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Nancy H. Sims
Director - Regulatory Relations

May 30, 1997

Ms. Blanco S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

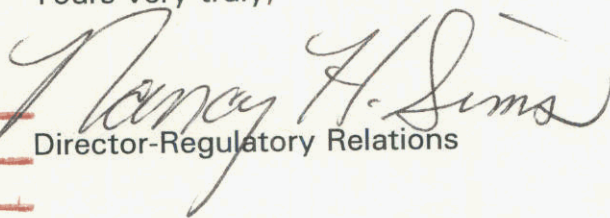
Dear Ms. Bayo:

RE: Docket No. 920260-TL BellSouth Telecommunications, Inc.
Audit Report - Earnings Review - 12 Months Ended December 31, 1995
Audit Control #96-211-1-1

In response to Kay Flynn's letter of May 21, 1997 attached are BellSouth's
comments on the above audit.

If you have any further questions, please advise.

Yours very truly,


Director-Regulatory Relations

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FPSC-RECORDS/REPORTING

BellSouth Telecommunications
FPSC Audit of 1995 Earnings
Docket No. 920260-TL
May 30, 1997

Original
FILE COPY

AUDIT EXCEPTION NO. 1

SUBJECT: Adjustments to Surveillance Report identified by BST-Florida since the original report was filed.

COMPANY COMMENT:

The statement of facts agrees to the summary of adjustments as provided by the Company to the staff auditors in January, 1997. This list of adjustments was subsequently revised and expanded, with a copy given to the auditors 3/27/97. A copy of the latest version will be provided to the staff analyst when the Company files its revised 1995 Surveillance Report.

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AUDIT DISCLOSURE NO. 1

SUBJECT: Extrapolation of 2 percent of the Disposition Codes for testing expense of trouble reports.

COMPANY COMMENTS:

The Company agrees with the statement of facts, and will make an adjustment on its revised Surveillance Report for the Florida intrastate portion of the \$2,392,528, which is an increase to intrastate expense of \$465,607.

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AUDIT DISCLOSURE NO. 2

SUBJECT: Capital Tools and Other Work Equipment

COMPANY COMMENT:

As stated in the audit, successful implementation of AVTS will provide management with the ability to perform fast, easy and accurate inventories of capital tools. Also, it will be a decision making tool to aid in making capital tool utilization decisions.

The Company believes it's rate base for 1995 is properly stated.

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AUDIT DISCLOSURE NO. 3

SUBJECT: Verification and Reconciliation of Land and Buildings.

COMPANY COMMENT:

The Company believes its rate base for 1995 is properly stated. The plant in service discrepancies noted in the audit were not in Florida.

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AUDIT DISCLOSURE NO. 4

SUBJECT: External Audit Adjustments

The Company agrees to make these adjustments on its revised 1995 Surveillance Report. Please NOTE, however, that the \$465,607 included here is a duplicate of the adjustment in Audit Disclosure No. 1 and will only be adjusted once.

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AUDIT DISCLOSURE NO. 5

SUBJECT: Other Regulatory Adjustments

COMPANY COMMENT:

The Company agrees with the Statement of Fact and will make this adjustment on its revised 1995 Surveillance Report.

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AUDIT DISCLOSURE NO. 6

SUBJECT: PSC Mandated Refunds

COMPANY COMMENT:

The average outstanding balance of the accrued liability (\$34,172,917) has been removed from rate base prior to computing sharing. Likewise, the \$16,000,000 of reduced revenue which was accrued in 1995, was added back to revenue prior to computing sharing. The remainder of the accrued liability at year end was accrued in prior years; therefore, it is not appropriate to adjust revenue or expense for this amount in 1995.

The company has made all appropriate adjustments related to its sharing accruals to state earnings without any affect from sharing accruals. No further adjustments are necessary to properly reflect the earnings before sharing.

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AUDIT DISCLOSURE NO. 7

SUBJECT: Advertising

COMPANY COMMENT:

Costs associated with the Company's name change are not image advertising.

Corporate, or image, advertising expense, as excluded from the Florida Surveillance Report, is advertising to elicit goodwill and generate positive investor perceptions through promotion of a positive image of the Company. This is accomplished by displaying the Company's support of education, community activities and general expertise.

In contrast, changing the Company's "doing business as" name was directly related to stimulation of business. Combining Southern Bell and South Central Bell, under the name BellSouth, makes it easier for customers (and potential customers) to identify us. Both the Southern Bell and South Central Bell names were associated with the old Bell System and AT&T. Given that some customers are confused and even believe they still receive service from AT&T (according to recent articles in the trade press), the transition of the name Southern Bell to BellSouth is not the traditional "image" advertising, but is a strong move to retain customers and revenues as the telecommunications arena transitions to one of many providers of communications services.

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AUDIT DISCLOSURE NO. 8

SUBJECT: Compliance Review

COMPANY COMMENT:

The costs related to the compliance review were not included in regulation.