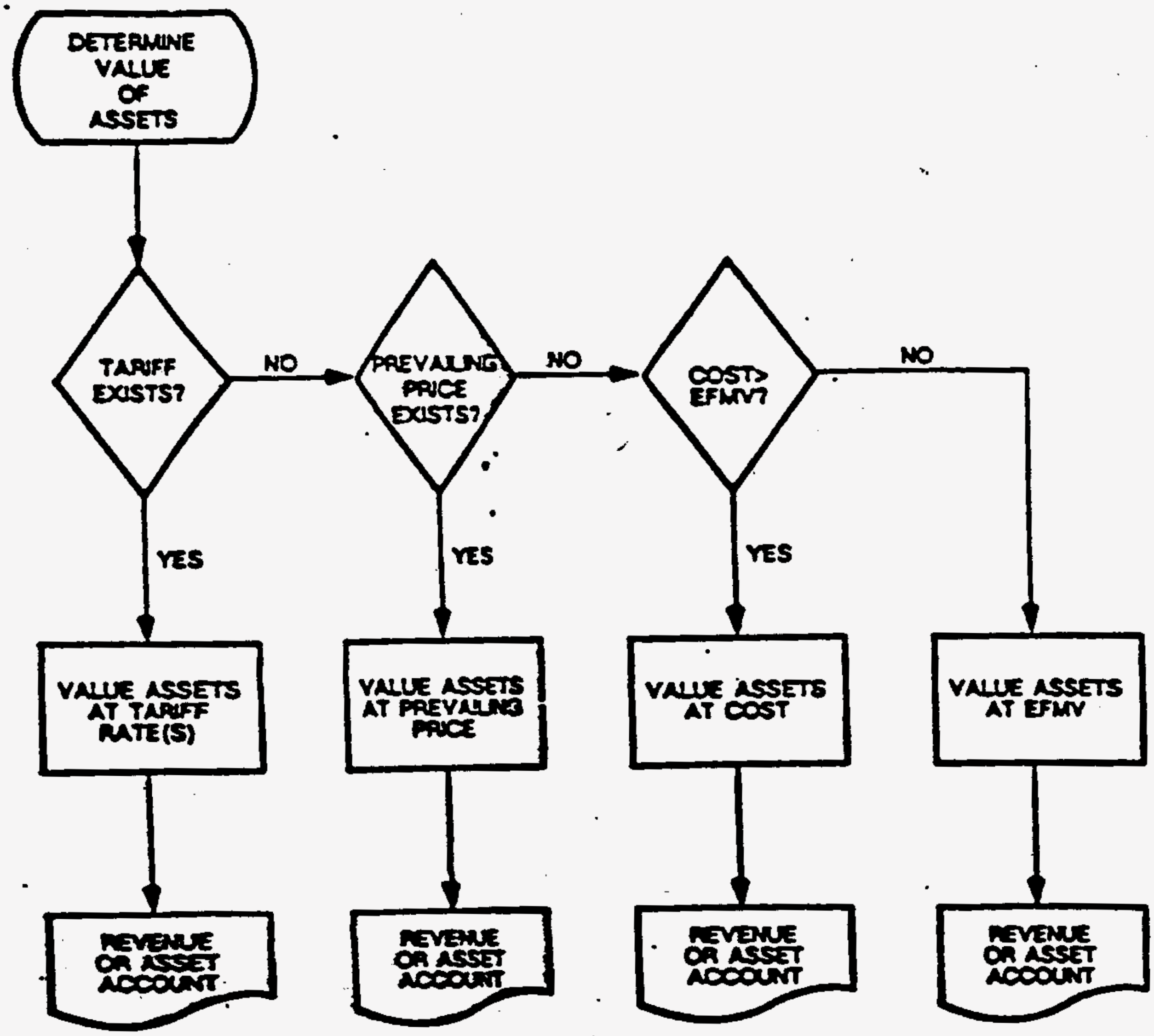
2. EFMV: Documentation of the method used and a copy of any studies performed to establish EFMV (appraisals, market surveys, competitive bids, etc.)

3. Net Book Value: Documentation to support the method of determination and the value at which the transaction is booked.

6.03 Effective 9/1/90, documentation for all fixed asset transfers with a net book value exceeding $25,000 must be submitted to the BSE Assistant Vice President & Comptroller for approval prior to the transfer (see Accounting Directive 022). Although asset transfers below this threshold do not require BSE approval, documentation must be maintained by the parties to the transaction. Questions regarding any transfers should be referred to the JCO Compliance Coordinator of the Financial Accounting Matters Group in BSE Comptrollers.

Attachment I

ASSETS TRANSFERRED BY REGULATED CARRIERS TO NONREGULATED AFFILIATES



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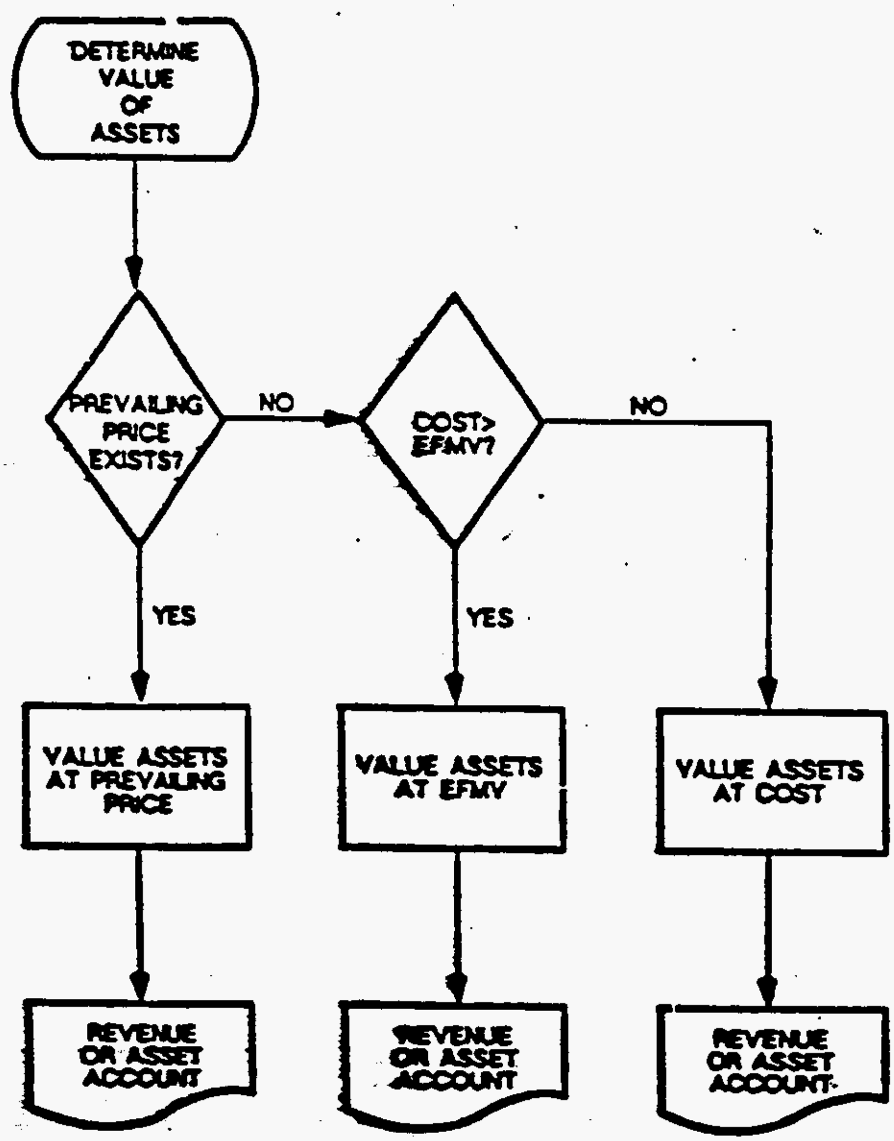
Attachment 2

ASSETS TRANSFERRED TO REGULATED CARRIERS BY NONREGULATED AFFILIATES



ISSUE: Market Based Pricing of Services Under the Joint Cost Order

STATUS: Revised

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BellSouth Enterprises Accounting Directive 007 is revised effective January 1, 1991 to require that all intercompany transactions comply with the Joint Cost Order and to provide additional guidance in establishing a market rate.

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MARKET BASED PRICING OF SERVICES UNDER THE JOINT COST ORDER

Introduction

1.01 The Federal Communications Commission (FCC) Joint Cost Order (JCO) sets forth certain requirements that nonregulated affiliates must follow in billing its regulated affiliates. Nonregulated affiliates must charge a prevailing market rate for products, supplies, or services (hereafter referred to as "goods or services") sold to its regulated affiliates if a prevailing market rate exists. Absent a prevailing market rate, the nonregulated affiliate must charge fully distributed costs (FDC). The purpose of this Accounting Directive is to provide guidance to the nonregulated affiliates in determining if an appropriate market rate exists. Application of the FDC rules are contained in Accounting Directive No. 008.

Prevailing Market Rate Defined

2.01 Affiliates should use the prevailing market rate, if available, in pricing goods and services provided to other BellSouth affiliates. The prevailing market rate is defined as the price charged to nonaffiliates for similar goods or services. The selling entity must currently provide the same or similar services to third parties in order to establish a prevailing market rate. If there is a competitive market for the services but the affiliate is not actively participating in that market with third parties, the affiliate has not established a market rate.

2.02 In some cases determining if an adequate market rate exists requires a significant amount of judgment due to factors affecting prices as well as the structuring of particular sales. Questions which frequently arise include:

- How many sales to third parties constitute an adequate outside market?
- What constitutes a third party sale?
- Does a prevailing market rate exist if dedicated services are provided?
- How are market rates established for services provided under contractual arrangements?
- How are market rates established for services awarded under competitive bidding arrangements?
- How are market rates established in volatile industries of constantly changing prices?

Establishment of an Outside Market

3.01 In order to establish a market rate, the selling entity must be able to provide evidence that similar goods or services are provided to independent third parties. The FCC did not provide specific guidelines as to how significant third party transactions must be before a prevailing market rate is established. It is BellSouth Corporation's position that a bona fide outside market must exist and that this determination must be made on a case by case basis. In addition to comparing sales levels to affiliates versus nonaffililiates the following qualitative criteria are useful in determining if an outside market exists:

1. Do third parties have a need for this service/product or is the service/product provided to meet the unique needs of BellSouth's subsidiaries without regard to the needs of third parties (i.e., is the provision of the service to third parties incidental?)

2. Does the supporting documentation identify the third party market and contain a plan for marketing the service to third parties?

3. Does the supporting documentation demonstrate the affililiate's commitment to increase or deploy resources as required to meet the demand from nonaffiliated third parties?

3.02 If sales from nonaffiliates exist, BellSouth's decision as to whether or not a market rate exists will be influenced greatest by affirmative responses to the qualitative criteria stated in question form above. Generally, quantitative standards such as the percent of revenues from sales to nonaffiliates to total sales from the product/service are useful as indicators as to whether or not qualitative criteria are being applied but standing alone do not prove or disapprove a market rate. Such indicators only have relevance or meaning if they are considered in light of the events and circumstances surrounding the particular transaction under review. Accordingly, sales of a product or service that produce revenue below this benchmark trigger a re-evaluation of existence of a market rate.

Third Party Sales

4.01 Only sales to outside third parties qualify as nonaffiliate sales in establishing a market rate. Therefore, sales to other nonregulated affiliates, joint venture partners, or company officers or employees do not qualify as third party sales. The sale must be to an independent party unrelated to BellSouth Corporation.

Dedicated Services

5.01 In some cases affiliates provide dedicated services to other BellSouth companies in which staff and other resources are dedicated to the provision of certain services. Although similar services may be provided to outside parties on a nondedicated basis, determining if such services constitute an outside market requires special consideration. The fact that the services are dedicated may imply that an enhanced level of service is provided to the affiliate that is not provided to other customers. The nonregulated affiliate must ensure that the services provided to outside parties are similar enough to constitute an adequate market.

Contractual Arrangements

6.01 Some services are provided under long term contractual agreements in which specific services are agreed upon between the two parties. Included in this category are lease arrangements and maintenance contracts. The pricing of each contract depends upon the combination of services offered, the length of the agreement, and other specific terms. Therefore, each contract may differ slightly in the services provided and as a result, the pricing may differ. In order to establish an outside market, BSE companies must be able to show that contracts with affiliates are priced according to similar contracts with outside parties. This may require producing evidence of how component parts are priced under contracts or producing evidence of how changes in terms (such as quantities and length of service) affect the price. If adequate comparisons can be made, the nonregulated affiliate has established a market rate. However, if such comparisons are impossible to produce, a fully distributed costing approach to pricing will be required.

Competitive Bidding

7.01 Some BSE subsidiaries provide goods or services using the competitive bid process. The establishment of a market price under such conditions becomes difficult in that each bid is a unique situation that is impacted by the specific needs of the customer. Several telecommunications companies have petitioned the FCC requesting that the JCO permit a regulated carrier to record services provided by an affiliate at the lowest competitively bid price regardless of whether these same services are provided to unaffiliated entities.

7.02 The FCC declined to amend the JCO for competitive bid pricing. Rather, it reinforced the rules which require an affiliate to prove it provides similar goods or services to nonaffiliates. If the nonregulated affiliate cannot adequately establish a market price, the bid price must be based on cost as defined in the JCO. It is irrelevant if the nonregulated affiliate is awarded the bid based on lowest price.

The affiliate must be able to prove that the price was established based on the JCO affiliated transaction rules.

7.03 To establish a market price, the nonregulated affiliate must show that similar contracts with similar pricing exist with nonaffiliated parties. The nonregulated affiliate must be able to show that such services were actually provided to third parties. The fact that the nonregulated affiliate entered into the bid process with third parties is not evidence that a market price exists. The nonregulated affiliate must have evidence that similar bids were actually awarded.

7.04 Absent the ability to prove a market rate, the nonregulated affiliate must use cost based pricing using the cost allocation procedures contained in the JCO. Accordingly, contracts awarded to nonregulated affiliates as the lowest price bidder but that are priced in excess of cost would be in violation of the JCO if a prevailing market rate did not exist.

Changing Prices

8.01 Some BSE subsidiaries operate in volatile environments in which prices for goods and services are driven by external market conditions. Therefore, prices can change daily depending upon competitive factors. Sales to the affiliates must be priced according to the prices in effect for third parties at the time the sale is made. Subsequent changes do not necessitate that prior sales be adjusted.

Other Issues

9.01 Because services provided by the BSE subsidiaries are varied, the operating, financial, and marketing environments of each company are different. Therefore, all JCO issues cannot be definitively addressed in a policy paper. Rather, the guidelines provided in this Accounting Directive simply serve as a basis to assist the BSE companies in determining if a market rate exists. Because the establishment of a market rate requires a good understanding of the JCO rules and the operating conditions of each company, documentation of how the rules are applied in each case is important. Documentation guidelines are addressed in Accounting Directive No. 010. In cases where it is unclear if an adequate market rate exists, it is important that the JCO Compliance Coordinator in BSE Comptrollers be informed of all relevant issues in order to assist in the resolution.

APPLICATION OF FULLY DISTRIBUTED COSTING UNDER THE JOINT COST ORDER

Introduction

1.01 The affiliated transaction rules as contained in the Federal Communications Commission (FCC) Joint Cost Order (JCO) prescribe certain rules for pricing goods and services transferred between regulated carriers and their nonregulated affiliates. Simply stated, these rules are as follows:

- Nonregulated affiliates must price goods and services sold to the regulated entities using the prevailing market rate, if one exists.
- If no prevailing market rate exists, the price charged to the regulated affiliate must be based on the JCO fully distributed costing standards (FDC).

1.02 This Accounting Directive provides guidance to those BellSouth Enterprises (BSE) subsidiaries that must use FDC in pricing its goods or services. Use of market based pricing is addressed in Accounting Directive No. 007.

Determining Fully Distributed Cost

2.01 The JCO costing standards require that costs be assigned between regulated and nonregulated activities using the attributable cost method of cost apportionment. Simply stated, it requires apportionment based on cost-causative measures of use to the maximum extent possible. When valuing transactions under the FDC rules, these standards must be applied in the order listed below.

1. Directly Assign the costs of all resources used exclusively (dedicated) for the provision of services to the affiliate.
2. Directly Attribute joint and common costs between services based on direct cost-causative measures of use to the maximum extent possible.
3. Indirectly Attribute the remaining joint and common costs between services based on their linkage to costs directly assigned or attributed to the maximum extent possible.
4. Unattributable Common Costs should be allocated based on the general allocator as described in Section 3 of this Accounting Directive.

2.02 The apportionment hierarchy seeks to associate costs with their cause by establishing a hierarchy of assignment, attribution, and allocation principles which form the basis of the cost apportionment process. The method requires companies to directly assign costs to either regulated or nonregulated activities whenever possible. Common costs, which are costs that cannot be directly assigned, are to be grouped into homogeneous cost categories or pools. Homogeneous cost pools are defined as follows:

> Cost pools that are grouped together that have the same or similar relationship to cost objectives. The term also applies to cost pools that, if allocated separately, would yield the same or similar results as if allocated together.

2.03 These cost pools can describe any grouping of individual costs. Costs are aggregated and one base is selected for apportioning the group instead of taking detailed costs in their most elemental form, one at a time, and deciding how they should be apportioned. If a cost-causal measure of use exists, a cost category is apportioned based on direct analysis of the origins of the costs or based upon a cost-causative linkage to another cost category for which a direct analysis exists. Costs that cannot be assigned or attributed based on any cost-causative measure are apportioned in proportion to the costs that can be directly assigned or attributed between regulated and nonregulated activities.

The General Allocator

3.01 Unattributable costs are apportioned to regulated and nonregulated services through use of the general allocator. The formula for the general allocator is as follows:

$$\frac{\text{Nonregulated Assigned \& Attributed Expenses}}{\text{Total Assigned \& Attributed Exp.}} \times \text{Total Unattributable Expenses} = \text{Nonregulated Unattributable Expenses}$$

$$\frac{\text{Regulated Assigned \& Attributed Expenses}}{\text{Total Assigned \& Attributed Exp.}} \times \text{Total Unattributable Expenses} = \text{Regulated Unattributable Expenses}$$

3.02 The only costs subject to the allocation of unattributable costs should be true internally-generated costs. The cost of goods sold should be excluded from the numerator and the denominator of the general allocator because this is a unique type of cost and relates to items purchased for resale. For purposes of the JCO, cost of goods sold should exclude overhead allocations. The general allocator is based on a "rolling three-month" average derived by using the quarterly data ending two months before the current month.

3.03 Any new services will use one-year projections in estimating their monthly costs in order to develop a typical or representative three month average. This projected average will be included in the general allocator until three months of actual data is available.

3.04 Because marketing costs are likely to be incurred for nonregulated activities to a disproportionately high degree, the FCC believes these costs are uniquely different from other costs. Therefore, marketing costs must be segregated and apportioned separately. The FCC has defined the following activities as marketing costs:

- Product Management
- Sales
- Product Advertising
- Customer Services
- Corporate Image Advertising
- Public Relations

3.05 When apportioning marketing costs, a separate marketing general allocator must be used to apportion unattributable marketing costs.

<u>Determining Appropriate Apportionment Factors</u>

4.01 When costs cannot be directly assigned, they must be grouped into homogenous cost pools and apportioned based on some apportionment factor. Selecting an appropriate apportionment base is important to the accurate allocation of costs. Factors which reflect cost causal relationships should be used to the maximum extent possible. Factors that measure or reflect an "ability-to bear" relationship are arbitrary and do not measure the amount of resources used by an activity. Since they do not represent a causal relationship, they may not be used to apportion costs. In particular, the FCC specifically identifies revenues as an apportionment base that <u>cannot</u> be used in any situation.

4.02 Accounting Directive No. 009 provides guidance in developing appropriate apportionment factors for indirectly attributable costs.

Variances from Fully Distributed Costs

5.01 In some cases, BSE subsidiaries which have no market rate may wish to charge less than FDC to the regulated entities for a particular product or service. The JCO states that if a market rate is not available, nonregulated affiliates must charge FDC for goods or services sold to the regulated entities. BellSouth has determined that charging less than FDC is acceptable in certain cases. However, the nonregulated affiliate must have procedures in place to be able to prove that the charges do not exceed FDC. This includes apportionment of all costs as prescribed by the JCO with all supporting documentation. Charging less than FDC does not preclude a nonregulated affiliate from following all the requirements of apportioning costs. Any BSE subsidiary that wishes to charge less than FDC to any affiliate must first obtain approval from the JCO Compliance Coordinator in BSE Comptrollers.

5.02 In addition, FDC as opposed to incremental costing must be used. Each time a new customer or user is added, all costs must be apportioned to all customers. Therefore, new customers will be charged their share of fully distributed costs as opposed to only the incremental costs of adding the customer.

5.03 Nonregulated affiliates cannot exceed FDC in billings to the regulated affiliates, even if such costs would still be less than the costs of the regulated entity to perform the service internally. The cost apportionment standards focus on the costs of the affiliate actually providing the service, irrespective of the costs of other entities, internally or externally. This method ensures that the carriers share in the economies of scale and scope associated with affiliation.

Time Reporting

6.01 The FCC places special emphasis on reliable and accurate time reporting because a significant amount of direct and indirect costs are apportioned between regulated and nonregulated activities based on the apportionment of wages. Therefore, maintaining supporting documentation for reported time and a clear audit trail are essential to compliance with the FCC's JCO rules.

6.02 The FCC did not prescribe specific time reporting procedures. Therefore, positive or exception time reporting is acceptable. The method selected should be one that will most accurately accumulate and apportion time. The methods available are as follows:

> Positive time reporting is used by employees who perform many different and distinct tasks or functions on a frequent basis. It requires that employees report their time in no more than one hour increments on a daily basis.
>
> Exception time reporting is used by employees who perform specific tasks or functions yet have occasion to perform functions outside of their normal responsibility. This method is also used by those employees who may have a requirement to exception report in line with their normal activities. This requires that such employees report exceptions on a daily basis in increments of no more than one hour.

6.03 It is important to note that those employees time reporting must report time in increments of one hour or less.

6.04 Surveys or studies may also be used when employees perform multiple, repetitive and miscellaneous functions involving increments of time impractical to time report. Time is therefore sampled or studied to determine the relative amount of time spent on specific activities. If this method is used, survey periods should be designed in a way that represents the on-going business process. Surveys should be used only in those situations where it is impractical for the employees to track and report time. If the time can reasonably be tracked, positive or exception time reporting should be implemented.

6.05 Employees must be adequately trained in the importance of accurate time reporting. Two levels of training should be implemented to educate employees on the methods for time reporting. Awareness Training should focus on the relationship of direct time reporting to the cost apportionment process. All employees should understand the significance and consequences of inaccurate time reporting. Implementation training should focus on the actual direct time reporting procedures relevant to an employee's specific function.

6.06 In order to comply with the JCO, the following documentation should be retained one year after the close of the fiscal year to which the records relate:

1. All underlying supporting documentation not included in the employee's time report required to test the reasonableness, reliability, and accuracy of the reported time. This includes reports of daily activities such as service orders, supervisors logs, calendars, etc., used as input to prepare time reports.

2. All marketing and sales personnel must retain contemporaneous records of daily activities. This includes records such as telephone logs, appointment logs, and notes on the results of sales calls. They should include date and subject matter of sales contact, person or persons contacted, and the amount of time spent with the customer or potential customer.

3. All underlying data supporting judgments used in identifying and apportioning nonproductive time as well as a description of the basis for apportioning nonproductive time.

4. All underlying data supporting each departments implementation and ongoing maintenance of the training requirements for time reporting.

6.07 Time reporting procedures should be reviewed at least annually to determine that procedures are still adequate to ensure JCO compliance and to ensure that all employees are properly reporting all time.

Rate of Return

7.01 The FCC has determined that return (or cost of capital) is an appropriate component of the cost of providing services to the regulated entities. The appropriate rate of return is the FCC authorized interstate rate. This return is designed to recover both debt and equity costs and was determined based on an optimum debt to equity ratio.

7.02 The FCC authorized rate changes periodically. BSE Comptrollers will inform those subsidiaries using FDC pricing principles what the appropriate rate is. Effective 1/1/91 the authorized rate is 11.25% on an after tax basis and 15.76% on a pre-tax basis.

7.03 The FCC authorized after tax rate of return of 11.25% was determined as follows:

Weighted Debt Cost	3.89%
Weighted Equity Cost	7.36%
Total After Tax Return	11.25%

7.04 The above structure assumes a debt/equity ratio of 44.2%/55.8% and a debt cost of 8.8% and an equity cost of 13.19%. The weighted equity cost was grossed up to include the effect of tax expense as follows:

Weighted Equity Cost ÷ (1 - Statutory Tax Rate) = Pre-Tax Return on Equity

7.05 The tax rate used to compute the gross up is the statutory tax rate of 38%. The tax rate of each subsidiary should not be used. Therefore, Pre-Tax Return on Equity was as follows:

7.36% ÷ .62 = 11.87%

7.06 Therefore, the weighted Pre-Tax Return is 15.76% determined as follows:

Pre-Tax Return on Debt	3.89%*
Pre-Tax Return on Equity	11.87%
Total Pre-Tax Return	15.76%

* Note that the Pre-Tax Return on Debt = the After Tax Return on Debt due to interest expense offsetting the related revenue, thereby precluding a gross up of the Return on Debt.

Apportioning the Net Investment

8.01 The pre-tax rate of return should be applied to the allocated net investment to determine the dollar amount of the billable return. The net investment must be apportioned to regulated and nonregulated components using FDC principles. Components of the net investment include:

Net Fixed Assets •
Inventories
Deferred Charges
Other Noncurrent Assets
Working Capital (current assets-inventories)-(current liabilities)
Net Capitalized Leases
Net Leasehold Improvements

- Property, plant and equipment net of accumulated depreciation, deferred taxes and deferred credits. Investment tax credit should not be deducted.

8.02 Factors should be determined in order to apportion the above investment categories to regulated and nonregulated activities based on cost causing factors. For instance, percent usage of capital assets may be an appropriate factor for the apportionment of net fixed assets. The relationship of Accounts Receivable, Prepaids, Accounts Payable, and Other Accrued Liabilities will affect the amount of Working Capital apportioned to the regulated and nonregulated entities.

8.03 After the capital assets have been apportioned, the appropriate return should be applied to the average net investment. The average net investment is determined as follows:

Net Investment at Beginning of Period
+ Net Investment at End of Period
Total
÷ 2
Average Net Investment for the Period
==================================

8.04 The billable return is computed as follows:

Average Net Investment for the Period
x FCC Authorized Pre-Tax Rate of Return
Billable Return
==================================

Accumulating Total Costs

9.01 After the apportionment process is complete, all costs must be accumulated to determine the final bill amount. Costs should be summarized as follows for each regulated affiliate that is billed:

Apportioned Costs (Direct, Indirect, and Unattributable)
+ Return (After Tax Basis)
+ Taxes
Total Billed Costs
============================

9.02 The billable taxes are determined by taking the difference between the return on a pre-tax basis and the return on an after-tax basis.

True-Up Guidelines

10.01 The rate of return (ROR) on transactions with regulated affiliates must not exceed 11.25% during the calendar year. If the affiliate's aggregate return from FDC transactions with regulated affiliates deviates from the 11.25% target, appropriate adjustments must be made to retarget earnings to 11.25%. True-ups for estimated overearnings should be booked in the current year. Final adjustments should be made as soon as final actual results are known.

Other Issues

11.01 In apportioning costs under the FDC principles, issues arise regarding the appropriate method of apportioning items such as excess capacity costs or research and development expenditures. These issues must be addressed on a case by case basis in order to determine the most accurate apportionment method in each circumstance. It is important that these issues be identified when they arise and that the JCO Compliance Coordinator is contacted for assistance in determining a final resolution.

Summary

12.01 BSE subsidiaries which do business with affiliates and do not have a market rate for their services must use the cost apportionment standards prescribed by the FCC. Systems and procedures must be in place to allow for accurate apportionment of costs, including the selection of appropriate apportionment factors. The effects of the JCO should always be considered prior to offering a new product or service to affiliates and procedures must be in place prior to the implementation of new services.

12.02 Questions regarding application of the JCO should be directed to the JCO Compliance Coordinator of the Financial Accounting Matters staff in BSE Comptrollers.

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 009
Issuance: July 1989

ISSUE: Apportionment of Indirectly Attributable Costs Under the Joint Cost Order

STATUS: Revised (Contact name/number only)

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APPORTIONMENT OF INDIRECTLY ATTRIBUTABLE COSTS UNDER THE JOINT COST ORDER

Introduction

1.01 Under the fully distributed costing (FDC) principles of the Joint Cost Order (JCO), costs which cannot be directly assigned or attributed must be apportioned to activities through indirect attribution or the general allocator (see Accounting Directive No. 008 for a description of the required costing hierarchy). This Accounting Directive provides guidance in selecting the apportionment bases for indirectly attributable costs. Unattributable costs are allocated to products and services based on the general allocator as discussed in Accounting Directive No. 008.

Indirectly Attributable Costs Defined

2.01 Costs that are indirectly attributable to a product are those for which there is a cost-causative linkage with two or more of the products or services. Although these types of costs can be linked with specific products, the exact amount of the costs associated with each product is not known, so a surrogate basis for allocation must be used to apportion the costs to the products or services that cause their incurrence. Of course, the costs must fluctuate with the surrogate and there must be a method to directly measure this relationship. The fact that a surrogate must be used to get the cost to the product level is what distinguishes an indirectly attributable cost from a direct cost. An example of indirectly attributable costs are certain types of benefit costs such as pensions or insurance.

Apportionment of Indirectly Attributable Costs

3.01 Indirectly attributable costs should be apportioned to products and services based on their linkage to costs which have been directly assigned or attributed. Therefore, an allocation base must be selected and an allocation formula and allocation rate developed. For instance, if pensions are determined to fluctuate in relation to salary dollars, salary dollars would be the appropriate apportionment base. The formula, allocation rate, and allocation of indirectly attributable costs would be as follows:

$$\frac{\text{Total Pensions}}{\text{Total Salaries}} = \text{Allocation Rate}$$

Salaries Attributed to Regulated Services
x Allocation Rate
= Pensions Indirectly Attributed to Regulated Services

3.02 In developing the allocation rate, the numerator represents the total indirectly attributable costs that will be allocated, and the denominator represents the total amount (labor dollars, labor hours, number of employees, etc) of the allocation base that will be used. This rate forms a relationship between what is being billed out as direct cost and the indirectly attributable costs to be allocated. Consequently, with each direct dollar billed, a certain amount of indirect costs are attached to it. Below is a more detailed discussion of each step in this allocation process.

3.03 The process of cost allocation can be broken down into three basic steps:

1. Choosing the cost objective (cost pool, product, etc.)

2. Choosing and accumulating the costs that relate to the cost objective.

3. Choosing an allocation base which will link 1 with 2.

Choosing the Cost Objective

4.01 Costs are apportioned to cost objectives in a hierarchial manner. A cost objective is defined as "a function, organizational subdivision, or other work unit for which cost data are desired." Costs are accumulated in the accounting records in general ledger accounts. These costs must ultimately be apportioned to products and services and then to nonregulated or regulated customers (the ultimate cost objective). Therefore, depending on the type cost, the apportionment of a cost could flow according to the following path until it reaches the final cost objective:

General Ledger Account
|
Cost Pools
|
Products or Services
|
Customers

4.02 Before costs are accumulated, it is important to properly identify the cost objective in each phase of the apportionment process.

Cost Pools

5.01 After all costs to be apportioned have been accumulated, the costs must be grouped into homogeneous cost pools. Costs can be pooled in a number of different ways. They can be pooled by departments, by natural categories (i.e., people related, materials-related, property-related, etc.) or they can be pooled by behavior patterns (i.e., variable or fixed). Subsequent allocations are then made of the cost pools rather than the individual costs which comprise the pool. Instead of taking detailed costs in their most elemental form, and individually deciding how they should be allocated, they are aggregated and one base is selected for allocating the group.

5.02 A cost pool is considered homogeneous if each significant activity whose costs are included has the same or a similar causal relationship to the cost objectives as the other activities whose costs are included in the cost pool (i.e., employer contributions to social security, insurance, savings and health plans, etc. can be grouped together because they all have the same causal relationship to the final cost objective - the product or service. Maintenance expense, however, would not be homogeneous to this group). A cost pool is also considered homogeneous if the allocation of the cost pool is not materially different from the allocation that would result if the cost of the activities were allocated separately (e.g., if labor hours and machine hours are used in proportionate amounts to produce a product, cost pools for costs that are machine oriented can be combined with cost pools that are labor oriented since allocating these costs separately will yield the same results as allocating them together).

Allocation Base

6.01 Once the indirect costs have been grouped into homogeneous cost pools, the final step is to allocate these cost pools to the product/service. This necessitates choosing an allocation base. The allocation base is important because it is the key means for linking total indirectly attributable costs or cost pools with cost objectives.

6.02 The required criterion for choosing an allocation base is a cause-and-effect relationship. In other words, the existence of the cost objective should be the dominant factor in causing the incurrence of the costs in question. There are two decisions that must be made with respect to choosing an allocation base. The first one is the type and number of bases to use and the second one is the activity level of those bases.

6.03 With respect to the types of allocation bases, some of the more common allocation bases that are used are labor hours, labor dollars, machine hours, direct material usage, weight or size. In determining which type of base to use, it is important to remember that the cost pool and the allocation base must be related to each other, and both must be identified with the product or service being costed. For example, if costs are accumulated for a repair service and the goal is to allocate fringe benefit costs, materials used would not be an appropriate allocation base since materials have no relationship to fringe benefits, nor are materials necessarily identified with providing repair services.

6.04 Another example of a base that is not identified with the product being costed is the use of an allocation base consisting only of direct dollars relating to services that are performed only for affiliates in an attempt to allocate costs to all of the products and services provided. Additionally, it is important to choose a base that will fluctuate with the indirect costs being allocated. For example, whether to use number of employees or payroll dollars depends on whether the amount that is being allocated will more likely fluctuate because it is people-oriented (i.e., human resources costs) or because it is payroll-oriented (i.e., fringe benefit costs).

6.05 The more pools and allocation bases used, the more accurately the product will be costed. The fewer used, the less accurately the product will be costed. The number of bases should be chosen after considering:

1. factors associated with the individual products or jobs,

2. necessary costs and effort in application, and

3. material differences in final results.

6.06 Where results do not differ significantly, the easiest method available and the least number of pools and allocation bases should be used.

6.07 Activity level of the allocation base must also be addressed. The activity level of the allocation base relates to the time period over which indirect costs should be allocated to products. Cost accountants commonly recognize two levels of capacity utilization - the normal activity versus the annual activity.

6.08 The normal activity approach recognizes the fact that some costs are incurred in the current year to produce items that will benefit the entity for many years (e.g., self constructed assets or research and development expenditures). The normal activity approach takes the position that these costs should be spread over the periods benefited (e.g., if self constructed assets have a useful life of five years, the costs related to these assets should be billed over five years rather than in the current year). This approach has the effect of averaging costs over a period of time and applying this average to the product/service in each given year. With this approach, in some years the billings for these costs will exceed the actual costs incurred. In other years the actual costs incurred will exceed the billed amounts. However, over time the costs incurred will equal the total amounts billed.

6.09 The annual activity approach to cost allocation takes the position that each year's costs should stand on its own. Therefore, each year's costs should be allocated and billed in the year incurred. This attitude arises from the widespread conviction that the year is the key time period and adherence to the idea that costs for a given year generally must cling or attach to the services provided or products produced during that year regardless of the relationship of that year's activity to average long term activity. With this approach the amount of costs billed will fluctuate from year to year if costs fluctuate from year to year. However, in each year the costs billed will equal the costs incurred.

Accounting Requirements

7.01 When developing methods of allocating indirectly attributable costs, certain rules must be adhered to so that consistency can be achieved between costs that are allocated and the allocation bases used. Below are a list of things that must be considered:

1. The same cost accounting period must be used for accumulating the costs as for establishing its allocation base.

2. When developing allocation rates for indirectly attributable costs it should be noted that if a cost that is typically an indirect cost has been directly billed, it should be excluded from the numerator. Additionally, this amount must be added to the denominator, if applicable. The treatment for billing purposes determines whether a particular cost goes in the numerator (cost to be allocated) or the denominator (allocation base), not the account that contains the amount.

3. Cost pools should be aggregated to the maximum extent possible providing the aggregation results in no material distortions in costing the product or service. If the logical bases for two different cost pools are different but interchanging the bases will yield the same or similar results, the cost pools should be combined and allocated using the same base.

4. The activity level required is the normal approach. Since this approach is used, methods must be established in the rate application system to recover costs that benefit future periods.

5. Whenever direct costs are used in establishing allocation bases for a period, the following rules must be adhered to:

   A. Consistency is important in making adjustments to both direct and indirect costs for purposes of determining total costs.

   B. ‾ e appropriate practices for deferrals, accruals, and other adjustments must be used in identifying the cost accounting periods among which any types of adjustments to expense are distributed.

6. Indirectly attributable costs based on estimates may be used in developing allocation rates. However, the estimates must be developed to represent a full cost accounting period.

7. The allocation rates developed should be reviewed at a minimum, annually. Additionally, if any change should occur in the interim that would cause a significant change in the allocation rate in use, a more representative rate should be developed and implemented at the time the change occurs.

7.02 Questions regarding the allocation of indirectly attributable costs as required under the JCO should be referred to the JCO Compliance Coordinator in BSE Comptrollers.

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 010
Revised: July 1992
Effective: July 1992

ISSUE: Joint Cost Order Documentation Requirements

STATUS: Revised

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BellSouth Enterprises Accounting Directive 010 is revised effective July 1, 1992. List of major changes:

1. Section 2: General documentation is defined to include Questionnaires and a Comprehensive Service Information Matrix.

2. Section 3: FDC studies must be submitted semiannually. Information regarding refunds and cost of services provided free of charge must be submitted annually.

3. Section 5: Retention period is five years.

4. Appendices added:

APPENDIX I: Summary of Documentation Requirements

APPENDIX II: Market Based Pricing Questionnaire

APPENDIX III: FDC Questionnaire

APPENDIX IV: Comprehensive Service Information Matrix

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JOINT COST ORDER DOCUMENTATION REQUIREMENTS

Introduction

1.01 In order to ensure that transactions with regulated affiliates as well as all chaining transactions (see AD 005) are priced in accordance with the provisions of the Joint Cost Order (JCO) and the BellSouth Cost Allocation Manual (see AD 011), each BSE subsidiary must have appropriate documentation to support the pricing methodology used. This documentation is subject to audit by BellSouth Internal Audit, external auditors, state commissions, FCC auditors, and other regulatory entities for JCO compliance.

1:02 Each BSE subsidiary doing business with affiliates must maintain the following documentation: (1) Initial Transaction Approval (if consummated after 9/1/90); (2) General Documentation; and (3) Specific Documentation. Accounting Directive 022, "Affiliate Transaction Approval", addresses documentation which must be submitted for the initial approval of new transaction types. After a transaction is approved under the guidelines of AD 022, general documentation as required by AD 010 must be submitted to BSE in order to ensure ongoing compliance of the transaction. Specific documentation provides detail backup for each affiliated bill submitted.

1.03 Appendix I summarizes JCO documentation requirements.

General Documentation

2.01 General documentation addresses the general JCO concepts and how the concepts are implemented for each transaction type. In order to ensure a consistent approach to addressing JCO compliance, the following questionnaires and matrices have been developed to assist BSE companies in documenting JCO compliance:

1. Joint Cost Order Questionnaire – Market Based Pricing (Appendix II)
2. Joint Cost Order Questionnaire – FDC Pricing (Appendix III)
3. Comprehensive Service Information Matrix (Appendix IV)

2.02 The questionnaires should be completed for each product or service type that is provided to affiliates. The questionnaires were developed to ensure a consistent approach to addressing JCO compliance and to ensure that all relevant facts affecting compliance are identified. However, due to the diversity of products and services provided by BSE subsidiaries, the questionnaires can only serve as general guidelines in addressing compliance. If the questionnaires do not adequately cover all issues in a particular situation, addendums should be attached.

2.03 The questionnaires must be updated semiannually and submitted to the JCO Compliance Coordinator in BSE Comptrollers by July 31 and December 31 each year. This documentation is the basis for ensuring JCO compliance and will be provided to auditors as deemed necessary.

2.04 The Comprehensive Service Information Matrix provides a summary of affiliate and nonaffiliate revenues by product/service type. This documentation is crucial because it is often the first step in determining if a market rate exists. Additionally, BSE receives numerous data requests from regulatory auditors for this type of information. Therefore, accurate and timely reporting of this information is important. The Matrix presented in Appendix IV is an example format. Subsidiaries must provide all information requested; however, the format may be revised to meet individual needs.

2.05 The Comprehensive Service Information Matrix must be updated quarterly and submitted to the JCO Compliance Coordinator in BSE Comptrollers within one month after each quarter end.

Specific Documentation

3.01 In addition to the general documentation described above, each subsidiary must have specific documentation on file which supports the pricing of each transaction.

3.02 For affiliates using market based pricing, specific documentation includes, but is not limited to:

- Copies of all invoices to the regulated entities with descriptions of services and prices.
- Copies of invoices to nonaffiliates which show the pricing of similar goods/services at similar prices.
- A recent copy of price lists, if used.
- A listing of those customers in which the nonregulated affiliate provides a similar service to ensure an adequate outside market exists.

3.03 For affiliates using FDC, specific documentation includes, but is not limited to:

- FDC system output providing support for all cost allocations.
- Employee time reports.
- Support for all directly assigned or attributed costs, such as vouchers.
- Support for the computation of the allowable return.
- FDC studies, if applicable.

3.04 Some subsidiaries have found it cost effective to bill a flat rate instead of actual FDC each month. In these situations, the subsidiary must ensure that actual billings do not exceed actual FDC. Studies must be performed at least semiannually to ensure compliance. FDC studies must be submitted to BSE Comptrollers for the following periods:

January 1 - June 30:	Due:	July 31
July 1 - December 31:	Due:	February 28

If an affiliate uses a cost allocation system that allocates and bills actual FDC on a monthly basis, FDC studies are not necessary.

3.05 If billings to affiliates exceed FDC, refunds are required. If the FDC studies show that billings are expected to exceed FDC on an annual basis, an accrual for the estimated refund must be booked prior to year end with final adjustments made as soon as possible after year end. In order to accurately anticipate the expected refund, quarterly or monthly FDC studies may be necessary. BSE Comptrollers must be informed of the final refund amount by February 28.

3.06 Additionally, subsidiaries must identify those transactions in which services are provided to the regulated entities free of charge. The costs associated with providing these services must be tracked and reported annually to the BSE JCO Coordinator by February 28.

Documentation Submitted With Bills

4.01 During rate proceedings and FCC and state regulatory commission compliance audits, BellSouth Telecommunications, Inc. (BST) will be required to demonstrate compliance with the rules for affiliated transactions. Therefore, BST Comptrollers must ensure that a detailed audit trail of each affiliated transaction is maintained to comply with the JCO and to ensure adequate information is available for required audits. The audit trail requirements include chaining transactions, which would require BST Comptrollers to obtain, from nonregulated affiliates, the detail of each transaction in the chain from the nonregulated affiliate dealing directly with BST and from any other nonregulated affiliates involved in the progression of the transaction.

4.02 Each BSE affiliate should coordinate with the billed entity to ensure that the documentation needs of these companies are being met.

Retention Period

5.01 All documentation must be maintained for at least five years after the fiscal year end.

Statement of Compliance

6.01 The FCC requires that BellSouth management provide a management representation letter in conjunction with the annual JCO audit. Accordingly, the Chief Financial Officer of each BSE subsidiary must provide a "Statement of Joint Cost Order Compliance" to the BSE Assistant Vice President & Comptroller. The BSE JCO Compliance Coordinator will coordinate the timing of this letter each year. The report format is contained in Appendix V.

APPENDIX I

JOINT COST ORDER
DOCUMENTATION REQUIREMENTS

DESCRIPTION	AD REF	FREQUENCY	DUE DATE
Transaction Approval	AD 022	As Needed	45 Days Prior to Consummation
General Documentation			
• Questionnaires	AD 010 Appendix II Appendix III	Semiannually	July 31 December 31
• Comprehensive Service Information Matrix	AD 010 Appendix IV	Quarterly	April 30 July 31 October 31 January 31
FDC Studies	AD 010 Par. 3.04	Semiannually	July 31 February 28
Refund Information (If Applicable)	AD 010 Par. 3.05	Annually	February 28
Services Provided Free (If Applicable)	AD 010 Par. 3.06	Annually	February 28
Statement of Compliance	AD 010 Appendix V	Annually	March 30

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 1

COMPANY NAME____

PRODUCT OR SERVICE DESCRIPTION__________________________

This questionnaire is to be completed semiannually and submitted to BSE Comptrollers by July 31 and December 31. This questionnaire addresses those products and services provided to affiliates at a market rate as defined by the Joint Cost Order (refer to AD 007 for guidance in addressing market pricing issues under the JCO). A separate questionnaire should be completed for each transaction type priced at market rate. All questions should be answered. If additional data is necessary in order to address all issues, an addendum should be attached.

1. In laymen's terms, describe in detail the product or service provided.

2. Specify the approval date in accordance with AD 022 or the transaction start date if prior to 9/1/90.

3. Is the product provided a standard product or a customized product?

4. If the product is a customized product, what controls are used to ensure Joint Cost Order compliance (i.e., are products similar enough to establish a market rate)?

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 2

5. Is billing done on:

Hourly Basis __________

Per Unit Basis __________

Flat Fee __________

Other (Describe) __________

6. How often do prices change?

7. What is the average price range of the product offered?

8. What is the typical <u>number</u> of sales per customer per year (not dollar volume)

Affiliates __________

Nonaffiliates __________

9. What is the average dollar volume per customer per year?

10. Do sales to BST fall outside the average dollar volume in sales?

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 3

11. Are price lists used? (note: a pricing schedule in a contract is not considered a price list unless it is the same price list offered to all customers).

12. Is the same price list used for all customers? If not, why not?

13. If price lists are not used, how are prices determined and what controls are used to ensure Joint Cost Order compliance (i.e., how do you know affiliates are charged the same price as nonaffiliates)?

14. Are written contracts used?

15. If written contracts are used, what controls are used to ensure Joint Cost Order compliance (i.e., how are contracts compared to ensure appropriate pricing)?

16. Are discounts used:

For affiliate sales_______ Discount Range_______

For nonaffiliate sales______ Discount Range_______

APPENDIX II

Joint Cost Order Questionnaire
Market Based Pricing
Page 4

17. If discounts are used, how are they determined?

18. If discounts are used, what controls are used to ensure Joint Cost Order compliance (i.e., how do you ensure on average the discounts offered to BellSouth affiliates are as much as discounts offered to nonaffiliates)?

APPENDIX III

Joint Cost Order Questionnaire
FDC Pricing
Page 1

COMPANY NAME ______________________________

PRODUCT OR SERVICE DESCRIPTION ______________________________

This questionnaire is to be completed semiannually and submitted to BSE Comptrollers by July 31 and December 31. This questionnaire addresses those products and services provided to affiliates at FDC as defined by the Joint Cost Order (refer to AD 008 and 009 for guidance in addressing FDC issues under the JCO). A separate questionnaire should be completed for each transaction type priced at FDC. All questions should be answered. If additional data is necessary in order to address all issues, an addendum should be attached.

1. In laymen's terms, describe in detail the product or service provided.

2. Specify the approval date in accordance with AD 022 or transaction start date if prior to 9/1/90.

3. Identify the reason for using FDC pricing for this product/service:

   (a) There are NO sales to nonaffiliates ________

   (b) The level of sales to nonaffiliates is insufficient to establish a market rate as defined by the JCO ________

   Annual Affiliate Sales $ ____________

   Annual Nonaffiliate Sales $ ____________

   (c) Products offered to nonaffiliates are not the same as products offered to affiliates ________

APPENDIX III

Joint Cost Order Questionnaire
FDC Pricing
Page 2

4. If the reason for using FDC pricing is 3(c), explain the differences in products offered to affiliates versus products offered to nonaffiliates

5. Is a system in place to bill actual FDC costs each month?

6. How often is the system reviewed and updated, including a review of the allocation methodology, controls, system requirements, etc.?

7. If FDC is not billed on an actual basis each month, identify the billing method used:

Hourly Basis	________
Per Unit Basis	________
Flat Fee	________
Other (Describe)	________

8. If FDC is not billed on an actual basis each month, how often are studies done to ensure that actual billings do not exceed FDC?

9. Who performs the study? Who reviews the study?

APPENDIX III

Joint Cost Order Questionnaire
FDC Pricing
Page 3

10. If actual bills exceed FDC, when are refunds issued? When are estimated accruals recorded?

11. What is the policy if actual bills are less than FDC (i.e., is the difference billed to affiliates)?

12. How often is the FDC study reviewed and updated (i.e., do you review the allocation methodology to ensure ongoing JCO compliance)?

Attach a description of the FDC system or FDC study, including a description of the methodology used to allocate all costs under the JCO.

APPENDIX IV

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BELLSOUTH ENTERPRISES
JOINT COST ORDER
COMPREHENSIVE SERVICE INFORMATION MATRIX

COMPANY NAME

FOR THE PERIOD ENDING: [illegible]

SERVICE DESCRIPTION	CUSTOMER AFFILIATE / NON-AFFILIATE	PRICE**	REVENUE: AFFILIATE REVENUE		REVENUE: NON-AFFILIATE REVENUE		TXN. START DATE	AFFILIATE REVENUE RECAP: AFFILIATE 1	AFFILIATE 2	AFFILIATE 3	AFFILIATE 4
SERVICE "X"	AFFILIATE "1"	FMR	[illegible]				JANUARY 1991	[illegible]			
	AFFILIATE "2"	FMR	[illegible]				FEBRUARY 1990		[illegible]		
	"ALL NON-AFFILIATES"	N/A			[illegible]						
SERVICE "X" TOTALS			[illegible] %	% OF SERVICE REVENUE	[illegible] %	% OF SERVICE REVENUE					
SERVICE "Y"	AFFILIATE "3"	FDC	[illegible]				MARCH 1992			[illegible]	
	AFFILIATE "4"	FDC	[illegible]				SEPTEMBER 1990				[illegible]
	AFFILIATE "1"	FDC	[illegible]				JANUARY 1991	[illegible]			
	"ALL NON-AFFILIATES"	N/A	[illegible]		[illegible]						
SERVICE "Y" TOTALS			[illegible] %	% OF SERVICE REVENUE	[illegible] %	% OF SERVICE REVENUE					
	TOTAL COMPANY : % OF TOTAL REVENUE		[illegible] %		[illegible] %		TOTAL COMPANY : % OF TOTAL REVENUE	[illegible] %	[illegible] %	[illegible] %	[illegible] %

** "PM" : JCO PRICING METHODOLOGY: Tariff, Prevailing Market Rate (PMR), Fully Distributed Cost (FDC): Refer to BSE Accounting Directive (AD) 007 & 008 for further explanation of the JCO pricing methodologies

APPENDIX V

COMPANY NAME
STATEMENT OF JOINT COST ORDER COMPLIANCE
FOR THE YEAR ENDED DECEMBER 31, 199X

Section 5.0 of BellSouth's Cost Allocation Manual (the "Manual") through December 31, 199X contains information regarding affiliate transactions among our company and BellSouth Telecommunications, Inc. For those services we provide using prevailing market rate, the pricing is supported by actual outside sales to third parties. For those services we provide using fully distributed cost, systems and procedures are in place to attribute costs according to the costing hierarchy mandated by the Federal Communications Commission (FCC) in the Joint Cost Orders and related rules. Although not disclosed in the Manual, all chaining transactions are priced in accordance with the above criteria.

We believe that, for the year ended December 31, 199X, all affiliate transactions among our company and BellSouth Telecommunications, Inc. are accurately stated in the Manual. Systems and procedures, as implemented, meet the requirements of the affiliated transaction rules of the Joint Cost Order and conform with Section 5.0 of the Manual as of ____________ (date to be provided by BellSouth).

With respect to external and internal audits conducted on affiliated transactions our company participated in, we confirm, to the best of our knowledge and belief, the following:

* We have made available all significant information that we believe is relevant to the audit.

* There have been no developments to this date that would materially affect the financial statements for the year ended December 31, 199X.

* We know of no event to this date that, although not affecting such financial statements, has caused or is likely to cause any material change, adverse or otherwise, in the financial position, results of operations or cash flows of the Company.

Date ________________ Name ________________

Title ________________

Exceptions, if any, to the above statements are as follows:

ISSUE: Requirements for Updating BellSouth's Cost Allocation Manual

STATUS: Revised

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn P. Carlson (404) 249-4238

RECOMMENDED:

Dawn P. Carlson
Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox
Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

REQUIREMENTS FOR UPDATING BELLSOUTH'S COST ALLOCATION MANUAL

Introduction

1.01 In compliance with the Federal Communications Commission (FCC) Joint Cost Order (JCO) in Docket 86-111, BellSouth filed a Cost Allocation Manual (CAM) with the FCC which outlines our methods of cost allocation between regulated and nonregulated activities within BellSouth Telecommunications, Inc. (BST). The CAM also outlines the financial relationship between the regulated carriers and their nonregulated affiliates. The costing principles and procedures outlined within the CAM and BellSouth's adherence to those principles and procedures provide assurances to the FCC that nonstructural separation is being handled properly.

1.02 To facilitate this assurance, BellSouth must update the CAM as follows:

1) sixty days prior to the effective date of any cost pool or time reporting changes for BST.

2) on a timely basis for any changes to affiliated transactions or other sections of the CAM.

3) sixty days prior to the implementation of a line of business transfer from a nonregulated affiliate to a regulated affiliate, and

4) quarterly for changes for clarification purposes (i.e. text clarification).

1.03 BellSouth Corporation submits CAM changes to the FCC on a quarterly basis or as needed for special reasons such as major reorganizations. These changes are submitted on the first day of each quarter (January 1, April 1, July 1, and October 1) or on the first day of the month in which a special filing will be made. There is a great deal of work required before any CAM revision is filed with the FCC. A company-wide team effort is imperative to accomplish this task effectively. CAM changes which affect BSE subsidiaries are items (2) and (3) above.

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 022
Issuance: Aug. 1991
Effective: Jan. 1991

ISSUE: Affiliate Transaction Approval

STATUS: New Issue

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn P. Carlson (404) 249-4238

RECOMMENDED:

Dawn P. Carlson

Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox

Jennifer M. Fox
Operations Manager

APPROVED:

B. R. Brewer
Assistant Vice President
& Comptroller

Documentation Requirements

3.01 Documentation submitted for approval must contain a complete description of the transaction, including:

- Description of the product or service.
- Identification and relationship of all parties involved.
- Frequency of transaction (daily, monthly, yearly, on request).
- Expected future revenues and profits from affiliates and nonaffiliates.
- Financial resources required (monetary, personnel, facilities, etc.).
- Complete description of pricing methodology.
- Identification of Joint Cost Order issues, if any, and how JCO compliance will be ensured.
- Strategic and financial importance to BellSouth.

3.02 If market based pricing is used, a description of the services provided to nonaffiliates should be included, as well as current and expected revenues from nonaffiliates. This information is necessary to ensure that revenues generated from nonaffiliates are similar and significant enough to actually establish a prevailing market rate. It is also important to ensure that the customer base is stable enough to maintain an adequate outside market in future years.

3.03 If fully distributed costing is used, a description of the system and controls used to allocate costs must be included. Responsibilities for maintaining the system and reviewing cost allocations must be identified. If a system is not in place, the expected completion date of the system should be given. Billing cannot occur until an appropriate system is in place.

Strategic and Financial Importance of Transaction

4.01 The strategic and financial importance of the transaction must be documented. Only intercompany transactions that are strategically and financially important to BellSouth will be approved. Such criteria is determined on a case by case basis. Examples of strategically important transactions are those which will:

* Assist BellSouth in entering a desired market.
* Enhance BellSouth's competitive structure.
* Assist BellSouth in furthering technological developments.
* Enhance BellSouth's capability to meet customer needs and demands on a timely basis.

4.02 The transaction must have a positive impact on BellSouth's financial results. This criteria is also determined on a case by case basis, but examples of financially important transactions are those which will:

* Improve BellSouth's Net Income or cash flow.
* Provide economies of scale.
* Utilize excess or idle capacity or resources.

4.03 In assessing the financial importance of a transaction, alternative sources for a service must be considered. Documentation must state whether the affiliate has other sources available for the service, how easily these services can be obtained from external sources, and the external versus internal prices of the service.

Fixed Asset Transfers

5.01 Fixed Asset transfers with a net book value exceeding $ 25,000 must be approved. The following documentation must be submitted:

- Description of parties involved and their relationship.
- Description of the asset(s) and how the asset(s) were used by the transferring entity.
- Description of how the asset(s) will be used by the receiving entity.
- Original cost of the equipment, date of purchase, accumulated depreciation, depreciation method, and estimated useful life.
- Estimated fair market value of the asset, including methods used to determine such value.
- Reason for the transfer, including alternative methods of disposal for the selling entity and alternative methods of acquisition for the purchasing entity.

Management Certification

6.01 The Chief Financial Officer and President of all affiliates involved in the transaction must provide written certification that they have reviewed the proposed transaction and concur that the transaction is strategically and financially important to BellSouth and that the transaction complies with the Joint Cost Order.

Timing

7.01 Documentation for new transactions must be submitted to the BSE Assistant Vice President & Comptroller at least 45 days prior to consummation of the transaction. Significant resources should not be committed to researching a potential intercompany arrangement until approval is obtained.

BellSouth Enterprises, Inc.
Financial Accounting Matters
Accounting Directive

AD 022
Issuance: Aug. 1991
Effective: Jan. 1991

ISSUE: Affiliate Transaction Approval

STATUS: New Issue

ORIGINATOR: Jennifer M. Fox (404) 249-4553

CONTACT: Dawn P. Carlson (404) 249-4238

RECOMMENDED:

Dawn P. Carlson

Dawn P. Carlson
Staff Manager

CONCURRED:

Jennifer M. Fox

Jennifer M. Fox
Operations Manager

APPROVED:

B. K. Brewer
Assistant Vice President
& Comptroller

F01K02W 005927

AFFILIATE TRANSACTION APPROVAL

Introduction

1.01 Effective September 1, 1990, all new intercompany transactions must be approved by the Assistant Vice President & Comptroller of BellSouth Enterprises, Inc. (BSE) prior to their implementation. The general provisions of this policy are contained in the BSE Policy Manual, Section 6 (Use of BellSouth Products and Services), Paragraph 2 (Intercompany Transactions). This Accounting Directive provides specific guidance to BSE subsidiaries in implementing this new policy.

Scope

2.01 The policy applies only to new transaction types with an effective date subsequent to September 1, 1990. An ongoing service existing prior to September 1, 1990 does not require review and approval. For example, if nonregulated affiliate A has been providing monthly equipment maintenance to regulated affiliate B since January 1, 1990, this service does not require approval, even if the service will continue to occur after September 1. However, if nonregulated affiliate A begins to sell equipment to regulated affiliate B effective September 1, this transaction must be approved.

2.02 All transactions in which a BSE affiliate, (including BSE Headquarters), sells goods or services require approval regardless of Joint Cost Order (JCO) considerations. Transactions in which a BSE affiliate receives goods or services from the regulated affiliates may require approval based on BellSouth Corporation and BellSouth Services policies.

2.03 Asset transfers from a BSE affiliate with a net book value greater than $ 25,000 must be approved.

Documentation Requirements

3.01 Documentation submitted for approval must contain a complete description of the transaction, including:

- Description of the product or service.
- Identification and relationship of all parties involved.
- Frequency of transaction (daily, monthly, yearly, on request).
- Expected future revenues and profits from affiliates and nonaffiliates.
- Financial resources required (monetary, personnel, facilities, etc.).
- Complete description of pricing methodology.
- Identification of Joint Cost Order issues, if any, and how JCO compliance will be ensured.
- Strategic and financial importance to BellSouth.

3.02 If market based pricing is used, a description of the services provided to nonaffiliates should be included, as well as current and expected revenues from nonaffiliates. This information is necessary to ensure that revenues generated from nonaffiliates are similar and significant enough to actually establish a prevailing market rate. It is also important to ensure that the customer base is stable enough to maintain an adequate outside market in future years.

3.03 If fully distributed costing is used, a description of the system and controls used to allocate costs must be included. Responsibilities for maintaining the system and reviewing cost allocations must be identified. If a system is not in place, the expected completion date of the system should be given. Billing cannot occur until an appropriate system is in place.

Strategic and Financial Importance of Transaction

4.01 The strategic and financial importance of the transaction must be documented. Only intercompany transactions that are strategically and financially important to BellSouth will be approved. Such criteria is determined on a case by case basis. Examples of strategically important transactions are those which will:

- Assist BellSouth in entering a desired market.
- Enhance BellSouth's competitive structure.
- Assist BellSouth in furthering technological developments.
- Enhance BellSouth's capability to meet customer needs and demands on a timely basis.

4.02 The transaction must have a positive impact on BellSouth's financial results. This criteria is also determined on a case by case basis, but examples of financially important transactions are those which will:

- Improve BellSouth's Net Income or cash flow.
- Provide economies of scale.
- Utilize excess or idle capacity or resources.

4.03 In assessing the financial importance of a transaction, alternative sources for a service must be considered. Documentation must state whether the affiliate has other sources available for the service, how easily these services can be obtained from external sources, and the external versus internal prices of the service.

Fixed Asset Transfers

5.01 Fixed Asset transfers with a net book value exceeding $ 25,000 must be approved. The following documentation must be submitted:

- Description of parties involved and their relationship.
- Description of the asset(s) and how the asset(s) were used by the transferring entity.
- Description of how the asset(s) will be used by the receiving entity.
- Original cost of the equipment, date of purchase, accumulated depreciation, depreciation method, and estimated useful life.
- Estimated fair market value of the asset, including methods used to determine such value.
- Reason for the transfer, including alternative methods of disposal for the selling entity and alternative methods of acquisition for the purchasing entity.

Management Certification

6.01 The Chief Financial Officer and President of all affiliates involved in the transaction must provide written certification that they have reviewed the proposed transaction and concur that the transaction is strategically and financially important to BellSouth and that the transaction complies with the Joint Cost Order.

Timing

7.01 Documentation for new transactions must be submitted to the BSE Assistant Vice President & Comptroller at least 45 days prior to consummation of the transaction. Significant resources should not be committed to researching a potential intercompany arrangement until approval is obtained.

BST

Review of BSE JCO MATRIXES — KW 9/14/93

AD7

CSL Chastain affil 23% non-affil 77% (A)
used Movats base within 18 mths similar size
CSL 12 St affil 79% , non aff 21%

CSL Birmingham office
affil 87% non aff 13%

Retail
5% aff 95 non off.

FDC studies done semi annually

13 Sunlink (B) Space Planning 100% affil [redacted] total
Warehouse 100%
Office 100% (C)

(A) Bell 15 yrs, Movats 5 yrs - Movats left after 5 Bell Does not have that option

(B) Done at FDC actual billed monthly

19
20 (C) office in Roanoke Virginia [redacted] [redacted]
DataSmo

CONFIDENTIAL

129

ESP1

472
1

BST

Review of Co's Justification of NH TPE 12/31/93 KW 9/14/93

Frances Dennis performed analysis - Memo 11/24/92

5 [redacted] average rate

[redacted] average co copers

7 [redacted] Dif charged to retained cost of project

8 changes to [redacted] PSF because of increase 1/1/93

9 Avg over 10 yrs now [redacted]

11 4th amendment to lease added *23,683 sq ft
at [redacted] /SF avg

BSC leases from 1155 Peachtree

C&L amended to add 6877 sq ft

15 Neither had tenant improv all.
Avg [redacted] PSF

Using Net Present Value added space

17 for BellSouth is [redacted] PSF lower

18 Avg C&L [redacted]

19 Avg BS [redacted]

CONFIDENTIAL

ESPI Notes

47-2
2

Al Remer file

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 05-11-93
Amended Response to
Item No. 2-079
Page 1 of 1

Request: Provide a listing of all transactions, by individual company, between Sunlink Corporation and BellSouth Corporation including its affiliates, except BellSouth Telecommunications and nonaffiliates.

Indicate whether the response to this request is the same as provided the FCC.

Response: In its response dated May 19, 1993, the Company stated that it would provide a response or a status report on May 29, 1993. Following is the response:

See attached for the 1991 and 1992 Sunlink billings to affiliates.

This information has been provided to the FCC.

The material constitutes confidential proprietary business information and will be the subject of a "Notice of Intent to Request Specified Confidential Classification."

SPECIFIED CONFIDENTIAL

Date Provided: May 25, 1993

SUNLINK CORPORATION
BILLINGS TO AFFILIATES
DURING THE 12 MONTHS ENDING 12/31/91 AND 12/31/92
DOLLARS IN THOUSANDS

SUBSIDIARY	B 1991 GROSS BILLINGS	C 1992 GROSS BILLINGS
BellSouth Advanced Networks, Inc.	[redacted]	[redacted]
BellSouth Information Networks, Inc.		
BellSouth Information Systems, Inc.		
BellSouth Mobility, Inc.		
L. M. Berry and Company		
BellSouth International, Inc.		
BellSouth Marketing Programs, Inc.		
BellSouth Advertising and Publishing Corporation		
BellSouth Resources, Inc.		
BellSouth Services, Inc.		B
BellSouth Telecommunications, Inc.		
BellSouth Communications, Inc.		
Dataserv, Inc.		A
BellSouth Communications Systems, Inc.		C
BellSouth Enterprises, Inc.		

Response to 2-074.1
Says Sunlink billed
Other affil. $2,126,300

PROPRIETARY

SPECIFIED CONFIDENTIAL

A per 47-8 p4 $870,904.80
B per 47-8 p4 $3,185,715.80
C per 47-8 p5 $644252

SBLV02U 00247

KW
Sunlink

Request: For BellSouth Information Networks, Sunlink, BellSouth Capital Funding Corp., BellSouth Resources Inc., Data Serve Financial Services and BellSouth Enterprises Inc., provide the following using 1992 information separately for each affiliate:

A - The dollar amount of transactions with
1) BSTI
2) other BellSouth Affiliates and
3) Non Affiliate entities

B - The dollar amount of transactions for each of the ten largest "Non Affiliate" customers for each of the above named affiliates. Provide the name and address of each customer.

Response: A 1) The BST transactions with affiliates were provided in response to Item No. 2-012.

KW

2) During 1992, Sunlink Corporation billed "other affiliates" approximately $2,126,300.

MY

BSE has declined to provide affiliate billings for BellSouth Information Networks, BellSouth Capital Funding Corporation, BellSouth Resources Inc., Data Serv Financial Services and BellSouth Enterprises, Inc. because these companies either have no transactions or no fully distributed cost transactions with BST.

Therefore, the Company objects to providing such information on the grounds that (1) Southern Bell does not have possession, custody or control of such information, (2) the entity that is in possession of such documents is not subject to the jurisdiction of this commission and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of

Response continued:

admissible evidence (a) related to transactions or cost allocations among these companies or (b) necessary to show that Southern Bell's Florida customers do not subsidize either Southern Bell's or its affiliates' unregulated activities.

Notwithstanding that objection, these companies have agreed to produce for inspection at a mutually convenient time on Company premises, any documents necessary to support any "chained" "fully distributed costs" (FDC) transactions in the event that the staff's audit of a direct transaction with other affiliates reveals any "chained" FDC transactions affecting BST.

KW
fy

3) Sunlink Corporation made no rental charges to non-affiliates during 1992.

BSE had only flow-through transactions with BST in 1992. The other affiliates had no transactions with BST in 1992.

As stated in A3) above Sunlink had no rental charges to non-affiliates during 1992.

Therefore, the Company objects to providing such information on the grounds that (1) Southern Bell does not have possession, custody or control of such information, (2) the entity that is in possession of such documents is not subject to the jurisdiction of this commission and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 06/01/93
Amended Response to
Item No. 2-074.1
Page 3 of 3

Response continued:

admissible evidence (a) related to transactions or cost allocations among these companies or (b) necessary to show that Southern Bell's Florida customers do not subsidize either Southern Bell's or its affiliates' unregulated activities.

B) The Company objects to providing the requested information on the grounds stated in A3 above.

Date Provided: June 29, 1993

COMPANY: BST
TITLE: ANALYTICAL REVIEW
PERIOD: 1991 AND 1992
DATE: JUNE 1, 1993
AUDITOR : RKY

WP NO. 7

I. An analytical review was performed to determine the amounts involved in the affiliated transactions. From this staff would select those affiliated companies to audit. Our first plan was to select three affiliated companies based on dollar amounts, select three small companies and then do BSE - chaining. Anything under $10,000,000 was considered a small company.

Our analytical review is based on answers to 2-012, 2-012.1 and 5-006. 5-006 is considered Proprietary by BST.

The three affiliates with the largest amounts of dollar transactions were:

	BILLED TO BST 1992
BELLSOUTH CORPORATION	99,766,526
BELLCORE	162,580,303
BELLSOUTH COMMUNICATIONS, INC.	209,991,149

Only two smaller companies were selected because the audit team felt that was all we could handle in the time frame and the amount of people working on the costing methodologies area.

The two samller companies were:

SUNLINK -- ANY AND ALL SUBS OR AFFILIATES THAT ARE IN THE REAL ESTATE AREA.

	2-012 BILLED TO BST 1992
SUNLINK	3,269,678
CSL CHASTAIN	694,717
CSL BIRMINGHAM	9,557,626
DATA SERV.	4,936,617

We did not consider the Advertising and Publishing Group becasue the costs of publishing are being addressed in a separate group. Group 3 led by Rick Wright.

Mobile Systems Group and Bellsouth Information Systems were part of the small companies. We did not consider them because of staff and time limits.

COMPANY: BST
TITLE: ANALYTICAL REVIEW
PERIOD: 1991 AND 1992
DATE: JUNE 1, 1993
AUDITOR : RKY

WP NO. 7

IV. A comparison of the amounts allocated to Fl for 1991 and 1992 was performed. We could not do this for total states as 1991 was for SBT and four states and 1992 was for BST for 9 states.

The following schedule is for those charges that were allocated to Florida that increased or decreased 10% or above for affiliates that allocated $500,000 or more.

	Fl 1991	FL 1992	%INCREASE (DECREASE)
SOUTH CENTRAL BELL TO BST IN 1992	17,479,768	0	100.0000%
BELLSOUTH SERVICES TO BST IN 1992	367,378,631	0	100.0000%
SUNLINK	0	1,630,138	100.0000%
CSL BIRMINGHAM	0	2,241,640	100.0000%
BELLSOUTH INFORMATION SYSTEMS	543,180	980,216	80.4588%
MOBILE COMMUNICATIONS CORP OR AM AND AFFIL	355,972	600,902	68.8060%
BAPCO	1,202,527	1,064,303	-11.4945%
STEVENS GRAPHICS	0	664,870	100.0000%
BELLSOUTH COMMUNICATIONS INC	25,287,590	52,729,091	108.5177%
DATA SERV INC AND AFFIL	891,250	1,218,592	36.7284%
BSHR	921,706	0	-100.0000%

PSC staff has sent this information to other team members for follow up.

BAPCO to Rick Wright
Sunlink, STevens Graphics, and Data Serv to Kathy Welch
BEllsouth Communications to me (ry)
SCB and BSS are all part of BST in 1992 and part of the BST CSAP portion of the audit.

p7

CONFIDENTIAL

47-3/1

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47-3
1

Revenue from Real Estate Operations: ($000)

From Entity:	B CSL Birmingham	C CSL Chastain	D CSL Twelfth Street	E 1155 Peachtree St
BST	[redacted]	[redacted]	0.0	0.0
BSC-HQ	[redacted]	[redacted]	0.0	[redacted]
BSE-HQ	[redacted]	[redacted]	[redacted]	[redacted]
Sunlink	[redacted]	[redacted]	[redacted]	[redacted]
BS Mobility	[redacted]	[redacted]	[redacted]	[redacted]
BS Direct Mktg	[redacted]	[redacted]	[redacted]	[redacted]
BS Int'l Msg.	[redacted]	[redacted]	[redacted]	[redacted]
BS International	[redacted]	[redacted]	[redacted]	[redacted]
BS Info Systems	[redacted]	[redacted]	[redacted]	[redacted]
Non-Affiliates	[redacted]	[redacted]	[redacted]	[redacted]
Other *	[redacted]	[redacted]	[redacted]	[redacted]

* Interest income, parking revenue, etc.

3

Request: RE: Sunlink, etc.

1. Provide all documentation to satisfy the guidelines set forth in BSE-Financial Accounting Directives AD007, 3.01, "Establishment of Outside Markets" for 1992 for:

Sunlink, CSL Chastain Joint Venture, CSL Birmingham Assoc., CSL 12th Street Associates, Peachtree Associates, Exchange South Associates, CSL Western Way and 1155 Peachtree Assoc. Include documentation described in AD 010 appendix II, III, IV and V.

2. Provide all additional rent payments made in 1992 for each of the above properties broken down by affiliates and non-affiliates, broken down by type of payment (I.E. real estate tax, security, electric, water & sewer, cleaning, etc.)

Response: 1. As to "Peachtree Associates", there is no company by that name.

The Company has asked BSE to provide the requested information. BSE declines to provide CSL Western Way and CSL Exchange South information because neither BST nor other BellSouth affiliates lease space in these projects - nor have they been used as the basis for any market rate analysis. Therefore, the Company objects to providing the requested information on the grounds that (1) the Company does not have possession, custody or control of such information, (2) the entity that is in possession of such documents is not subject to the jurisdiction of this commission and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence (a) related to transactions or cost allocations among these companies or (b) necessary to know that Southern Bell's Florida customers do not subsidize either Southern Bell or its affiliates' unregulated activities.

Response Continued:

As to Sunlink, CSL Chastain, CSL Birmingham, CSL Twelfth Street and 1155 Peachtree Associates, all available material has been previously made available to the auditors in one or more of the following instances:

- Contained in the workpapers associated with the Coopers & Lybrand JCO Compliance Audit
- Contained in individual FDC lease analyses made available to the auditors during on-site visits
- Contained in the AD010 documentation binder made available to the auditors during on-site visits

2. The Company asked BSE to provide the requested information. BSE provided Attachment I which includes rent revenues from affiliates and non-affiliates for CSL Chastain, CSL Birmingham, CSL Twelfth Street and 1155 Peachtree Associates in connection with their real estate operations. BSE declines to provide the breakdown of rent revenues in the requested categories because it is time consuming and burdensome. Therefore, the Company objects to providing the breakdown of rent revenues in the requested categories on the grounds that (1) the Company does not have possession, custody or control of such information, (2) the entity that is in possession of such documents is not subject to the jurisdiction of this commission and (3) in any event, such information is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence (a) related to transactions or cost allocations among these companies or (b) necessary to know that Southern Bell's Florida customers do not subsidize either Southern Bell or its affiliates' unregulated activities.

   This attachment is being sent in the overnight mail on October 28, 1993.

   This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 28, 1993

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No trace to review / Removed after field work ended

$\frac{4-7-3}{1-3}$

RY

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 10-26-92
Item No. 2-001
Page 1 of 1

Request: Provide 1991 financial statements and General Ledger for Sunlink Corporation.

Response: The 1991 Sunlink Income Statement and Balance Sheet are attached. BST does not have access to the Sunlink General Ledger and has been unable to secure it from BSE.

PROPRIETARY

Co denied access to the 1992 F/S

4

144

A

SUNLINK CORPORATION
INCOME STATEMENT
THOUSANDS

REPORT PERIOD: DEC 91

		B	C	D	E	F	G		
		CURRENT MONTH				YEAR-TO-DATE			
		BUDGET	ACTUAL	DIFF	%DIFF	BUDGET	ACTUAL	DIFF	%DIFF
1	REVENUES								
2	Total Operating Revenue (Inc Pub Fees)						[redacted]		
3	Less: Pub Fees						[redacted]		
4	Net Operating Revenue						[redacted]		
5	OPERATING EXPENSES								
6	Cost of Services/Products						[redacted]		
7	Depreciation						[redacted]		
8	Amortization						[redacted]		
9	Selling, General & Admin						[redacted]		
10	Other Operating Expenses						[redacted]		
11	Total Operating Expenses						[redacted]		
12	NET OPERATING INCOME						[redacted]		
							[redacted] of Plant		
13	OTHER INCOME								
14	Equity in Inc (Loss) Unconsol Cos						[redacted]		
15	Misc Non-Operating Inc (Loss)						[redacted]		
16	Total Other Income						[redacted]		
17	INTEREST EXPENSE						[redacted]		
18	INCOME BEFORE INCOME TAXES						[redacted]		
19	INCOME TAXES - FEDERAL						[redacted]		
20	- STATE						[redacted]		
21	INCOME BEFORE EXTRAORDINARY ITEMS, ACCOUNTING CHANGES AND MINORITY INT						[redacted]		
22	EXTRAORDINARY ITEMS - NET						[redacted]		
23	ACCOUNTING CHANGES						[redacted]		
24	MINORITY INTERESTS						[redacted]		
25	NET INCOME (LOSS)						[redacted]		

[redacted] of net plant

145

f. k v -

SUNLINK CORPORATION
BALANCE SHEET
THOUSANDS

REPORT PERIOD: DEC 91

A B

		C	CURRENT MONTH D			VARIATION FROM CURRENT MONTH ACTUAL	
		BUDGET	ACTUAL	DIFF	%DIFF	MONTH/MONTH	YEAR-TO-DATE
1	ASSETS						
2.	CURRENT ASSETS						
3	Cash and Cash Equivalents		[redacted]				
4	Temporary Cash Investments						
5	Accounts and Notes Receivable, Net						
6	Inventories						
7	Net Invest in Sales-Type Leases - Current						
8	Other Current Assets						
9	TOTAL CURRENT ASSETS		[redacted]				
10	INVESTMENTS						
11	Investment in Unconsol Affiliates		[redacted]				
12	Other Investments						
13	Total Investments						
14	FIXED ASSETS						
15	Property, Plant and Equipment		[redacted]				
16	Less: Accumulated Depreciation						
17	Net Fixed Assets						
18	COST OF EQUIP UNDER OPER LEASES, NET OF ACTUAL ACCUM DEPREC OF $ 0		[redacted]				
19	OTHER ASSETS						
20	Intangible Assets, Net of Actual Accumulated Amortization of $ 33		[redacted]				
21	Net Invest in Sales-Type Leases - Non-Curr						
22	Other Non-Current Assets						
23	Total Other Assets						
24	TOTAL ASSETS		[redacted]				

NOTICE: NOT FOR USE OR DISCLOSURE OUTSIDE THE BELLSOUTH CORPORATION EXCEPT UNDER WRITTEN AGREEMENT

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SUNLINK CORPORATION
BALANCE SHEET
THOUSANDS

A	B	C	D CURRENT MONTH			VARIATION FROM CURRENT MONTH ACTUAL	
		BUDGET	ACTUAL	DIFF	%DIFF	MONTH/MONTH	YEAR-TO-DATE
			D				
25	LIABILITIES AND EQUITY						
26	CURRENT LIABILITIES						
27	Debt Maturing within One Year		[redacted]				
28	Accounts Payable						
29	Other Current and Accrued Liabilities						
30	TOTAL CURRENT LIABILITIES						
31	OTHER LONG-TERM DEBT						
32	CAPITAL LEASE OBLIGATIONS						
33	OTHER LIABILITIES						
34	Deferred Income Taxes						
35	Other Non-Current Liabilities						
36	Total Other Liabilities						
37	MINORITY INTERESTS						
38	TOTAL LIABILITIES						
39	STOCKHOLDERS EQUITY						
40	Preferred Stock						
41	Common Stock						
42	Paid-in Capital						
43	Retained Earnings						
44	Accumulated Foreign Currency Translations						
45	Total Stockholder's Equity						
46	TOTAL LIABILITIES AND EQUITY						

JW

JW 10/26/93

147

474

AUDIT DISCLOSURE NO

SUBJECT: CSL BIRMINGHAM

STATEMENT OF FACT: CSL Birminham has three complexes charged at Fully Distributed Costs (FDC). According to request 2-0038 they are:

BUILDINGS		FDC B	BASE RENT C	
BSSI	47-5 p3	[redacted]	[redacted]	47-5 p4
BSSII	p5	[redacted]	[redacted]	p6
3700 BLDG.	p7	[redacted]	[redacted]	p8
		[redacted]	[redacted] A	

Additional rent is paid for operating expenses, taxes and insurance. These amounts were requested 8/9/93 (Request 2-131) and have never been provided.

The following amounts were included in the FDC analysis for Return on Investment computed at 15.76%.

		E AVG. INV.	F ROI
BSSI	47-5 p3	[redacted]	[redacted]
BSSII	p5	[redacted]	[redacted]
3700 BLDG.	p7	[redacted]	[redacted]
		[redacted]	[redacted]

The company provided redacted pages from their general ledger which contained the numbers used in their FDC analysis but refused to provide their entire ledger.

The rent is being allocated to the states using the allocation percents for account 6121.

	% 43-4/15	H DOLLARS
Florida	26.14%	[redacted]
Georgia	17.28%	[redacted]
North Carolina	9.62%	[redacted]
South Carolina	6.44%	[redacted]
Alabama	8.47%	[redacted]
Kentucky	4.92%	[redacted]
Louisianna	9.95%	[redacted]
Mississippi	5.85%	[redacted]
Tennessee	11.33%	[redacted]
		[redacted] A

2

p1

OPINION: Limited access to the general ledger is not sufficient to support their FDC analysis. Providing only certain accounts does not allow review for contra accounts which could change the balances needed to be used.

It also does not allow a review to determine if all necesssary accounts were included in working capital.

Questions also arose from the redacted copies of whether the 3800 building and the 3700 building were charged to the same cost center. By not being able to review the general ledger for charges for the 3800 building it was impossible to determine if the FDC analysis contained costs for the 3800 building. The company later provided redacted copies of the General Ledger showing the 3800 building as a separate line item but redacted the dollars.

It also was impossible to determine the reasonableness of other rents.

Reducing the rate of return to a lower level could reduce FDC to being lower than the actual rent charged.

18 RECOMMENDATION: Because the company refused to support their calculations by full access, the rent of [redacted] and additional rent which cannot be determined because the request was never answered, should be removed.

Florida portion	2,629,144	
% Regulated	95.07%	See Gabby analysis per MP2702
	2,499,527	
% Intrastate	77.33%	55-6
Florida Intra/Regulated	1,932,884	

p2

149

47-5A

Request: For Sunlink, provide detail of how the fully distributed cost was calculated in billing affiliate companies for the Colonnade use.

Response: The Company is billed less than fully distributed cost for leased office space in the Colonnade Complex. The documentation showing how the billing for this space is calculated constitutes very sensitive confidential proprietary business information and will be made available for review on company premises at a mutually agreed upon time and place.

18 Σ all leases 1992 = [redacted]

Staff requested working capital backup & other G/L, property listings & def. tax info that was shown to me in Atlanta on 9/13. They would not provide that day. Told Gary Grace that if I did not have it by the next week it would be too late. Received 10/16. No time to review. ESPI not included.

Date Provided: March 24, 1993

Because the negotiated lease rate is billed each month, studies are performed semiannually to compute FDC per square foot for each of the phases (BSS I, BSS II, and 3700). These studies are performed via LOTUS spreadsheets using information from the CSL Birmingham financial reports.

<u>Direct and Indirect Costs</u>

The primary expense associated with each phase is depreciation expense. Because BST pays all other expenses directly, there are no other expenses associated with these properties. Because overhead costs for the partnership are low and the majority are related to other phases of the project, there is no allocation of indirectly attributable or unattributable costs. Depreciation is tracked by phase on the General Ledger.

<u>Net Investment</u>

The primary components of the net investment are:

<u>Fixed Assets (Land, Land Imp.,Buildings, etc.)</u> These assets, as well as the associated accumulated depreciation, are tracked by phase on the General Ledger.

<u>Deferred Taxes</u> (Sunlink Accounts 319.1; 319.2; 321.21; and 321.22): Because CSL Birmingham is a partnership, each partner records its share of the appropriate tax expense and deferred taxes on its own books. Sunlink's deferred tax balances are allocated based upon information received from BellSouth's tax department. The tax department determines the amount of deferred taxes that relates to the CSL partnerships and the amount which relates to Sunlink's owned properties. In order to allocate these totals among the individual Colonnade phases, the relationship of depreciation expense is used.

<u>Working Capital</u>: Because most CSL Birmingham working capital relates to other phases where the partnership is paying for operating expenses, there is no allocation of working capital to BSS I, BSS II, or the 3700 Building.

<u>Computation of Return on Investment</u>

The LOTUS spreadsheet computes the return on the average net investment using the current year allowed FCC rate of return. The average net investment is computed on an annual basis as follows:

$$\frac{\text{Prior Year Ending Net Investment + Current Year Ending Net Investment}}{2}$$

<u>Comparison of Actual versus FDC</u>

In determining JCO compliance, the effective actual lease rate per square foot is compared to the FDC per square foot each year. In earlier years, FDC exceeds the actual amount billed. However, in later years FDC is less than the actual amount billed because the lease rates escalate and the FDC amount declines due to a declining net investment. However, on a cumulative basis over the lease term, the effective actual amounts billed are less than the cumulative FDC amounts. Therefore, CSL Birmingham is in compliance with the JCO.

Dw 801

10-Mar-93
12:33 PM

COLONNADE FDC ANALYSIS
BSS I
100% BST

47-5A p1

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q.
SQUARE FEET	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000	425,000
	10/1/88-12/31/88	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1/1/03-9/30/03
REVENUES																
ALLOWABLE RENT REVENU (AT FDC--SEE FOOTNOTE																
EXPENSES (2)																
DEPR - BUILDING																
DEPR - TENANT ALLOW																
DEPR - LANDSCAPING																
DEPR - MINOR EQUIP																
TOTAL EXPENSES																
NET INVESTMENT (BSS I)																
LAND (2)																
LAND IMPROVEMENTS (2)																
BUILDING (2)																
ACC DEPR-BUILDING (2)																
TENANT ALLOWANCES (2)																
ACC DEPR-TEN ALL (2)																
LANDSCAPING (2)																
ACC DEPR-LANDSCAP (2)																
MINOR EQUIPMENT (2)																
ACC DEPR-MINOR EQ (2)																
CONST. IN PROG. (2)																
DEFERRED TAXES (3)																
WORKING CAPITAL (4)																
NET INVESTMENT																
AVERAGE INVESTMENT																
RETURN (5)	[redacted]															

6

(1) ALLOWABLE RENT REVENUE = BOOK DEPRECIATION + RETURN ON NET INVESTMENT.
(2) SOURCE IS CSL BIRMINGHAM GENERAL LEDGER.
(3) CSL BIRMINGHAM DEFERRED TAXES ARE ALLOCATED TO PROJECTS BASED ON DEPRECIATION EXPENSE OF EACH PROJECT.
(4) BSS PAYS ALL OPERATING EXPENSES DIRECTLY. THEREFORE, MINIMAL CSL BIRMINGHAM WORKING CAPITAL IS ATTRIBUTABLE TO THE BSS LEASES.
(5) THE PRE-TAX RETURN THROUGH 12/31/90 IS 17.04%. PRE-TAX RETURN EFFECTIVE 1/1/91 IS 15.76%.

p3 (A)? 47-5/1

920260-TL
2-0038 P. 1/1

153

10-Mar-03
12:39 PM

BSS I: PER SQUARE FOOT RATE COMPARISONS
EFFECTIVE ACTUAL VERSUS FDC
R.S.F.= RENT PER SQUARE FOOT

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	10/1/88-12/31/88	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1/1/03-9/30/03
R.S.F.--PER LEASE AGREE.	[redacted]															
R.S.F.--EFFECTIVE ACTUAL R.S.F.--FDC	[redacted]															
CURRENT YEAR DIFFERENCE	($1.54)	($5.72)	($5.31)	($3.60)	($3.16)	($2.71)	($2.31)	($1.93)	($1.54)	($1.15)	($0.76)	($0.38)	$0.01	$0.40	$0.79	$0.88
PRIOR YEAR CUM DIFF	$0.00	($1.54)	($7.25)	($12.56)	($16.17)	($19.31)	($22.01)	($24.33)	($26.26)	($27.80)	($28.95)	($29.71)	($30.09)	($30.08)	($29.68)	($28.89)
CURRENT YEAR CUM DIFF	($1.54)	($7.25)	($12.56)	($16.17)	($19.31)	($22.01)	($24.33)	($26.26)	($27.80)	($28.35)	($29.71)	($30.09)	($30.08)	($29.68)	($28.89)	($28.01)

A

16

[redacted] p.1 [redacted]

1yr / lease

47-5A

442708.33 [illegible]

23

6 recomputed

4

Div 802

154

10-Mar-93
12:51 PM

COLONNADE FDC ANALYSIS
BSS II 100% BST

47-5A

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
SQUARE FEET	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229	267,229
	5/1/89-12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1/1/04-4/30/04

REVENUES
=================
ALLOWABLE RENT REVENUE
(AT FDC--SEE FOOTNOTE (1))
EXPENSES (2)
=================
DEPR - BUILDING
DEPR - TENANT ALLOW
DEPR - LANDSCAPING
DEPR - MINOR EQUIP

TOTAL EXPENSES

NET INVESTMENT (BSS II)
=======================
LAND (2)
LAND IMPROVEMENTS (2)
BUILDING (2)
ACC DEPR-BUILDING (2)
TENANT ALLOWANCES (2)
ACC DEPR-TEN ALL (2)
LANDSCAPING (2)
ACC DEPR-LANDSCAP (2)
MINOR EQUIPMENT (2)
ACC DEPR-MINOR EQ (2)
CONST. IN PROG. (2)
DEFERRED TAXES (3)
WORKING CAPITAL (4)

NET INVESTMENT

AVERAGE INVESTMENT

RETURN (5)

(1) ALLOWABLE RENT REVENUE = BOOK DEPRECIATION + RETURN ON NET INVESTMENT. U
(2) SOURCE IS CSL BIRMINGHAM GENERAL LEDGER.
(3) CSL BIRMINGHAM DEFERRED TAXES ARE ALLOCATED TO PROJECTS BASED ON DEPRECIATION EXPENSE OF EACH PROJECT.
(4) BSS PAYS ALL OPERATING EXPENSES DIRECTLY. THEREFORE, MINIMAL CSL BIRMINGHAM WORKING CAPITAL IS ATTRIBUTABLE TO THE BSS LEASES.
(5) THE PRE-TAX RETURN THROUGH 12/31/90 IS 17.04%. PRE-TAX RETURN EFFECTIVE 1/1/91 IS 15.76%.

P5

A Per 47-5/1

3/6

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THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

10-Mar-93
12:51 PM

155

BSS II: PER SQUARE FOOT RATE COMPARISONS
EFFECTIVE ACTUAL VERSUS PBC
R.S.F. = RENT PER SQUARE FOOT

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	5/1/89-12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1/1/04-4/30/04
R.S.F.--PER LEASE AGREE.	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
R.S.F.--EFFECTIVE ACTUAL	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
R.S.F.--PBC	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
CURRENT YEAR DIFFERENCE	($2.48)	($3.54)	($2.03)	($1.63)	($1.27)	($0.94)	($0.61)	($0.28)	$0.05	$0.37	$0.70	$1.03	$1.36	$1.68	$2.01	$0.74
PRIOR YEAR CUMULATIVE DIFFERENCE	$0.00	($2.48)	($6.01)	($8.04)	($9.67)	($10.94)	($11.88)	($12.49)	($12.77)	($12.73)	($12.35)	($11.65)	($10.62)	($9.27)	($7.58)	($5.57)
CURRENT YEAR CUMULATIVE DIFFERENCE	($2.48)	($6.01)	($8.04)	($9.67)	($10.94)	($11.88)	($12.49)	($12.77)	($12.73)	($12.35)	($11.65)	($10.62)	($9.27)	($7.58)	($5.57)	($4.83)

$ [redacted]

17 [redacted] per lease Per mt 265002.08

47-5AP1

23

p6

4/6

156

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THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES.

Dw 805 ~~w/ 3800 bldg in 47-10~~

10-Mar-93
01:02 PM

COLONNADE FDC ANALYSIS
3700 BUILDING 100% BST

47-5 P1

	B	C	D	E	F	G	H	I	J	K	L
SQUARE FEET	156,541	156,541	156,541	156,541	156,541	156,541	156,541	156,541	156,541	156,541	156,541
	6/1/89-12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1/1/99-5/31/99
REVENUES											
ALLOWABLE RENT REVENUE (AT FDC--SEE FOOTNOTE (1))											
EXPENSES (2)											
DEPR - BUILDING											
DEPR - TENANT ALLOW											
DEPR - LANDSCAPING											
DEPR - MINOR EQUIP											
TOTAL EXPENSES											
NET INVESTMENT (3700)											
LAND (2)											
LAND IMPROVEMENTS (2)											
BUILDING (2)											
ACC DEPR-BUILDING (2)											
TENANT ALLOWANCES (2)											
ACC DEPR-TEN ALL (2)											
LANDSCAPING (2)											
ACC DEPR-LANDSCAP (2)											
MINOR EQUIPMENT (2)											
ACC DEPR-MINOR EQ (2)											
CONST. IN PROG. (2)											
DEFERRED TAXES (3)											
WORKING CAPITAL (4)											
NET INVESTMENT											
AVERAGE INVESTMENT											
RETURN (5)											

(1) ALLOWABLE RENT REVENUE = BOOK DEPRECIATION + RETURN ON NET INVESTMENT.
(2) SOURCE IS CSL BIRMINGHAM GENERAL LEDGER.
(3) CSL BIRMINGHAM DEFERRED TAXES ARE ALLOCATED TO PROJECTS BASED ON DEPRECIATION EXPENSE OF EACH PROJECT.
(4) BSS PAYS ALL OPERATING EXPENSES DIRECTLY. THEREFORE, MINIMAL CSL BIRMINGHAM WORKING CAPITAL IS ATTRIBUTABLE TO THE BSS LEASES.
(5) THE PRE-TAX RETURN THROUGH 12/31/90 IS 12.04%. PRE-TAX RETURN EFFECTIVE 1/1/91 IS 15.76%.

(A) Per 47-5/1

P7

5/6

19-Mar-99
01:02 PM
R.S.F. = RENT PER SQUARE FOOT

3700: PER SQUARE FOOT RATE COMPARISONS
EFFECTIVE ACTUAL VERSUS FDC

	B	C	D	E	F	G	H	I	J	K	L
	5/1/89-12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1/1/99-5/31/99
R.S.F.--PER LEASE AGREE.	[redacted]										
R.S.F.--EFFECTIVE ACTUAL	[redacted]										
R.S.F.--FDC											
CURRENT YEAR DIFFERENCE	($2.98)	($4.89)	($3.50)	($3.17)	($2.78)	($2.44)	($2.09)	($1.75)	($1.40)	($1.06)	($0.34)
PRIOR YEAR CUMULATIVE DIFFERENCE	$0.00	($2.98)	($7.87)	($11.37)	($14.54)	($17.32)	($19.76)	($21.85)	($23.60)	($25.00)	($26.06)
CURRENT YEAR CUMULATIVE DIFFERENCE	($2.98)	($7.87)	($11.37)	($14.54)	($17.32)	($19.76)	($21.85)	($23.60)	($25.00)	($26.06)	($26.40)

17-5AP!

17 $ [redacted] Per lease Per mth $130450,83

÷ [redacted] sq ft

19 [redacted] /sq ft

08

4/6

PBC

KW 10/26/93

158

All were traced to actual award

X traced to Redacted copy of all

47-5

BST

Allocation of CSL Birmingham Def. Taxes
TYE 12/31/92

6/11/93
KW
9/8/93

Total		BSS I	BSS II	3700	3800	Retail	4100
2314821 (B)	Annualized 6/92 Depred (47-5)	$ (P3) [redacted]	$ (P5) [redacted]	$ 342 040 (P7) [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
100%	% of Total	(A) 35.91%	19.07%	12.31%	18.25%	10.99%	3.48%
419001	Def Tax (47-5)	[redacted] (P3)	[redacted] (P5)	[redacted] (P7)	[redacted]	[redacted]	[redacted]

See Response on 47-5 / 1-1. No time to verify

(A) Computed at line 1 amts divided by total (B)

CONFIDENTIAL

ESP1

47-5 / 1

kw

Request: For CSL Birmingham provide deferred tax allocation and the appropriate backup from the general ledger.

Response: See Attachment I for Sunlink Corporation Deferred Taxes used in the CSL Birmingham Lease FDC Study which were supplied by the BSC-HQ Tax Department. See previously provided Coopers & Lybrand Workpapers Numbers 109.7 and 110.7 for the allocation of Sunlink Deferred Taxes to individual projects (including CSL Birmingham). See Note 1 on workpaper 109.7 which explains why the BSC-HQ Tax Department figure for Deferred Taxes is used rather than the Deferred Tax balances in the General Ledger.

This attachment is being sent in the overnight mail on October 5, 1993.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 5, 1993

lbc

KW 10/26/93

Item No. 2-038.C
Attachment I

SUNLINK CORPORATION
DEFERRED TAX ANALYSIS SUMMARY
AS OF 6/30/92

file name: c:\sunlink\ssldftx
range name: SUN

Deferred taxes related to partnership interests:

	W/P REF	C (DR)/CR ANNUAL AMOUNT	D (DR)/CR CUMULATIVE AMOUNT
As of 9/30/91 (previously provided)		[redacted]	[redacted] w/p
True-up piece for 1991 (10/1 - 12/31)	A	[redacted]	[redacted]
For 1/1/92 - 6/30/92	C	[redacted]	[redacted]

PROPRIETARY

Deferred taxes related to properties held:

		(DR)/CR ANNUAL AMOUNT	(DR)/CR CUMULATIVE AMOUNT
As of 9/30/91 (previously provided)		[redacted]	[redacted] w/p
True-up piece for 1991 (10/1 - 12/31)	B	[redacted]	[redacted]
For 1/1/92 - 6/30/92	D	[redacted]	[redacted]

w/p - Agrees to 9/30/91 w/p's

F01K01W 022621

161

Not provided until 10/6/93 - no time to verify

47.5
1-1

lw

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 09/17/93
Item No. 2-038.B
Page 1 of 1

Request: For CSL Birmingham tie depreciation expense to the general ledger for Class 805.

Response: Reconciliation of CSL Birmingham depreciation expense and the general ledger for Class 805 is being sent in the overnight mail on October 5, 1993.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 5, 1993

PBL

MO 10/26/93

Item No. 2-038.B
Attachment

Reconciliation to CSL Birmingham Assoc. General Ledger

3700 Colonnade Building
Depreciation Expense (per G/L pages reviewed by auditor 9/14/93)

	B		C
Building	[redacted]	x 12 =	[redacted]
Tenant Allowance		x 12 =	
Landscaping *		x 12 x .53 =	
Minor Equipment		x 12 =	
TOTAL			[redacted]
Minor Difference			(29)
Per FDC Study			[redacted]

47-5 P7

* Allocated based on Land Balances

F01K01W 022620

163

No time to review - provided 10/4/93

47-5
7

RECEIVED
FLORIDA PUBLIC SERVICE COMMISSION

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AUDITING & FINANCIAL ANALYSIS DIV

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 09/17/93
Item No. 2-038.A

Request: For CSL Birmingham, prove that the 3800 Building is not in Class 805 in the general ledger.

Response: See Attachment I which shows that the CSL Birmingham project 3800 building is separate from the 3700 building and is not in Class 805. This attachment is being sent in the overnight mail on October 5, 1993.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 5, 1993

GL40RP10MP
REPORT DATE: 12/31/92
RUN DATE : 01/26/93

CARTER & ASSOCIATES
MONTHLY GENERAL LEDGER

CONFIDENTIAL
THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED PERSONS. IT IS MEANT SOLELY FOR USE BY AUTHORIZED EMPLOYEES OF BELLSOUTH OR BELLSOUTH SUBSIDIARIES

GL40RP10 V1.0
PAGE: 8
YEAR END: 12/31

COMPANY : 563 CSL BIRMINGHAM

ACCT-SUBACCT/ GRP-PROJ	ACCOUNT NAME/ PROJECT NAME								
VENDOR/PAYEE	TRANS AMOUNT	TRANSACTION DESCRIPTION	TRANS TYPE	SOURCE DOC NUMBER	IN #	EFFECTIVE DATE	DATE PD	CK NUM	
0501	BUILDING								
101	3800 COLONNADE PARKWAY	BEGINNING BAL:			END BAL:				
801	BELLSOUTH SERVICES HEADQ	BEGINNING BAL:			END BAL:				
		BEGINNING BAL:							
803	BELL SOUTH SERVICES II	BEGINNING BAL:			END BAL:				
805	3700 COLONNADE	BEGINNING BAL:			END BAL:				
0510	TENANT ALLOWANCES								
101	3800 COLONNADE PARKWAY	BEGINNING BAL:			END BAL:				
801	BELLSOUTH SERVICES HEADQ	BEGINNING BAL:			END BAL:				
803	BELL SOUTH SERVICES II	BEGINNING BAL:			END BAL:				
805	3700 COLONNADE	BEGINNING BAL:			END BAL:				

FBIKBIN 022622

165

Not Sufficient

4-3-5
3

PROPRIETARY

Item No. 2-038.A
Attachment I

PHV

W 10/14/93

BST — B 11/1/93

CSL Chastain Center — KW

TPE 12/31/92 — 9/1/93

		B	C	D	E
		S Bell Phase II 47-6/2	S Bell Phase III 47-6/3	[redacted] 47-6	[redacted]
Rent	1992	B [redacted]	B [redacted]	[redacted]	
Sq Ft		A 48468	@ 10799	35725 B	
Cost /Sq Ft Base		[redacted]			
		15 yr lease starting 3/31/89	15 yr lease start 3/31/91	5 yr lease start 4/1/88	
Allowance for Improvements	47-6/2p2	[redacted]	47-6/3 [redacted]	[redacted] 47-6/4	
÷ Sq ft					
÷ 15 yrs					
Net		[redacted]			
Avg 15 yr Rent	47-6/2	[redacted]		47-6/3	
÷ 15 yrs					
Sq ft		48468	10799		
Avg per Sq Ft		[redacted]			
Less Improv allow	47-6p3	[redacted]		5.65	
To reduce to Market		B [redacted]			
× Sq ft		48468	10799		
		[redacted]			
Reduction		$ 241,699 P4			

Requested ATT lease - denied access

CONFIDENTIAL

E A 59,267 47-6p3

Source: Actual leases

E B 487,411 47-6p3

47-6p1

kw
9/7/93

CSL CHASTAIN - CHASTAIN CENTER

LEASED AS OF

March 31, 1993

A

PHASE I

TENANT	SQUARE FEET	BUILDING	% OF TOTAL SPACE
[redacted]	(A) 35,725	200	41%
[redacted]	10,124	200	12%
[redacted]	10,057	100	11%
[redacted]	8,089	100	9%
[redacted]	5,799	100	6%
[redacted]	4,521	100	5%
[redacted]	3,689	100	4%
TOTAL LEASED	78,004		89%
TOTAL AVAILABLE	9,906		
TOTAL SPACE	87,910		

PHASE II

TENANT	SQUARE FEET	BUILDING	% OF TOTAL SPACE
SOUTHERN BELL	48,468	400	49%
[redacted]	8,290	300	8%
[redacted]	8,173	300	8%
[redacted]	7,775	400	8%
[redacted]	3,773	300	4%
[redacted]	5,217	300	5%
[redacted]	3,436	300	3%
[redacted]	3,176	300	3%
TOTAL LEASED	88,308		89%
TOTAL AVAILABLE	11,070		
TOTAL SPACE	99,378		

P3

PHASE III

TENANT	SQUARE FEET	BUILDING	% OF TOTAL SPACE
[redacted]	(B) 28,307	500	36%
[redacted]	12,697	500	16%
SOUTHERN BELL	10,799	500	14%
[redacted]	7,689	500	9%
[redacted]	5,122	500	7%
[redacted]	4,159	500	6%
[redacted]	3,684	500	5%
[redacted]	2,955	500	4%
[redacted]	2,788	500	3%
TOTAL LEASED	78,200		100%
TOTAL AVAILABLE	-0-		
TOTAL SPACE	78,200		

244512 Bell 59267
25%

F01K02W 006420

167

(A) Tenants moved after 5 years' space is now empty per staff inspection
(B) Co. refused to provide ATT base See 47-6/8

47-6 p2

R 11/3/93
10/26/93

AUDIT DISCLOSURE NO.

SUBJECT: CSL CHASTAIN CENTER

47-6 p1

STATEMENT OF FACTS: Southern Bell rents 59,267 square feet of space in the CSL Chastain Complex at [redacted]er the leases for Phase II and III.

(A) 47-6 p1

9 The average rent over the 15 years net of the improvement allowance was [redacted]er square foot for the 48,468 in phase II and [redacted] square foot for the 10,799 square feet in Phase III. 47-6 p1

11 49-6 p1 The company compared the [redacted] lease at [redacted] per square foot for the 35,725 square feet. The improvement allowances averaged over the five years reduced the lease amount to an average of [redacted] per square foot.

13 p1

14 The [redacted]lease was a five year lease which has expired. That space is now empty.

p2

The next largest space is a lease with ATT in phase III for 28,307 square feet. The company refused to provide the lease because it wasn't used to determine market.

The rent allocated to the states using account 6121 allocations is:

43-4/5

	%	DOLLARS
Florida	26.14%	127,409 (B)
Georgia	17.28%	84,225
North Carolina	9.62%	46,889
South Carolina	6.44%	31,389
Alabama	8.47%	41,284
Kentucky	4.92%	23,981
Louisianna	9.95%	48,497
Mississippi	5.85%	28,514
Tennessee	11.33%	55,224
		$\boxed{487,411}$ (A)

p3

168

47-6 p1

R 11/3/93
10/26/93

OPINION: It does not appear appropriate to compare a five year lease to a 15 year lease.

In a competitive market, it would be reasonable to give better rates to a company locking in to a lease for a large space for 15 years as this would assist the lessor in obtaining financing for the project and eliminates the need
10 to pay commissions for finding new tenants. CSL Chastain paid Carter Associates and Oxford Industries [redacted] and [redacted] for procuring the [redacted] lease. 47-6/1-1p3

12 If BST had a 5 year lease, they may have renegotiated a better lease rate at the end of five years, or moved as [redacted] did. By locking in to a 15 year lease, they did not have that option.

FDC could not be determined for comparison because the company would not provide the general ledgers.

RECOMMENDATION: Because the 15 year leases are not comparable to other leases and no tenants are comparable in size and because the company would not provide general ledgers to allow for a fully distributed cost computation, the entire rent of $487,411 should be removed as follows: A

Florida portion	B 127,409	
Percent Regulated	C 95.07%	Per Gabby WP's from AP2202's
	121,128	
Percent Intrastate	77.33%	55-6
Florida Intra/Reg	93,668	

25 If the rent were reduced only to the [redacted] lease amount of [redacted], the rent would be reduced by $241,699. p1 (~~487411~~ ~~(245,712)~~ ~~$3485855~~

	241,699	
Percent Florida	26.14%	
	63,180	
Percent Regulated	95.07% C	
	60,065	
Percent Intrastate	77.33%	55-6
	46,449	

		Phase II	Phase III	
BST	p3	9.75	9.63	
[redacted]	p3	[redacted]	[redacted]	
Diff		[redacted]	[redacted]	
SqFt	p3	48,468	10799	
		198,718.80	42,980	= 241,698.80

p4

169

THE WALTER LATHAM COMPANY

47-6p4

①

Chastain Center

total sq. footage
87,910

3 ① [redacted]

6

sq. ft. 35,725
Exhibit A - outline of premise
5 year lease - begin 4/1/88 end 3/31/93

10
11 Rent - [redacted] ([redacted]/mon)
([redacted]/sq. ft.) > co resp. different
337,400 sq 47-6/H

13 ? Rental adjustment - [redacted]

14 Premise - [redacted] (Exh B) [redacted]

22 [redacted]

(CAM) - [redacted]
costs determined by ratio of leased sq. ft. to total sq. ft. (87,910)

25 ESPI

170 Pay $[redacted]/sq. ft. CAM

2

2 Tenant

landlord

Tenant

landlord

13

? Real Estate Tax + Insurance Inc.

15 Tenant

Tenant.

beginning 1/1/90 + tenant

23

kw 10/26/93

③

3 ~~x~~ early termination by Tenant - [redacted]

5 - Late payment (10 days) - Tenant pay [redacted] interest. - collected through Attorney,

7 Tenant pay [redacted] of fees,

Landlord. [redacted]

Carter & Assoc. [redacted]

Expansion space - [redacted]

→ 12/~~xxxx~~ 11/13/90 [redacted]

18

172

ESPI

CONFIDENTIAL

47-6
1

kw

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/29/93
Item No. 2-169
Page 1 of 1

Request: Provide total amounts paid by MOVATS by year for the Chastain Lease by regular rent and additional rent.

Response: Listed below are the rent payments from MOVATS to CSL Chastain:

	B ($000)	C
Year	**Base Rent**	**Additional Rent**
1988	$ [redacted]	$ [redacted]
1989		
1990	47-6 / 1	
1991		
1992		
1993		

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Date Provided: October 13, 1993

p1

lw

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/29/93
Item No. 2-171
Page 1 of 1

Request: Were any design allowances made for MOVATS? Provide amounts.

Response: No design allowances were made other than the Tenant Improvement Allowances provided in response to Item 2-054.1 dated September 29, 1993.

Date Provided: October 13, 1993

pmv

KW 10/26/93

Kw

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/29/93
Item No. 2-170
Page 1 of 1

Request: How much was paid by CSL Chastain to Carter and Oxford Realty Services for procuring the MOVATS.

11/12 Response: CSL Chastain paid Carter and Oxford Industries [redacted]nd and [redacted], respectively for procurement services associated with the MOVATS lease. 476p4

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 13, 1993

p3

175

47-6
1-1

JBC

SPECIAL STIPULATIONS

B 1/11/83
ew 01/26/83

[redacted]

4. <u>SECURITY DEPOSIT</u>

[redacted]

5. <u>RENTAL ADJUSTMENT</u>

[redacted]

6. <u>DELIVERY AND ACCEPTANCE OF PREMISES; TENANT WORK.</u>

47-6

(d)

(e)

177

F01K02W 006358 47-6 / 2p2

SPECIAL STIPULATIONS

4. SECURITY DEPOSIT

[redacted]

5. RENTAL ADJUSTMENT

[redacted]

CONFIDENTIAL

6. DELIVERY AND ACCEPTANCE OF PREMISES; TENANT WORK.

F01K02W 006391

T / 6
3p2

Southern Bell Tel. & Tel.Co.
FPSC Docket No. 920260-TL
Audit
Date: 09/09/93
Item No. 2-054.1
Page 1 of 1

Request: Provide cost of all work performed as an allowance to Movats under Exhibit 8 of their lease.

10

Response: The total Tenant Improvement Allowance negotiated in conjunction with the lease was [redacted] 47-6 8)

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

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Date Provided: September 29, 1993

jw

FAX TRANSMITTAL SHEET
FROM

BST REGULATORY AFFAIRS
3700 COLONNADE PARKWAY
BIRMINGHAM, ALABAMA 35243

FACSIMILE NUMBER: 205/977-1563

DATE SENT: 9/29/93 NUMBER OF PAGES (EXCLUDING COVER): ____

TO: Kathy Welch

TELEPHONE NUMBER: ____

FAX NUMBER: ____

******PLEASE CALL ABOVE TELEPHONE NUMBER FOR PICKUP******

FROM:

Peggy MacAllister
205/977-3391

SPECIAL INSTRUCTIONS: Responses to:
2-054.1

IF ANY PROBLEMS WITH TRANSMISSION, PLEASE CALL: Sherry Cox
(205) 977-1540

KW 10/26/93

182

47-6
4

BST

B 11/1/93
KW
8/11/93

Summary of 1100 Bldg
1992

	B	C	D	E
	CS International 47-7.3	BS Info Syst (47-7.2)	[redacted] 47-7.1	47-7.4 [redacted] (Market)
Improvement Allowance	[redacted]			
Moving Allowances				
Other Rent Allowances				
Rent 10 yrs				
Net lease / Ten years				
$ 10 yrs				
Sq ft.				
Cost per sq ft excluding allow				
Less Market Rate				
Diff				
x Sq ft				

Difference also exists in refurbishment clause which has not been taken into consideration here. Kilpatrick refurbishes at 7 yrs. Others at 10

1992 Rate (Rent / Sq Ft)		[redacted]
Allowances / 10 yrs / sq ft		
Market	A	
Diff		
x Sq ft		

[redacted]

See CL 11.2 - ESP1 WP ~~47~~ p4 for CFL adj. of $1,20,878 for overearnings x changing to determined by CE of 2.54 % = $30,047 & BS Info System of $58,330 x 25% chang of $14,583.

No adj. made by Staff - BJE Workpaper show changing known & adj. No

183

47-7

ESP1

BST

Review of Leases 1100 Bldg
1992

B 4/1/93
KW
8/11/93

Floors	Cust	B				Sq Ft
28-22	[redacted]					141414
21	[redacted]					2631
	[redacted]					5838
	[redacted]					2545
	[redacted]					7211
20	[redacted]					3472
	[redacted]					7270
	[redacted]					6105
19	[redacted]					8091
	[redacted]					12115
18	[redacted]					43146
17	[redacted]					
16	[redacted]					6455
	[redacted]					7195
15	Vacant					
14						
12						
5-11	BSIE				31%	168667
4	BS International				4%	20427
3	BellSouth Info Systems				4%	20327
					34%	
2	BSE no sq ft listed					
1	[redacted]					7443
	[redacted]					2086
	[redacted]					785

Total Bldg 85% Used
Total Sq ft 543952

Source: Lease

ESP1 427p2

BST

Review of Leases 1100 Bldg
1992

KW
8/11/93

CSL-12th Street Assoc & BSE lease

5 Tenant improvement allowance of [redacted]

6 Lease Term [redacted]

7 Refurbishment adj if not terminated Ref [redacted]
8 [redacted] /sq ft of usable area upgrade fee
paid by Landlord sq ft total bldg
154,483 usable area, 166,439 rentable area 543,952
Annual Rent 31% of bldg.

Yr	Amt		
13 1	[redacted]	2 mths =	218,527.31 per chart
2		10 mths	2,393,997.70
3			2,612,525
4			→
5			[redacted] /sq ft.
6			
7		avg - 3,246,443 ÷ 166,439 sq ft =	[redacted]
8			
9			
10			
11			
12			
13			
14			
27 15			

28 ☆ Landlord

37

185 ESRI 47-7

THE WALTER LATHAM COMPANY (708) 345 6787

BST

Review of Leases 1100 Bldg 1992 — KW 8/11/93

on 16,241 sq ft on 11th

5 Landlord

Tenant

Landlord

Parking

[redacted]

12 ~~Addition~~ Reserved for 1991 – after 1991 market rate

14 [redacted]

Landlord [redacted]

Tenant [redacted]

Landlord [redacted] (add rent)

19

Op. Exp = Real Estate Tax
Bldg Staff
Cost of MES
Trash Rental
Replacement of Tools & Equip
Contractors
Window Cleaning, Janitorial, Security
WES
Repainting or redecorating common for
Bldg conference fac.
Holiday decorations
Telephone, postage, office sup
licenses permits
Insurance
Utilities

36 Reasonable fee for mgmt of Building

38

186 Amortization of capital exp for equip added

ESP1 47-Tp2

BST
Review of Leases 1100 Bldg
1992

KW
8/4/93

12 St. Associates & BellSouth Inf System, Inc
1100 Peachtree St
18,816 sq. feet usable, 20,327 rentable area
of 543,952 total

8 Improvement allowance [redacted]

10/11 [redacted]
Refurbish allowance Feb 2001 of $6.50/sq ft

13 Year Rent
1 $ [redacted]
2
3
4
5 367,775.31 avg 10 yrs ÷ 20327 sq ft = [redacted]
6
7
8
9
10
11
12
13
14
15

Additional rent estimated at [redacted] sq ft

29 Test Year Rent [redacted] / 20327 sq ft = [redacted] sq ft

Other clauses same as BSE

O&M statement comparable to BSE

ESP1

47-1
2

BST
Review of Leases 1100 Bldg.
1992

KW
8/11/93

BellSouth International Inc & 12St Association

18916 usable & 20427 rentable of the 543952 total

6 Tenant Improvement Allowance [redacted]
moving allowance of [redacted]

8 Initial Term [redacted]

10 Refurbishment allowance as of Feb 1, 2001
of [redacted] /sq ft

12

Lease yr.	Rent
1	$ [redacted]
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	

avg = 427,690.28 ÷ 20427 = [redacted]

27 Additional rental of [redacted] per rentable sq ft. 1st year

All other clauses same as other 2 leases

29 Rent 1992 = [redacted] ÷ 20427 sq ft [redacted] /sq ft

31 + [redacted] additional
[redacted] /sq ft

OK

188

THE WALTER H. LATHAM COMPANY (708) [illegible]

ESP1

47-7
3

BST

Review of Leases 1100 Bldg 1992

KW 8/11/93

4 [redacted] & 65L 12th St Associates

5 Dated 6/14/91 , [redacted]

Sq ft. 141414

Net Base Rental :

Yr

8 1 [redacted] avg 10 yrs [redacted]

2

3

4

5

6

7

8

9

10

Estimated Additional Costs = [redacted] /sq ft

19 Basement Storage at [redacted] /sq ft (784 sq ft)

Option for additional space on as-is basis

21 Landlord [redacted] sq ft plus [redacted] - total of [redacted]

Additional [redacted] allowed if tenant willing to increase rent [redacted]

Refurbish allowance of [redacted] /sq ft in [redacted]

Extended Terms lesser of Market Base rental or [redacted] /sq ft [redacted]

Additional Rental - [redacted]

31 tenants mgmt fee [redacted] x % of O&M exp on Net Base Rent + O&M share X [redacted]

ESP1

47 P1 4

Review of leases 1100 Bldg.
1992

KW
8/10/93

4 Tenant [redacted]

Parking spaces - [redacted] - [redacted] unreserved
$125 reserved; then published rate but
not more than [redacted]% increase

9 [redacted]

O&M statement comparable to BSE

11 C&L computed NPV avg rate of [redacted]
This calculation assumed [redacted]
would extend their lease an additional
14 5 years at [redacted]/sq ft. They are not obliged
to do so & would probably renegotiate at a
lower rate.

ESPI

AUDIT DISCLOSURE NO

SUBJECT: SUNLINK WAREHOUSE SPACE

STATEMENT OF FACT: *Sunlink rents three warehouses to BST.* They are as follows:

		B FDC	C RENT	
BIRMINGHAM WAREHOUSE	47-8/1	[redacted]	[redacted]	47-8P1
JACKSONVILLE WAREHOUSE	47-8/2	[redacted]	[redacted]	47-8P2
ST AUGUSTINE WAREHOUSE	47-8/3	[redacted]	[redacted]	47-8P3
		[redacted]	[redacted]	A

The fully distributed cost figures comtain 15.76% return on investment as follows:

		AVERAGE INVESTMENT		ROI
BIRMINGHAM WAREHOUSE	47-8/1	[redacted]	47-8/1	[redacted]
JACKSONVILLE WAREHOUSE	47-8/2	[redacted]	47-8/2	[redacted]
ST AUGUSTINE WAREHOUSE	47-8/3	[redacted]	47-8/3	[redacted]
		[redacted]		[redacted]

The company would not provide the General Ledger of Sunlink, only redacted pages showing individual items on the FDC analysis.

OPINION: A lower rate of return could make rent higher than FDC on all leases. The Jacksonville warehouse is already $240,056.10 higher than Fully Distributed Costs.

Redacted copies of the general ledger are not sufficient tc determine the appropriateness of Fully Distributed Costs. We are unable to determine if there are contra accounts which change the balances used or if there are working capital accounts which should be included but have not been.

The amount of rent has been allocated by staff to the states using account 6121 allocation basis as follows:

	43-4/5 %	C DOLLARS
Florida	26.14%	[redacted]
Georgia	17.28%	
North Carolina	9.62%	
South Carolina	6.44%	
Alabama	8.47%	
Kentucky	4.92%	
Louisianna	9.95%	
Mississippi	5.85%	
Tennessee	11.33%	
		A

RECOMMENDATION: Because the company would not provide complete access to support their numbers the entire lease should be removed. The Florida portion should be allocated as follows:

Florida	741,515	(used cost pool 8)
% Regulated	97.48%	Per Gabby Sheets from MP2702
	722,829	
% Intrastate	77.33%	55-6
Fla Intra/Reg	558,964	

P2

AUDIT DISCLOSURE NO

SUBJECT: LEASES WITH SUNLINK AND DATASERV AND BELLSOUTH COMMUNICATIONS SYSTEMS, INC.

STATEMENT OF FACT: The company provided the lease agreements for the above but did not provide Fully Distributed Cost or Market Comparisons.

Per the answer to request 2-079, the following payments were made in 1992 to Sunlink:

	AMOUNT	CHARGED TO BST (REQ 2-012)
DATA SERV	1,431,000	1,218,592

Data Serv charges BST through both Fully Distributed Costs for the Atlanta Repair Facility and market rate for other services.
In response 2-001.A1, the company contends that the lease charges are not in the Fully Distributed Cost calculation and therefore none of the costs chain in to regulation.

18 Sunlink also had a lease with Bellsouth Communications Systems, Inc. for [redacted] They did not provide the requested FDC analysis until October 6, 1993. All Sunlink Financial Statements and General Ledgers were requested June 7, 1993. The company said they would backup only chained transactions but in doing so did not include the BSCS or Data Serv leases. The FDC analysis provided shows that FDC is more than the lease costs used by $227,078. However, the FDC analysis includes $780,710 of Return on Investment which was computed using a pretax return of 15.76%. 47-8 p7

OPINION: The company has not adequately justified the charges for Data Serv even though the company uses market rates because these costs are chained through the market rates. The costs applicable to Florida have been determined as follows:

p3

% OF DATA SERV REVENUE FROM BST	38.20%
LEASE AMOUNT	1,431,000
BST ALLOCATION OF LEASE	546,642
PERCENT TO FLORIDA	24.68% ~~43-4/5~~
FLORIDA AMOUNT	134,911

Because we have not received any detail on BSCS staff cannot determine the amount of the $732,000 lease which has been chained in to regulation.

P4

pw 10/26/93

195

47-8A

BST
Review of Sunlink Leases
TPE 12/31/92

KW
8/2/93

Sunlink & BellSouth Services, Inc for Birmingham Material Management Center) dated July 15, 1988

6 Lease Period - [redacted] - 10 yrs
option to extend 5 yrs

Annual Rent - 282,509 sq ft (47-8/1)

10

Year	Per Sq Ft		Annual Rent	
1	[redacted]	1988	[redacted]	
2		89		
3		90		
4		91		
5		92 (47-8/1)		(47-8A)
6		93		
7				
8				
9				
10				

1st extended term [redacted]
2nd [redacted]

[redacted]

Tenant [redacted]

25 Tenant [redacted]

CONFIDENTIAL

Source: Leases

47-8/1

BST

Review of Sunlink Leases
TPE 12/31/92

KW
8/2/93

Sunlink & BellSouth Services (now BST)
North Fla Distribution Center (Lease 556L00611)
Jacksonville
July 16, 1987 - July 31, 1997
Optional Extension for 2 5 yr terms)

Year	Rate/Sq ft	Sq ft	Annual Rent	
10 1	[redacted]	286252	$ 858756 -	
2		(47-8/2)	858756 -	
3			1001882 -	
4			1001882 -	
5			1001882 -	
6	(47-8/2)	(47-8A)	1288134 -	÷12 107344.50
7			1288134 -	×1.065 subtotal
8			1288134 -	114322.89
9			1288134 -	(A)
10			1288134 -	✓

1st Extended Term [redacted]
2nd Term [redacted]

24 Tenants [redacted]

(A) Tied to Rate Case Audit (44-2/1)

CONFIDENTIAL

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47-8/2

BST

Review of Sunlink Leases — KW 9/2/93

TYE 12/31/93

Sunlink & BellSouth Services Inc.

Florida MDC St Johns County

6 Oct 27 1987 - [redacted] with 2 optional 5yr extensions

8 Annual Rent [redacted] each yr $7000 = 506? [redacted]

1st Extension [redacted]

2nd [redacted]

Tenant [redacted]

12 [redacted] Landlord [redacted]

CONFIDENTIAL

47-8 p3

BST

Lease with Sunlink & DataServ — KW

TPE 12/31/92 — 9/15/93

Proprietary

2/1/90 in Chanhassen Minnesota First amendment to decrease rent because Minnesota Dept of Transportation bought some of the property

	Rate	Rent
9 2/1/90-7/31/90	[redacted]	[redacted]
8/1/90-1/31/91		
yr 2-5		
yr 6-10		

Was originally yr 1-5 [redacted]
6-10

Extended term [redacted] x rentable area

[redacted]

19

Co refused to provide EOC or market comparison

See p6

47-8 p4

THE WALTER LATHAM COMPANY (708) [illegible]

BST

Lease Sunlink & BellSouth Comm. System KW

TPE 12/31/92 9/15/93

Headquarters Facility Roanoke, Virginia

June 1, 1989 - May 31, 1999

74,000 Sq ft

7

Yr 1 [redacted]

2-3 [redacted]

4-6 [redacted]

7-9 [redacted]

10 [redacted]

1st Extended term [redacted] = [redacted]

2nd Extended term [redacted] = [redacted]

14

[redacted] tenant

C refused to provide market or EDC analysis

See pp 7-12

No time to Review or trace to backup

478 p5

SUNLINK
LEASE TO DATASERV

Sunlink owns the Dataserv Parts & Maintenance Headquarters building. The monthly rent is based upon the lease rate as negotiated between Sunlink and Dataserv. Although Dataserv has direct transactions with BST at FDC, Dataserv does not include any allocations of rent in the FDC computations. Therefore, none of the Sunlink billings to Dataserv chain into regulation and therefore there are no Joint Cost Order issues to address regarding this lease.

Req 2-001.A1

202

20-Dec-93
12:44 PM

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[illegible] PROPRIETARY INFORMATION
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BCS FDC ANALYSIS

C B C D É F G H I J K L

lease agreement

Assumes no changes in expenses

	0?/?/89-12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1/1/?-5/31/99
REVENUES											
RENT REVENUE(1)	[redacted]										
EXPENSES actual											
DEPRECIATION											
PROPERTY TAXES (2)											
ALLOCATED COSTS (3)											
NET INVESTMENT											
LAND } C											
BUILDING											
ACC. DEPRECIATION											
DEFERRED TAXES (4)											
WORKING CAPITAL (5)											
NET INVESTMENT											

47-8/1-1

[redacted]

(1) ALLOWABLE RENT REVENUE = BOOK DEPRECIATION+PROPERTY TAXES+RETURN+ALLOCATED COSTS
(2) PROPERTY TAXES ARE BILLED IN ADDITION TO THE BASE RENT. (see Article 7 of lease)
(3) ALLOCATION OF SUNLINK CORPORATE COSTS BASED ON SUNLINK FDC SYSTEM.
(4) VIRTUALLY ALL SUNLINK DEFERRED TAXES ARE RELATED TO CSL INVESTMENTS.
(5) NON-SPECIFIC LIABILITIES ALLOCATED ON THE BASIS OF THE FOLLOWING FORMULA: ALLOCATED EXPENSES (SEE ITEM 3)/TOTAL SUNLINK EXPENSES
(6) PRE-TAX RETURN THROUGH 12/31/90 IS 17.04%
PRE-TAX RETURN EFFECTIVE 1/1/91 IS 15.16%

C - Source is 1990 Sunlink Property Listing
D - FDC system was not in place in 1989 + 1990. Therefore, 1991 numbers are used.
F - Agrees to expenses per 1991 + 1992 FDC reports.

B - See spreadsheet which allocates deferred taxes to assets.
A - See spreadsheet which allocates working capital

FOIKR2W 013114

Reg 2001.A1
07

PROPRIETARY

93 OCT -7
FINANCIAL ANALYSIS DIV.

FLORIDA PUBLIC SERVICE COMMISSION

Item No. 2-001.A1
Attachment I

PROPRIETARY

[illegible]-Mar-[illegible]
[illegible] PM

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WHICH SHOULD NOT BE DISCLOSED TO UNAUTHORIZED
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BCS FDC ANALYSIS

(I) ACTUAL VS. FDC:

	B	C	D	E	F	G	H	I	J	K	L
	6/1/89- 12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	[illegible]
R.S.P.--ACTUAL R.S.P.--PROPERTY TAXES	[redacted]										
TOTAL ACTUAL R.S.P. R.S.P.--FDC	[redacted]										
CURRENT YEAR DIFF. PRIOR YR CUM. DIFF.	[redacted]										
CURRENT YR CUM. DIFF.	[redacted]										

(II) EFFECTIVE ACTUAL VERSUS EFFECTIVE FDC:

	6/1/89- 12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1/1/99 - 5/31/99
[illegible] R.S.P.--EFFECTIVE [illegible]	[redacted]										
CURRENT YEAR DIFFERENC PRIOR YR CUM. DIFF. CURRENT YR CUM. DIFF.	[redacted]										

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(III) EFFECTIVE ACTUAL VERSUS FDC:

	6/1/89- 12/31/89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1/1/99 - 5/31/99
R.S.P.--EFFECTIVE ACTUA R.S.P.--FDC	[redacted]										
CURRENT YEAR DIFF. PRIOR YR CUM. DIFF. CURRENT YR CUM. DIFF.	[redacted]										

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Reg 2-001.A1
FOIKO2W 013115
P8

B C D E F G H I J K L

14-Mar-93
10:14 PM

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BCS FDC ANALYSIS
ALLOCATION OF SUNLINK WORKING CAPITAL

Assumes no changes in expenses & working capital

	1989	1990	1991	1992	1993	1994	1995	[illegible]	[illegible]	[illegible]	1/1/93 - [illegible]
ALLOCATED COSTS (1)	[redacted]										
TOTAL SUNLINK E,G,AA [redacted]											
ALLOCATED/TOTAL											
SUNLINK WORKING CAP[redacted]											
ALLOCATED WORKING CA[redacted]											
ACCOUNTS RECEIVABLE ([redacted]											
TOTAL WORKING CAPITAL											

✓ Agrees to Sunlink Income Stmts
ⓒ Agrees to Sunlink Balance Sheets

Note: see Warehouses FDC studies for details on how these amounts were computed.

PROPRIETARY

Req 2001.A1
F01K02W 013116
pg

18-Mar-93
03:12 PM

BCS 1992 EXPENSES
PROJECT S10140

	B	C	D	E
	DEPRECIATION EXPENSE	PROPERTY TAXES	CORPORATE COSTS	TOTAL COSTS
JANUARY	[redacted]			
FEBRUARY				
MARCH				
APRIL				
MAY				
JUNE				
JULY				
AUGUST				
SEPTEMBER				
OCTOBER				
NOVEMBER				
DECEMBER				
TOTAL	✓ [redacted]	✓		

ORATE COSTS % TO DEPR & PROP TAXES: 26.36%

✓ carried forward to FDC computation

Reg 2-001.A1
F01K02W 013117
p 10

18-Mar-93
02:49 PM

BCS 1991 EXPENSES
PROJECT S10140

	B DEPRECIATION EXPENSE	C PROPERTY TAXES	D CORPORATE COSTS	E TOTAL COSTS
JANUARY				
FEBRUARY				
MARCH	[redacted]			
APRIL				
MAY				
JUNE				
JULY				
AUGUST				
SEPTEMBER				
OCTOBER				
NOVEMBER				
DECEMBER				
TOTAL	[redacted]			
ANNUAL EST ✓	[redacted]			

CORPORATE COSTS % TO DEPR & PROP TAXES: 24.66%

25 (1) Annual Estimate: [redacted]
x 12
27 [redacted]

PROPRIETARY

✓ carried forward to FDC computation

Reg 2-001.A1
F01K02W 013118
p11

18-Mar-93
01:46 PM

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SUNLINK DEFERRED TAXES

		C	D	E	F	G	H
		1989	1990	9/30/91	12/31/91	6/30/92	12/31/92
PER BOOKS:							
319.1	FED DEFERRED - CURRENT	[redacted]					
319.2	STATE DEFERRED - CURRENT						
321.21	FED DEFERRED - LONG TERM						
321.22	STATE DEFERRED - LONG TERM						
PER TAX DEPARTMENT:							
	PARTNERSHIPS	[redacted]					
	OWNED FIXED ASSETS						
	TOTAL PER BOOKS	[redacted]					
	TOTAL PER TAX DEPT.						
	DIFFERENCE						
DEFERRED TAXES RELATED TO OWNED FIXED ASSETS							
BUILDING BALANCE:		[redacted]					
	BIRMINGHAM						
	JACKSONVILLE						
	MIAMI						
	ST. AUGUSTINE						
	BCS						
	DATASERV						
ALLOCATION OF DEFERRED TAXES:		[redacted]					
	BIRMINGHAM						
	JACKSONVILLE						
	MIAMI						
	ST. AUGUSTINE						
	BCS						
	DATASERV						

see warehouses binder for backup

PROPRIETARY

✓ carried forward to FDC computation

Req 2-001, A1

F01K02W 013119

p12

PBC

KW 10/26/93

208

Reserved 10/16/93 – no time to review or trace to backup

47-8

THE WALL HEATH COMPANY

BST

Review of Seminole FDC
TPE 12/31/92

KW
9/2/93

Birmingham
Warehouse
1992

B

[redacted]

Expenses at FDC

Deprec. Land Improv. — Per Depreciation Expense Reports
Deprec. Bldg.
Property Taxes — Not in Rqst amt — Per Property Tax Analysis
Allocated Costs
(Expenses)

Net Investment:

Land — Per Property Listings
Land Improv.
Acc. Dep. LI — Per Depreciation Expense Reports
Building — 47-8 1-1 — Per Property Listings
Acc. Dep. Bldg — Per Depreciation Expense Reports
Deferred Taxes — 47-8 1-1 — Deferred Tax analysis
Working Capital — 47-8/1-2

1991 Investment
Avg — 47-8A p1

Return - Pre Tax

ROI — 47-8A p1
47-8A p1

Allowed Revenue
Square Feet — 47-8
Allowed Cost / Sq Ft — 84
Actual — Per Lease 47-8
Effective Rate Per C/L
Lower than FDC.

✓ Traced to 5/92 Property Listing Report
(A) Using 5/92 Exp Rept. x 12 = 6/81
Source: C&L Workpapers ESPI

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36 (B) Using 5/92 Expense Rpt x 12 = [redacted] - Diff. immaterial

209

47-8

"ESPI"

BST

Review of Sunlink) Def. Taxes
YPE 12/31/92

KW
9/7/93

G/L acct		B	C 6/30/1992	D	E 12/30/92
319.1 Fed Def. Current			[redacted]		[redacted]
319.2 State Def. Current					
321.21 Fed Def. Long Term					
321.22 State Def. Long Term					
Per Tax Dept:					[redacted]
Partnership		ⓐ	[redacted]	} verified by C&L	
Owned Fixed assets			[redacted]		[redacted]
Per Books			[redacted]		
Difference			[redacted]	Due mainly to 1991 not being posted	
Allocated Based on Building Balances As Follows:					
		Balance	%	Def Tax	
Birmingham	47-8	[redacted]	31.14%	[redacted]	47-8
Jacksonville	47-8		23.53%		47-8
Miami				[redacted]	
St Augustine	47-8	[redacted]	10.61%	[redacted]	47-8
BCS			17.51%		47-8 p7
Data Serv			17.21%	[redacted]	
		$ [redacted]	100. %	$ [redacted]	

ⓐ Large Tax over Book deductions created large partnership portion

Need C&L explanation of why not equal. Received ESP1 response on 9/16 No time to review

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ESP1

47-8
1-1

BST

Review of Sunlink Working Capital
TPE 12/31/92

B 11/2/93
KW
9/7/93

	Birmingham B	St. Augustine C	Jacksonville D
Allocated Costs	[redacted]		
Total Sunlink, SG&A			
Allocated to 2			
Sunlink Working Cap			
Allocated W/C 1.17%			
Accts. Rec			
Total W/C			
Per FDC analysis 47-8			

landlord rent

We were shown info for review. We could not take possession.

Asked for B/U in Sept. Not received until 10/16. (Req 2-001.A2)

18 Total AR per TB $[redacted] 51,187
19 Per this B $51,212. D $66,025

No time to review

↖ at 12/92
[redacted]

23 [redacted]
25 Cash [redacted]
Total Current Liab [redacted]

redacted copy of B/S

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47-8
1-2

BST 6/14/93
Review of Sunlink at FDC KW
TPE 12/31/92 9/1/93

	Jacksonville Warehouse 1992	
	B	
Expenses at FDC:	[redacted]	
Deprec. Land Improv		(A)
Deprec.-Bldg		(B)
10 Property Tax not in lease only		Per Reg Rate Case 44-3/1 [redacted] 1991
Allocated Costs		
Net Investment:		
Land		✓
Land Improv.		X
Acc. Deprec L.I.		
Building		47-8/1-1
Acc. Dep. Bldg.		
Deferred Taxes		47-8/1-1
Working Capital		47-8/1-2
1991 Investment		
Avg. Investment		47-8A p1
Pre Tax Return Used		
ROI		47-8A p1
Rent Allowed ROI + Expense		47-8A p1
Sq Ft		47-8 p2
Allowable FDC Rent		
Rent Per Lease		47-8 p2 Per CEI Effective
Per CEL Effective Rent		actual 4.49
	X 286252 sq ft	
	[redacted]	

CONFIDENTIAL

X traced to 5/92 Property Listing Report
(A) Using 5/92 Dep Exp x 12 per Expense Report [redacted] - Diff. immaterial
(B) Using 5/92 Dep Exp x 12 per Expense Report [redacted] Diff. Immaterial
36/37 Source: CEL ESP1 Workpapers

TABLE OF CONTENTS

losses, costs, expenses, causes of action, suits, claims, demands and judgments of any nature arising out of, by reason of or in connection with the Work.

other sums payable hereunder have been paid, and either stating that to the knowledge of the signer of such certificate no default exists hereunder or specifying each such default of which the signer has knowledge. Any such certificate may be relied upon by any prospective mortgagee or purchaser of the Premises.

ARTICLE TWENTY-FIVE
DEFAULT, REMEDIES

EXHIBIT "B"

JBC

KW 10/26/93

47-8
21

BST

Review of Sunlink FDC — KW
TPE 12/31/92 — 8/3/93

B

St Augustine Warehouse 1992

Expenses at FDC:

Depres - Land Imp — -0-

Depres - Bldg — [redacted] (A)

Property Taxes — Not in Rent rate — [redacted]

Allocated Costs — [redacted] 97607

Net Investment:

Land — [redacted]

Land Impro

Acc Dep LI

Building — (47-8/1-1)

Acc Dep Bldg

Defrd Tax — (47-8/1-1)

Working Capital — (47-8/A-2)

Avg use 1991-92 Return — (47-8A p1)

(47-8A p1)

Allocated Costs — (47-8A p1)

Sq Ft

FDC

29 Actual Lease — [redacted] — Per C&L difference is [redacted]

Lower Than FDC

CONFIDENTIAL

32 (A) Using 5/92 Exp Rpt. Dep.Exp X 12 = [redacted] Diff. Immaterial

(A) traced to 5/92 property listing report

Source: C&L Workpapers ESPI

252 ~~[illegible]~~ ESPI

47-8/3

KW
B 11/1/93

4

Traced Land per 12/92 prop list to Reconciliation Schedule to G/L - Dept of [redacted] for overvalued land - can't verify what properties it relates to, G/L was redacted Can't verify

B

C

	Total per Prop list	Per G/L - Dif
Land	[redacted]	[redacted]
Land Imp	[redacted]	[redacted]
Bldgs	[redacted]	[redacted]
Acc Dep Land Imp	[redacted]	[redacted]
Acc Dep Bldg	[redacted]	[redacted]

To Get to G/L on Dep - use Acc Res on Prop listing less one mth

Dep Exp Land Imp	[redacted]	[redacted]
" " Bldg	[redacted]	[redacted]
Prop Tax	[redacted]	[redacted]

We were shown info for review we could not take possession
Req 2-001.A2 not received until 10/16 - No time to review ESI

Need B/U for adj of $ 400000

(A) Yr End True Up
(B) Yr End True Up - No B/U
(C) Adjusted G/L to Tax Dept #

47-8
4

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL
Audit
Date: 09/09/93
Item No. 2-001.C
Page 1 of 1

Request: In conjunction with 1-001.8, Staff was determined that Sunlink also leased warehouses to BCS and Dataserv and has a warehouse in Miami which we are not sure is leased to an affiliate. Staff believed these are also chained transactions and also should have been supplied as a response to Request 2-001 during the 8/11/93 trip to review the response.

Response: Copies of the Sunlink lease with BCS and the Sunlink lease with DataServ were provided to Kathy Welch on September 14, 1993 in Atlanta, GA.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Re: The Miami warehouse: After hurricane Andrew, We Will Rebuild, Inc. asked the Company to provide storage space for the supplies coming in from around the country to help out in the relief effort. In response to this request, Southern Bell entered into a lease with Sunlink for warehouse space. This space is leased for the operating expenses of the building alone. These expenses are accounted for as rent expenses and then rejournalized as in-kind donations (Account 7370.2000). This lease expires at the end of September. We Will Rebuild will continue to use the space. A new lease is currently being negotiated and We Will Rebuild will continue to occupy the space under the new agreement. Sunlink will begin charging rent for the space. BST will pay the rent and bill We Will Rebuild for 100% of the expenses associated with the lease.

As per 9/14/93 discussion with Kathy Welch, attached is the lease agreement currently in effect. The new lease has not been finalized at this time.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: September 15, 1993

5

PBC

KW 10/26/93

259

4-7-8
3

pbc

KW 10/26/93

THE SHOPS OF COLONNADE

LEASES SIGNED

April 12, 1993

A

RETAIL

Tenant	Sq.Ft.	Space	Lse.Exp.
[redacted]	3,212	D-34	07/31/99
[redacted]	1,252	A-12	08/31/92
[redacted]	6,016	B16/18	09/30/95
[redacted]	1,168	D-4	08/31/99
[redacted]	3,096	D8/10	05/31/95
[redacted]	813	B-26	11/30/99
[redacted]	800	D-30	02/28/94
[redacted]	1,803	B-22	07/31/94
[redacted]	948	A-1	09/13/96
[redacted]	5,061	B-Rest	10/31/98
[redacted]	900	B-4	12/31/93
[redacted]	2,103	B-12	04/30/97
[redacted]	1,239	A-10	01/31/93
[redacted]	3,498	D-28	12/31/98
[redacted]	1,963	B-14	05/30/96
[redacted]	542	F-2	05/31/96
[redacted]	2,890	C-Rest	11/30/95
[redacted]	4,206	B8/10	10/31/94
[redacted]	4,455	D20/22	05/31/97
[redacted]	903	B-2	10/14/94
[redacted]	904	A-4	11/30/95
[redacted]	5,494	C2/4	10/31/99
[redacted]	775	A-6	07/31/95
[redacted]	513	F-4	12/31/93
[redacted]	1,140	A-8	09/30/94
[redacted]	2,679	A14/16	04/30/96
[redacted]	392	A-1	04/30/96
[redacted]	1,591	D16/18	04/30/97
[redacted]	1,202	D-6	07/31/99
[redacted]	1,502	D-32	08/31/94
[redacted]	2,002	C-6	10/31/95
[redacted]	802	D-12	01/31/94
[redacted]	2,103	B-6	10/31/97
[redacted]	1,000		
[redacted]	1,369	B-24	11/30/97
[redacted]	873	D2	09/30/96
TOTAL LEASED	71,209	88%	
BUILDING TOTAL SF	81,143		

PROPRIETARY

Immaterial lease - not reviewed.

CONFIDENTIAL

FOIKBZW 006354

47-9

Tenant - BellSouth Mobility Inc.
5600 Glenridge Dr.
Suite 600
Atlanta GA. 30340
Shops at Colonnade
Store # B-16-18
3,609 sq. Ft.

mimimal rentals -
9 yrs. 1 & 2 [redacted] / sq. Ft / annum
yrs. 3-5 [redacted] / sq. Ft / Annum.
estimated op. costs contribution [redacted] / sq. Ft.
estimated insurance coverage [redacted] / sq. Ft.
estimated proportionate share of taxes [redacted] / sq. Ft.
14 promotional fund contribution [redacted] / sq. Ft.

Broker - Carter & Assoc. LTD
Co-Broker - Eason, Eyster & Sandee

extended base rental is market rate at time that option is exercised.

19 Landlord [redacted]
20 [redacted].

1st Amendment - 8/1/92 inc. 2407 sq Ft.
total - 6,016 sq Ft.
23 8/1/92 - 7/31/95 [redacted] PSF
8/1/95 - 7/31/97 [redacted] PSF
25 Construction allowance - [redacted]

kw 9/8/93

3 Utilities - [redacted]

5 Taxes - [redacted]

THE WALTER LATHAM COMPANY

47-9
1

3800 COLONNADE PARKWAY

LEASES SIGNED

March 9, 1993

OFFICE

Tenant	Sq.Ft.	Floor	Lse.Exp.
A [redacted]	1,680	2	02/28/95
[redacted]	1,453	5	11/31/96
[redacted]	9,569	4	03/31/96
9 [redacted]	5,576 [redacted] sqft	2	09/30/95
[redacted]	2,029	5	03/31/97
11 [redacted]	8,407 [redacted] sqft	1 avg [redacted]	06/30/95
[redacted]	1,975	6	NA
[redacted]	1,624	[illegible]	06/30/95
[redacted]	2,040		12/31/95
[redacted]	4,875	4	04/30/97
[redacted]	967	1	NA
[redacted]	1,335	2	11/30/94
[redacted]	1,481	1	07/31/97
[redacted]	5,923	5	06/30/96
[redacted]	4,616	2	11/30/94
[redacted]	1,074	3	12/31/95
[redacted]	1,159	6	09/30/96
[redacted]	1,436	1	06/30/94
[redacted]	6,491	5	08/31/97
[redacted]	10,572	6	03/31/00
[redacted]	4,703	2	04/30/95
[redacted]	21,992	3	04/30/95
[redacted]	3,876	6	04/30/96
29 [redacted]	2444 [redacted] sqft.	— new lease avg $[redacted]	
TOTAL OFFICE SPACE LEASED	105,353	79%	
BUILDING TOTAL SF	133,459		

All other portions of contracts are comparable.

F0IK02W 006345

p1

(4)

Colonnade

(2)

Landlord CSL Birmingham Associates
c/o Carter & Associates
1275 Peachtree Street NE
Atlanta Ga. 30367-1801

Tenant Bellsouth Mobility
5600 Glenridge Dr.
Suite 600
Atlanta GA. 30042

Bldg. Address:
3800 Colonnade Parkway
Birmingham, Alabama 35243
Suite 150

16 Term - [redacted]
begin - [redacted]
18 end [redacted]

Base Rental -
7/1/89 - 6/30/90 - Rental abated -0-
21 7/1/90 - 12/31/90 [redacted]/mo 48,657
1/1/91 - 12/31/91 [redacted]/mo 104,265
1/1/92 - 12/31/93 [redacted]/mo 107,740.56 [redacted]
1/1/94 - 6/30/95 [redacted]/mo 172037.34
432,699.90 = 86,600/yr

24 5.21%
ESPI

Space - 6,951 sq ft. total of Bldg 133,459) avg 124
Lease amended 5/1/1991 - 1,456 sq added.
6951 + 1456 = 8,407 sq. ft.

30 Begin - 5/1/91 → [redacted]/yr. increase ([redacted]/mo.)
31 New base Rent - [redacted] /YR [redacted]/sq ft p2

2 Operating Expense Stop - [redacted]
3 [redacted] PR SF

4 [redacted]

Co-Broker -- Cooper & Grelier Companies, Inc.
2204 Lakeshore Dr.
Suite 200
B-ham Al. 35209

9 - Design Fee allowance - [redacted]/usable sq. Ft.
10 - Tenant improvement allowance - [redacted]/usable sq Ft.
11 - Tenant [redacted]
12 [redacted]

Landlord [redacted]
16 [redacted]
tenant.

18 Landlord [redacted].

— Landlord [redacted]. — Tenant [redacted]
— Landlord [redacted]

Tenant [redacted]

26 Late payment - Tenant pay [redacted] of amt. due
& [redacted] Interest/annum until pd.

2 Tenant's Costs - [redacted].

Landlord [redacted]
7

extended Term - option to extend term of lease for one period of 5 years. - 12 months prior to expiration must supply written Notice.

extended term Base rental - will be at market rental rate of comparable bldgs.

Landlord - CSL B-ham Assc.

Tenant BellSouth Direct Marketing, Inc.
3170 Kettering Boulevard
Dayton Ohio 4539
Attn: Ralph Angell

Bldg. Add. 3800 Colonnade, Al. 35243
suite 200

9 term [redacted]

Base Rental

11 10/1/90 - 6/30/91 [redacted]

7/1/91 - 9/30/91 [redacted] PRSF [redacted]

10/1/91 - 9/30/93 [redacted] PRSF [redacted]

10/1/93 - 9/30/95 [redacted] PRSF [redacted]

15 Premise - 5,576 RSF Bldg. [redacted]

tenant share - 4.18%

17 operating expense stop - [redacted] - [redacted] SF

Broker - Carter & Assc. LTD
3800 Colonnade Pkwy
B-ham Al. 35243

21 Landlord [redacted]

Landlord [redacted]

23 [redacted]

(8)

design Fee allowance - [redacted]/usable sq. Ft.
7 improvement allowance [redacted]/usable sq. Ft. of the 2,827 usable sq. Ft.

Tenant - Intelligent Messaging Services, Inc.
a Georgia Corp.
3800 Colonnade Pkwy
Suite 550
Birmingham Al. 35243

term - [redacted]

Premise - 2,029 sq. Ft, Share - 1.42%
operating expense stop - [redacted] PRSF
[redacted]

Broker - Carter & Assoc. LTD
3800 Colonnade Pkwy
B-ham Al 35243

Co-Broker - Century 21 - Fairhaven Inc.
2232 Cahaba Valley Drive
B-ham Al. 35243

design fee [redacted]/usable sq. Ft. of Premise
Improvement allowance - [redacted]/usable sq. ft. Premise

PB

KW 9/7/93

(9)

Lease Amendment -

8/1/92 - add 415 Rentable Sq. Ft.
total 2,444 Sq Ft.

7 effective 12/1/92 - base rental inc. by [redacted] /mo. monthly base rental [redacted] which is [redacted] Annually

10 construction Allowance = [redacted] pd by Landlord.

12 Tenant pay remaining bal. [redacted]

13 New Lease [redacted]

April 1, 1992 - 11/30/92 [redacted]

Dec/92 - 3/94 [redacted] PRSF
4/1/94 - 3/95 [redacted]
4/1/95 - 3/96 [redacted]
18 4/1/96 - 3/97 [redacted]

~~yr 1~~
20 yr
yr 2
yr 3
yr 4
25 yr 5 [redacted]
avg/yr

p7

269

Amendment Ready Made

ESP1

47-10

BST

Summary of Companies Leases

DATE 12/31/92

B 11/2/93
KW
1/25/93

	47-11/1 C&L 12/31/86	47-11/4 BST 5/1/93	47-11/4 BS-IS 9/18/87	47-11/4 BSE 4/10/92	47-11/3 BSC 6/7/85
8 Rent	[redacted]				
years	÷ 10				
10	[redacted]				
Sq ft 47-11 p2	÷ 54670	15360	5351	22644	298032
12	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
13 Moving Expense (p?)	[redacted]				
Employee All (p2)	[redacted]				
1st amendment					
2nd amendment					
3rd amendment					
after amendment	47-1 p5				
Sq ft					
24 Net	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

47-11 p3 allocated by C&L to

[redacted]

agrees to Co 47-2/2

See 47-1 for C&L adj

47-11 p1

BST

J H — Review of 1155 Peachtree assoc. Campanile Bldg. 12/31/92 — KW 9/14/93

Attachment G

CAMPANILE STACKING PLAN
SQUARE FOOTAGE
As of 9/1/93

	FLOOR	TENANT	RENTABLE SF
	21	BELLSOUTH INFORMATION SYSTEMS	5351
		BELLSOUTH CORPORATION	3107 A
	20	BELLSOUTH CORPORATION	23296 A
	19	BELLSOUTH CORPORATION	23296
	18	BELLSOUTH CORPORATION	23296
	17	BELLSOUTH CORPORATION	23296
	16	BELLSOUTH CORPORATION	23296
	15	BELLSOUTH CORPORATION	23296
	14	BELLSOUTH CORPORATION	23271
	13	BELLSOUTH CORPORATION	22886
	12	BELLSOUTH CORPORATION	22609
21	11	[redacted]	22627 C
	10		22627
23	9		22392
	8	BELLSOUTH CORPORATION	22392 A
	7	BELLSOUTH CORPORATION	18523
26		[redacted]	3869 - affiliate
according 10 years	6	BELLSOUTH CORPORATION	8080 B
		BELLSOUTH TELECOMMUNICATIONS	3079 B
		AVAILABLE FOR LEASE	11233
31	5	BELLSOUTH TELECOMMUNICATIONS	15360 B
33		[redacted]	2205 D
			4827 C
	4		22392 D
	3	BELLSOUTH CORPORATION	16494 A
	2	BELLSOUTH CORPORATION	14526
36	1	[redacted]	8405
37			1101
	P2	BELLSOUTH CORPORATION	260 A
	P1	BELLSOUTH CORPORATION	6108

428755 Per lease
435751 Per lease

PROPRIETARY INFORMATION
NOT FOR USE OR DISCLOSURE OUTSIDE
BELLSOUTH EXCEPT UNDER WRITTEN
AGREEMENT.

47-1(p) — 8080 (1993 space) = 289952 (1993 space) BST Co's

Σ A	298032	BSC	69.5%		
Σ B	18439	BST	4.3%		
Σ C	72473	47-1(p)		16.9%	
Σ D	24597	Georgia Telco Credit Union			5.7%
	5351	BSIS	1.25%		
	3869			.9%	
	11233				
	8405				1.96%
					.26
	443500	Per lease 428755	~~75.05%~~ 72.5%	~~17.8%~~ 17.2%	~~7.92%~~ 7.41

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Confidential | Used to Determine Comparables | 47-1/3

THE WALTER LATHAM COMPANY

AUDIT DISCLOSURE NO

SUBJECT: CAMPANILE LEASE-1155 PEACHTREE ASSOCIATES

STATEMENT OF FACT: The Campanile building in Midtown Atlanta, is owned by 1155 Peachtree Associates.

According to a response to Request 2-054A, Attachment G, as of 9/1/93 the space is occupied as follows:

47-11

	9/1/93	12/31/92*
BST and Affiliates	72.57%	75.10%
C&L and Carter	17.21%	17.21%
Non Affiliates	7.69%	7.69%
Vacant	2.53%	
	100.00%	100.00%

* Per lease charges from BSE having 6th floor in 1992

The company provided leases which show an average cost per year per square foot after averaging improvement allowances over the life of the lease as follows:

47-11 p1

16 Coopers and Lybrand
BST
BSIS
BSE
20 BSC

[redacted]

21 BSC adjusted the [redacted] to amount to [redacted] average per square foot per year according to their JCO Matrixes.

24 The total paid by BSC to 1155 Peachtree Assoc. before the adjustment and including other rent was [redacted] according to request 2-156.

27 28 29 47-11 3p3 According to the Coopers and Lybrand workpapers, no adjustment was made by Coopers and Lybrand for the 3rd to 4th amendments of the lease which added 27,406 of space at [redacted] at 12/1/95 and 1/31/96 respectively and [redacted] to the end of the lease. If Coopers and Lybrand had adjusted these amendments from [redacted] to [redacted] they would have removed another [redacted].

Staff requested leases in the building other than Coopers and Lybrand. Gary Grace, the company representative said there were no comparable leases in the Campanile Building and that the only comparable space was a lease in the 1100 building accross the street. He provided a lease made in 9/1/93 with RR Donnelly and Sons Co. for 7,195 rentable square feet for 5 years. This

47-11/2

P3

lease was made for [redacted] base rent but included design cost and improvement allowances of [redacted] per square foot amortized over five years this reduces rent by [redacted] per square foot to [redacted] per square foot.

It should also be noted that the company's that BST is using to compute market rates for both the Campanille Building and the 1100 building are doing business with BST and their affiliates. The amounts paid in 1992 are (per request 2-158): 47-11 8

	Coopers and Lybrand	Kilpatrick & Cody
BSC HQ AND BSE	[redacted]	[redacted]
BST	[redacted]	[redacted]
	[redacted]	[redacted]

OPINION: Since the company believes the 1100 building is comparable space, it is questionable why they did not use the Kilpatrick and Cody lease for comparison which was made in 6/91 for 141,414 square feet at ~~an average per year of~~ [redacted] per square foot. This space has more than the 72,000 square feet used by Coopers and Lybrand and is closer in time initiated than the RR Donnelly lease. 47-7 p1 47-7p1

If market rate is appropriate, the Kilpatrick and Cody lease should be used for comparison thus adjusting the Coopers and Lybrand rate of [redacted] to [redacted] or a reduction of [redacted]. Using the space of 305,696 for BSC less 1993 space of 8080 and storage and mailroom and computer space of 9,475 for a net of 288,141 x$4.58 is $1,319,685.70. The adjustment for amendment 3 and 4 needs to be reduced to the C & L rate for an additional 88,247.32. The total adjustment would be $1,407,933.

The attached charts allocates these costs to BST and to the states using 1992 billings as a base. The reductions to BST would be $1,048,317.52 and to Florida would be $274,030. This amount needs to be allocated to intrastate regulated dollars.

However, because the Campanile Building was rented 75% by BST and Affiliates and 17.2% by companies earning a substantial amount of their revenues from BST and affiliates and because the BSC space of 305,695 is not really comparable to either the Coopers and Lybrand space of approximately 72,000 or the Kilpatrick and Cody lease in the 1100 Building of approximately 141,000 square feet, a comparable market does not exist and fully distributed cost should be used.

In a competitive market, a lessor who would be guaranteed rent on 300,000 square feet of space for 10 years would probably be willing to negotiate a better price than they would on 72,000 square feet.

Since the company would not provide actual costs and the general ledger for the Campanile Building, staff was unable to determine FDC.

py

RECOMMENDATION: Since the company would not provide access to staff to the records necessary to compute Fully Distributed Cost, the entire rent for 1992 of $7,445,373 should be removed.

According to the attached computations, $5,543,669.26 relates to BST and $1,449,115.08 is Florida specific. This amount needs to be allocated to Intrastate Regulated.

47-11
/9

p5

275

Southern Bell Tel. Co.
Docket 920260
For the 12 Months ended 12/31/92
Rent expense allocated to Southern Bell

BellSouth Telecommunications			BellSouth Business Systems			BellSouth Enterprises			BellSouth Capital Funding	BellSouth DC	BellSouth Products	BellSouth Human Resources	Total
Services	Projects	Total	Services	Projects	Total	Services	Projects	Total					
Total billings from BSC to Affiliates - 1992													
93,215,900.0	4,453,000.0	97,668,900.0	4,464,100.0	397,300.0	4,861,400.0	22,689,400.0	5,212,800.0	27,902,200.0	701,000.0	8,000.0	25,100.0	6,700.0	131,173,300.0
71.0632%	3.3947%	74.4579%	3.4032%	0.3029%	3.7061%	17.2973%	3.9740%	21.2712%	0.5344%	0.0061%	0.0191%	0.0051%	100.0000%
12 (A) Reduction in Rent Expense from [redacted]													
1,556,928.59	74,375.76	1,631,304.35	74,561.15	6,635.86	81,197.01	378,967.27	87,066.23	466,033.51	11,708.38	133.62	419.23	111.91	2,190,908.00
(B)Reduction in Rent Expense for third and fourth amendments													
62,711.34	2,995.77	65,707.11	3,003.24	267.29	3,270.52	15,264.38	3,506.93	18,771.31	471.60	5.38	16.89	4.51	89,247.32
16 (C) Reduction in rental expense adjusting to [redacted]													
937,810.44	44,799.97	982,610.41	44,911.65	3,997.09	48,908.73	228,269.60	52,444.04	280,713.64	7,052.50	80.49	252.52	67.41	1,319,685.70
(D) Total Rental Expense for the year 1992													
5,290,917.78	252,751.48	5,543,669.26	253,381.52	22,550.68	275,932.19	1,297,846.28	295,877.59	1,583,723.87	39,788.63	454.08	1,424.67	380.29	7,445,373.00

21
22

Calculation of Item (A)				Total Rent		Adjustment
Average Cost per Sq Ft	[redacted]	100.00%				
Adjusted Cost per Sq Ft	[redacted]	70.57%				
Difference	7.08	29.43%		7,445,373.00	X 29.43% =	2,190,907.77

p6

Southern Bell Tel. Co.
Docket 920260
For the 12 Months ended 12/31/92
Adjustment for reduced Rental Expense

	FL	GA	NC	SC	ALA	KY	LA	MISS	TENN	Total
SBTHQ General Allocator	0.2614	0.1728	0.0962	0.0644	0.0847	0.0492	0.0995	0.0585	0.1133	1.0000
(From WP 44-1 page 2)										
Adjustment for (A)	426,422.87	281,889.33	156,931.44	105,055.98	138,171.45	80,260.16	162,314.75	95,431.28	184,826.74	1,631,304.00
Adjustment for (B)	17,175.81	11,354.17	6,321.01	4,231.53	5,565.38	3,232.78	6,537.85	3,843.86	7,444.60	65,707.00
Adjustment for (C)	256,854.36	169,795.08	94,527.12	63,280.11	83,227.10	48,344.43	97,769.74	57,482.71	111,329.76	982,610.41
Adjustment for (D)	1,449,115.08	957,946.00	533,300.96	357,012.28	469,548.76	272,748.51	551,595.07	324,304.64	628,097.70	5,543,669.00

(A) Reduction in Rent Expense from $24.06 to $16.98
(B) *Reduction in Rent Expense for third and fourth amendments*
(C) Reduction in rental expense adjusting to $12.40
(D) Total Rental Expense for the year 1992

P7

B 11/4/93
KW 10/6/93

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CONFIDENTIAL

47-01

THE WALTER LATHAM COMPANY

BST

Review of Campanille Leases
TYE 12/31/93

KW
9/24/93

3 Lease between 1155 Peachtree Assoc. & [redacted]
at 12/31/86

Base rental

	B	BF	Sq Ft	C
July 1, 1987			Sq Ft	Rent
25 mths			54670	
Mth 26 - 12/31/89	[redacted]			[redacted]
1/1/90 - 12/31/90				
1/1/91 - 12/31/91				
1/1/92 - 6/30/92				
7/1/92 - 6/30/93				
7/1/93 - 12/31/93				
1/1/94 - 12/31/94				
1/1/95 - 12/31/95				
1/1/96 - 12/31/96				
1/1/97 - end				

18 Initial Term - [redacted]

19 Tenant [redacted]

21

12.75% of Space in bldg. of 428,755 rentable
has 54,670 sq ft; usable area 372,830 total bld
usable area C&L 48,111

25 [redacted]

5 Expansion options

	Deadline	Commencement	
Option 1	28th mth	37-43 mth	10th floor 2466 sqft
2	28th mth	37-43 mth	10 floor 7726 sqft
3	52nd mth	61-67 mth	9th flr 2597 sqft
4	64th mth	73-79 mth	8th flr 5-10,000 sqft
5	112 mth	121-127 mth	All rentable 8th flr

33 [redacted]

Tenant [redacted]

36

ESP 1

427-1 pd

R 11/2/93
KW

3 moving expense reimbursement [redacted]

4 [redacted] 1st term

11 / 1,777 / 22978
rent 9/10 / 11

6 Landlord [redacted] (~~[illegible]~~)

(~~[illegible]~~)

10 (total [redacted] x p/sq ft 54670 = [redacted]

1st Lease Amendment Made 3/31/87

10th Floor 67 usable & 77 sq ft rentable deleted

9th Floor — elected all expansion space 22714 sq ft 20312 usable as of 9/1/87
void option 3

% changes to 13.39

(p)

18 [redacted]

2nd Amendment to Lease — 6/18/87
by July or Aug 87

Add expansion space on 10th Floor
12,623 sq ft 10,982 usable

% increase to 13.39%

Total rentable now 58315 usable 51,897

(p)

25 Additional [redacted]

5789 + Atlanta p3 of 2556 = 189

3rd amendment — 9/21/87
10th Floor expansion of 15813 sq ft, 13750 usable
by Dec. 1, 1987
now 14.53% 61428 rentable, 54554 usable

30 [redacted]

(p)

279

ESPI

47-11
1 pg

4th amendment - 4/7/92
Temporary additional space of 2556 rentable

Additional space on 10th Floor of 578 sq ft

Both as of 10/1/91

6 Temp. space at [redacted] until date of availability
then lease rent & temporary share of
8 Bldg expenses at [redacted]/sq ft

No tenant improvement

5th amendment - 4/7/92
Expansion of 3723 rentable on 10th floor

12 4/1/92 - 6/30/93 [redacted] Rentable sq ft net of Op. Exp.
7/1/93 - 12/31/93
1/1/94 - 12/31/94
1/1/95 - 12/31/95
1/1/96 - 12/31/96
17 1/1/97 - 6/30/97

As is condition
Option for 7 unreserved spaces

New % 14.92, 67707 rentable, 60014 usable

6th amendment 6/1/93
5th floor 3896 sq ft rentable
23 [redacted]/sq ft or [redacted]

As is condition - 7 unreserved spaces option

New % 16.7 % - rentable 71,603, usable 63,402

471
1 p3

280

ESP1

BST

Review of Comparable Leases
Campanile Bldg
TYE 12/31/92

KW
9/14/93

Co. was asked to provide another lease in the Campanile Bldg other than CEL. Co. would not provide. Instead provided a lease at the 1100 Bldg which they say is comparable.

11/12 If 1100 Bldg is comparable why not use [redacted] of [redacted]/sq ft avg or [redacted]/sq ft 1993 on 47-7
Started 6/4/91

14/15 Co provided lease with [redacted]

Suite 1600 7195 rentable sq ft; 6256 usable
Starting 9/1/93 Expires 8/31/98

18 Base Rent [redacted]/sq ft + op. expense

Bldg Rentable 543,951 - 1.32%

20 21 [redacted] - unreserved [redacted]/mth
Reserved [redacted]/mth

23 Land Lord [redacted]

25 Design Fee allow [redacted]/rentable SF
Tenant Imps allow [redacted]/rentable SF

27 Total [redacted] x 7195 sq ft = 38214.25/5 yrs = [redacted]/yr

29 Right of Refusal on Space on 16th Floor
1305 sq ft [redacted]

Rent at [redacted]/sq ft x 7195 = [redacted]/yr

32 Design Allow [redacted]

34 ÷ 7195 sq ft
[redacted]/sq ft

47-11/3

281

47-11
3

FEP!

BST

Review of Campanile Leases

OTPE 12/31/92

RJ 1/4/93

Rev

9/25 R

1155 Peachtree Assoc. & BellSouth Corp

6/17/85

194,573 usable area 227,051 rentable

Total Bldg 372,793 usable 425,751 rentable

18 yr lease

10 [redacted] sq ft 5 yrs [redacted] ? charged from [redacted]

[redacted] sq ft 5 yrs $ [redacted] ← 1st amendment

12 Avg (97-11/01)

Extended Term - rent to be determined 12 mths prior to expir.

Shall not be greater than rate payable at commencement compounded annually

17 at [redacted] nor less than rate at end of term

[redacted] tenant [redacted]

19 [redacted]

Pro rata share of basement space at reasonable rates

22 Landlord [redacted]

Tenant [redacted]

Tenant [redacted]

Landlord [redacted]

29 Tenant [redacted]

Option to purchase - during 1st 3 mths of the 1st or last yrs of second term at FMV

1st Amendment 9/28/87

Add'l 16,494 rentable on 3rd fl (14,453 usable

15,203 on 4th 6,524

3,595 8th 3,126

282

Mailroom space - 4,323 sq ft Carpool space 260,80

47-4

3 01

Computer room space 3107 Sq ft

2 [redacted] / rentable sq ft for reg office
5 yrs & [redacted] second 5 yrs

Mailroom & Carpool [redacted] 1st 5 yrs
& [redacted] 2nd 5 yrs
Computer Room [redacted] rentable 5 yrs
& [redacted] second 5 yrs

8 [redacted] yr

Computer Rm not used in
computing share of operating
expenses.

All expenses of this space separately
billed.

Work letter not applied to added
space

16 [redacted] Improvement allowance regular
space (rentable)

18 [redacted] /sq ft rentable computer room
None - mailroom or carpool
No parking spaces for these 2 extras

2nd Amendment - 6/7/85
Additional 8th Floor lease 13,595 rentable
& 11822 usable
Storage space 9 1/2 level - 1785 sq ft

Starting 8/16/87

26 [redacted] /sq ft 5 yrs & [redacted] 5 yrs
/sq ft [redacted] for storage space 1st
5 yrs & [redacted] - last 5 yrs. 2nd

29 [redacted]

Storage space not used to compute
tenant's share of operating expenses

4711
3/12

Bj 11/4/93
KW

3 [redacted]/sq ft improvement allowance
None for storage space

3rd amendment 2/20/91
7 10th floor 3723(A) rentable as of 10/1/90
$20.[redacted] 12/1/95 $[redacted] thereafter

4th amendment 2/20/91
7th floor (B) 18523 sq ft
8th floor (B) 5160 sq ft
11 [redacted] to 1/31/96 $[redacted] remainder

Can cancel 7th floor before 2/29/92
& 8th " 11/30/92

5th amendment 2/20/91
4th floor cancelled space of 5223 sq ft (C)

6th amendment 11/7/91
10th floor cancelled space as of 8/31/91

7th amendment 4/30/92
Delete Tenants One Time Right to cancel on 7th floor expansion
Changed to any time after 8/31/92

8th amendment -
Add 6 floor expansion space of 8080 sq ft
9/1/93 - 8/31/96
28 [redacted] / rentable ~~80 sq~~

284

E(A) [redacted]
30 E(B) [redacted] 47-11(3)
[redacted] 47-11
3 A3

33

BSE & 1155 Peachtree
4/10/92
Term 5/1/92 - 4/30/95

4 [redacted] / Rentable sq ft net of operating expenses
22,641 sq ft

No allowance for improvements

BellSouth Info Systems & 1155 Peachtree
9/8/87
10 yr lease

11 [redacted] / sq ft 5 yrs
12 [redacted] / second 5 yrs
5,351 sq ft

Tenant pays utilities

14 [redacted] / sq ft improvement allowance

BST & 1155 Peachtree
5/1/93
5 yrs starting 5/1/93
19 [redacted] / rentable sq ft net of op exp
15360 sq ft

No improvement allowance

1st amendment
Add'l office space of 3,078 rentable as of 9/1/93 to 4/30/98
Same as lease cost

47-11

Item No. 2-054
Amended Request
Attachment F

1155 PEACHTREE ASSOCIATES
(CAMPANILE)

CONSOLIDATED STATEMENT OF OPERATIONS
For the Twelve Months Ended December 31, 1992

PROPRIETARY

	Year-to-Date		
	B	C	D
			Favorable (Unfavorable)
Revenues	**Actual**	**Budget**	**Variance**
Office Tower			
Parking			
Tenant Maintenance			
Health Club			
Total Revenues			
Operating Expenses			
Office Tower			
Parking			
Tenant Maintenance			
Health Club			
Partnership			
Total Operating Expenses			
Debt Service			
Cash Flow before Interest Income			
Interest Income			
Cash Flow from Operations			

47-11
5

PBC

KEW 10/26/93

10-13-93 06:30PM P04/#4

KW

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/28/93
Item No. 2-158
Page 1 of 1

Request: Total payments to Coopers and Lybrand from BST and each affiliate and same for Kilpatrick and Cody.

Response: During 1992, BSC-HQ/BSE paid Coopers and Lybrand and Kilpatrick and Cody [redacted] and [redacted] respectively.

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(47-11 P4)

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During 1992, BST paid Coopers and Lybrand and Kilpatrick and Cody [redacted] and [redacted] respectively.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 13, 1993

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fpc

kw 10/26/93

10-13-93 06:29PM P02/**

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Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260
Audit
Date: 09/28/93
Item No. 2-156
Page 1 of 1

Request: Provide total rent payments in 1992 from BSC to 1155 Peachtree Associates and all additional rent payments. 47-11 p5

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Response: BSC-HQ paid 1155 Peachtree Associates [redacted] during 1992. This included all rent and other payme[redacted] from BSC-HQ to 1155 Peachtree Associates during this period.

This material constitutes proprietary confidential business information and is being produced subject to a "Notice of Intent to Request Confidential Classification."

Date Provided: October 13, 1993

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R 10/23/93
SEH 10/4/93

BellSouth Telephone Co.
Docket 920260 – Rate Case
BellSouth Headquarters Invoices from Affiliates
For the month of 7/92

FILE = HQINVOIC

Company	Voucher Number	Services Provided	Type of Billing	Amount	Account (A)	Respns. Code	Special Coding	Project Number
BS Telecom.	0713928056	Payroll	Contract	88,928.04	311.022*	HA0000		
	0715928037	Payroll	Contract	1,041,292.48	311.022*	HA0000		
	0717928001	Payroll	Contract	10,291,094.00	311.022*	HA0000		
	0727928024	Payroll	Contract	93,546.56	311.022*	HA0000		
	0731928067	Payroll	Contract	997,097.43	311.022*	HA0000		
	0731928066	MSP&SSP Funding	Contract	44,210.99	721.311	HA0000		
	" "	" "		1,537.90	721.321	HA0000		
	0702928009	SERP & Supplemental	Contract	35,947.54	721.931	HA0000		
	" "	Retiree Payments		966.04	322.4	HA0000		
	0707928035	Ga. Self Insured						
		Trust Assessment		220.00	112.021	H13050		PFA003
	0710928003	WH Tax-Stock Option		3,388.12	312.32	HA0000		
	" "	for Key Mgrs		9,575.02	312.32	HA0000		
	0729928058	State Payroll Tax		800.94	312.31	HA0000		
	0729928003	MSP Match		3,330.52	721.311	HA0000		
	0701928043	Telephone Service	Tariff	60.37	744.2	H13120		
	0702928039	Telephone Service	Tariff	2,385.92	744.2	H52030		
	0714928071	Telephone Service	Tariff	4,895.48	744.2	H13220		
	0714928005	Telephone Service	Tariff	308.18	744.2	H52030		
	0714928031	Telephone Service	Tariff	1,937.69	744.2	H53020		
	0716928015	Telephone Service	Tariff	470.34	744.2	H59010		
	0721928003	Telephone Service	Tariff	1,234.68	744.2	H52050		
	0721928052	Telephone Service	Tariff	115.61	744.2	H53030		
	0722928042	Telephone Service	Tariff	65.59	744.2	H53020		
	0723928020	Telephone Service	Tariff	56.00	744.2	H52030		
	0723928014	Telephone Service	Tariff	64.98	744.2	H13120		
	0723928019	Telephone Service	Tariff	16.83	744.2	H53010		
	0724928026	Telephone Service	Tariff	2,402.86	744.2	H53030		
	0724928027	Telephone Service	Tariff	442.88	744.2	H53200		
	0727929005	Telephone Service	Tariff	2,448.03	744.2	H53030		
	0728928019	Telephone Service	Tariff	2,774.53	744.2	H52030		
	0728928102	Telephone Service	Tariff	58.25	744.2	H53030		PN4005
	0728928048	Telephone Service	Tariff	28.72	744.2	H11421		
	0728928059	Telephone Service	Tariff	525.35	744.2	H95000		
	" "	Telephone Service	Tariff	2,234.43	744.2	H59000		
	" "	Telephone Service	Tariff	3,378.41	744.2	H13100		
	" "	Telephone Service	Tariff	1,509.18	744.2	H94000		
	" "	Telephone Service	Tariff	1,895.59	744.2	H23000		
	" "	Telephone Service	Tariff	4,988.24	744.2	H13230		
	" "	Telephone Service	Tariff	2,039.01	744.2	H52000		
	" "	Telephone Service	Tariff	1,904.83	744.2	HEOH00		
	" "	Telephone Service	Tariff	4,843.16	744.2	H53000		
	" "	Telephone Service	Tariff	1,719.42	744.2	H22100		
	" "	Telephone Service	Tariff	2,605.13	744.2	H41000		
	" "	Telephone Service	Tariff	1,334.88	744.2	H11300		
	" "	Telephone Service	Tariff	6,883.46	744.2	H61100		
	" "	Telephone Service	Tariff	9,692.43	744.2	H13220		
	" "	Telephone Service	Tariff	1,155.48	744.2	H92000		
	" "	Telephone Service	Tariff	869.13	744.2	H43010		
	" "	Telephone Service	Tariff	7,328.73	744.2	H15000		
	" "	Telephone Service	Tariff	2,365.00	744.2	H11400		
	" "	Telephone Service	Tariff	(1.46)	744.2	H13220		PF0031
	" "	Telephone Service	Tariff	1,115.56	744.2	H11200		
	" "	Telephone Service	Tariff	67.72	744.2	H13220		PS8307
	" "	Telephone Service	Tariff	1,738.01	744.2	H13220		PS9438
	" "	Telephone Service	Tariff	604.51	744.2	H13220		PF2018
	" "	Telephone Service	Tariff	562.19	744.2	H13220		PS2017
	" "	Telephone Service	Tariff	221.13	744.2	H13220		PS8307
		TOTAL INVOICE		61,699.52				
	0731928011	Telephone Service	Tariff	113.06	744.2	H11310		
	0731928069	Teleph. Concessions		11,551.02	744.2	HA0000		
TOTAL PER GENERAL LEDGER		(Total of above items)		12,705,065.00	48-1			
TOTAL NOT PROVIDED				0.00				
PER CENT NOT PROVIDED				0.00				

* Account shown is Payable Account. Payroll costs are distributed to the repective responsibility codes via a special program. No audit work was done on the payroll distribution program.

(A) SEE WP 48-2 for BSHQ Account Descriptions

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Pg 1 of 4

As Referenced

B 10/23/93
SEH 10/4/93

BellSouth Telephone Co.
Docket 920260 – Rate Case
BellSouth Headquarters Invoices from Affiliates
For the month of 7/92

FILE = HQINVOIC

Company	Voucher Number	Services Provided	Type of Billing	Amount	Account (B)	Respns. Code	Special Coding	Project Number
BS Info. Systems	0706928016	Tax Reports	Contract	12.92	743.12	H15210		
	0708928013	Programming for Human Resources	Contract	94,654.99 (D)	743.12	H59060		
	0713928001	Shareholders Annual Meeting	Contract	431.97	745.81	H94030		
	0728929024	BIS Mainframe	Contract	(A) 293.91	743.12	H59060	SD5226	
	" "	Accident Prev. Plan	Contract	(A) 837.88	743.12	H59060	SD5226	
	0729928002	BIS Office	Contract	15,100.00	743.11	H92000		
	" "	Systems Support	Contract	14,800.00	743.11	H94000		
	" "		Contract	4,500.00	743.11	H95000		
	" "		Contract	41,050.00	743.11	H61170		
	" "		Contract	15,020.00	743.11	H41000		
	" "		Contract	22,540.00	743.11	H22100		
	" "		Contract	591.67	743.11	H15100		
	" "		Contract	2,941.67	743.11	H15110		
	" "		Contract	6,175.00	743.11	H15120		
	" "		Contract	2,058.33	743.11	H15130		
	" "		Contract	2,941.67	743.11	H15140		
	" "		Contract	600.50	743.11	H15200		
	" "		Contract	3,302.75	743.11	H15210		
	" "		Contract	5,004.17	743.11	H15220	SD0113	
	" "		Contract	3,603.00	743.11	H15230	SD0113	
	" "		Contract	3,903.25	743.11	H15240	SD0113	
	" "		Contract	3,603.00	743.11	H15250	SD0113	
	" "		Contract	9,200.00	743.11	H15300	SD0113	
	" "		Contract	8,850.00	743.11	H23000	SD0113	
	" "		Contract	72,930.00	743.11	H11430	SD0113	
	" "		Contract	291.66	743.11	H13220	SD0113	
	0729928002	Detail not provided		228,884.42				
		TOTAL INVOICE		467,891.09	To 48-3			
	0729928001	BIS Application	Contract	2,457.00	Pg 2 743.13	H13100	SD0113	
	" "	Development	Contract	544.00	743.13	H13263	SD0113	
	" "		Contract	1,946.50	743.13	H13270	SD0113	
	" "		Contract	1,166.00	Pg 8 743.13	H59060	SD0113	
	" "		Contract	5,444.00	Pg 11 743.13	H94000	SD0113	
	" "		Contract	1,003.00	Pg 9 743.13	H61170	SD0113	
	" "		Contract	3,688.00	P6 743.13	H41000	SD0113	
	" "		Contract	7,405.61	Pg 4 743.13	H15120	SD0113	
	" "		Contract	2,061.27	Pg 5 743.13	H15140	SD0113	
	" "		Contract	83.12	743.13	H15210	SD0113	
	" "		Contract	2,411.00	P1 743.13	H11430	SD0113	
	" "		Contract	204.17	743.11	H13220	SD0111	PS9441
	" "		Contract	23.33	743.11	H13220	SD0111	PS7233
	" "		Contract	46.67	743.11	H13220	SD0111	PS8307
	" "		Contract	11.67	743.11	H13220	SD0111	PS9438
	" "		Contract	5.83	743.11	H13220	SD0111	PS2794
		TOTAL INVOICE		28,701.17				
	0731928038	BIS Processing	Contract	15,702.14	743.12	H13170	SD1341	
	" "		Contract	2,380.43	(C) 743.12	H13170	SD1342	
	" "		Contract	3.31	743.12	H13170	SD1343	
	" "		Contract	361.02	743.12	H13170	SD1343	CX0020
	" "		Contract	13.88	743.12	H13170	SD1343	CX0003
	" "		Contract	11.51	A3 743.12	H13170	SD1343	CX0019
		TOTAL INVOICE		18,472.29				
	0727928070	Detail not Provided		15,600.00				
TOTAL PER GENERAL LEDGER		(Total of above items)		531,796.34				
TOTAL PROVIDED				287,311.92	48-7			
TOTAL NOT PROVIDED				244,484.42				
PER CENT NOT PROVIDED				45.97%				

(B) SEE WP 48-2 for BSHQ Account Description

(A) 11,654.99
293.91
837.88
95,786.78 48-3 Pg 8

(C) Total = 18085.88 To 48-3 Pg 3

As Referenced

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R 10/23/93
SCM 10/4/93

BellSouth Telephone Co.
Docket 920260 – Rate Case
BellSouth Headquarters Invoices from Affiliates
For the month of 7/92

FILE = HQINVOIC

Company	Voucher Number	Services Provided	Type of Billing	Amount	Account	Respns. Code	Special Coding	Project Number
BS Adv. Networks	0716928042	Detail not Provided		373,573.00				
	0716928043	Detail not Provided		67,292.00				
	0716928044	Detail not Provided		347,699.00				
	0716928045	Detail not Provided		1,494,734.00				
	0716928046	Detail not Provided		328,756.00				
TOTAL PER GENERAL LEDGER		(Total of above Items)		2,612,054.00				
TOTAL NOT PROVIDED				2,612,054.00				
PER CENT NOT PROVIDED				100.00%				
BS Enterprises	0701928057	Detail not Provided		4,745,000.00				
	0701928058	Detail not Provided		20,000,000.00				
	0701928001	Detail not Provided		5,464,225.00				
	0701928002	Detail not Provided		15,700,000.00				
	0706928002	Detail not Provided		12,521,646.39				
	0707928002	Detail not Provided		23,429,251.00				
	0708928010	Detail not Provided		1,843,000.00				
	0710928047	Detail not Provided		10,200,000.00				
	0710928048	Detail not Provided		1,200,000.00				
	0713928057	Detail not Provided		11,000,000.00				
	0715928038	Detail not Provided		3,682,000.00				
	0716928047	Detail not Provided		2,991,150.00				
	0716928048	Detail not Provided		916,000.00				
	0720928004	Detail not Provided		2,574,000.00				
	0721928001	Detail not Provided		15,676,000.00				
	0721928020	Detail not Provided		2,000,000.00				
	0722928044	Food Catering	Expenses	433.43	899	H13170		
	0723928067	Detail not Provided		787,000.00				
	0724928011	Detail not Provided		643,000.00				
	0730928030	Detail not Provided		3,883,000.00				
	0730928019	Meth & Proc support	Contract	20,264.61	Ⓐ 764.3	H13170		
TOTAL PER GENERAL LEDGER		(Total of above Items)		139,474,970.43				
TOTAL PROVIDED				20,698.04				
TOTAL NOT PROVIDED				139,454,272.39				
PER CENT NOT PROVIDED				99.99%				

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NOT LISTED ON ACCOUNT DESCRIPTIONS LDP 48-7

To 48-3 pg 3.

48-7 ✓

Ⓐ SEE WP 48-2 for BSHQ ACCOUNT DESCRIPTIONS

As Reference

48-1
Pg 3 of 4

S 10/23/93
SKH 10/4/93

BellSouth Telephone Co.
Docket 920260 – Rate Case
BellSouth Headquarters Invoices from Affiliates
For the month of 7/92 FILE = HQINVOIC

Company	Voucher Number	Services Provided	Type of Billing	Amount	Account	Respns. Code	Special Coding	Project Number
BSDC	0701928056	Detail not Provided		48,000.00				
	0701928004	Detail not Provided		143,000.00				
	0706928001	Detail not Provided		30,000.00				
	0707928003	Detail not Provided		30,000.00				
	0707928052	Detail not Provided		39,000.00				
	0708928003	Detail not Provided		113,343.84				
	0708928034	Detail not Provided		84,030.45				
	0710928002	Detail not Provided		61,000.00				
	0714928032	Detail not Provided		2,488.36				
	0715928039	Detail not Provided		39,000.00				
	0716928049	Detail not Provided		35,000.00				
	0720928050	Detail not Provided		233,000.00				
	0721928077	Detail not Provided		30,000.00				
	0728928056	Detail not Provided		30,000.00				
	0728929013	Detail not Provided		516,956.89				
	0728929013	Detail not Provided		100,364.45				
	0728929013	Detail not Provided		47,347.30				
	0728928022	Detail not Provided		94,533.18				
	0728928023	Detail not Provided		21.00				
	0729928071	Detail not Provided		30,000.00				
	0729928048	Detail not Provided		1,370.77				
	0731928065	Detail not Provided		102,000.00				
TOTAL PER GENERAL LEDGER		(Total of above items)		1,810,456.24				
TOTAL PROVIDED				0.00				
TOTAL NOT PROVIDED				1,810,456.24	(A)			
PER CENT NOT PROVIDED				0.00%				

(A) No invoices for BellSouth DC were provided the auditor on the intial trip set up to review BS invoices, 8/2–6. The Company later agreed to let the auditor view a sample that was taken during the week of 8/16/20. This sample was taken by the auditor from the BSHQ general ledger. These were reimbursements made to DC employees. → 48'/1

As Referenced

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Pg 4 of 4

BellSouth Telephone Co.
Docket 920260 – Rate Case
BellSouth Headquarters Invoices from Affiliates
For the month of 7/92

B 10/23/93
SCH 10/4/93

FILE = BSDCINV

Company	Voucher Number	Description	Type of Billing	Amount	Account (A)	Respns. Code	Project Number
BSDC	0702927003	BS Media Dinner – Chicago	Expense Stat	92.66	732.2	S50100	
		and National. Assoc.	Expense Stat	485.12	733		
		administrators meeting	Expense Stat	1,166.47	731		
		Bellevue, WA.	Expense Stat	6.00	899		
		Voucher Total		1,750.25			
	0709929002	Office supplies,	Invoice	1,418.47	741.12	S10420	
		paper, pens, etc.	Invoice	9.06	741.12	SEOS00	
		Voucher Total		1,427.53			
	0716928005	Officer's Conference 1992	Invoice/prorat	427.35	734.21	S20100	
		" "	Invoice/prorat	427.35	734.21	S20110	
		" "	Invoice/prorat	427.35	734.21	S30200	
		" "	Invoice/prorat	427.35	734.21	S30300	
		" "	Invoice/prorat	427.35	734.21	S30400	
		" "	Invoice/prorat	427.35	734.21	S30500	
		" "	Invoice/prorat	427.35	734.21	S30600	
		" "	Invoice/prorat	427.35	734.21	S30700	
		" "	Invoice/prorat	427.35	734.21	S30800	
		" "	Invoice/prorat	1,709.38	734.21	S50100	
		" "	Invoice/prorat	1,647.02	734.21	SEOS00	
		" "	Invoice/prorat	1,647.01	734.21	SEOS30	
		" "	Invoice/prorat	427.35	734.21	S10100	
		" "	Invoice/prorat	854.69	734.21	S10200	
		" "	Invoice/prorat	854.69	734.21	S10300	
		" "	Invoice/prorat	568.74	734.21	S10400	
		" "	Invoice/prorat	854.69	734.21	S10500	
		Voucher Total		12,429.70			
	0723927001	NACO Annual Meeting	Expense Stat	92.57	732.1	S30400	
		Minneapolis MN	Expense Stat	506.12	733	S30400	
		" "	Expense Stat	962.46	731	S30400	
		" "	Expense Stat	350.00	734.22	S30400	
		" "	Expense Stat	320.99	732.2	S30400	
		" "	Expense Stat	17.76	899	S30400	
		Voucher Total		2,241.92			
	0723929008	Video Cassettes	Invoice	388.78	741.12	S50100	
	0727928018	Congressional Qrtly. report	Invoice	1,293.20	736.2	S10420	
	0727929001	Courier Service for	Invoice	125.00	741.3	S20100	
		FCC filings	Invoice	150.00	741.3	S20110	
		" "	Invoice	275.00	741.3	S30200	
		" "	Invoice	25.00	741.3	S30300	
		Voucher Total		575.00			
	0731929002	Deposit–rooms Dem Nat. Conv	Expense Stat	2,800.00	733	S50100	
		Media Dinner–SuperComm 92	Invoice	1,845.09	738	S50100	
		Voucher Total		4,645.09			
	0729928007	White House Bulletin	Invoice	1,409.80	736.2	S50100	
		Discount–Early renewal	Invoice	(79.80)	316.3	SA0000	
		Voucher Total		1,330.00			
	0728929001	Taxi	Expense Stat	5.00	731	S30600	
		Taxi/Tolls	Expense Stat	10.00	731	SEOS00	
		Taxi	Expense Stat	5.00	731	S30300	
		Lunch–Federal Register	Expense Stat	21.17	732.2	S30300	
		Food for Corp. Apartment	Invoice	44.19	732.2	SEOS00	
		Food for Corp. Apartment	Invoice	16.60	732.2	S30100	
		Office Supplies – paper	Invoice	4.23	741.12	SEOS00	
		Reference Book	Invoice	10.55	741.12	S30600	
		Misc. Office Supplies	Invoice	57.18	741.12	S50100	
		Misc. Office Supplies	Invoice	21.77	741.12	SEOS30	
		Misc. Office Supplies	Invoice	9.38	741.12	S30100	
		Misc. Office Supplies	Invoice	4.69	741.12	S30200	
		UPS Charges	Invoice	28.90	741.12	S30600	
		Lunch–Federal Register	Expense Stat	16.59	732.2	S30200	
		Refreshments – Meeting	Expense Stat	55.67	899	SEOS00	
		Taxi	Expense Stat	8.00	731	S30600	
		Food for Corp. Apartment	Invoice	61.69	732.2	SEOS00	
		Copies–Air Carrier Service	Invoice	2.30	741.11	S30600	
		Paper Supplies–Corp. apart.	Invoice	10.76	741.11	SEOS00	
		Copies–USTelCom report	Invoice	20.00	741.12	SEOS00	
		Refreshments– Meeting	Expense Stat	16.24	899	S30200	
		Refreshments– Meeting	Expense Stat	26.49	899	SEOS00	
		Voucher Total		466.49			
	0729929005	Tax Coalition–Alumni Dues	Expense Stat	30.00	737.32	S10200	
		Name Badges–Dem Nat Conv	Invoice	484.42	741.12	S10400	
		Hard Drive for PC	Invoice	488.66	145.1	S10420	PC0001
		Repair Dishwasher DC office	Invoice	275.34	742.2	S10420	
		Lodging–Telcom Research conf.	Invoice	59.00	732.1	S10200	
		Reg. Fee–Telcom Research Conf.	Invoice	581.00	734.22	S10200	
		Checks for computer	Invoice	63.95	741.11	S10411	
		Voucher Total		1,982.37			
	Total of Vouchers Sampled			28,517.31			

As Referenced

(A). SEE WP 48-2 for BSHQ ACCOUNT DESCRIPTIONS

48-1
pg 1 of 1

B 10/23/93
SEH 10/4/93

BellSouth Telephone Co.
Docket 920260 – Rate Case
BellSouth Headquarters Invoices from Affiliates
For the month of 7/92

Company	Amount
BS INFORMATION SYSTEMS	
TOTAL PER GENERAL LEDGER	48-1 Pg 2 531,796.34
TOTAL PROVIDED	287,311.92
TOTAL NOT PROVIDED	244,484.42
PER CENT NOT PROVIDED	45.97%
BS TELECOMMUNICATIONS	
TOTAL PER GENERAL LEDGER	48-1 Pg 1 12,705,065.00
TOTAL PROVIDED	12,705,065.00
TOTAL NOT PROVIDED	48-1 0.00
PER CENT NOT PROVIDED	Pg 1 0.00%
BS ADVANCED NETWORKS	
TOTAL PER GENERAL LEDGER	48-1 Pg 3 2,612,054.00
TOTAL PROVIDED	0.00
TOTAL NOT PROVIDED	48-1 Pg 3 2,612,054.00
PER CENT NOT PROVIDED	100.00%
BS ENTERPRISES	
TOTAL PER GENERAL LEDGER	48-1 Pg 3 139,474,970.43
TOTAL PROVIDED	20,698.04
TOTAL NOT PROVIDED	139,454,272.39
PER CENT NOT PROVIDED	99.99%
BSDC	
TOTAL PER GENERAL LEDGER	48-1 Pg 4 1,810,456.24
TOTAL PROVIDED	48-4/1 28,517.31
TOTAL NOT PROVIDED	1,781,938.93
PER CENT NOT PROVIDED	98.42%
TOTAL	
TOTAL PER GENERAL LEDGER	157,134,342.01
TOTAL PROVIDED	13,041,592.27
TOTAL NOT PROVIDED	144,092,749.74
PER CENT NOT PROVIDED	91.70%

48 Pg 2

As Referenced

48-7
Pg 1-A1