

CASE

NUMBER:

99-296

Index for Case: 1999-00296

AS OF : 03/19/02

Verizon South, Inc.

Transfer / Sale / Purchase / Merger

Regular

OF BELL ATLANTIC CORPORATION

IN THE MATTER OF THE JOINT APPLICATION OF BELL ATLANTIC CORPORATION AND GTE CORPORATION FOR ORDER
AUTHORIZING TRANSFER OF UTILITY CONTROL

SEQ NBR	Date	Remarks
1	07/09/99	Application.
2	07/12/99	Acknowledgement letter.
3	07/14/99	No deficiencies letter
4	07/15/99	Order entered setting procedural schedule; hearing set for 8/24.
5	(M) 07/15/99	PETITION FOR LEAVE TO INTERVENE (WILLIAM ATKINSON SPRINT)
6	07/16/99	Letter granting joint pet. for conf. filed 7/9/99 by GTE Corp. and Bel Atlantic.
7	07/22/99	Order granting Sprint intervention
8	(M) 07/22/99	MOTION TO INTERVENE (ANN LOUISE CHEUVRONT AG)
9	07/26/99	Data Request Order, response due 8/9/99.
10	(M) 07/26/99	FIRST DATA REQ & INTERROGATORIES (SPRINT WILLIAM ATKINSON)
11	07/29/99	Order granting Attorney General intervention
12	(M) 08/02/99	LETTER TO INFORM OF JEFFERY KISSELL TO REPLACE MR GRISWOLD (LARRY CALLISON GTE)
13	(M) 08/09/99	JOINT RESPONSE TO SPRINTS FIRST DATA REQ & INTERROGATORIES & PETITION (LARRY CALLISON GTE)
14	(M) 08/09/99	RESPONSE OF JOINT APPLICANTS TO PSC ORDER OF JULY 26,99 (LARRY CALLISON GTE)
15	(M) 08/16/99	DIRECT TESTIMONY OF DAVID REARDEN (WILLIAM ATKINSON SPRINTQ)
16	(M) 08/20/99	REBUTTAL TESTIMONY OF JOINT APPLICANTS (GTE LARRY CALLISON)
17	08/26/99	Letter granting joint pet. for conf. filed 8/9/99 by GTE Corp. and Bell Atlantic
18	08/26/99	Letter granting joint pet. for conf. filed 8/9/99 by GTE Corp. & Bell Atlantic.
19	(M) 08/30/99	BRIEF OF SPRINT COMMUNICATIONS (WILLIAM ATKINSON SPRINT)
20	(M) 08/30/99	POST HEARING BRIEF OF JOINT APPLICANTS (GTE LARRY CALLISON)
21	(M) 09/02/99	REPLY BRIEF OF SPRINT (WILLIAM ATKINSON SPRINT)
22	(M) 09/02/99	REPLY BRIEF OF JOINT APPLICANTS BELL ATLANTIC & GTE (LARRY CALLISON GTE)
23	09/07/99	FINAL ORDER APPROVING MERGER OF GTE AND BELL ATLANTIC; SUBJECT TO TERMS & COND.
24	(M) 09/17/99	MOTION FOR MODIFICATION OF ORDERING PARAGRAPH 10 OF SEPT 7,99 MERGER (LARRY CALLISON GTE)
25	(M) 10/04/99	NOTIFICATION OF MEETING SCHEDULED FOR OCT 7,99 (LARRY CALLISON GTE)
26	10/06/99	Order granting motion for modification
27	(M) 10/12/99	PETITION TO INTERVENE (EDWARD BUSCH/AT&T)
28	(M) 10/18/99	BELL ATLANTIC/GTE RESPONSE TO OPPOSITION TO AT&T INTERVENTION REQUEST (LARRY D. CALLISON/GTE SERVICE CORP)
29	11/10/99	Letter denying AT&T's petition for leave to intervene.
30	(M) 12/06/99	QUALITY PERFORMANCE REPORTS USING THE TWO PRIOR YRS AS A BENCHMARK (GTE LARRY CALLISON)
31	(M) 03/07/00	THREE REPORTS RESPONSIVE TO ORDERING PROVISION 3,4,& 8 OF PSC ORDER (GTE LARRY CALLISON)
32	(M) 03/29/00	RESPONSE TO ORDER OF SEPT 7,99 (GTE LARRY CALLISON)
33	(M) 07/11/00	RESPONSE TO COMMISSION'S ORDER OF OCTOBER 6, 1999 (LARRY CALLISON/GTE)
34	(M) 07/20/00	ADOPTION NOTICE, TARIFF (GTE LARRY CALLISON)
35	(M) 07/26/00	TARIFF FILING (PHYLLIS MASTERS/GTE)
36	(M) 07/28/00	REVISED TARIFF SHEET (PHYLLIS MASTERS/GTE)
37	(M) 09/06/00	SECOND SIX-MONTH REPORT ON BEST PRACTICES (LARRY CALLISON/VERIZON)
38	(M) 10/25/00	RESULTS FROM FCC CARRIER-TO-CARRIER PERFORMANCE PLAN (LARRY D. CALLISON/VERIZON)
39	(M) 03/06/01	THIRD SIX-MONTH REPORT ON BEST PRACTICES (LARRY CALLISON/VERIZON)
40	(M) 09/07/01	Larry D Callison - Verizon South, Inc. - Response to Commission's Order of September 7, 1999
41	(M) 03/06/02	Larry D Callison - Verizon South, Inc. - Response to Order of September 7,99 - Fifth six-month report
42	(M) 03/13/02	Larry D Callison - Verizon South, Inc. - Notification that Verizon has met the Promotional Resale discount maximum allowable quantity in the state
43	(M) 03/18/02	Larry D Callison - Verizon South, Inc. - Response to Order of September 7,99

Larry D. Callison
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March 6, 2002

RECEIVED

MAR 15 2002

PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: In the Matter of: Joint Application of Bell Atlantic Corporation and GTE Corporation\
for Order Authorizing Transfer of Utility Control – Case No. 99-296

Dear Mr. Dorman:

The Kentucky Public Service Commission (“Commission”), in its order dated September 7, 1999 (“Order”) in which it approved the Joint Application in the above-referenced matter, imposed certain terms and conditions upon the Joint Applicants, Bell Atlantic Corporation and GTE South Incorporated (“GTE”), collectively now doing business as Verizon Communications (“Verizon”).

Enclosed for filing with the Commission are an original and ten copies of Verizon’s fifth six-month report on “Best Practices”, responsive to ordering provision #3 of the Commission’s Order. Verizon filed previous “Best Practices” reports in March and September of 2000, and in March and September 2001.

Please bring this filing to the attention of the Commission. Should you have any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in cursive script that reads "Larry D. Callison".

Larry D. Callison

Enclosure

Larry D. Callison
State Manager
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March 13, 2002

Mr. Thomas M. Dorman
Executive Director
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Frankfort, Kentucky 40602-0615

RECEIVED

MAR 13 2002

PUBLIC SERVICE
COMMISSION

Re: In the Matter of: Joint Application of Bell Atlantic Corporation and GTE Corporation
for Order Authorizing Transfer of Utility Control – Case No. 99-296

Dear Mr. Dorman:

I am writing to notify you pursuant to Condition XII paragraph 38 of the FCC's Bell Atlantic/GTE merger conditions that Verizon has met the Promotional Resale Discount maximum allowable quantity in the state of Kentucky as set forth in Attachment E of the Merger Conditions. Attachment E states that the maximum number of resold residential lines for the resale promotion is 15,000. As of December 2001, Verizon South Inc. ("Verizon") has provided 15,146 discounted resold promotional services. Therefore, Verizon plans to end the Offering Window period for the resale promotional discount on or about March 19, 2002.

Under the Merger Conditions, the Offering Window for the Promotional Resale discount in each state ends at the earlier of the following: (i) 36 months after commencement of the Offering Window period; or (ii) the month following the date when the maximum number of resold lines has been reached in that state. Verizon has now satisfied the second criterion. In order to provide CLECs with advance planning information, Verizon provided written notification to CLECs operating in Kentucky when 50 percent and 80 percent of those termination numbers were reached.

As required, Verizon now gives notification to the Kentucky Public Service Commission and has also filed this notice with the Secretary of the Federal Communications Commission and CLECs operating in Kentucky that it will close the Offering Window on or about March 19, 2002.

Please bring this filing to the attention of the Commission. Should you have any questions, please do not hesitate to contact me.

Yours truly,

Larry D. Callison

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September 7, 2001

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

SEP 07 2001

PUBLIC SERVICE
COMMISSION

Re: In the Matter of: Joint Application of Bell Atlantic Corporation and GTE Corporation
for Order Authorizing Transfer of Utility Control – Case No. 99-296

Dear Mr. Dorman:

The Kentucky Public Service Commission (“Commission”), in its order dated September 7, 1999 (“Order”) in which it approved the Joint Application in the above-referenced matter, imposed certain terms and conditions upon the Joint Applicants, Bell Atlantic Corporation and GTE South Incorporated (“GTE”), collectively now doing business as Verizon Communications (“Verizon”).

Enclosed for filing with the Commission are an original and ten copies of Verizon’s fourth six-month report on Best Practices, responsive to ordering provision #3 of the Commission’s Order. Verizon filed previous “Best Practices” reports in March and September of 2000, and in March 2001.

Please bring this filing to the attention of the Commission. Should you have any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in cursive script that reads "Larry D. Callison".

Larry D. Callison

Enclosure

Kentucky Best Practices Compliance Report

Pursuant to the Kentucky Public Utility Commission Order issued September 7, 1999, Verizon Communications is providing a report on Best Practice initiatives being implemented. This report covers the period through August 31, 2001.

These Best Practice initiatives impact several business units and functions within Verizon: Consumer, Business, Carrier and Network Operations and General & Administrative functions. Best Practices being implemented are primarily national in scope and impact, although some may have a more regional application and focus. All the Best Practice initiatives reviewed below are currently being implemented or in implementation planning; most will be completed by mid-year 2002. Additional implementation details will be provided as they are available.

Organizational Steps –

Verizon Communications has deepened and broadened the identification and implementation of Best Practices since submitting the last Best Practice Compliance Report in March 2001. Additional functions are included in this report, as are new initiatives being implemented in the lines of business.

For the purpose of compliance reporting, Best Practices are broadly defined as the most effective strategies, policies, processes and procedures appropriate for implementation in Verizon. Best Practices can:

- Enhance the delivery of customer service
- Enhance the ability to compete effectively in the marketplace
- Increase overall value for customers
- Enhance product quality
- Improve responsiveness to customers and service reliability

Efficiencies are gained by adopting one company's process or practice for use in operations of both companies. These may result in three types of opportunities:

1. Elimination of redundant functions
2. Increased economies of scale
3. Adoption of the most efficient business practices or processes followed by both companies

There are several criteria used to evaluate and select Best Practices, the most important being the potential for improvements in customer service.

Implementing Best Practices is controlled by such factors as:

- The need to make changes to systems
- Training requirements
- Personnel issues
- Resource prioritization

Using this definition and approach, the Verizon business units and functions identified a number of areas where merger synergies or integration result in Best Practices benefits. These are listed below. All of these initiatives were identified using selection criteria focused on, improved customer service impacts, including enhanced efficiency, responsiveness and product quality. Best Practice implementations enable Verizon to compete more effectively, providing quality service and increased value to customers in its service areas.

Financial information for specifically identified merger related Best Practice initiatives will be provided when available. In some instances, merger transition program financial data is still being analyzed, while in other, more general cases, Best Practice programs are part of continuing business as usual operations and are not separately identified. Verizon is committed to implementing and reporting its Best Practices, and will provide financial detail when it is available. All Best Practices are expected to positively impact the value customers receive and the provision of adequate service at just and reasonable rates.

Business units and functions reviewing and implementing Best Practice initiatives include:

- Live Service (Operator Services)
- Public Communications
- Brand Management & Marketing Communications
- Retail Marketing and Sales
- Operations and Technology
- Carrier Marketing
- Network Operations
- Public Affairs & Communications
- Human Resources
- National Operations

Best Practice Initiatives –

- ❑ Single Directory Assistance Database, involving the consolidation of multiple databases maintained by the former Bell Atlantic and GTE companies. This initiative provides cost efficiencies in maintenance and capital upgrades of databases physically located in different geographical locations; Implementation began 1Q 2001.
- ❑ New Line Segment is an ongoing marketing initiative targeted at new customer lines via a call-back program to verify line quality and ensure customer requirements are met. This initiative is expected to improve overall customer satisfaction and enhance revenue growth.
- ❑ WorkFlow Manager is an automated tool providing on-line monitoring and aging of service order error queues, the ability to measure employee performance and allocate the distribution of work. Currently, it is being implemented in former GTE and is under review for former Bell Atlantic, WorkFlow Manger automates the distribution of work, improves quality and increases productivity.
- ❑ Marketing Data Warehouse, establishes an integrated data warehouse enabling marketing groups across the Lines of Business to deliver personalized service options that meet customer needs, as well as support FCC requirements for Do Not Solicit, Privacy and Consent needs of the customer. Implementation of a Pilot of this former GTE best practice is in development prior to being extended to Verizon East.
- ❑ Single Workforce Management Platform provides a standardized platform for scheduling and reports, including an automated payroll interface, consolidating multiple tools and systems. This system was used by the former GTE and the Operator Services Group in the former Bell Atlantic. The project focus is on converting other areas of the former Bell Atlantic.
- ❑ Telephone Account Management (TAM), is a proactive account management channel for High Value customers designed to enhance customer satisfaction and retention. This initiative is a former Bell Atlantic Best Practice being extended to former GTE. Three TAM centers became operational in 2001, located in Massachusetts, Pennsylvania and Indiana.
- ❑ Employee Recognition – WOW Factor is an initiative designed to sharpen the focus on customer service and key drivers of customer delight by engaging the workforce in spirited competition and recognizing outstanding performances in employee development, customer satisfaction and operations performance. Based on former Bell Atlantic and GTE experiences the new program was implemented for selected National applications in 1Q2001.
- ❑ Coin Refund System standardizes coin refund processes. A former Bell Atlantic Best Practice, former GTE has implemented and now processes coin refund requests using an interactive voice response system. Fraud detection, also a Best Practice in the former Bell Atlantic, was implemented for former GTE customer refund requests in 2Q2001.

- ❑ Third Party Verification (TPV) Mechanization reduces handling time and operating expense by mechanizing the process for obtaining a third party verification code. TPV mechanization is a former GTE Best Practice implemented in former Bell Atlantic in December, 2000.
- ❑ List Management is a Marketing Campaign System implemented in 2Q2001 in former Bell Atlantic that provides a common list generation/campaign analysis tool for direct mail and telephone marketing campaigns. The initiative improves time to market, enables business units to coordinate lead lists and ensures that business rules are being followed.
- ❑ Validation Module is a Quality Assurance/Quality Control process used in Database Marketing that maintains the integrity of data for direct mail. The process is applied to all Verizon customer lead requests. A former GTE Best Practice, the process was extended to former Bell Atlantic in 2Q2001.
- ❑ Quality Assurance Operational Reviews are annual reviews conducted in each Verizon business sales center, evaluating performance levels for quality, revenue, cost, employee development and recognition. This initiative standardizes processes and enhances customer satisfaction. A former GTE Best Practice being implemented in former Bell Atlantic, Operations Reviews were conducted during 1Q2001 in all mass markets districts in Verizon. There are no incremental expenses to date.
- ❑ Automated Contract Administration provides a faster, simplified and standardized approach to contract management. A database is being deployed across the Verizon service area to track contract provision, compliance and issue resolution, develop reports and assist during arbitration. This is a former GTE Best Practice being implemented throughout former Bell Atlantic.
- ❑ Automated Contract Production provides a system-generated template to create a simple, standard approach for customizing individual CLEC and state provisions to the specific contract negotiation. This is a former GTE Best Practice being implemented throughout former Bell Atlantic.
- ❑ TAC Focus is a Service Assurance program designed to provide funding for targeted reductions of OSP network trouble. Implementing this process will improve the reliability of the outside plant ('OSP') network, facilitating reduced customer trouble reports and improving customer satisfaction. This process will also reduce operating expenses by reducing the number of dispatches. TAC Focus is on-going in former GTE service areas and being extended to all Verizon operating areas beginning in 2001.
- ❑ Cable College – Quality Review and Accurate Time Reporting is a provisioning training package designed as a refresher course for all Construction Managers and Line and Splice technicians. Applicable to the Verizon National footprint, the training package is being updated to include feedback from the completed pilot programs and recent requirement changes.
- ❑ Standardized Dispatch Priority Matrix has been implemented throughout Verizon. The Matrix provides a consistent and standard framework to identify customer priority and job dispatch priority for each customer. This enables

consistent weighting of job priorities for uniform delivery of customer service to all, and within all, Verizon lines of business. The Priority Matrix is a former GTE Best Practice that has been fully implemented in all Verizon regions as of February, 2001.

- Customer Contact, Closeout and Follow-up Practice is an initiative combining the best attributes of both former Bell Atlantic's practices for Customer Contact and former GTE's related practice entitled Customer Notification. The merged practice is expected to improve customer satisfaction through increased and enhanced communication with the customer. Key changes involve new and improved Premise Collateral material left behind by technicians, as well as follow-up contacts to ensure complete satisfaction.
- Witness Call Monitoring Program is used in Repair Centers to monitor the quality of customer contacts. Witness records the movements of the advocate within the systems simultaneously with the dialogue between the advocate and the customer. The session is reviewed at a later time and the advocate can be coached on tone of service and other quality attributes. The benefits include improved customer satisfaction, less rework, reduction of unnecessary dispatches and fewer customer complaints. Currently used in former GTE repair centers, implementation is planned for all Verizon repair centers.
- Scrubber (Testing and Trouble Management) is a system developed to retest the pending basic voice service trouble load for the purpose of identifying physical trouble conditions that are no longer present. Using an automated system, Scrubber calls the customer to verify customer's consent that the condition is either no longer present or is a CPE trouble. Scrubber is a former Bell Atlantic system being extended to former GTE, where no similar system with the level of detail provided by Scrubber is available. System requirements meetings are underway, to be followed by the development of a deployment schedule.
- National Operations Work Center Strategy is a work standardization initiative implementing a standard operating environment for each of the major functions performed within the organization. Implementing standard processes and systems will enable the delivery of improved customer service while reducing costs through consolidating locations. This is a former Bell Atlantic Best Practice being extended to former GTE. There are no impacts on Kentucky at this time.
- Public Affairs & Communication (PA&C) Strategic Planning process is an initiative combining the planning processes of the two former companies. The process links the PA&C department plans to the various business units being supported, enabling more proactive communication, improved allocation of resources, and the ability to communicate more effectively with customers. The consolidated planning process has been implemented throughout Verizon.
- (PA&C) employee communications initiative, VZ, an employee newsletter consolidating the former Bell Atlantic weekly and former GTE semi-monthly publications into a bi-weekly publication delivering important and timely

company information and news to employees and providing a better understanding of the company's operations.

- Business Partners is a structural model assigning PA&C executives responsibility for the internal and external communications of specific business units and aligning the PA&C organization to more effectively communicate messages and coordinate activities across the corporation. This initiative, intended to improve the delivery of PA&C service and enable the operating units to enhance customer service, has been implemented. This initiative is a former GTE Best Practice extended to former Bell Atlantic.
- Verizon Code of Business Conduct consolidating and replacing the former GTE and Bell Atlantic Codes of Conduct, outlines the standards for Verizon employees, including 'privacy principles', which define the requirements for all Verizon employees to ensure that customer information is kept private in all respects, thereby providing direct benefit to Verizon customers. The new Verizon Business Code of Conduct was implemented in May, 2001.
- Employee Data Warehouse (EDW) is an initiative to implement an integrated, on-line tool to access data, perform employee analysis and identify strategies to increase performance. The EDW provides a single repository for workforce transactions and data, integrating employee data from several platforms. EDW enables Verizon to proactively and strategically address the changing needs and requirements of the organization.
- Operations Support Systems(OSS) - The FCC's approval of the Bell Atlantic/GTE merger required Verizon to develop a plan to implement uniform, electronic OSS interfaces and business rules within the Bell Atlantic Service Areas and separately within the GTE Service Areas.

Verizon's Best Practices review of OSS interfaces and business rules identified improvements that are being separately proposed for both the former GTE and Bell Atlantic service areas, and are summarized in the following table. The table below summarizes the improvements planned for former GTE service areas

Category	Improvement GTE Service Areas
Pre-Ordering	Parsed customer service record (CSR) Completed 10/2000 Loop Qualification – xDSL Completed 12/2000
Ordering - Products	Electronic ordering of IDSL February 2002
Maintenance & Repair	Premise Access Hours Completed 2/2001
Maintenance & Repair Electronic Bonding Interface (EBI)	EBI Interface to match Bell Atlantic capability available 2/2001
Change Management Process (CMP)	Adopt the Bell Atlantic New York Change Management Process. completed 7/2/01
Transport & Security	

Category	Improvement GTE Service Areas
Protocols <ul style="list-style-type: none">• Implement Digital Certificates for transport encryption and client authentication access• Expand Dial up Authentication access to GTE Service Areas	<ul style="list-style-type: none">• To be complete by 9/28/2001 • To be complete by 9/28/2001

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs

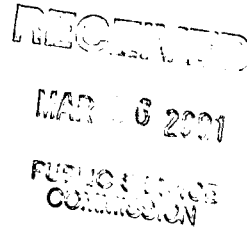


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March 6, 2001

Mr. Thomas M. Dorman
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211 Sower Boulevard
Frankfort, Kentucky 40602-0615



Re: In the Matter of: Joint Application of Bell Atlantic Corporation and GTE Corporation
for Order Authorizing Transfer of Utility Control – Case No. 99-296

Dear Mr. Dorman:

The Kentucky Public Service Commission ("Commission"), in its order dated September 7, 1999 ("Order") in which it approved the Joint Application in the above-referenced matter, imposed certain terms and conditions upon the Joint Applicants, Bell Atlantic Corporation and GTE South Incorporated ("GTE"), collectively now doing business as Verizon Communications ("Verizon").

Enclosed for filing with the Commission are an original and ten copies of Verizon's third six-month report on Best Practices, responsive to ordering provision #3 of the Commission's Order. The initial "Best Practices" report was filed in this case on March 7, 2000, and the second report was filed on September 6, 2000.

Please bring this filing to the attention of the Commission. Should you have any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in cursive script that reads "Larry D. Callison".

Larry D. Callison

Enclosure



Kentucky Best Practices Compliance Report

Pursuant to the Kentucky Public Service Commission Order issued September 7, 1999 in Case No. 99-296, Verizon South Inc. provides this report on Best Practice initiatives being implemented as a result of the GTE/Bell Atlantic merger.

These Best Practice initiatives affect several Verizon business units and functions. The Best Practices are primarily national in scope and impact, although some may have a more regional application and focus. All the Best Practice initiatives reviewed below are currently being implemented or in implementation planning; most will be completed by mid-year 2002. Additional implementation details will be provided as they are available.

Organizational Steps –

The merger of the companies creating Verizon Communications closed on June 30, 2000. In the months following, Verizon management established the executive accountability, processes and procedures for identifying, evaluating and implementing Best Practices within the new organization.

Accountability for Best Practices planning and compliance reporting was assigned to the Senior Vice President, Performance Assurance. A planning and reporting process spanning the organization was developed and accountabilities assigned for each business unit and function, where applicable. Communication mechanisms were established to educate the organization on Best Practice compliance requirements and popularize the importance of identifying and implementing Best Practice opportunities.

Best Practices are broadly defined as the most effective strategies, policies, processes and procedures appropriate for implementation in Verizon. Best Practices can:

- Enhance the delivery of customer service
- Enhance the ability to compete effectively in the marketplace
- Increase overall value for customers
- Enhance product quality
- Improve responsiveness to customers and service reliability

Efficiencies can be gained by adopting one company's process or practice for use in both the former Bell Atlantic and GTE operations. These may result in three types of opportunities:

1. Elimination of redundant functions
2. Increased economies of scale
3. Adoption of the most efficient business practices or processes followed by both companies

There are several criteria used to evaluate and select Best Practices, the most important being the potential for improvements in customer service.

Implementing Best Practices is controlled by such factors as:

- The need to make changes to systems
- Personnel issues
- Training requirements
- Resource prioritization

Using this definition and approach, the Verizon business units and functions identified a number of areas where merger synergies or integration result in Best Practices benefits. These are listed below. All of these initiatives were identified using selection criteria focused on improved customer service impacts, including enhanced efficiency, responsiveness and product quality. Best Practice implementations enable Verizon to compete more effectively; providing quality service and increased value to customers in its service areas.

The corporate wide costs and savings of the Best Practice initiatives, including the amount allocable to Kentucky operations, is currently being analyzed. At this time we are not able to break down the exact figures for Kentucky. Verizon is committed to implementing and reporting its Best Practices, and will provide financial detail when it is available.

Business units and functions reviewing and implementing Best Practice initiatives include:

- Operator Services
- Public Communications
- Consumer Brand Management & Marketing
- Consumer Sales
- Consumer Marketing
- Business Solutions Group
- Carrier Marketing
- Network Operations
- Public Affairs & Communications
- National Operations

Best Practice Initiatives –

- Single Directory Assistance Database, involves the consolidation of multiple databases maintained by the former Bell Atlantic and GTE companies. This initiative provides cost efficiencies in maintenance and capital upgrades of databases physically located in different geographical locations;

- Marketing Data Warehouse, establishes an integrated data warehouse enabling marketing groups across lines of Business to deliver personalized service options that meet customer needs, as well as support FCC requirements for Do Not Solicit, Privacy and Consent needs of the customer.
 - Single Workforce Management Platform provides a standardized platform for scheduling and reports, including an automated payroll interface, consolidating multiple tools and systems.

- Telephone Account Management, a proactive account management channel for 'High Value' (revenue) customers designed to enhance customer satisfaction and retention;

- Pell City Customer Feedback Process, a procedure where calls are randomly selected for customer satisfaction surveys immediately following the customer contact. These brief surveys are used as part of the representative's performance appraisal and intended to improve customer satisfaction and employee development;

- Quality Assurance Operational Reviews are annual reviews conducted in each Verizon business sales center, evaluating performance levels for quality, revenue, cost, employee development and recognition. This initiative standardizes processes and enhances customer satisfaction;

- Automated Contract Administration provides a faster, simplified and standardized approach to contract management. A database is being deployed across Verizon to track contract provision, compliance and issue resolution, develop reports and assist during arbitration

- Automated Contract Production provides a system-generated template to create a simple, standard approach for customizing individual CLEC and state provisions specific to the contract negotiation

- TAC Focus, a Service Assurance program designed to provide funding for targeted reductions of outside plant ('OSP') network trouble. Implementing this process will improve the reliability of the OSP network, facilitating reduced customer trouble reports and improving customer satisfaction. This process will also reduce operating expenses by reducing the number of dispatches. TAC Focus is on-going in former GTE service areas and will be extended to all Verizon operating areas beginning in 2001;

- Cable College – Quality Review and Accurate Time Reporting is a provisioning training package designed as a refresher course for all Construction managers and Line and Splice technicians. Two pilot courses have been conducted, with regular classes scheduled to begin in 1Q, 2001 at the request of the areas;

- Standardized Dispatch Priority Matrix is being implemented throughout Verizon. The Matrix provides a consistent and standard framework to identify customer priority and job dispatch priority for each customer. This enables consistent weighting of job priorities for uniform delivery of customer service to all, and within all, Verizon lines of business;

- Public Affairs & Communication (PA&C) Strategic Planning process is an initiative combining the planning processes of the two former companies. The process links the PA&C department plans to the various business units being supported, enabling more proactive communication, improved allocation of resources, and the ability to communicate more effectively with customers. The consolidated planning process has been implemented throughout Verizon;

- Business Partners is a structural model assigning PA&C executives responsibility for the internal and external communications of specific business units and aligning the PA&C organization to more effectively communicate messages and coordinate activities across the corporation. This initiative, intended to improve the delivery of PA&C service and enable the operating units to enhance customer service, has been implemented;

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October 25, 2000

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Case No. 99-296

RECEIVED

OCT 25 2000

PUBLIC SERVICE
COMMISSION

RE: Results from the FCC Carrier-to-Carrier Performance Plan

Dear Mr. Dorman:

This letter is to make available the results from the Carrier-to-Carrier Performance Assurance Plan as described in the FCC's Order approving the Bell Atlantic/GTE merger (Memorandum Opinion and Order, CC Docket No. 98-184, released June 16, 2000).

These performance results will be made available on a monthly basis by the 25th day of the month following the completion of a calendar month until the relevant FCC merger condition sunsets. Data for the GTE Service Areas are being provided via Internet website access. September data results will be available on the WISE web site on October 25, 2000.

Instructions for obtaining website access to the performance results are contained in Attachment A. A timeline of relevant events that will occur over the coming months regarding the Federal Carrier-to-Carrier Performance Assurance Plan is also attached.

Please bring this filing to the attention of the Commission, and if there are any questions, please contact me at your convenience.

Yours truly,

Phyllis M. Stiles

FO

Larry D. Callison

Enclosures:

- Timeline of relevant dates
- Instruction for obtaining website access
- Data results

ACCESS TO CLEC PERFORMANCE MEASURES - FCC

Getting access to WISE: WISE (Wholesale Internet Service Engine) ID and Password request form.

Go to: www.gte.com/wise on the Worldwide WEB in Netscape version 4.5

Select any state on the map and click it

Once on the page titled Verizon Communications CLEC Support Web Site, select CLEC Performance Measures from the WISE drop box located under OSS Internet Gateways.

Once on the page titled Welcome to CLEC Performance Measures Support, scroll down to the screen titled Where to Begin. Select FCC Employee. This choice will take you to CLEC PERFORMANCE MEASURES ID/PASSWORD REQUEST FORM – FCC

Once on that page review the steps for submitting a request, complete the request template, and click submit.

If you have any problems or questions, please contact Diane Ottinger at 972/718-8784 or Leola Kemp at 972/718-3133

Timeline for Federal Carrier-to-Carrier Performance Assurance Plan Applicable to Verizon States and Jurisdictions

Initial Reporting of C2C Results (Prior to Voluntary Payments)

October 25, 2000	Reports (Sept. data) made available to FCC, state PUCs, CLECs
November 25, 2000 November 27, 2000	GTE reports (Oct. data) made available to FCC, state PUCs and CLECs via web access BA reports (Oct. data) made available to 13 state PUCs via letter filing
December 25, 2000	Both BA and GTE reports (Nov. data) made available to FCC, PUCs, CLECs via web BA reports will no longer be provided by letter

Collocation Performance and Payments – Relevant GTE Service Areas

January 1, 2001	Performance results for two collocation provisioning submeasures (NP-2-01 and NP-2-05) in relevant GTE Service Areas begin counting toward potential voluntary Payments to the U.S. Treasury under the Federal Carrier-to-Carrier Performance Assurance Plan, depending on actual performance
April 25, 2001	File first monthly report from which any voluntary payments would be computed based on three months of collocation provisioning performance (NP-2-01 and NP-2-05)
May 25, 2001	Make first voluntary payment to U.S. Treasury associated with the two collocation submeasures for GTE Service Areas (if required by actual collocation provisioning performance)

Overall C2C Performance and Payments – Relevant BA and GTE Service Areas

April 1, 2001	Performance results for all other performance metrics in plan in relevant BA and GTE Service Areas begin counting toward potential voluntary payments to the U.S. Treasury under the Federal Carrier-to-carrier Performance Plans, depending on actual performance
July 25, 2001	File first monthly report from which any voluntary payments would be computed based on three months of actual performance results --- BA and GTE Service Areas.
August 24, 2001	First voluntary payments made to U.S. Treasury associated with the all other metrics for BA and GTE Service Areas (if required by actual performance)

VERIZON - Former GTE States

FCC Performance Measures

CLEC and Regulatory Monthly Report

State: KENTUCKY

Period: September 2000

DESCRIPTION	CLEC AGG NUM	CLEC AGG DENOM	CLEC AGG RESULT	BENCH -MARK	ILEC AGG NUM	ILEC AGG DENOM	ILEC AGG RESULT	Z-SCORE	SMPL ERROR	ILEC STD DEV.
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BI-2-01 Timeliness of Carrier Bill

	4	4	100.00	98.00						
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MR-2-01 Network Trouble Report Rate

ICN	0	3,937	.00		0	109,835	.00			
Resale POTS	115	8,856	1.30		10,679	554,379	1.93	4.22	.001	.14
Spc	0	4	.00		78	29,276	.27			
UNE Loop Des	0	25	.00		24	7,340	.33			
UNE Loop NonDes	2	552	.36		920	144,600	.64			
UNE Loop xDSL Capable	0	167	.00		150	2,466	6.08			
UNE Transport Des	0	122	.00		23	6,083	.38			

MR-3-01 % Missed Repair Commitment

Resale POTS	10	115	8.70		700	10,679	6.55	-0.92	.023	.25
UNE Loop NonDes	0	2	.00		63	920	6.85			

MR-4-01 Mean Time to Repair

Resale POTS	2,006	115	17.44		162,337	10,679	15.20	-1.47	1.525	16.26
UNE Loop NonDes	41	2	20.65		10,182	920	11.07	-1.05	9.105	12.86

MR-4-08 % Out of Service > 24 Hours

Resale POTS	8	115	6.96		451	10,679	4.22	-1.19		
UNE Loop NonDes	0	2	.00		22	920	2.39			

MR-5-01 % Repeat Reports within 30 Days

Resale POTS	12	115	10.43		1,223	10,679	11.45	.34	.030	.32
UNE Loop NonDes	0	2	.00		103	920	11.20			

OR-1-02 % On Time LSC-Flow Through

Individual metrics may not match other state reports as definitions may vary.

VERIZON - Former GTE States

FCC Performance Measures

CLEC and Regulatory Monthly Report

State: KENTUCKY

Period: September 2000

DESCRIPTION	CLEC AGG NUM	CLEC AGG DENOM	CLEC AGG RESULT	BENCH -MARK	ILEC AGG NUM	ILEC AGG DENOM	ILEC AGG RESULT	Z-SCORE	SMPL ERROR	ILEC STD DEV.
Resale POTS	181	181	100.00	95.00						
Spc	79	81	97.53	95.00						

OR-1-04 % On Time LSC < 10 Lines (No Flow Through)

Resale POTS w/ < 10 Lines	692	703	98.44	95.00						
UNE Loop Des w/ < 10 Lines	16	16	100.00	95.00						
UNE Loop xDSL Capable w/ < 10 Lines	33	33	100.00	95.00						

OR-1-05 % On Time LSC < 10 Lines (Specials-No Flow Through)

Spc w/ < 10 Lines	173	174	99.43	95.00						
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OR-1-06 % On Time LSC >= 10 Lines (No Flow Through)

Resale POTS w/ 10+ Lines	13	13	100.00	95.00						
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OR-1-12 % On Time FOC

ICN	5	5	100.00	95.00						
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OR-2-02 % On Time LSR Reject-Flow Through

Resale POTS	246	271	90.77	95.00						
Spc	38	42	90.48	95.00						
UNE Loop Des	3	5	60.00	95.00						
UNE Loop xDSL Capable	4	4	100.00	95.00						

OR-2-04 % On Time LSR Reject < 10 Lines (No Flow Through)

Resale POTS w/ < 10 Lines	151	156	96.79	95.00						
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UNE Loop Des w/ < 10 Lines	11	12	91.67	95.00						
UNE Loop xDSL Capable w/ < 10 Lines	6	8	75.00	95.00						

OR-2-05 % On Time LSR Reject < 10 Lines (Specials-No Flow Through)

Individual metrics may not match other state reports as definitions may vary.

VERIZON - Former GTE States
FCC Performance Measures
CLEC and Regulatory Monthly Report

State: KENTUCKY
Period: September 2000

DESCRIPTION	CLEC AGG NUM	CLEC AGG DENOM	CLEC AGG RESULT	BENCH-MARK	ILEC AGG NUM	ILEC AGG DENOM	ILEC AGG RESULT	Z-SCORE	SMPL ERROR	ILEC STD DEV.
Spc w/ < 10 Lines	64	66	96.97	95.00						

OR-2-06 % On Time LSR Reject >= 10 Lines (No Flow Through)

Resale POTS w/ 10+ Lines	20	20	100.00	95.00						
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OR-5-01 % Flow Through-Total

Resale	261	1,279	20.41							
UNE	0	49	.00							

OR-5-03 % Flow Through-Achieved

Resale	262	514	50.97							
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PO-1-02 Avg Response Time-Service Appointment Scheduling

	473	72	6.57							
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PO-1-03 Avg Response Time-Address Verification

	6,363	934	6.81							
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PO-1-05 Avg Response Time-Request for Telephone Number

	4	1,686	.00							
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PO-1-06 Avg Response Time-Facility Availability

	140	1	140.00							
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PO-1-07 % CSR Queries On Time-Manual

	22	22	100.00	95.00						
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PO-1-08 % CSR Queries On Time-WISE

Individual metrics may not match other state reports as definitions may vary.

VERIZON - Former GTE States
FCC Performance Measures
CLEC and Regulatory Monthly Report

State: KENTUCKY
 Period: September 2000

DESCRIPTION	CLEC AGG NUM	CLEC AGG DENOM	CLEC AGG RESULT	BENCH-MARK	ILEC AGG NUM	ILEC AGG DENOM	ILEC AGG RESULT	Z-SCORE	SMPL ERROR	ILEC STD DEV.
	327	328	99.70	95.00						

PO-2-02 OSS Interface Availability - Scheduled Hours

WISE CSR Requests	510	510	99.97	99.50						
WISE Ordering	510	510	99.97	99.50						
WISE Pre-Ordering	509	510	99.74	99.50						
WISE Repair	623	624	99.82	99.50						

PR-3-08 % Completed in 5 Days - No Dispatch

Resale POTS NonDisp	456	571	79.86		32,279	33,425	96.57	21.76	.008	.18
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PR-3-09 % Completed in 5 Days - Dispatch

Resale POTS Disp	177	371	47.71		2,911	5,968	48.78	.40	.027	.50
UNE Loop NonDes Disp	2	4	50.00		522	925	56.43	-.22		

PR-4-01 % Missed Due Dates - Designed Services

ICN	0	6	.00		4	69	5.80			
Spc	0	1	.00		30	236	12.71			
UNE Loop Des	2	6	33.33		1	6	16.67	.00		

PR-4-02 Average Delay Days - Total

Resale POTS	60	45	1.33		3,486	1,022	3.41	2.61	.797	5.23
UNE Loop Des	21	2	10.50		7	1	7.00			

UNE Loop xDSL Capable	4	3	1.33		71	15	4.73	1.15	2.952	4.67
PR-4-04 % Missed Due Dates - Dispatch										
Resale POTS Disp	44	371	11.86		888	5,968	14.88	1.59	.019	.36
UNE Loop NonDes Disp	0	4	.00		82	925	8.86			
UNE Loop xDSL Capable Disp	3	21	14.29		4	28	14.29			

Individual metrics may not match other state reports as definitions may vary.

VERIZON - Former GTE States
FCC Performance Measures
CLEC and Regulatory Monthly Report

State: **KENTUCKY**
 Period: **September 2000**

DESCRIPTION	CLEC AGG NUM	CLEC AGG DENOM	CLEC AGG RESULT	BENCH -MARK	ILEC AGG NUM	ILEC AGG DENOM	ILEC AGG RESULT	Z-SCORE	SMPL ERROR	ILEC STD DEV.
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PR-4-05 % Missed Due Dates - No Dispatch

Resale POTS NonDisp	1	571	.18		134	33,425	.40			
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PR-5-03 % Orders Held for Facilities > 60 Days

ICN	0	6	.00		0	69	.00			
Resale POTS	0	942	.00		0	39,393	.00			
Spc	0	1	.00		0	236	.00			
UNE Loop Des	0	6	.00		0	6	.00			
UNE Loop NonDes	0	4	.00		0	925	.00			
UNE Loop xDSL Capable	0	21	.00		0	368	.00			

PR-6-01 % Installation Troubles reported within 30 Days

ICN	0	3	.00		0	60	.00			
UNE Loop Des	0	4	.00		0	2	.00			

PR-6-02 % Installation Troubles reported within 7 Days

Resale POTS	30	942	3.18		1,344	39,393	3.41	.38	.006	.18
UNE Loop NonDes	0	4	.00		0	925	.00			
UNE Loop xDSL Capable	0	21	.00		31	368	8.42			

Individual metrics may not match other state reports as definitions may vary.

LARRY D. CALLISON
STATE MANAGER
Regulatory Affairs & Tariffs



Verizon Communications
P.O. Box 1650
Lexington, KY. 40588-1650

(859)245-1389
(859)245-1721 (Fax)

September 6, 2000

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

SEP 6 2000

PUBLIC SERVICE
COMMISSION

Re: In the Matter of: Joint Application of Bell Atlantic Corporation and GTE Corporation
for Order Authorizing Transfer of Utility Control – Case No. 99-296

Dear Mr. Dorman:

The Kentucky Public Service Commission ("Commission"), in its order dated September 7, 1999 ("Order") in which it approved the Joint Application in the above-referenced matter, imposed certain terms and conditions upon the Joint Applicants, Bell Atlantic Corporation and GTE South Incorporated ("GTE"), collectively now doing business as Verizon Communications ("Verizon").

Enclosed for filing with the Commission are an original and ten copies of Verizon's second six-month report on Best Practices, responsive to ordering provision #3 of the Commission's Order. The initial "Best Practices" report was filed on March 7, 2000.

Please bring this filing to the attention of the Commission. Should you have any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in cursive script that reads "Larry D. Callison".

Larry D. Callison

Enclosure



VERIZON
Best Practice Report
September 7, 2000

In the Order Approving the Joint Application of Bell Atlantic Corporation and GTE Corporation, for Order Authorizing Transfer of Utility Control, Case No. 99-296 (September 7, 1999), the Kentucky Public Service Commission required Verizon Communications (formerly Bell Atlantic Corporation) and Verizon South Inc., (formerly GTE South Incorporated) to file a report every six months regarding "Best Practices" the companies have decided to adopt from one another. (Order, p.9). The initial report was filed March 7, 2000.

A longer than anticipated regulatory approval process delayed consummation of the merger, further delaying the naming of an executive management team and the identification of Best Practice initiatives among the merged companies.

The merger of the parent companies was completed June 30, 2000. The Verizon senior executive management team has now been named, and a Senior Vice President - Performance Assurance, now has accountability for the Verizon wireline ILEC best practices reporting process. However, as was the case in the initial report, no Best Practices have been approved as of this time. Once more extensive personnel and organizational decisions have been made, it will be possible to fully implement the Best Practice process to complete the side-by-side comparison of the companies' operations and for the companies to make decisions as to what constitutes a "Best Practice" that should be implemented in Kentucky. We look forward to providing that information to the Commission in the future.

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs



**GTE Service
Corporation**

P.O. Box 1650
Lexington, KY. 40588-1650
859 245-1389
Fax: 859 245-1721

July 28, 2000

RECEIVED

JUL 28 2000

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY. 40602

PUBLIC SERVICE
COMMISSION

Re: In the Matter of: Joint Application of Bell Atlantic Corporation and GTE
Communications Corporation for Order Authorizing Transfer of Utility Control
(Case No. 99-296)

In the above referenced case, the Kentucky Public Service Commission ("Commission") approved the merger of GTE Corporation ("GTE") and Bell Atlantic Corporation, and the transfer of control of GTE's utility subsidiaries to Bell Atlantic. On June 16, 2000, the Federal Communications Commission approved the GTE-Bell Atlantic merger. Pursuant to these decisions, GTE Communications Corporation (GTECC) hereby transmits this filing to notify the Commission of (1) GTECC's name change to Verizon Select Services, Inc, and (2) the transfer of all of GTECC's operating authority under certificate number 0337159.09. Documentation from the Secretary of State evidencing the change in corporate name is attached.

GTECC respectfully requests that this filing be approved with an effective date of August 1, 2000. GTE further requests that this approval take place automatically on the requested effective date, unless suspended by the Commission upon complaint or by its own motion.

This schedule is requested to achieve consistent timing for implementation of the name change across all of the states in which the merged entity operates, and to aid administrative efficiency in accomplishing the internal rebranding efforts required to accomplish the name change.

This letter includes the following revised tariff sheet, which is submitted for approval:

Mr. Martin J. Huelsmann
July 28, 2000
Page 2

Verizon Select Services, Inc.
P.S.C. Tariff No. 2
Local Telecommunications Service Tariff
- 2nd Revised Page 1

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with other schedules or rules. The sole purpose of this filing is to change the corporate name as indicated above.

It is requested that a stamped copy be mailed to the undersigned utility on the same date it is delivered to the Commission.

Please bring this filing to the attention of the Commission. Should you have any questions pertaining to this advice letter, please contact me at your earliest convenience.

Very truly yours,

Phyllis Masters
for Larry D. Callison

Attachments

VERIZON SELECT SERVICES INC.

(T)

of

6665 NORTH MACARTHUR BOULEVARD, 2ND FLOOR

IRVING, TX 75039

LOCAL TELECOMMUNICATIONS SERVICE TARIFF

for

THE COMMONWEALTH OF KENTUCKY

Issued:

Effective: August 1, 2000

by:

Donald R. Fowler, Director - Tariffs
Verizon Select Services Inc.
6665 North MacArthur Boulevard, 2nd Floor
Irving, TX 75039

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs



**GTE Service
Corporation**

150 Rojay Drive
KY10H072
Lexington, KY 40503
606 245-1389
Fax: 606 245-1721

July 11, 2000

Mr. Martin J. Huelsmann
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

RECEIVED

JUL 11 2000

KENTUCKY PUBLIC SERVICE
COMMISSION

Subject: GTE/BELL ATLANTIC MERGER CLOSURE NOTIFICATION – Case No.
99-296

Dear Mr. Huelsmann:

This letter is to advise that on June 30, 2000, GTE Corporation and Bell Atlantic Corporation consummated their parent company merger by filing the requisite Certificate of Merger with the Secretary of State of the State of New York as required by Article I, Section 1.2 of the Agreement and Plan of Merger. The new name for the combined company will be Verizon Communications. This notice is hereby being provided to the Kentucky Public Service Commission pursuant to the Commission's Order dated October 6, 1999 in Case Number 99-296 (ordering paragraph 3).

Please bring this filing to the attention of the Commission. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

Larry D. Callison

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs



**GTE Service
Corporation**

KY10H072
150 Rojay Drive
Lexington, KY 40503
606 245-1389
Fax: 606 245-1721

March 29, 2000

RECEIVED

MAR 29 2000

PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Re: Joint Application of Bell Atlantic Corporation and GTE
Corporation for Order Authorizing Transfer of Utility
Control - Case No. 99-296

Dear Mr. Huelsmann:

The Kentucky Public Service Commission ("Commission"), in its order dated September 7, 1999 in which it approved the Joint Application in the above-referenced matter, imposed certain terms and conditions upon the Joint Applicants, Bell Atlantic Corporation and GTE South Incorporated ("GTE").

Ordering provision #2 required that "GTE shall continue to file on a monthly basis service quality performance reports using the two prior years as a benchmark for performance standards. These reports will be carefully examined to ensure that current standards are maintained or exceeded."

In my December 6, 1999 letter to Ms. Helen C. Helton in this proceeding, GTE provided a proposed methodology for calculating GTE's "new" service standard, by which GTE would be monitored going forward. Subsequently, I have had discussions with your staff to resolve differences in our calculations, and to determine how service results will be monitored in the future in light of the Commission's order.

We propose that GTE's service results be monitored at a statewide level, using the average of 1997 and 1998 total state results as shown on the attachment. If the Company failed to meet the new objective two months in a row at a district level, a report of corrective action would be provided, as now required under the Administrative Regulations.

Mr. Martin J. Huelsmann
March 23, 2000
Page Two


GTE currently reports three objectives at a Dispatch Assignment Center(DAC)level in its normal reporting process: Percent Out of Service Troubles Cleared in 24 Hours, Percent Regular Service Installations in 5 Days, and Network Trouble Reports/100 Lines. GTE proposes that the DAC level reporting continue as it is today; that is, any time the existing Commission standard is missed at a DAC level two consecutive months, a report of corrective action is required.

As established in the PSC Management Audit of GTE, GTE will continue to file a report of corrective action when a Commission service standard is missed at the exchange level for four consecutive months.

As can be seen from the attachment, GTE's results from 1997 and 1998 are exemplary, and results from 1999 and thus far in 2000 show a continuation of that trend. GTE will thus be monitored at a much higher standard in those categories than those established under the Administrative Regulations. GTE proposes that a sunset provision be established by the Commission, such that GTE would revert to the standards contained in the Regulations after an appropriate period of time after merger closure. GTE is willing to discuss this issue at the convenience of your staff.

Please bring this filing to the attention of the Commission, and should you have any questions, please to not hesitate to contact me at your convenience.

Yours truly,



Larry D. Callison

Enclosure

c: Mr. Wayne Bates - PSC
Mr. Aaron Greenwell - PSC

PERCENT OUT OF SERVICE TROUBLES CLEARED IN 24 HRS

COMMISSION OBJECTIVE: 85.0

	<u>1997YE</u>	<u>1998YE</u>	<u>AVG</u>
PSC DAC 3100	90.9	90.6	90.7
PSC DAC 3103	90.8	89.6	90.2
PSC DAC 3104	87.7	81.4	84.6
PSC DAC 3105	90.6	86.7	88.7
<u>KY CENTRAL DISTRICT:</u>	90.5	89.2	89.9
PSC DAC 3200	88.7	88.1	88.4
PSC DAC 3300	93.5	85.1	89.3
PSC DAC 3400	89.1	92.8	90.9
PSC DAC 3500	96.1	92.7	94.4
<u>KY EASTERN DISTRICT:</u>	90.8	88.4	89.6
PSC DAC 3600	93.3	95.0	94.1
PSC DAC 3700	94.8	79.5	87.1
PSC DAC 3800	97.8	92.3	95.0
PSC DAC 3900	94.0	97.0	95.5
PSC DAC 3901	94.4	97.5	96.0
<u>KY WESTERN DISTRICT:</u>	94.7	91.4	93.1
<u>KY TOTAL STATE:</u>	91.7	89.5	90.6

PERCENT REGULAR SERVICE INSTALLATIONS IN 5 DAYS

COMMISSION OBJECTIVE: 90.0

	<u>1997YE</u>	<u>1998YE</u>	<u>AVG</u>
PSC DAC 3100	95.5	93.5	94.5
PSC DAC 3103	95.7	94.3	95.0
PSC DAC 3104	92.9	92.5	92.7
PSC DAC 3105	95.4	96.6	96.0
<u>KY CENTRAL DISTRICT:</u>	94.8	93.7	94.2
PSC DAC 3200	96.5	95.4	95.9
PSC DAC 3300	95.9	95.3	95.6
PSC DAC 3400	95.9	94.8	95.4
PSC DAC 3500	96.5	96.5	96.5
<u>KY EASTERN DISTRICT:</u>	96.2	95.3	95.8
PSC DAC 3600	97.3	96.6	96.9
PSC DAC 3700	96.9	96.4	96.6
PSC DAC 3800	97.7	95.0	96.4
PSC DAC 3900	97.1	96.7	96.9
PSC DAC 3901	95.9	98.1	97.0
<u>KY WESTERN DISTRICT:</u>	97.4	97.3	97.3
<u>KY TOTAL STATE:</u>	96.0	95.2	95.6

NETWORK TROUBLE REPORTS/100 LINES

COMMISSION OBJECTIVE: 8.0

	<u>1997YE</u>	<u>1998YE</u>	<u>AVG</u>
PSC DAC 3100	1.4	1.6	1.5
PSC DAC 3103	1.8	2.0	1.9
PSC DAC 3104	2.7	3.2	2.9
PSC DAC 3105	2.1	2.0	2.0
<u>KY CENTRAL DISTRICT:</u>	1.6	1.8	1.7
PSC DAC 3200	2.4	2.8	2.6
PSC DAC 3300	2.0	2.6	2.3
PSC DAC 3400	2.2	2.4	2.3
PSC DAC 3500	2.6	3.2	2.9
<u>KY EASTERN DISTRICT:</u>	2.3	2.7	2.5
PSC DAC 3600	1.7	1.7	1.7
PSC DAC 3700	2.1	2.8	2.4
PSC DAC 3800	1.5	2.1	1.8
PSC DAC 3900	1.9	2.3	2.1
PSC DAC 3901	2.2	1.5	1.8
<u>KY WESTERN DISTRICT:</u>	1.8	2.0	1.9
<u>KY TOTAL STATE:</u>	1.8	2.1	2.0

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs



**GTE Service
Corporation**

KY10H072
150 Rojay Drive
Lexington, KY 40503
606 245-1389
Fax: 606 245-1721

March 7, 2000

RECEIVED

MAR 07 2000

**PUBLIC SERVICE
COMMISSION**

Mr. Martin J. Huelsmann
Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Re: Joint Application of Bell Atlantic Corporation and GTE
Corporation for Order Authorizing Transfer of Utility
Control - Case No. 99-296

Dear Mr. Huelsmann:

The Kentucky Public Service Commission ("Commission"), in its order dated September 7, 1999 ("Order") in which it approved the Joint Application in the above-referenced matter, imposed certain terms and conditions upon the Joint Applicants, Bell Atlantic Corporation and GTE South Incorporated ("GTE").

Enclosed for filing with the Commission are an original and ten copies of three reports responsive to ordering provisions #3, #4 and #8 of the Commission's Order. These ordering provisions required reports within six months on "Best Practices", changes in employee levels, and "advanced services" plans, respectively.

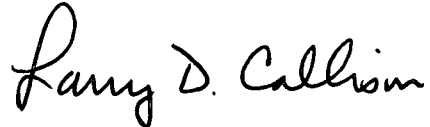
You will note that GTE's report on its advanced services deployment in Kentucky provides a schedule of advanced services available by office in 2000. The services delineated on the report include Asynchronous Transfer Mode (ATM), Frame Relay and Asynchronous Digital Loop Subscriber (ADSL). GTE, as noted on page 4 of the report, also expects to tariff a new advanced data solution in its ATM locations in 2000, Transport Lan Connect (TLC). In addition, T1 service is available in all GTE central offices, which provides the necessary bandwidth for many high-speed data applications.

The notes contained on page 4 of the report describe the criteria considered by GTE in planning further deployment of such advanced services.

Mr. Martin J. Huelsmann
March 7, 2000
Page Two

Please bring this filing to the attention of the Commission, and should you have any questions, please to not hesitate to contact me at your convenience.

Yours truly,

A handwritten signature in cursive script that reads "Larry D. Callison". The signature is written in dark ink and is positioned below the typed name.

Larry D. Callison

Enclosures

**Bell Atlantic/GTE Merger
Best Practice Report
March 2000**

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In the Order approving the Joint Application of Bell Atlantic Corporation and GTE Corporation for Order Authorizing Transfer of Utility Control, Case No. 99-296 (September 7, 1999), the Kentucky Public Service Commission required Bell Atlantic and GTE South Incorporated to file a report every six months regarding "Best Practices" (Order, p. 9). The merger of the parent companies will take place as soon as remaining regulatory approvals are obtained,¹ and it is impossible to precisely predict the date for merger consummation. We currently anticipate that the merger may close by the end of the first quarter or early second quarter 2000.

As explained below, no Best Practices have been adopted as of this time. The companies recognize their on-going obligation to provide the Commission with a semi-annual best practices report that will identify the best practices they have adopted and "includes actual and updated costs and saving achieved". We look forward to providing that information to the Commission in the future, once the merger closes and such decisions are made.

The term "Best Practice" has been used throughout the merger approval process to generally refer to the ability of the two companies, as a result of their merger, to identify and implement the better policy or procedure for conducting

¹ Required regulatory approvals have now been obtained from all state commissions, and the FCC will be in a position to rule following the receipt of final comments due March 16, 2000.

**Bell Atlantic/GTE Merger
Best Practice Report
March 2000**

business and serving customers. This process entails a detailed analysis of how each company currently conducts its operations, the results and costs associated with such operations, and the feasibility and advisability of changing one company's method of operations to that used by the other.

The companies, however, are still in the process of selecting the senior management team for the combined company, and those senior managers who have been selected are at the early stages of making critical staffing decisions for their organizations. Moreover, until the merger actually closes, the companies are limited in their ability to completely share the confidential and proprietary information that would be required to perform a thorough analysis of the benefits to be expected from potential changes. Once more extensive personnel and organizational decisions have been made and the merger closes, it will be possible to complete the detailed, side-by-side comparison of the companies' operations and for the companies to make decisions as to what constitutes a "Best Practice" that should be implemented in Kentucky. Our future "Best Practices" reports required by the Commission's Order will report on those decisions.

**Bell Atlantic/GTE Merger
Kentucky Headcount Report
March 2000**

Pursuant to the September 7, 1999 order of the Kentucky Public Service Commission ("Commission") in Case No. 99-296, GTE South Incorporated is required to "report on a six-month basis the changes in the number of hourly employees, as well as management-level personnel, in Kentucky (ordering provision #6, p. 9). GTE's initial report to the Commission is as follows:

<u>Period</u>	<u>Mgmt</u>	<u>Hourly</u>	<u>Total</u>
September 1999 ¹	182	1,426	1,608
<u>February 2000</u>	<u>180</u>	<u>1,413</u>	<u>1,593</u>
Change	-2	-13	-15

¹ GTE's September headcount data was split between management and hourly employees based upon the current split between hourly and management employees, as the September data split was not readily available.

GTE Kentucky

Advanced Services Deployment for 2000

Switch Name	ccli	ATM	Frame Relay	ADSL
BEREA	BEREKYXADS0	-	Available	-
<BRYANTSVILLE	BTVLKYXARS2	-	Available	-
<PAINT LICK	PNLCKYXERS0	-	Available	-
HUSTONVILLE	HTVLKYXEDS0	-	Available	-
IRVINE	IRVNKYXADS0	-	Available	-
LIBERTY	LBRTKYXADS0	-	Available	-
LANCASTER	LNSKXYADS0	-	Available	-
LEXINGTON UNIV KENTUCKY	LXTNKYUKDS0	Available	Available	-
LEXINGTON MAIN	LXTNKYXADS1	Available	Available	-
<LEXINGTON MAIN NEWTOWN	LXTNKYXARS6	-	-	Available
<LEXINGTON MAIN OLD FRANKFORT PIKE	LXTNKYXMRS0	-	-	Available
<LEXINGTON MAIN BEREA	LXTNKYXNRS0	-	-	3/17/00
<LEXINGTON MAIN FORT SPRINGS	LXTNKYXPRS0	-	-	Available
LEXINGTON EAST 1	LXTNKYXBDS0	Available	Available	Available
<LEXINGTON EAST MOUNT TABOR	LXTNKYXBRS0	-	-	Available
LEXINGTON SOUTHEAST 1	LXTNKYXCDS0	Available	Available	Available
<LEXINGTON SOUTHEAST HARTLAND	LXTNKYXCRS1	-	-	Available
<LEXINGTON SOUTHEAST ARMSTRONG MIL	LXTNKYXCRS2	-	-	Available
<LEXINGTON SOUTHEAST SOUTH POINT	LXTNKYXCRS3	-	-	Available
LEXINGTON SOUTH 1	LXTNKYXDDS0	Available	Available	Available
<LEXINGTON SOUTH ALEXANDRIA	LXTNKYXDRS0	-	-	Available
LEXINGTON NORTH 1	LXTNKYXEDS0	Available	Available	Available
<LEXINGTON NORTH GREENBRIAR	LXTNKYXERS0	-	-	Available
LEXINGTON ELKHORN	LXTNKYXFDS0	Available	Available	Available
<LEXINGTON LAKESIDE EASTWOOD	LXTNKYGKRS0	-	-	Available
LEXINGTON LAKESIDE 1	LXTNKYXGDS0	Available	Available	Available
<LEXINGTON LAKESIDE MADDEN	LXTNKYGURS0	-	-	Available
<LEXINGTON LAKESIDE STONECASE	LXTNKYSCRS0	-	-	Available
NICHOLASVILLE	NCVLKYXADS0	Available	Available	Available
<NICHOLASVILLE BYPASS	NCVLKYXARS2	-	-	4/21/00
<NICHOLASVILLE CATNIP HILL	NCVLKYXARS1	-	-	Available
<WILMORE	WLMRKYXARS0	-	Available	Available
VERSAILLES	VRSLKYXADS0	Available	Available	5/5/00

GTE Kentucky

Advanced Services Deployment for 2000

Switch Name	ccli	ATM	Frame Relay	ADSL
<MIDWAY	MDWYKYXARS0	-	Available	-
ASHLAND	ASLDKYXADS0	-	Available	4/7/00
CUMBERLAND	CMLDKYXADS0	-	Available	-
CATLETTSBURG	CTBGKYXADS0	-	Available	-
EVARTS	EVRSKYXADS0	-	Available	-
FLEMINGSBURG	FMBGKYXADS0	-	Available	-
<EWING	EWNGKYXARS0	-	Available	-
<HILLSBORO	HLBOKYXARS0	-	Available	-
GREENUP	GNUPKYXADS1	-	Available	-
<SOUTH SHORE	SSHRKYXARS0	-	Available	-
GARRISON	GRSNKYXADS0	-	Available	-
GRAYSON	GYSNKYXADS0	-	Available	-
<OLIVE HILL	OLHLKYXADS0	-	Available	-
HAZARD	HZRDKYXADS0	-	Available	-
<LEATHERWOOD	LTWDKYXARS0	-	Available	-
<VICCO	VICCKYXARL0	-	Available	-
JENKINS	JNKNKYXADS0	-	Available	-
LONDON	LONDKYXADS0	-	Available	-
<BARBOURVILLE 1	BBVLKYXARS0	-	Available	-
<BRODHEAD	BRHDKYXARS1	-	Available	-
<EAST BERNSTADT	EBRNKYACRS0	-	Available	-
<FLAT LICK	FLLLKYXARS0	-	Available	-
<LIVINGSTON	LVTNKYXARS1	-	Available	-
<MANCHESTER 1	MNCHKYXARS0	-	Available	-
<MOUNT VERNON	MTVRKYAIRS0	-	Available	-
<ONEIDA	ONEDKYXARS0	-	Available	-
<EUBANK	EBNKKYXARS0	-	Available	-
<FAUBUSH	FBCHKYXARS0	-	Available	-
<SCIENCE HILL	SCHLLKYXARS0	-	Available	-
<SHOPVILLE	SOVLKYXARS0	-	Available	-
<WHITE LILY	WHLLKYXARS0	-	Available	-
MEADS	MEDSKYXADS0	-	Available	-
MOREHEAD	MRHDKYXADS0	-	Available	-

GTE Kentucky

Advanced Services Deployment for 2000

Switch Name	cili	ATM	Frame Relay	ADSL
OWINGSVILLE	OWWLKXADS0	-	Available	-
<SHARPSBURG	SHBGKYXARS4	-	Available	-
<SALT LICK	SLCLKYXARS0	-	Available	-
RUSSELL	RSSLKYXBDS0	-	Available	-
TOLLESBORO	TLBOKYXADS0	-	Available	-
<VANCEBURG	VNBGKYXARS0	-	Available	-
WASHINGTON	WASHKYXADS0	-	Available	-
<AUGUSTA	AGSTKYXARS0	-	Available	-
<BROOKSVILLE	BKVLKYXARS0	-	Available	-
<DOVER	DOVRKYXARS0	-	Available	-
<FERNLEAF	FRNLKYXARS0	-	Available	-
<GERMANTOWN	GMTWKYXARS0	-	Available	-
<JOHNSVILLE	JHVLKYXARS0	-	Available	-
<LEWISBURG	LWGMKYXARS0	-	Available	-
<MOUNT OLIVET	MTOLKYXARS0	-	Available	-
<MAYSLICK	MYLCKYXARS0	-	Available	-
BURNSIDE	BRSDKYXADS0	-	Available	-
CALVERT CITY	CLCTKYXADS0	-	Available	-
COLUMBIA	CLMAKYXADS0	-	Available	-
CAMPBELLSVILLE	CMVLKYXADS0	-	Available	-
ELIZABETHTOWN 1	EZTWKYXADS0	-	Available	4/7/00
<CECILIA	CECLKYXARS0	-	Available	-
<SOUTH HARDIN	SHDNKYXARS0	-	Available	-
GLASGOW	GLSGKYXADS0	-	Available	-
<BURKESVILLE	BSVLKYXARS0	-	Available	-
<SCOTTSVILLE	SCVLKYXARS0	-	Available	-
<TOMPKINSVILLE	TMVLKYXARS0	-	Available	-
GREENSBURG	GNBGKYXBDS0	-	Available	-
HODGENVILLE	HGVLKYXADS0	-	Available	-
LEBANON	LBNNKYXADS0	-	Available	-
<BRADFORDSVILLE	BRVLKYXARS0	-	Available	-
<LORETTO	LRTTKYXARS0	-	Available	-
LEITCHFIELD	LTFDKYXADS0	-	Available	-

GTE Kentucky

Advanced Services Deployment for 2000

Switch Name	ccli	ATM	Frame Relay	ADSL
<CLARKSON	CKSNKYXADS0	-	Available	-
<CANEYVILLE	C'YVLKYXADS0	-	Available	-
MONTICELLO	MNTIKYXADS0	-	Available	-
<ALBANY	ALBYKYXADS0	-	Available	-
SOMERSET	SMRTKYXADS0	-	Available	4/28/00
<NANCY	NANCKYXARS0	-	Available	-

Notes:

Deployment of advanced services are primarily driven by market demand. Where sufficient demand is anticipated, services are deployed. Cost of provisioning the service is also a factor. Deployment plans are periodically reexamined to ensure payback in a reasonable timeframe.

GTE Kentucky considers advanced services to be fully deployed based on market demand and cost at this time. Frame Relay is the most widely available advanced service and is deployed in almost every central office location in the state. GTE continues to evaluate the demand and cost for future deployments.

If the service location is not covered by tariff, a customer may request an ICB. ICB requests also factor into GTE's assessment of market demand.

Transport Lan Connect (TLC) is a new service expected to be tariffed in ATM locations this year and available Kentucky-wide on an ICB basis. TLC is a fiber-optic based dedicated data transport service for intra-exchange and inter-exchange use within a LATA. The TLC product connects Local Area Networks (LANs) or hosts to remote computer locations using a single-ring non-redundant fiber topology.

As new technology becomes available, GTE Kentucky will consider both current market demand and cost factors and arrange for appropriate deployment to provide Kentucky customers with the advanced technology options.

99-296

Kentucky

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CASE 99-296

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2	KY OET FACTOR
3	GTE/BA BIG 3 FACTOR
4	KY BIG 3 FACTOR
5	% REGULATED FACTOR % INTRASTATE FACTOR
6	COMPOSITE DEPRECIATION RATE
7	PROPERTY TAX RATE
8	GTE SERVICE CORP. FACTOR
9	DISKETTE OF KY FILE FOR SCHEDULES
10	KY COMMISSION ORDER 4/14/99
11	
12	

**GTE and Bell Atlantic
Operating Expense & Tax Factor**

WP 4

1 GTE	Operating Exp & Tax	17,649.0	wp 4-2.1
2	less Depreciation exp	<u>3,888.0</u>	wp 4-2.1
3	(line 1 - line 2)	13,763.0	
4 Bell Atlantic	Operating Exp & Tax	24,852.4	wp 4-1
5	less Depreciation exp	<u>5,864.0</u>	wp 4-1
6	(line 4 - line 5)	18,988.4	
7 Combined	(line 3 + line 6)	32,751.4	
8 % GTE	(line 3/line 7)		42.0% To Schedule B.1 col (g) line 8 and line 13

			- (2,922.9)
Cumulative effect of change in accounting principle			
Directory publishing, net of tax	-	273.1	-
Net income (loss)	\$2,454.9	\$3,402.0	\$(96.8)
Basic Earnings Per Common Share:			
Income before extraordinary items and cumulative effect of change in accounting principle	\$3.16	\$4.05	\$3.70
Extraordinary items	-	-	\$(3.83)
Cumulative effect of change in accounting principle	-	0.35	-
Net income (loss)	\$3.16	\$4.40	\$(0.13)
Weighted-average shares outstanding (in millions)	775.9	773.3	764.3
Diluted Earnings Per Common Share:			
Income before extraordinary items and cumulative effect of change in accounting principle	\$3.13	\$4.01	\$3.68
Extraordinary items	-	-	\$(3.81)
Cumulative effect of change in accounting principle	-	0.35	-
Net income (loss)	\$3.13	\$4.36	\$(0.13)
Weighted-average shares - diluted (in millions)	785.5	780.1	768.2



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Financial Review	Consolidated Statements of
Report Of Independent Public Accountants	Shareholders Equity
Management Report	Notes to Consolidated Financial Statements
Consolidated Statements of Income	Directors and Officers
Consolidated Balance Sheets	Corporate Information

1997 ANNUAL REPORT FINANCIAL DATA

(Millions of Dollars, Except Per-Share Amounts)	1997	1996	1995	1994	1993	Five-Year Annual Growth Rate*
Results of Operations						
Revenues and sales						
Local services	\$ 6,607	\$ 6,060	\$ 5,743	\$ 5,137	\$ 5,062	6.5%
Network access services	4,923	4,618	4,363	4,348	4,398	1.8
Toll services	2,429	2,500	2,548	3,285	3,321	(7.6)
Cellular services	2,817	2,562	2,191	1,666	1,178	26.2
Directory services	1,507	1,527	1,383	1,372	1,438	1.6
Other services and sales	4,977	4,072	3,729	3,720	3,935	1.8
Total revenues and sales	23,260	21,339	19,957	19,528	19,332	3.5
Cost of services and sales	9,203	8,071	7,537	7,677	7,848	1.8
Selling, general and administrative	4,560	4,010	3,689	3,667	3,817	2.4
Depreciation and amortization	3,886	3,770	3,675	3,432	3,419	3.5
Restructuring costs	—	—	—	—	1,840 ^M	—
Operating income	5,611	5,488	5,056	4,752	2,408^M	12.7
Net income (loss)						
Income before extraordinary charges ^M	02,794 ^M	2,798	2,538	2,441	972	17.1
Consolidated ^M	2,794	2,798	(2,144) ^M	2,441	882 ^M	—
Earnings (loss) per common share						
Income before extraordinary charges ^M	2.92 ^M	2.89	2.62	2.55	1.03	15.8
Consolidated ^M	2.92	2.89	(2.21) ^M	2.55	.93 ^M	—
Diluted earnings (loss) per common share						
Income before extraordinary charges ^M	2.90	2.88	2.61	2.54	1.03	15.8
Consolidated ^M	2.90	2.88	(2.20)	2.54	.93	—
Common dividends declared per share	1.88	1.88	1.88	1.88	1.85	1.1
Book value per share	8.39	7.62	7.05 ^M	10.85	9.96	(6.6)
Average common shares						
outstanding (in millions)	958	969	970	958	945	1.1
Assets and Capital						
Consolidated assets	42,142	38,422	37,019 ^M	42,500	41,575	(1.1)
Long-term debt and redeemable preferred stock	14,494	13,210	12,744	12,236	13,103	.4
Shareholders' equity	8,038	7,336	6,871 ^M	10,483	9,593	(6.5)
Net cash from operations	6,244	5,899	5,033	4,740	5,373	4.7
Capital expenditures	5,128	4,088	4,034	4,192	3,893	4.3
Consolidated Ratios and Other Information						
Return on common equity ^M	37.6%	40.2%	(20.3)%	24.8%	8.8%	—
Return on investment ^M	14.5%	15.6%	(4.2)%	13.1%	6.9%	—
Average common equity	7,433	6,960	10,539	9,838	10,030	(5.3)
Equity ratio	36.5%	38.1%	37.9% ^M	46.2%	42.6%	—
Average investment	26,857	24,395	27,150	25,647	27,322	(1.4)
Research and development	122	122	137	139	135	(4.6)
Employees (in thousands)						
Total	114	102	106	111	117	(3.0)
United States	94	83	85	89	94	(2.6)
International Operations (included above)^M						
Revenues and sales	\$ 2,902	\$ 2,711	\$ 2,477	\$ 2,483	\$ 2,420	4.0
Income before extraordinary charges	366	339	206	265	321	5.2
Total assets	6,877	6,516	5,808	5,727	5,449	5.4

Notes to Selected Financial Data appear on page 19

Kentucky Operating Expense & Tax Factor (OET)

Source data: General Accounting Group

The factor being used in this filing is based on the OET factor that is currently used within the GTE financial system to allocate costs that use this factor as an allocation basis.

The development of the factor was based on 1996 data.

Operating Expense and Tax Factors

<u>STUDY NAME</u>	<u>1996 OET</u>	<u>OET Factor</u>
GTE NORTH - ILLINOIS		
GTE NORTH - GTE ILLINOIS		
GTE NORTH - INDIANA		
GTE NORTH - GTE INDIANA		
GTE NORTH - MICHIGAN		
GTE NORTH - OHIO		
GTE NORTH - PENNSYLVANIA		
GTE NORTH - GTE PENN - PENNSYLVANIA		
GTE NORTH - GTE PENN - QUAKER STATE		
GTE NORTH - WISCONSIN		
CITIZENS - GTE NEW YORK - RED HOOK		
CITIZENS - GTE NEW YORK - UCI		
CITIZENS - GTE NEW YORK - WEST DEL		
GTE SYS OF THE SOUTH - ALABAMA		
GTE SOUTH - ALABAMA		
GTE KENTUCKY		
GTE SOUTH - KENTUCKY		
GTE NORTH CAROLINA		
GTE SOUTH - NORTH CAROLINA		
GTE SOUTH CAROLINA		
GTE SOUTH - SOUTH CAROLINA		
CITIZENS - GTE SO - TENNESSEE		
GTE VIRGINIA		
GTE SOUTH - VIRGINIA		
CITIZENS - GTE WEST VIRGINIA		
CITIZENS - GTE SO - WEST VIRGINIA		
GTE FLORIDA		
CONTEL OF CALIFORNIA - CALIFORNIA		
CONTEL OF CALIFORNIA - NEVADA		
CONTEL OF CALIFORNIA - ARIZONA		
GTE CALIFORNIA		
GTE HAWAII		
GTE NORTHWEST - IDAHO		
CITIZENS - GTE NW - GTE WEST - IDAHO		
CITIZENS - GTE NORTHWEST - MONTANA		
GTE NORTHWEST - OREGON		
GTE NORTHWEST - GTE SYS NW - OREGON		
GTE NORTHWEST - GTE SYS NW - WASH		
GTE NORTHWEST - WASHINGTON		
GTE NORTHWEST - CA (WEST COAST TEL)		
CITIZENS - GTE WEST - UTAH		
GTE ALASKA		

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Operating Expense and Tax Factors

<u>STUDY NAME</u>	<u>1996 OET</u>	<u>OET Factor</u>
GTE ARKANSAS		
GTE ARKANSAS - GTE SYS OF ARKANSAS		
GTE SOUTHWEST - ARKANSAS		
CITIZENS - GTE WEST - ARIZONA		
GTE WEST - NEW MEXICO		
GTE SOUTHWEST - NEW MEXICO		
GTE SOUTHWEST - OKLAHOMA		
GTE TEXAS		
GTE SOUTHWEST - TEXAS		
GTE MIDWEST - GTE MISSOURI		
GTE MIDWEST - GTE EASTERN MISSOURI		
GTE MIDWEST - GTE SYS OF MISSOURI		
GTE MIDWEST - MISSOURI		
GTE MIDWEST - GTE IOWA		
GTE MIDWEST - GTE SYS OF IOWA		
GTE MIDWEST - IOWA		
GTE MIDWEST - NEBRASKA		
GTE MINNESOTA (FORMER GTE MW-MN)		
GTE MINNESOTA		
GTE GENERAL OFFICE		
GTE SOUTH - ILLINOIS		
GTE SYSTEM OF INDIANA		
GTE SYSTEM OF MICHIGAN		
MICRONESIA		
GTEDS - CITIZENS		
SUPPLY - CZ		
GTEDS		
SUPPLY - PCS (ACCTG INV.)		
GTECC		
GTEL		
SUPPLY		

Total

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11/11/11

Big 3 Factor
 1997 Data
 Total Company

	Account	Total GTE	Bell Atlantic	NYNEX	Total Bell Atlantic	Total Bell Atl & GTE	% GTE of Total
	6211	-37,352	55,969	43,734	99,703	62,351	
	6212	455,956	232,196	387,035	619,231	1,075,187	
	6215	7,820	94	356	450	8,270	
Total of 621x	6210	426,415	288,259	431,124	719,383	1,145,798	37.22%
Total of 622x	6220	6,490	12,121	1,941	14,062	20,552	31.58%
	6231	4,121	2,429	2,611	5,040	9,161	
	6232	59,581	140,194	158,365	298,559	358,140	
Total of 623x	6230	63,701	142,623	160,977	303,600	367,301	17.34%
	6311	158,986	0	0	0	158,986	
	6341	57,787	0	0	0	57,787	
	6351	79,727	41,462	53,067	94,529	174,256	
	6362	284,180	415,361	329,127	744,488	1,028,668	
Total of 63xx	6310	580,686	456,821	382,193	839,014	1,419,700	40.90%
	6411	53,558	69,755	28,414	98,169	151,727	
	6421	217,708	490,091	750,574	1,240,665	1,458,373	
	6422	43,958	71,098	137,205	208,303	252,261	
	6423	280,640	236,662	64,276	300,938	581,578	
	6424	256	94	1,168	1,262	1,518	
	6425	168	0	0	0	168	
	6426	2,109	3,171	32,547	35,718	37,827	
	6431	2,965	0	3,500	3,500	6,465	
	6441	3,981	18,985	89,277	108,262	112,243	
Total of 64xx	6410	605,352	889,855	1,106,961	1,996,816	2,602,168	23.26%
	6531	61,485	62,627	84,963	147,590	209,075	
	6532	163,001	94,929	157,817	252,746	415,747	
	6533	162,836	279,869	316,432	596,301	759,137	
	6534	237,466	172,876	278,133	451,009	688,475	
	6535	78,807	206,718	200,782	407,500	486,307	
Total of 653x	6530	703,591	817,019	1,038,130	1,855,149	2,558,740	27.50%
	6611	170,041	164,084	286,411	450,495	620,536	
	6612	362,910	200,811	250,433	451,244	814,154	
	6613	104,831	79,440	90,065	169,505	274,336	
Total of 661x	6610	637,781	444,334	626,909	1,071,243	1,709,024	37.32%
	6621	63,445	47,602	81,910	129,512	192,957	
	6622	140,947	305,982	138,969	444,951	585,898	
	6623	680,707	802,000	887,415	1,689,415	2,370,122	
Total of 662x	6620	885,092	1,155,580	1,108,295	2,263,875	3,148,967	28.11%
Total Big 3 expenses		3,909,108	4,206,612	4,856,530	9,063,142	12,972,250	30.13%

SOURCE: ARJIS 43-03 Report
 1997 Year-end Data

CONFIDENTIAL

§ 36.101

excluded from or included in the telecommunications operations of the company. When required, the cost of property rented to or from non-affiliates is determined using procedures that are consistent with the procedures for the allocation of costs among the operations.

(e) Costs associated with services or plant billed to another company which have once been separated under procedures consistent with general principles set forth in this part, and are thus identifiable as entirely interstate or State in nature, shall be directly assigned to the appropriate operation and jurisdiction.

[32 FR 17228, May 6, 1967, as amended at 38 FR 44908, Aug. 23, 1968]

Subpart B—Telecommunications Property

GENERAL

§ 36.101 Section arrangement.

(a) This subpart is arranged in sections as follows:

GENERAL

- Telecommunications Plant in Service—Account 2001—§ 36.101 and § 36.102.
- General Support Facilities—Account 2110—§ 36.111 and § 36.112.
- Central Office Equipment—Accounts 2210, 2220, 2230—§ 36.121 thru § 36.128.
- Information Origination/Termination Equipment—Account 2310—§ 36.141 and § 36.142.
- Cable and Wire Facilities—Account 2410—§ 36.151 thru § 36.157.
- Amortization Assets—Accounts 2520 and 2530—§ 36.161 and § 36.162.
- Telecommunications Plant—Other Accounts 2002 thru 2005—§ 36.171.
- Rural Telephone Bank Stock—§ 36.172.
- Material and Supplies—Accounts 1220, and Cash Working Capital—§ 36.181 and § 36.182.
- Equal Access Equipment—§ 36.191.

[30 FR 12138, Mar. 6, 1965]

§ 36.102 General.

(a) This section contains an outline of the procedures used in the assignment of Telecommunications Plant in Service—Account 2001 to categories and the apportionment of the cost assigned to each category among the operations.

(b) The treatment of rental plant is outlined in §§ 36.2(c) through 36.2(e). If

the amount of such plant is substantial, the cost may be determined by using the general procedures set forth for the assignment of the various kinds of property to categories.

(c) The amount of depreciation deductible from the book cost or "value" is apportioned among the operations in proportion to the separation of the cost of the related plant accounts.

GENERAL SUPPORT FACILITIES

§ 36.111 General.

(a) The costs of the general support facilities are contained in Account 2110, Land and Support Assets. This account contains land, buildings, motor vehicles, aircraft, special purpose vehicles, garage work equipment, other work equipment, furniture, office equipment and general purpose computers.

§ 36.112 Apportionment procedure.

(a) The costs of the general support facilities of Class A Companies (which are defined in part 32 of the Commission's Rules) are apportioned among the operations on the basis of the separation of the costs of the combined Big Three Expenses which include the following accounts:

PLANT SPECIFIC EXPENSES

- 6210 Central Office Switching Expenses
- 6220 Operator Systems Expenses
- 6230 Central Office Transmission Expenses
- 6310 Information Origination/Termination Expenses
- 6410 Cable and Wire Facilities Expenses

PLANT NON-SPECIFIC EXPENSES

- 6530 Network Operations Expenses

CUSTOMER OPERATIONS EXPENSES

- 6610 Marketing
- 6620 Services

(b) The costs of the general support facilities for Class B Companies (which are defined by part 32 of the Commission's Rules) are apportioned among the operations on the basis of the separation of the costs of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

[32 FR 17228, May 6, 1967, as amended at 38 FR 33012, Aug. 23, 1968]

CENTRAL OFFICE EQUIPMENT

§ 36.121 General.

(a) The costs of central office equipment are carried in the following accounts:

- Central Office Switching .. Account 2210
- Analog Electronic Switching .. Account 2211
- Digital Electronic Switching .. Account 2212
- Electro-Mechanical Switching .. Account 2215
- Operator Systems Account 2220
- Central Office—Transmission .. Account 2230
- Radio Systems Account 2240
- Circuit Equipment Account 2250

(b) Records of the cost of central office equipment are usually maintained for each study area separately by accounts. However, each account frequently includes equipment having more than one use. Also, equipment in one account frequently is associated closely with equipment in the same building in another account. Therefore, the separations procedures for central office equipment have been designed to deal with categories of plant rather than with equipment in an account.

(c) In the separation of the cost of central office equipment among the operations, the first step is the assignment of the equipment in each study area to categories. The basic method of making this assignment is the identification of the equipment assignable to each category, and the determination of the cost of the identified equipment by analysis of accounting, engineering and other records.

(1) The cost of common equipment not assigned to a specific category (e.g., common power equipment, including emergency power equipment, aisle lighting and framework, including distributing frames, is distributed among the categories in proportion to the cost of equipment, (excluding power equipment not dependent upon common power equipment) directly assigned to categories.

(1) The cost of power equipment used by one category is assigned directly to that category, e.g., 130 volt power supply provided for circuit equipment. The cost of emergency power equipment protecting only power equipment use

↑
Definition of Big Three

Kentucky Big 3 Factor

Source data: GTE ARMIS datafile from the Separations Group

The factor being used in this filing is based on the Big 3 factor that is currently used within the GTE financial system to allocate costs that use this factor as an allocation basis.

The development of the factor was based on June 1997 12 months-to-date data.

Regulated Big Three Expenses				
1998 Factors				
Based on June 1997				
Study				
#	Study Name	Factor	Amount	Percent
1	GTE NORTH - ILLINOIS	Q		
2	GTE NORTH - GTE ILLINOIS	Q		
3	GTE NORTH - INDIANA	Q		
4	GTE NORTH - GTE INDIANA	Q		
6	GTE NORTH - MICHIGAN	Q		
7	GTE NORTH - OHIO	Q		
8	GTE NORTH - PENNSYLVANIA	Q		
9	GTE NORTH - GTE PENN - PENNSYLVANIA	Q		
10	GTE NORTH - GTE PENN - QUAKER STATE	Q		
11	GTE NORTH - WISCONSIN	Q		
17	GTE SYS OF THE SOUTH - ALABAMA	Q		
18	GTE SOUTH - ALABAMA	Q		
21	GTE KENTUCKY	Q		
22	GTE SOUTH - KENTUCKY	Q		
23	GTE NORTH CAROLINA	Q		
24	GTE SOUTH - NORTH CAROLINA	Q		
25	GTE SOUTH CAROLINA	Q		
26	GTE SOUTH - SOUTH CAROLINA	Q		
28	GTE VIRGINIA	Q		
29	GTE SOUTH - VIRGINIA	Q		
32	GTE FLORIDA	Q		
33	CONTEL OF CALIFORNIA - CALIFORNIA	Q		
34	CONTEL OF CALIFORNIA - NEVADA	Q		
35	CONTEL OF CALIFORNIA - ARIZONA	Q		
36	GTE CALIFORNIA	Q		
37	GTE HAWAII	Q		
38	GTE NORTHWEST - IDAHO	Q		
39	CITIZENS - GTE NW - GTE WEST - IDAHO	Q		
40	CITIZENS - GTE NORTHWEST - MONTANA	Q		
41	GTE NORTHWEST - OREGON	Q		
43	GTE NORTHWEST - GTE SYS NW - OREGON	Q		
44	GTE NORTHWEST - GTE SYS NW - WASH	Q		
45	GTE NORTHWEST - WASHINGTON	Q		
46	GTE NORTHWEST - CA (WEST COAST TEL)	Q		
47	GTE ALASKA	Q		
48	GTE ARKANSAS	Q		
49	GTE ARKANSAS - GTE SYS OF ARKANSAS	Q		
50	GTE SOUTHWEST - ARKANSAS	Q		
51	CITIZENS - GTE WEST - ARIZONA	Q		
52	GTE WEST - NEW MEXICO	Q		
53	GTE SOUTHWEST - NEW MEXICO	Q		
54	GTE SOUTHWEST - OKLAHOMA	Q		
55	GTE TEXAS	Q		
56	GTE SOUTHWEST - TEXAS	Q		
57	GTE MIDWEST - GTE MISSOURI	Q		

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58	GTE MIDWEST - GTE EASTERN MISSOURI	Q		
59	GTE MIDWEST - GTE SYS OF MISSOURI	Q		
60	GTE MIDWEST - MISSOURI	Q		
62	GTE MIDWEST - GTE IOWA	Q		
63	GTE MIDWEST - GTE SYS OF IOWA	Q		
64	GTE MIDWEST - IOWA	Q		
65	GTE MIDWEST - NEBRASKA	Q		
66	GTE MINNESOTA (FORMER GTE MW-MN)	Q		
67	GTE MINNESOTA	Q		
71	GTE SOUTH - ILLINOIS	Q		
72	GTE SYSTEM OF INDIANA	Q		
73	GTE SYSTEM OF MICHIGAN	Q		
74	MICRONESIA	Q		
75	INTERNATIONAL	Q		
85	GTECC	Q		
			3,544,521,795	1

ANNUAL REPORT

OF

GTE SOUTH INCORPORATED - KENTUCKY OPERATIONS

Exact Legal Name of Reporting Utility

4100 Roxboro Road

Durham, NC 27704

(Address of Utility)

TO THE

PUBLIC SERVICE COMMISSION

OF THE

COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 1998

INCOME STATEMENT ACCOUNTS

Schedule VI

Page 8 of 8

KPSC Form T (Revised 9/97)

Period Ending December 31, 1998

Account (a)	Account Title (b)	Total (c)	Salaries and Wages (d)	Benefits (e)	Rent (f)	Other Expenses (g)
6721	Accounting and Finance	3,426,021	1,801,000	322,000	N/A	1,303,021
6722	External Affairs	2,199,497	1,223,000	143,000	N/A	833,497
6723	Human Resources	4,893,958	1,452,000	510,000	N/A	2,931,958
6724	Information Management	18,983,444	1,606,000	9,428,000	N/A	5,948,444
6725	Legal	2,025,343	225,000	38,000	N/A	1,762,343
6726	Procurement	720,309	108,000	13,000	N/A	599,309
6727	Research & Development	625,029	0	0	N/A	625,029
6728	Other General & Administrative	6,172,324	1,898,000	438,000	N/A	4,036,324
	TOTAL GENERAL & ADMINISTRATIVE EXPENSE	37,045,925	8,113,000	10,893,000	N/A	18,039,925
	Provision for Uncollectible Notes Receivable	(904)	0	0	N/A	(904)
6790		38,546,849	8,829,000	11,000,000	N/A	18,717,849
	TOTAL CORP. OPER. EXPENSE	317,693,147	65,251,000	17,666,000	5,868,000	228,908,147
	TOTAL OPERATING EXPENSE	127,307,525	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
	NET OPERATING REVENUE					

operating Exp w/o Deprec. 199,214,008

Reg Op. Exp w/o Deprec from 4th Qtr Surveillance Report

167,224,021

70 Regulated 82.44%

GTE SOUTH INCORPORATED
KENTUCKY OPERATIONS
4TH QTR 1998

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Supplemental Information	Schedule 4
Adjusted Net Operating Income	Schedule 5
GTE South Capital Structure	Schedule 5A
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GTE SOUTH INCORPORATED
 KENTUCKY OPERATIONS
 INCOME STATEMENT
 QUARTERLY and 12 MONTHS TO DATE
 4TH QTR 1998

	Current Quarter			12 Months To Date		
	Total Kentucky	Interstate	Intrastate	Total Kentucky	Interstate	Intrastate
OPERATING REVENUES:						
Local Network	48,012,752	(396,849)	48,409,601	190,440,680	(1)	190,440,681
Network Access Revenue	37,139,159	20,150,655	16,988,504	181,496,947	102,981,094	78,515,853
Long Distance Revenue	3,458,460	1,638	3,456,822	18,254,343	2,849	18,251,494
Miscellaneous Revenue	5,593,373	1,421,556	4,171,817	34,973,310	5,506,270	29,467,040
Uncollectible Revenue	1,450,307	93,193	1,357,114	5,317,629	(416,226)	5,733,855
TOTAL OPERATING REVENUES	92,753,437	21,083,807	71,669,630	419,847,651	108,906,438	310,941,213
OPERATING EXPENSES:						
Plant Specific Operations	18,806,804	3,535,383	15,271,421	63,774,839	15,201,131	48,573,708
Plant Nonspecific Operations	6,487,383	2,260,430	4,226,953	27,281,596	7,295,293	19,986,303
Depreciation and Amortization Expense	35,337,813	6,085,885	29,251,928	116,819,570	23,249,250	93,570,320
Customer Operations Expense	11,379,528	1,733,857	9,645,671	37,761,126	8,269,251	29,491,875
Corporate Operations Expense	4,211,032	(427,485)	4,638,517	35,406,460	8,243,225	27,163,235
TOTAL OPERATING EXPENSES	76,222,560	13,188,070	63,034,490	281,043,591	62,258,150	218,785,441
Other Operating Income & Expense	21,163	5,028	16,135	161,224,021	7,261	125,215,121
Operating Federal Income Taxes	2,229,173	1,003,873	1,225,300	34,276,794	10,642,180	23,634,614
Operating State/Local Income Taxes	1,094,206	359,220	734,986	11,832,619	5,098,394	6,734,225
Operating Other Taxes	1,350,587	106,488	1,244,099	8,399,255	1,998,812	6,400,443
TOTAL OPERATING TAXES	4,673,966	1,469,581	3,204,385	54,508,668	17,739,386	36,769,282
TOTAL EXPENSES / OTHER / TAXES	80,917,689	14,662,679	66,255,010	335,582,819	80,004,797	255,578,022
NET OPERATING INCOME	11,835,748	6,421,128	5,414,620	84,264,832	28,901,641	55,363,191

% Intrastate 76.25%

GTE SOUTH INCORPORATED
 KENTUCKY OPERATIONS
 INCOME STATEMENT - SELECTIVE ITEMS
 QUARTERLY and 12 MONTHS TO DATE
 4TH QTR 1988

	Current Quarter			12 Months To Date		
	Total Kentucky	Interstate	Intrastate	Total Kentucky	Interstate	Intrastate
LOCAL NETWORK REVENUES						
Basic Local Service Revenues	39,614,727	0	39,614,727	152,791,506	0	152,791,506
Public Telephone Revenues	(3,913)	0	(3,913)	0	0	0
Customer Premise Revenues	3	0	3	3	0	3
Other Local Network Revenues	8,401,935	0	8,401,935	37,649,171	0	37,649,171
TOTAL LOCAL SERVICE REVENUES	48,012,752	0	48,012,752	190,440,680	0	190,440,680
NETWORK ACCESS REVENUES						
End User Revenues	6,780,990	6,781,422	(432)	27,234,385	27,234,385	(850)
Switched Access Revenues	24,100,691	12,190,701	11,909,990	126,949,988	69,017,868	57,932,100
Special Access Revenues	6,257,478	3,786,771	2,470,707	27,313,434	17,167,441	10,145,993
Universal Service Fund	0	(2,608,240)	2,608,240	0	(10,438,612)	10,438,612
Other Access Revenues	0	0	0	0	0	0
TOTAL NETWORK ACCESS REVENUES	37,139,159	20,150,654	16,988,505	181,498,947	102,981,082	78,515,855
OPERATING EXPENSES						
Network Support Expenses	456,989	85,907	371,082	1,122,958	267,684	855,284
General Support Expenses	6,797,683	1,277,857	5,519,826	20,326,643	4,844,982	15,481,661
C.O. Switching Expenses	5,427,564	1,020,297	4,407,267	13,207,826	3,148,168	10,059,658
Operator System Expenses	(294,926)	(55,441)	(349,367)	(438,766)	(104,583)	(334,183)
C.O. Transmission Expenses	594,875	111,827	483,048	2,132,576	508,313	1,624,263
Information Orig./Term. Expenses	(528,929)	(99,430)	(429,499)	952,779	227,101	725,678
Cable and Wire Expenses	6,353,548	1,194,387	5,159,161	28,470,823	6,309,486	20,161,337
TOTAL PLANT SPECIFIC EXPENSES	18,808,804	3,535,383	15,271,421	63,774,839	15,201,131	48,573,708
Other Property, Plant, & Equip Exp	139,765	48,699	91,066	442,352	118,288	324,064
Network Operations Expense	4,356,771	1,518,051	2,838,720	16,991,208	4,543,570	12,447,638
Access Expenses	1,990,847	683,680	1,297,167	9,849,038	2,633,435	7,214,601
TOTAL PLANT NONSPECIFIC EXPENSES	6,487,383	2,260,430	4,226,953	27,281,598	7,295,293	19,986,303
Marketing Services	3,608,566	549,824	3,058,742	13,730,502	3,006,822	10,723,680
	7,770,992	1,184,033	6,586,929	24,030,624	5,282,429	18,768,196
TOTAL CUSTOMER OPERATIONS EXPENSES	11,379,528	1,733,857	9,645,671	37,761,126	8,289,251	29,491,875
Executive and Planning	712,254	(72,305)	784,559	1,461,045	340,156	1,120,889
General and Administrative	3,498,778	(355,180)	3,853,958	33,945,415	7,903,099	26,042,346
TOTAL CORPORATE OPERATIONS EXPENSES	4,211,032	(427,485)	4,638,517	35,406,460	8,243,226	27,163,236

GTE SOUTH INCORPORATED
 KENTUCKY OPERATIONS
 CAPITALIZATION AND STATISTICS
 4TH QTR 1998

	Average Current Quarter			Average 12 Months To Date		
	Total Kentucky	Interstate	Intrastate	Total Kentucky	Interstate	Intrastate
CAPITALIZATION						
Common Equity (See Note 1)	307,496,711	68,236,230	239,260,481	323,164,732	76,998,834	246,165,899
Preferred Stock	120,585	26,759	93,826	253,588	60,421	193,167
Long Term Debt	227,932,037	50,580,128	177,351,909	208,378,726	49,649,350	158,729,376
Short Term Funds (Net)	12,365,931	2,744,109	9,621,822	26,082,687	6,214,591	19,868,097
Unamortized ITC Post - JDIC	1,958,696	434,652	1,524,044	2,320,955	553,002	1,767,953
Other Capital	0	0	0	0	0	0
TOTAL CAPITALIZATION	549,873,960	122,021,877	427,852,083	560,200,688	133,476,197	426,724,491
Total Equity Including JDIC	309,455,407	68,670,882	240,784,525	325,485,687	77,551,836	247,933,851
Capitalization of Nonregulated Activities	N/A	N/A	N/A	N/A	N/A	N/A

Note 1: Kentucky's capital is calculated by multiplying the GTE South capital on schedule 5A by the Kentucky percent of GTE South rate base on Schedule 6 except for the amount of JDIC which is identified on a Kentucky specific basis.

STATISTICS	
Access Lines at Quarter End	547,898
Average Access Lines	545,116
Weighted Cost of Debt Capital	7.33%
Short Term Cost of Debt Capital	5.30%
Long Term Cost of Debt Capital	7.44%
Number of Employees at Quarter End	1,666

GTE SOUTH INCORPORATED
 KENTUCKY OPERATIONS
 REGULATED PLANT INVESTMENT
 4TH QTR 1988

	Average Current Quarter		Average 12 Months To Date	
	Total Kentucky	Interstate	Total Kentucky	Interstate
JURISDICTIONAL TELEPHONE PLANT IN SERVICE				
LAND AND SUPPORT ASSETS				
Land	5,280,513	XXXXXXXXXXXX	5,228,647	XXXXXXXXXXXX
Motor Vehicles	13,334,471	XXXXXXXXXXXX	13,175,064	XXXXXXXXXXXX
Aircraft	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
Special Purpose Vehicles	735,889	XXXXXXXXXXXX	721,865	XXXXXXXXXXXX
Garage Work Equipment	10,182,564	XXXXXXXXXXXX	10,024,058	XXXXXXXXXXXX
Other Work Equipment	67,106,614	XXXXXXXXXXXX	66,433,431	XXXXXXXXXXXX
Buildings	1,822,781	XXXXXXXXXXXX	1,838,418	XXXXXXXXXXXX
Furniture	7,623,307	XXXXXXXXXXXX	7,633,037	XXXXXXXXXXXX
Office Equipment	8,468,432	XXXXXXXXXXXX	8,381,583	XXXXXXXXXXXX
General Purpose Computers	0	XXXXXXXXXXXX	4,128	XXXXXXXXXXXX
CENTRAL OFFICE ASSETS	283,770,286	XXXXXXXXXXXX	282,709,040	XXXXXXXXXXXX
Analog Electronic Switching	1,528	XXXXXXXXXXXX	(20,358)	XXXXXXXXXXXX
Digital Switching	7,686,354	XXXXXXXXXXXX	8,133,234	XXXXXXXXXXXX
Electro-Mechanical Switching	3,303,856	XXXXXXXXXXXX	3,698,571	XXXXXXXXXXXX
Operator Systems	205,140,184	XXXXXXXXXXXX	203,654,811	XXXXXXXXXXXX
Radio Systems	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
Circuit Equipment	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
INFORMATION ORIG./TERM. ASSETS	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
Station Apparatus	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
Customer Premise Wiring	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
Large PBX	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
Public Telephone Terminal Equipment	0	XXXXXXXXXXXX	0	XXXXXXXXXXXX
Other Terminal Equipment	6,343,686	XXXXXXXXXXXX	5,840,373	XXXXXXXXXXXX
CABLE AND WIRE ASSETS	94,917,527	XXXXXXXXXXXX	95,941,527	XXXXXXXXXXXX
Poles	386,390,137	XXXXXXXXXXXX	390,138,654	XXXXXXXXXXXX
Aerial Cable	50,672,845	XXXXXXXXXXXX	50,009,291	XXXXXXXXXXXX
Underground Cable	114,032,464	XXXXXXXXXXXX	115,546,011	XXXXXXXXXXXX
Buried Cable	644	XXXXXXXXXXXX	312	XXXXXXXXXXXX
Submarine Cable	628,601	XXXXXXXXXXXX	627,018	XXXXXXXXXXXX
Intrabuilding Network Cable	3,784,523	XXXXXXXXXXXX	3,862,250	XXXXXXXXXXXX
Aerial Wire	21,273,536	XXXXXXXXXXXX	21,031,988	XXXXXXXXXXXX
Conduit System	5,178,602	XXXXXXXXXXXX	4,984,212	XXXXXXXXXXXX
AMORTIZABLE ASSETS	1,309,653,756	968,141,282	1,287,346,002	988,640,542
Telephone Plant in Service	5,252,239	4,002,459	5,344,472	4,072,607
Telephone Plant Under Construction	0	0	0	0
Property Held for Future Telephone Use	3,750,513	2,925,244	4,188,847	3,188,888
Prepays	2,455,126	1,620,268	3,248,656	2,428,634
Materials and Supplies	3,000	2,292	3,000	2,292
RTB Stock	9,085,499	7,507,236	9,123,557	8,058,366
Cash Working Capital	687,695,877	187,768,211	676,481,488	618,032,176
Depreciation and Amortization	106,403,429	32,315,455	112,459,584	87,478,009
Deferred Income Taxes	0	0	0	0
Unamortized ITC Pre-JDKC	(19,678,788)	(4,582,081)	(16,954,391)	(13,024,925)
Net Retirement Benefits	543,860,625	120,488,767	548,347,034	417,811,898
RATE BASE		423,489,656		130,535,038

GTE SOUTH INCORPORATED
 KENTUCKY OPERATIONS
 SUPPLEMENTAL INFORMATION
 4TH QTR 1998

	Current Quarter			12 Months To Date		
	Total Kentucky	Interstate	Intrastate	Total Kentucky	Interstate	Intrastate
Expenses of Service Corporation Expenses of Corporate Headquarters	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A
Total Salaries & Wages Salaries & Wages Expensed	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2
Total Benefits/Pensions Benefits/Pensions Expensed	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2	Note 2 Note 2
Allowed Rate of Return - Last Rate Case On Net Rate Base	xxxxxx xxxxxx	xxxxxx xxxxxx	10.60% 12.75%	xxxxxx xxxxxx	xxxxxx xxxxxx	10.60% 12.75%
On Equity						
Earned Rate of Return - Current On Net Rate Base (Note 1)	xxxxxx xxxxxx	xxxxxx xxxxxx	5.11% 3.29%	xxxxxx xxxxxx	xxxxxx xxxxxx	11.08% 13.36%
On Equity (Note 1)						
Directory Revenues	1,110,208	63,654	1,046,552	26,084,482	1,495,537	24,588,945
Directory Expense	398,673	22,858	375,815	9,802,149	550,533	9,051,616
B&C Revenues	1,558,808	707,891	851,215	5,932,467	2,814,590	3,117,877
AFUDC	49,639	11,817	37,822	246,857	58,765	188,082
Revenues Reserves or Deferred	0	0	0	0	0	0

Note 1: Twelve months to date current rates of return reflect normalized results detailed on Schedule 5. The quarterly rates of return are based on booked data.

Note 2: GTE implemented new reporting software with the April 1998 accounting period. This information is not readily available.

GTE SOUTH INCORPORATED
 KENTUCKY OPERATIONS
 ADJUSTED NET OPERATING INCOME
 12 MONTHS TO DATE
 4TH QTR 1988

	Total Kentucky			Intrastate		
	Before Tax Net Operating Income Increase	Federal and State Income Tax Increase	After Tax Net Operating Income Increase	Before Tax Net Operating Income Increase	Federal and State Income Tax Increase	After Tax Net Operating Income Increase
Net Operating Income	130,374,245	46,108,413	84,264,832	85,732,030	30,368,839	55,363,191
Adjustments:						
Employee Telephone Concession Service	303,562	122,525	181,037	231,455	83,421	138,034
Contributions	8	3	5	6	2	4
Directory Advertising	0	0	0	0	0	0
Subtotal	303,570	122,528	181,042	231,461	83,423	138,038
Out of Period/Nonrecurring						
(1) Revenue Settlement Adjustment	(782,000)	(315,635)	(466,365)	(782,000)	(315,635)	(466,365)
(2) Uncollectible Rev True-Up - IXC	(1,664,316)	(671,759)	(992,556)	(739,727)	(298,672)	(441,166)
(3) Correction of Job Development Assessment	(1,021,972)	(412,483)	(609,479)	(798,172)	(322,182)	(476,010)
(4) 1987 OPEB Settlement True-up	(2,701,822)	(1,080,523)	(1,611,299)	(2,072,642)	(836,570)	(1,236,072)
(5) Property Taxes True-up	(940,000)	(378,406)	(560,593)	(716,309)	(289,120)	(427,189)
(6) USF Subsidy Elimination	(10,408,004)	(4,200,123)	(6,205,881)	(10,408,004)	(4,200,123)	(6,205,881)
(7)	0	0	0	0	0	0
(8)	0	0	0	0	0	0
(9)	0	0	0	0	0	0
(10)	0	0	0	0	0	0
(11) Other	100,296	40,482	59,814	68,442	26,818	39,624
Subtotal	(17,415,817)	(7,029,459)	(10,386,358)	(15,448,412)	(6,235,366)	(9,213,047)
Total Adjustments	(17,112,247)	(6,906,931)	(10,205,316)	(15,216,961)	(6,141,942)	(9,075,009)
Adjusted Net Operating Income	113,261,998	39,202,482	74,059,516	70,515,079	24,226,897	46,288,182

Out of Period/Nonrecurring Adjustment Explanations:

- (1) To record normalization of revenue settlement booked within the period but pertaining to a prior period.
- (2) To record the true-up of IXC uncollectible revenues reserve booked 4/1988 pertaining to 1-12/1987.
- (3) To record a correction of the Job Development Authority Assessment booked 3/1988 pertaining to 1986 and 1987.
- (4) To remove the OPEB settlement booked 05/ 1988 pertaining to 1997.
- (5) To record the true-up of property taxes booked 12/1988 pertaining to 1987.
- (6) USF Subsidy Elimination
- (7)
- (8)
- (9)
- (10)
- (11) Other miscellaneous adjustments.

GTE SOUTH INCORPORATED
 GTE SOUTH CAPITAL STRUCTURE
 QUARTERLY AND 12 MONTHS TO DATE
 4TH QTR 1998

Schedule 5A

	QUARTER AVERAGE			WT COST
	AMOUNT	% OF TOTAL	COST RATE	
Common Equity	1,050,358,525	55.92%	3.29%	1.84%
Preferred Stock	411,900	0.02%	5.23%	0.00%
Bonds	778,578,598	41.45%	7.44%	3.09%
Short Term Funds (Net)	42,239,999	2.25%	5.30%	0.12%
Unamortized ITC Post - JDIC	6,691,636	0.36%	5.06%	0.02%
TOTAL	1,878,280,658	100.00%		5.06% (A)

(A) Quarterly Net Operating Income
 Kentucky Allocated Capitalization
 Return on Capital

5,414,620
 427,852,083
 5.06%

	12 MTD AVERAGE			WT COST
	AMOUNT	% OF TOTAL	COST RATE	
Common Equity	1,074,656,175	57.73%	13.36%	7.71%
Preferred Stock	843,283	0.05%	5.06%	0.00%
Bonds	692,945,307	37.23%	7.61%	2.83%
Short Term Funds (Net)	86,735,706	4.66%	5.67%	0.28%
Unamortized ITC Post - JDIC	6,302,279	0.34%	10.85%	0.04%
TOTAL	1,861,482,751	100.00%		10.85% (B)

(B) 12 MTD Net Operating Income (Note)
 Kentucky Allocated Capitalization
 Return on Capital

46,288,182
 426,724,491
 10.85%

Note: Twelve months to date net operating income reflects normalized results detailed on Schedule 5. The quarterly net operating income reflects booked data.

GTE SOUTH INCORPORATED
 GTE SOUTH RATE BASE
 QUARTERLY AND 12 MONTHS TO DATE
 4TH QTR 1998

	CURRENT <u>QTR AVG</u>	12MTD <u>AVG</u>
Telephone Plant in Service	4,314,589,296	4,266,425,129
Telephone Plant Under Construction	19,271,507	16,748,861
Property Held for Future Telephone Use	0	0
Prepays	13,144,862	14,590,306
Material and Supplies	8,514,238	11,294,618
RTB Stock	1,013,222	1,013,222
Cash Working Capital	38,199,952	8,768,282
Depreciation and Amortization Reserve	2,175,131,692	2,102,443,706
Deferred Income Tax	371,116,440	387,878,358
Unamortized ITC pre-JDIC	0	0
Net Retirement Benefits	<u>-9,623,003</u>	<u>5,038,043</u>
GTE South Rate Base	<u>1,858,107,948</u>	<u>1,823,480,312</u>
KY Operations Rate Base	543,968,625	548,347,034
KY % of GTE South Rate Base (Note 1)	29.28%	30.07%

Note: 1 Represents percent of GTE South capital structure allocated to Kentucky operations in Schedule 2.
 This percent is used in allocating GTE South's Capital from schedule 5 to Kentucky operations on schedule 2.

SUMMARY OF CURRENTLY APPROVED PARAMETERS

Entity/Co: GTE SOUTH (90)
 State: KENTUCKY
 Basis: P&C
 Juris: KY, KT (Combined GTE & CTC)
 Last Update: 7-4-98
 Docket No: 97-046

194315

GTE ACCT	DESC	1-1-98 PLANT BALANCE	1-1-98 RESERVE BALANCE	MAX RES	1998 ANNUAL DEPREXP	ANNUAL AMORT	PERIOD	1998 DEPR RATE	RATE EFF DATE	ELG EFF DATE	DEPR RATE TYPE	RES RATIO FOR RL CALC.	RL YRS	FNS %	CALC RATE %	ASL YRS	ANS %	CURVE YEARS	AYFR/ PROJ LIFE
----------	------	----------------------	------------------------	---------	---------------------	--------------	--------	----------------	---------------	--------------	----------------	------------------------	--------	-------	-------------	---------	-------	-------------	-----------------

2112	MVZ																			
2113	AIZ																			
2114	SPZ																			
2115	GWZ																			
2116	OWZ																			
2121	BUZ																			
2122	FEZ																			
2123.1	OES																			
2123.2	OEC																			
2124	G CZ																			
2211	AEZ																			
2212	DEZ																			
2215	EMZ																			
2220	OSZ																			
2231	RDZ																			
2232	CRZ																			
2351	PTZ																			
2382	OTZ																			
2411	PLZ																			
2421.1	ACM																			
2421.2	ACN																			
2422.1	UGM																			
2422.2	UGN																			
2423.1	BCM																			
2423.2	BCN																			
2424	SCZ																			
2428	IBZ																			
2431	AWZ																			
2441	UCZ																			

COMPOSITE - INCLUDING AMORT

NOTE: The Theo Res deficiencies were calc'd using RL=0 and ASL=18

REG REMAINING LIFE GROUP - EQUAL LIFE GROUP
 RVG REMAINING LIFE VINTAGE GROUP
 WVG WHOLE LIFE VINTAGE GROUP
 AMT AMORTIZATION
 PLUG PLUGGED RATE
 ECON ECONOMIC LIFE

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GTE Telephone Operations
 Effective Tax Rates - Gross Investment, Net Investment and FMV
 Analysis by State-Alphabetical Listing

11/18/98

State/GTE Legal Entity	** E.T.R. ** Gross Investment	** E.T.R. ** Net Investment	** E.T.R. ** Fair Market Value	State/GTE Legal Entity	** E.T.R. ** Gross Investment	** E.T.R. ** Net Investment	** E.T.R. ** Fair Market Value
Alabama:				Nebraska:			
GTE South Incorporated				GTE Midwest Incorporated			
Conitel of the South, Inc.				Nevada:			
Arizona:				GTE California Incorporated			
GTE California Incorporated				New Mexico:			
Arkansas:				GTE Southwest Incorporated			
GTE Arkansas Incorporated				North Carolina:			
GTE Midwest Incorporated				GTE South Incorporated			
GTE Southwest Incorporated				North Dakota:			
California:				Conitel of Minnesota, Inc.			
GTE California Incorporated				Ohio:			
GTE West Coast Incorporated				GTE North Incorporated			
Florida:				Oklahoma:			
GTE Florida Incorporated				GTE Arkansas Incorporated			
Hawaii:				GTE Southwest Incorporated			
GTE Hawaii Tel. Co., Inc.	N.A.	N.A.	N.A.	Oregon:			
Idaho:				GTE Northwest Incorporated			
GTE Northwest Incorporated				Pennsylvania:			
Illinois:				GTE North Incorporated			
GTE North Incorporated				South Carolina:			
GTE South Incorporated				GTE South Incorporated			
Indiana:				Tennessee:			
GTE North Incorporated				GTE South Incorporated			
Conitel of the South, Inc.				Texas:			
Iowa:				GTE Southwest Incorporated			
GTE Midwest Incorporated				GTE North Incorporated			
Conitel of Minnesota, Inc.				Utah:			
Kansas:				GTE Southwest Incorporated			
GTE Midwest Incorporated				Virginia:			
Kentucky:				GTE South Incorporated			
GTE South Incorporated				Washington:			
Michigan:				GTE Northwest Incorporated			
GTE North Incorporated				Wisconsin:			
Conitel of the South, Inc.				GTE North Incorporated			
Minnesota:				Total Telops			
Conitel of Minnesota, Inc.							
Missouri:							
GTE Arkansas Incorporated							
GTE Midwest Incorporated							

Report by Tax Rate (ETR) (GROSS INVESTMENT) = 1997 Property Taxes PAID

12/31/96 GROSS INVESTMENT

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Prepared September 23, 1998

Weighted Avg. Of Svc. Corp. I, II & BDI Division Procrates and Direct Actuals

	footnote 1	footnote 2	footnote 3	footnote 4	footnote 5	Total	Network Services	All Other SBU's Excluding Parent	Total
August YTD									
Svc. Corp. II & BDI									
Network Services									
GTE Long Distance									
GTE CLEC									
GTE Customer Networks									
GTE Enterprise Solutions									
GTE Media Ventures									
GTE Internetworking									
GTE DS									
Supply									
Directories									
Government Systems									
Wireless									
Foreign									
All Other									
Parent									
- all Non SAP companies									
Total								71	

footnote 1: August YTD procrates and direct actuals for Svc. Corp. 11 & BDI divisions of GTE Service Corp. Records for these two divisions are maintained in TX.

footnote 2: August YTD procrates actuals for Svc. Corp. 1 division of GTE Service Corp. Records for the division are maintained in Stamford, CT.

footnote 3: August YTD direct actuals for Svc. Corp. 1 division of GTE Service Corp. Records for this division are maintained in Stamford, CT.

footnote 4: National Advertising direct bill from Svc. Corp. division 1.

footnote 5: Estimated netless for selected workcenters called "Greenhouse" which had incorrect time survey distributions in the August YTD actuals. YTD correction will be made to workcenter distribution in November.

filename: 123 flsweighted avg. for merger filing

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Notes

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF BELL)
ATLANTIC CORPORATION AND)
GTE CORPORATION FOR ORDER) CASE NO. 98-519
AUTHORIZING TRANSFER OF)
UTILITY CONTROL)

O R D E R

On October 2, 1998, GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") (hereinafter "Joint Applicants") filed a petition requesting approval of a transfer of utility control which would result in GTE's becoming a wholly owned subsidiary of Bell Atlantic.

GTE provides local exchange service in twenty-eight states to approximately 22.3 million access lines. GTE South, GTE's local exchange company operating in Kentucky, serves approximately 524,000 access lines in Kentucky. Bell Atlantic's operating companies serve approximately 40.8 million access lines primarily in the northeast and mid-Atlantic states. Bell Atlantic provides long-distance service in Kentucky to approximately 100 customers through two subsidiaries.

The merger is proposed to occur in two steps: GTE would merge into Beta Gamma Corporation, a subsidiary of Bell Atlantic, which has been created to facilitate this merger. GTE would be the surviving subsidiary and Bell Atlantic would be the surviving parent corporation. GTE's local exchange subsidiaries, such as GTE South, would become second-tier subsidiaries of Bell Atlantic.

Joint Applicants must meet the standards set forth in both KRS 278.020(4) and (5) to receive approval of the transfer. Section 4 states that approval of a transfer will occur if the acquiring utility "has the financial, technical, and managerial abilities to provide reasonable service." Section 5 states that the Commission shall approve a proposed acquisition when it finds that the transfer is "made in accordance with law for a proper purpose and is consistent with the public interest." In the absence of mutually accepted extensions of time, the Commission has sixty days to review a transfer application. The Joint Applicants agreed to extensions to April 15, 1999.

The Joint Applicants have repeatedly been asked to supply information necessary to determine whether the transfer will meet the statutory standards. Despite an informal conference, data requests, and a public hearing, the information supplied by Joint Applicants before and during the hearing is insufficient for the Commission to determine whether the statutory standards are met. GTE and Bell Atlantic have provided only general statements regarding their intentions. The generic information about the merger provided to date is not sufficient to permit this Commission to approve it consistent with its statutory mandate to safeguard the public interest of Kentuckians. Accordingly, it cannot approve the proposed merger at this time.

Joint Applicants may refile their petition, but such filing must include at a minimum specific and detailed documentation regarding the following:

1. Quantification of the benefits to Kentucky of the proposed merger. The evidence of record indicates that Joint Applicants believe that certain general benefits will be realized in Kentucky. However, their statements in support of those beliefs are unacceptably vague. For example, Joint Applicants state that the availability of

advanced services is one benefit of the merger. In any refiling, they must identify specifically those advanced services which will be made available in Kentucky as a result of the merger and must describe the specific services that Bell Atlantic plans to introduce in its Kentucky market. In addition, Joint Applicants have indicated that bundling or packaging of services will be made available to Kentuckians as a result of the merger. A refiling is expected to specify which services will be packaged and to explain why such packaging is not available from GTE alone.

2. In any refiling, Joint Applicants must specify the mechanisms and safeguards which they will employ to ensure that service quality does not erode in Kentucky. These specifications must include GTE's plan to continue addressing problem areas identified in its management audit.

3. Joint Applicants have failed to explain the details of their proposed merger. In any refiling, Bell Atlantic and GTE must supply information concerning their intention to continue operating separately, the expected time frame to merge their operating companies, and the effect the merger of operating companies would have on rates and services in Kentucky.

4. In any refiling, Joint Applicants must specify whether the merger will affect any interLATA local calling routes currently provided by GTE South to its Kentucky customers and whether the merger will affect the continuation of interLATA interexchange service offered by GTE Long Distance to its Kentucky customers. The effect that the merger will have on cellular customers of GTE and Bell Atlantic affiliates must also be described.

5. The Commission is concerned about the market power which may be exercised as a result of the merger of GTE and Bell Atlantic and its effect on telecommunications competition in Kentucky. The merged company would, Joint Applicants state, enter the Louisville local exchange market within eighteen months of merger consummation. The applicants have not, however, addressed the benefits such competition would bring to GTE's incumbent local exchange customers and to other areas of Kentucky. In any refiling, Joint Applicants must address the consequences their proposed merger will have on competition in telecommunications services in Kentucky. This discussion must include the effect any changes in the level of competition will have on GTE's ability to provide reasonable service at fair, just, and reasonable rates, and must include an explanation of why the merger will not enable the Joint Applicants to exercise inappropriate market power in Kentucky.

6. Finally, in any refiling, Joint Applicants must provide detailed information to the Commission in regard to the expected costs and savings attributable to the merger for the GTE South operation in Kentucky. This information must include an analysis of the total projected merger costs and savings at the corporate level by year through the time period in which projected net merger-related savings are fully realized. This analysis must describe all the assumptions used by the Joint Applicants in calculating projected merger costs and the projected \$2 billion savings. Joint Applicants must also file projected costs and savings allocated to the Kentucky jurisdictional level. GTE and Bell Atlantic must also include detailed plans on a year-by-year basis for providing tangible cost savings through rate reductions or network upgrades to the Kentucky jurisdiction.

The Commission having considered the Joint Applicants' petition and other evidence of record, and being otherwise sufficiently advised, HEREBY ORDERS that:

1. The Joint Applicants' petition for approval of the merger of GTE and Bell Atlantic is denied, and this case is dismissed without prejudice.

2. Joint Applicants may refile their application at their discretion and shall at a minimum include information described herein.

Done at Frankfort, Kentucky, this 14th day of April, 1999.

By the Commission

ATTEST:

Executive Director

CASE 99-296

Kentucky

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PUBLIC SERVICE
COMMISSION

**GTE/Bell Atlantic
Merger**



Shuell Workpapers

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REPRODUCED FROM 20/25 FOOT COPIES

1. **Pre - Merger Announcement Analysis by Bell Atlantic dated 7/19/98**
2. **Paul Shuell Pre-Merger Announcement Analysis**
3. **Various reference documents reviewed and considered by Mr. Shuell**
4. **Statistical Analysis prepared by Mercer Management Consulting**
5. **Revenue & Expense Synergies made public on July 28, 1998**
6. **Synergy Analysis dated 8/21/98**
7. **Workpaper related to Synergy Analysis (Tab 6)**
8. **Merger Cost Workpaper**
9. **Merger Implementation Cost Workpaper - Severance Estimate**
10. **Merger Implementation Cost Workpaper - Systems Estimate**
11. **Merger Implementation Cost Workpaper - Branding Estimate**
12. **Direct Incremental Merger / Transaction Cost Estimate**
13. **Merger Cost Workpaper - Cost by Business Entity**
14. **Merger Cost Workpaper - Calculation of Composite Cost Factors**

Attached are workpapers prepared by Bell Atlantic which were provided to witness, Paul Shuell (prior to the announcement of the Merger on July 28, 1998) for his review.

Attached is handwritten analysis created by witness Paul Shuell. This information was never typed due to its sensitive nature and time limitations.

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BA

A / G Synergy Development

July 23, 1998

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(Dollars in Millions)

A / G Pre-tax Synergies

	Yr1-'00	Yr2-'01	Yr3-'02	Yr4-'03	Yr5-'04
Pretax Synergy Revenue					
% of Combined Revenue					
EBITDA Margin					
EBITDA from Rev. Synergy					
Cash Operating Expense					
% of Combined COE					
CAPEX					
% of Combined CAPEX					
Total Pretax Synergy					

Benchmark - BEL/NYN Current Targets

	Yr1-'98	Yr2-'99	Yr3-'00	Yr4-'01	Yr5-'02
Pretax Synergy Revenue					
% of Combined Revenue					
EBITDA Margin					
EBITDA from Rev. Synergy					
Cash Operating Expense					
% of Combined COE					
CAPEX					
% of Combined CAPEX					
Total Pretax Synergy					

Note:

[Redacted text]

Handwritten notes:
Synergy
1/23/98
11:03 AM

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Revenue Synergy - Summary

	2000	2001	2002	2003	2004	2005	2006	2007
Revenue								
A/G ILEC								
A Region								
ID								
Data								
G Region								
ID								
Data								
Total								
% growth								
% EBITDA Margin								
A/G ILEC								
A Region								
ID								
Data								
G Region								
ID								
Data								
Total								
EBITDA								
A/G ILEC								
A Region								
ID								
Data								
G Region								
ID								
Data								
Total								
% growth								

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A / G ILEC Revenue Synergy - Combined

For Periods	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
-------------	------	------	------	------	------	------	------	------	------	------	------	------

Y / Q Combined
 Additive Revenue
 Plus Synergy
 Total Combined Revenue
 % Growth
 A / G
 % Growth
 Revenue / A / G
 % Growth

Y / Q ILEC Synergy Targets

Synergy Target as % of Revenue - Y / Q
 Synergy Growth post Year 5

Y / Q Synergy Revenue Target
 Synergy Achieved as % of Total Revenue
 % of Target Achieved

EBITDA Margin
 Incr EBITDA on Revenue Synergy

Synergy Benchmark - A / N

Synergy Target as % of Revenue - Y / S
 Synergy Growth post Year 5

A / N Synergy Revenue Target
 Synergy Achieved as % of Total Revenue
 % of Target Achieved

EBITDA Margin
 Incr EBITDA on Revenue Synergy

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10/18/00
10/18/00
10/18/00

G-Region LD & Data Revenue Synergy

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>G-Region Market Opportunity</u>												
LD	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Data	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>RBOC Expected Penetration</u>												
LD	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Data	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>G LD Penetration</u>												
Nationwide Penetration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
OOR Pro-rata Share - Unaffected	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
OOR Pro-rata Loss to RBOC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
OOR Pro-rata Share - Net	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>G Data Penetration</u>												
Nationwide Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
OOR Pro-rata Share - Unaffected	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
OOR Pro-rata Loss to RBOC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
OOR Pro-rata Share - Net	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>LD Market Penetration Synergy</u>												
% Incr to Baseline Plans	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LD Synergy Share - Net Gain	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>Data Market Penetration Synergy</u>												
% Incr to Baseline Plans	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Data Synergy Share - Net Gain	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>Total G-Region Market Penetration</u>												
LD	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Data	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>Revenue Synergy</u>												
LD	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Data	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue Synergy	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
% growth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>% EBITDA Margin</u>												
LD standalone	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Data standalone	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>EBITDA Synergy Attr. Inc.</u>												
Increased LD Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increased Data Revenue	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>Total EBITDA Synergy</u>												
Growth	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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G Miscellaneous Expense Synergy Development

\$ in Millions

A J D Start-up & Overhead

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Start up savings (pre-tax)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Start up savings (pre-tax)

Total

growth

B G Cellular

Revenues

growth (per DJ-Spring 1998)

% EBITDA Margin Improvement

Net Impact

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
growth (per DJ-Spring 1998)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
% EBITDA Margin Improvement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Impact	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Total Misc. EBITDA Synergy

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Misc. EBITDA Synergy	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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A/G ILEC Cash Operating Expense Synergy - Combined

For Months

1999

2000

2001

2002

2003

2004

2005

2006

2007

[REDACTED]

A/G ILEC Cash Operating Expense Synergy Targets

Synergy Target as % of COE - Yes

Synergy Growth post Year 5

A/G Synergy Expense Target

Synergy Achieved as % of COE

% of Target Achieved

[REDACTED]

Synergy Benchmark - A/N

Synergy Target as % of COE - Yes

Synergy Growth post Year 5

A/N Synergy Expense Target

Synergy Achieved as % of COE

% of Target Achieved

[REDACTED]

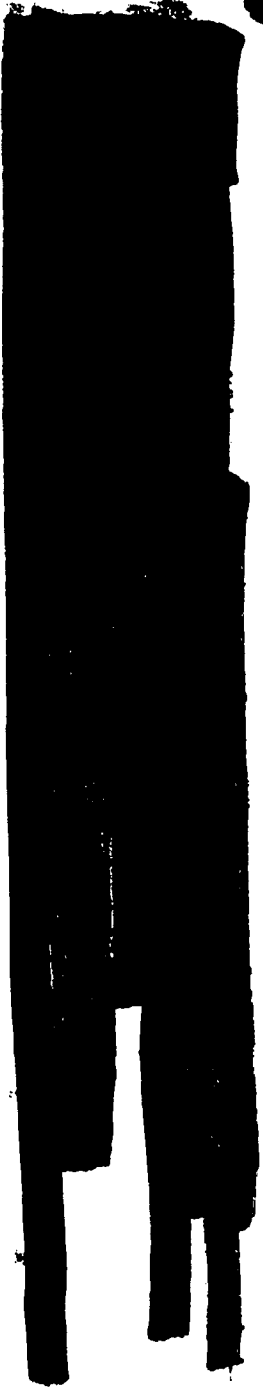
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p. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

A / G ILEC CAPEX Synergy - Combined

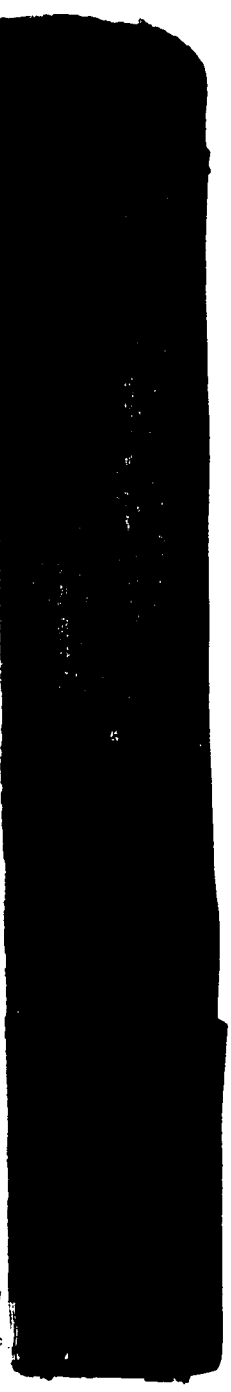
For Reference

A / G Combined
 Additive CAPEX
 Less Synergy
 Total Combined CAPEX
 % growth
 A/G
 % growth
 CAPEX / A/G
 % growth



A / G CAPEX Synergy Targets

Synergy Target as % of CAPEX - Yr 5
 Synergy Growth post Year 5



A / G Synergy CAPEX Target
 Synergy Achieved as % of CAPEX
 % of Target Achieved
 Synergy as % of Capex
 Adj. for Deferred Tax Shelter Loss
 T/C of CAPEX Synergy

Synergy Benchmark - A / N

Synergy Target as % of CAPEX - Yr 5
 Synergy Growth post Year 5



A / N Synergy CAPEX Target
 Synergy Achieved as % of CAPEX
 % of Target Achieved



Adj. for Deferred Tax Shelter Loss
 T/C of CAPEX Synergy



\$ in Millions

Facilities Build + Leased Facilities + Wholesale

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

Addressable Base
Transport Expense
CAPEX

Transport Synergy
@ 10% Savings
@ 40% Savings
@ 60% Savings
@ 80% Savings

CAPEX Synergy
@ 10% Savings
@ 40% Savings
@ 60% Savings
@ 80% Savings

Assumptions:

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1. Name of the Applicant
 2. Address of the Applicant
 3. Name of the Applicant
 4. Date of Birth
 5. Sex
 6. Marital Status
 7. Education
 8. Occupation
 9. Date of Application
 10. Signature of Applicant

11. Name of the Applicant
 12. Address of the Applicant
 13. Name of the Applicant
 14. Date of Birth
 15. Sex
 16. Marital Status
 17. Education
 18. Occupation
 19. Date of Application
 20. Signature of Applicant

21. Name of the Applicant
 22. Address of the Applicant
 23. Name of the Applicant
 24. Date of Birth
 25. Sex
 26. Marital Status
 27. Education
 28. Occupation
 29. Date of Application
 30. Signature of Applicant

31. Name of the Applicant
 32. Address of the Applicant
 33. Name of the Applicant
 34. Date of Birth
 35. Sex
 36. Marital Status
 37. Education
 38. Occupation
 39. Date of Application
 40. Signature of Applicant

41. Name of the Applicant
 42. Address of the Applicant
 43. Name of the Applicant
 44. Date of Birth
 45. Sex
 46. Marital Status
 47. Education
 48. Occupation
 49. Date of Application
 50. Signature of Applicant

51. Name of the Applicant
 52. Address of the Applicant
 53. Name of the Applicant
 54. Date of Birth
 55. Sex
 56. Marital Status
 57. Education
 58. Occupation
 59. Date of Application
 60. Signature of Applicant

Category	Value	Percentage
1. Total	100	100%
2. A	30	30%
3. B	40	40%
4. C	30	30%
5. D	10	10%
6. E	10	10%
7. F	10	10%
8. G	10	10%
9. H	10	10%
10. I	10	10%
11. J	10	10%
12. K	10	10%
13. L	10	10%
14. M	10	10%
15. N	10	10%
16. O	10	10%
17. P	10	10%
18. Q	10	10%
19. R	10	10%
20. S	10	10%
21. T	10	10%
22. U	10	10%
23. V	10	10%
24. W	10	10%
25. X	10	10%
26. Y	10	10%
27. Z	10	10%

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100

Total Estimated Expenses
 (Sum of Rows 1 thru 10) - \$100,000
 Total Estimated Income
 (Sum of Rows 11 thru 15) - \$100,000
 Total Estimated Net Income
 (Sum of Rows 16 thru 18) - \$0

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Estimated Total Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Estimated Total Income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Estimated Net Income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Estimated Total Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Estimated Total Income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Estimated Net Income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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217 2-1
Attached is handwritten analysis created by witness Paul Shuell. This information was never typed due to its sensitive nature and time limitations.

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	<u>Y 1</u>	<u>Y 2</u>	<u>Y 3</u>
Base Plan - ST138L	[REDACTED]	[REDACTED]	[REDACTED]
1% uplift due to incr. penetration in Vehicle Sec / - avoidance of MKT share erosion from Base plan and increase in other market synergy	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]
Accrued liab - insurance	[REDACTED]	[REDACTED]	[REDACTED]
Accrued pro - accrued liab to govt	[REDACTED]	[REDACTED]	[REDACTED]
EBITA Margin	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA Synergy	[REDACTED]	[REDACTED]	[REDACTED]

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Advisable
Mkt.

-2 - Market Opportunity:

BEL
GTE/RON
TOTAL

Yr 1

Yr 2

Yr 3

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

BEL opportunity:

BEL Plan Penetration
GTE share = BEL net - vit
TOTAL

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Synergy gain ①
TOTAL net share

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Revenue Impact

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

GTE opportunity

GTE DOF Penetration - vit
Synergy gain ②
TOTAL Mkt Share

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Revenue Impact

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

TOTAL LD

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

[REDACTED]

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	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>
Data - EN Market Opportunity:			
BEL	[REDACTED]	[REDACTED]	[REDACTED]
GTE	[REDACTED]	[REDACTED]	[REDACTED]

BEL Opportunity			
BEL Plan Penetration	[REDACTED]	[REDACTED]	[REDACTED]
GTE Share if BEL MKT-NET	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	[REDACTED]	[REDACTED]	[REDACTED]
Synergy Gain ④	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL MKT share	[REDACTED]	[REDACTED]	[REDACTED]

Revenue Impact	[REDACTED]	[REDACTED]	[REDACTED]
----------------	------------	------------	------------

GTE Opportunity			
GTE Nationwide Penetration	[REDACTED]	[REDACTED]	[REDACTED]
Synergy Gain	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL MKT share	[REDACTED]	[REDACTED]	[REDACTED]

Revenue Impact	[REDACTED]	[REDACTED]	[REDACTED]
----------------	------------	------------	------------

TOTAL Data	[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------	------------

[REDACTED]

Yr 1

Yr 2

Yr 3

- Data Processing / IT
 Spurring - non volume related
 e.g. Systems Devel, Facilities,
 voice comm, License Fee, etc.

[REDACTED]

- G + A - elimination of duplicate
 overhead / centralization

[REDACTED]

- Advertising / Prod. Deal

[REDACTED]

LD Transport @ 80% / 100%

[REDACTED]

- Wireless Margin Improvement
 - OTC to BCL OCFM

[REDACTED]

- Other:
 Network Planning / R + D
 Procurement / eLCC / Facilities
 Benefits etc

[REDACTED]

Total Expense Savings

[REDACTED]

To 2010/2011

[REDACTED]

Estimates = Spending per sup year (1995)

GTE

BEL (NYNY)

TOTAL

	% of 1995
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Minimum Target - GTE to BEL ratio

[REDACTED]

Hackitt July Data - 1995 DATA

GTE Hackitt

BEL (EST 91.15%)

TOTAL

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

(1995)

[REDACTED]

Estimate Revision (see attachment) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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3.1. Opportunity:

- Accessible G-A to 4.11 2000 contract (Pg 1)
3.0%
3.5%
4.0%

Yr. 3
[REDACTED]

- Based on Arms Best of Best (Pg 2)

[REDACTED]

- Project Rose - not approved (GTE only) (Pg 3)

[REDACTED]

ALL opportunities consist of elimination of duplicate activities (non value adding), consolidation, expansion of scope etc

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	<u>Amer. Tech</u> (best of class)	<u>GTE</u>	<u>BEL</u>	<u>NYNEX</u>
--	--------------------------------------	------------	------------	--------------

Revenue

	<u>10,686</u>	<u>12,065</u>	<u>11,162</u>	<u>12,237</u>
--	---------------	---------------	---------------	---------------

Executive

[REDACTED]

Planning

[REDACTED]

Asst

[REDACTED]

Ext. Rel

[REDACTED]

HR

[REDACTED]

Legal

[REDACTED]

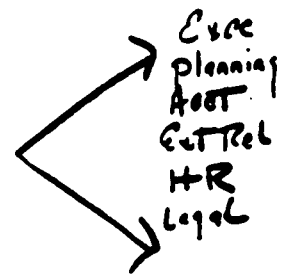
Total

[REDACTED]

Savings To Achieve BEST of Class:

GTE
 BEL
 NYNEX
 TOTAL

[REDACTED]



[REDACTED]

Requires Telco only

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GTE (address: G-A) 1997

	<u>GTE</u>	<u>BSL</u>	<u>TOTAL</u>
Admin / Oper / Maint.	[REDACTED]		
Finance	[REDACTED]		
HR	[REDACTED]		
Gen. / Reg. / Legal	[REDACTED]		
DA	[REDACTED]		
Training (excl. instructor)	[REDACTED]		

2/3 increases

Less Assumptions already
built into the plan 5% per yr.

Estimated year 2000

Efficiency - execution/planning, Finance (new volume related)
reg. aff. information, HR, etc.

* CORPORATE ACTU. ~ 200M

HL
GL
LE
PA
[REDACTED]

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Objective: In Merger want G+A expenses reduced by eliminating

Process: Merger Review was based primarily on Form M (Amis)

Observations:

- GTE's G+A is higher than peers (17% gap)
- other Telco's receiving factor than GTE.
- Part of difference is due to high employment and costs outside of G+A functions.

Analysis:

	<u>Current Spending</u>	<u>Potential Savings (1)</u>
HR	[REDACTED]	[REDACTED]
Finance	[REDACTED]	[REDACTED]
Legal	[REDACTED]	[REDACTED]
Exec Planning	[REDACTED]	[REDACTED]
C.T. Relations	[REDACTED]	[REDACTED]

(1) Includes \$6m expected savings due to productivity improvements in other non G+A areas, e.g. reduced headcount, lower payroll, HR/Exec. Comm, etc.

Attached is reference material examined by Mr. Shuell. Workpaper 3-1, is from Hackett Benchmarking Study in which GTE participated. Workpapers 3-2 and 3-3 are additional reference documents reviewed by Mr. Shuell.

From Market Benchmarking Study

GTE
1995 Total MMT Costs
(Incl. Billing of \$225M)

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Saving
Opportunity
% (synergy - non-
volume related)

Amount on
\$1B Base
(\$ in M)

GTE
1995

Processing Costs
(Includes Salaries, Fringe, Contractors & Outsourcing)

- Infrastructure Support (Production, Maintenance, etc.)
- Risk Management (Quality Control, Vendor Mgt., etc.)
- Systems Development (Software Devel., Project Mgt., etc.)
- Decision Support (Network Planning/Architecture Planning, etc.)
- Other

Overhead Costs

- Facilities
- Allocated Costs
- T&E
- Training

System Costs

- Voice Communication
- Depreciation
- Equipment Maintenance
- Operating Leases
- License Fees, etc.

GRAND TOTAL

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Port. BCL 15% before on frequency work.

IS Budget Analysis

IS Budget as a
% of Revenue

Top 500

Industry

Banking
Computers
Financial Services
Media
Telecommunications
Utilities

Telecommunications

Nynex
Sprint
Bell Atlantic
Airtel
Ameritech
GTE
AT&T
BellSouth
Pac Tel
MCI
SBC
US West

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carrier relies on the rule that 80% of important customer information comes from 20% of data.

As competition marches on, getting new products out quickly is a top priority. "Many of these companies would sell their mother for time to market," says Steve Freeman, a managing partner with Andersen Consulting's Communications Industry practice in Chicago.

Bell Atlantic is putting in systems that let customers who've moved to a new residence start their own service within five minutes of dialing a special number from that residence. "It's a way of keeping customers from going to competitors," Freeman says. US West is shortening the time it takes to design and build the infrastructure needed to deliver new services. For example, paper diagrams of network wire centers scanned into digital form enable US West technicians to quickly access the documents and, in some cases, reduce design-cycle time from three months to several days, says CIO Laube.

But a new service really isn't a service until you can bill for it. And as the carriers become more competitive, the ability to quickly bill for new products or packages—and to make use of the data gathered from those bills—can mean market share points.

In the early 1990s, MCI was able to steal market share from AT&T with its Friends & Family consumer discount plan, which was created entire-

ly out of a flexible billing platform. AT&T is striking back. The No. 1 long-distance company just finished building a billing system that not only brings AT&T closer to its customers but also lets it lump multiple services under one bill.

In the past, the local Bell companies would feed customer-usage information to AT&T, then AT&T would generate bills. Every time AT&T wanted to add a product, it had to wait for the Bells. With the new billing system, AT&T can quickly add products and package services from local telephony to long distance, from wireless to direct broadcast satellite TV. "At the new AT&T, we have to be able to provide one bill for all the various services a customer wants," Bergonzi says.

Bell Atlantic is finishing installing a system that lets the carrier add the infrastructure to bill for new products in days, as compared to months. At US West, Laube is focusing on improving the segment of the carrier's billing system that measures how long customers are on the phone.

Laube maintains that it's too risky to throw out the whole billing system. Andersen's Freeman concurs: "Billing systems are notoriously diffi-

cult to get right because they're right in the middle of business and connected to everything."

Just as important as getting new product out is improving customer-service productivity so that customers keep buying. Customer service can be a challenge at carriers such as US West, which receives more than 40 million customer-care calls a year. US West just installed a call-handling system that routes calls from anyone in the car-

rier's 14-state region to agents in any of its offices. The routing decision is based on skills, such as proficiency in a certain technology.

Updating Support Systems

US West is also revamping its support system architecture. In the past, every time the carrier added a product, it built a customer-service support system, leading to an unmanageable infrastructure. Now US West is working to give agents a single view of the customer, forsaking five years and \$20 million in software development costs for a Unix platform and 13,000 X terminals. It is moving to Windows NT workstations that will use mostly shrink-wrapped software. With the packaged software, US West programmers won't

Telecommunications Trends

Reengineering billing, customer-care, and marketing systems

Using the Internet, intranets, object-oriented programming, and data warehousing



NAME	RANK	CI	COMPANY	1995 BUDGET	1996 BUDGET	TOTAL EMPLOYEES	TOTAL # EMPLOYEES
1995	1996	INDEX	INDEX	1995	1996		
4	1	8828	AT&T	\$1,108,000,734	\$1,080,000,000	71,000	12,000
11	7	4042	GTE Corp.	\$7,270,702,982	\$ 804,304,000	111,000	6,000
69	38	2489	Sprint Corp.	\$ 680,000,000	\$ 740,000,000	47,000	2,119
110	65	21478	MCI Communications Corp.	\$1,000,000,000	—	41,000	3,000
122	63	2588	Bell Atlantic Corp.	\$ 680,000,000	\$1,100,000,000	67,000	2,400
161	142	17446	Alltel Corp.	\$ 180,414,225	\$ 147,670,000	16,000	1,000
174	114	18589	Ameritech Corp.	\$ 681,671,100	\$ 628,702,900	62,000	4,300
210	121	14285	SBC Communications Inc.	\$ 612,457,182	\$ 578,200,140	50,000	4,100
223	132	13791	BellSouth Corp.	\$7,140,007,000	\$ 620,000,170	62,000	3,700
269	179	12038	US West Communications Inc.	\$ 525,000,000	\$ 610,000,000	51,300	5,000
423	246	7402	Nynex Corp.	\$ 630,000,000	\$ 730,000,000	70,000	2,900
430	358	7238	Pacific Telesis Group	\$ 379,827,232	\$ 400,437,673	52,000	2,927

*S numbers are informationweek estimates.
See stories starting on p. 44 for explanations of CI index, 15 budget estimates, and 15 employee estimates.

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**Attached is an Analysis prepared by Mercer Management Consulting.
This statistical analysis was reviewed by Mr. Shuell.**

Contents

- Executive Summary
- - Overview
 - Strategic Fit
 - Summary of Synergies
- Revenue Synergies
- Cost Synergies
- Asset Overlap
- Analysis' View of Blue

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Executive summary: Overview

	Key Findings/Conclusions	Backup Pages
Strategic Fit		pp 1-15
Revenue Synergies		pp 17-31
Cost Synergies		pp 33-53

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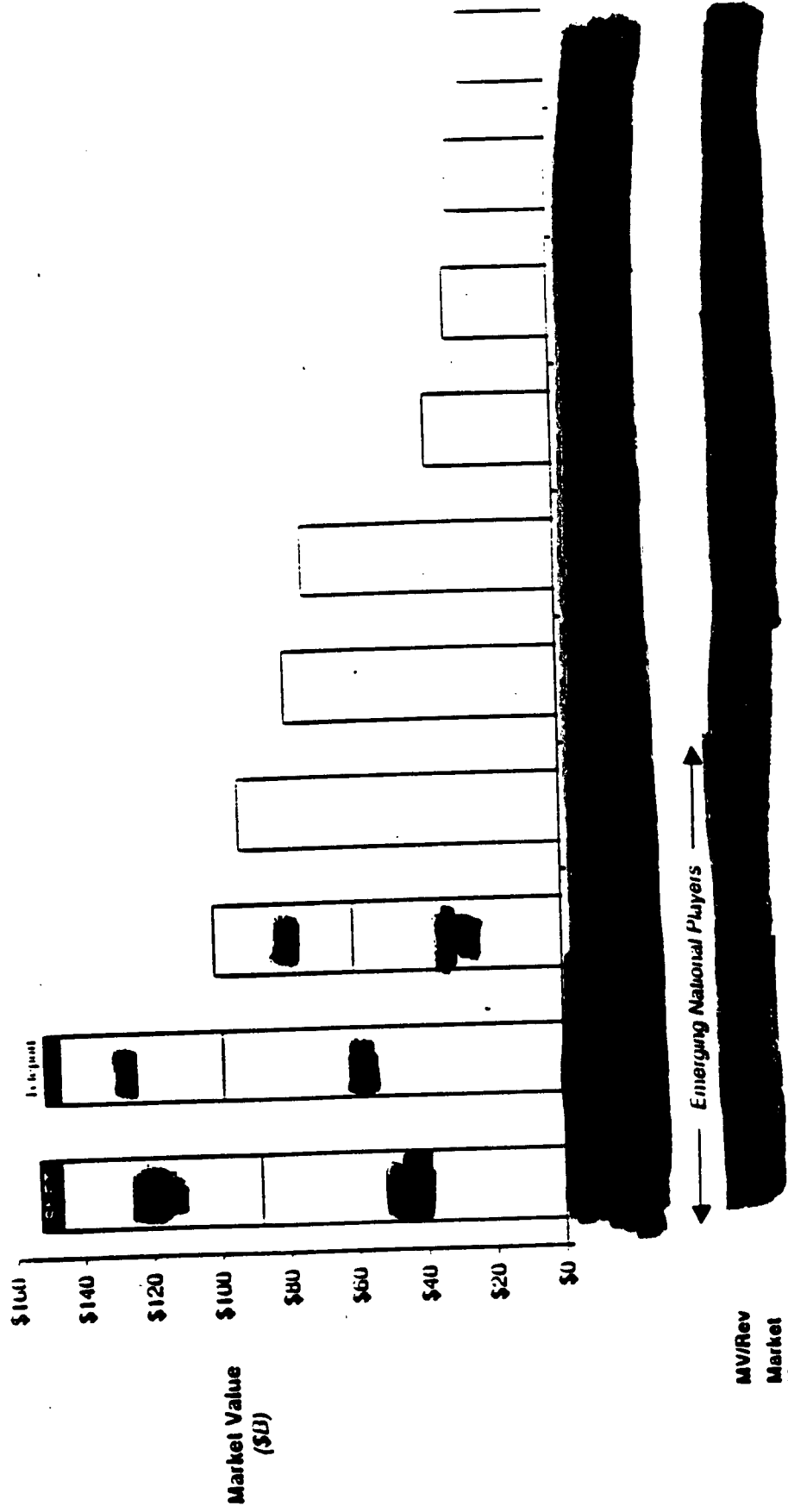
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- Revenue Synergies
- Cost Synergies
- Asset Overlap
- Analysts' View of Blue

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Strategic fit: Communications market values

Dominant national strategies are emerging.



ICI's market value is calculated as the price AT&T offered to buy ICI, which was \$37B plus \$11.3B in debt (Source: company press releases)
 Note: Market value is calculated as: (common shares outstanding X share price) + (long-term debt) + (short term debt and current long term debt)

Market value as of 7/2/98
 Long term debt as of 3/31/98
 Short term debt and current long term debt as of 3/31/98
 Revenue is for twelve months trailing 3/31/98

Source: Market Guide

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Strategic fit: Communications market values

Market Values (\$B)

Market Capitalization	[REDACTED]
Long-term Debt	[REDACTED]
Short-term Debt	[REDACTED]
Market Value	[REDACTED]
Revenue	[REDACTED]
Market Value/revenue	[REDACTED]

ICI's market value is calculated as the price AT&T offered to buy ICI, which was \$37B plus \$11.3B in debt (Source: company press releases)
Note: Market value is calculated as: (common shares outstanding X share price) + (long-term debt) + (short-term debt and current long term debt)
Market value as of 7/2/98
Long-term debt as of 3/31/98
Short-term debt and current long term debt as of 3/31/98
Revenue is for twelve months trailing 3/31/98
Source: Market Guide

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Strategic fit: Competitive positioning

A King/Blue combination would significantly enhance both companies' competitive positioning.

	King	Blue	King + Blue	AT&T/TCV Teleport	MC/WorldComm	SBC/Pac Tel/ Ameritech
Revenue (1997 \$B)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBIT (1997 \$B)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Income (1997 \$B)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Market Capitalization (\$B)¹	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Market Value (\$B)¹	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
MV/Revenue¹	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
MV/Book¹	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Businesses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Local (lines)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Wireless (Subs) ²	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• LD (1997 Revenue) ³	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• National Coverage	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Low Cost Operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Marketing/Sales/Brand	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• International Presence	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

¹ Market value is calculated as: (common shares outstanding X share price) + (long term debt) + (short term debt and current long term debt)
Market capitalization as of 7/2/98

² Long-term debt as of 3/31/98

³ Short term debt and current long term debt as of 3/31/98

Revenue is for twelve months ending 3/31/98

⁴ TCI's market value is calculated as the price AT&T offered to buy TCI, which was \$37B plus \$1.3B in debt (Source: company press releases)

⁵ DJ Wireless Communication Industry, 6/98 - all data Q1 1998

⁶ Total full service revenues as reported in Preliminary Statistics of Communications Common Carriers (1997)
Source for financials: Market Guide

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Strategic fit: Local service

Blue's service area is more urban and includes more business customers.

	King	Blue
Lines (total) <ul style="list-style-type: none"> • Switched (MM) • Non-switched (MM) • % business • % residential 	[REDACTED]	[REDACTED]
Line Growth (1994-1997 CAGR) <ul style="list-style-type: none"> • Switched • Non-switched 	[REDACTED]	[REDACTED]
Line Density (lines/km²)	[REDACTED]	[REDACTED]
Revenue/Line (per month) <ul style="list-style-type: none"> • Total • Local • Access • LD • Other* 	[REDACTED]	[REDACTED]
Operating Costs/Line (per month)	[REDACTED]	[REDACTED]
Assets/Line	[REDACTED]	[REDACTED]

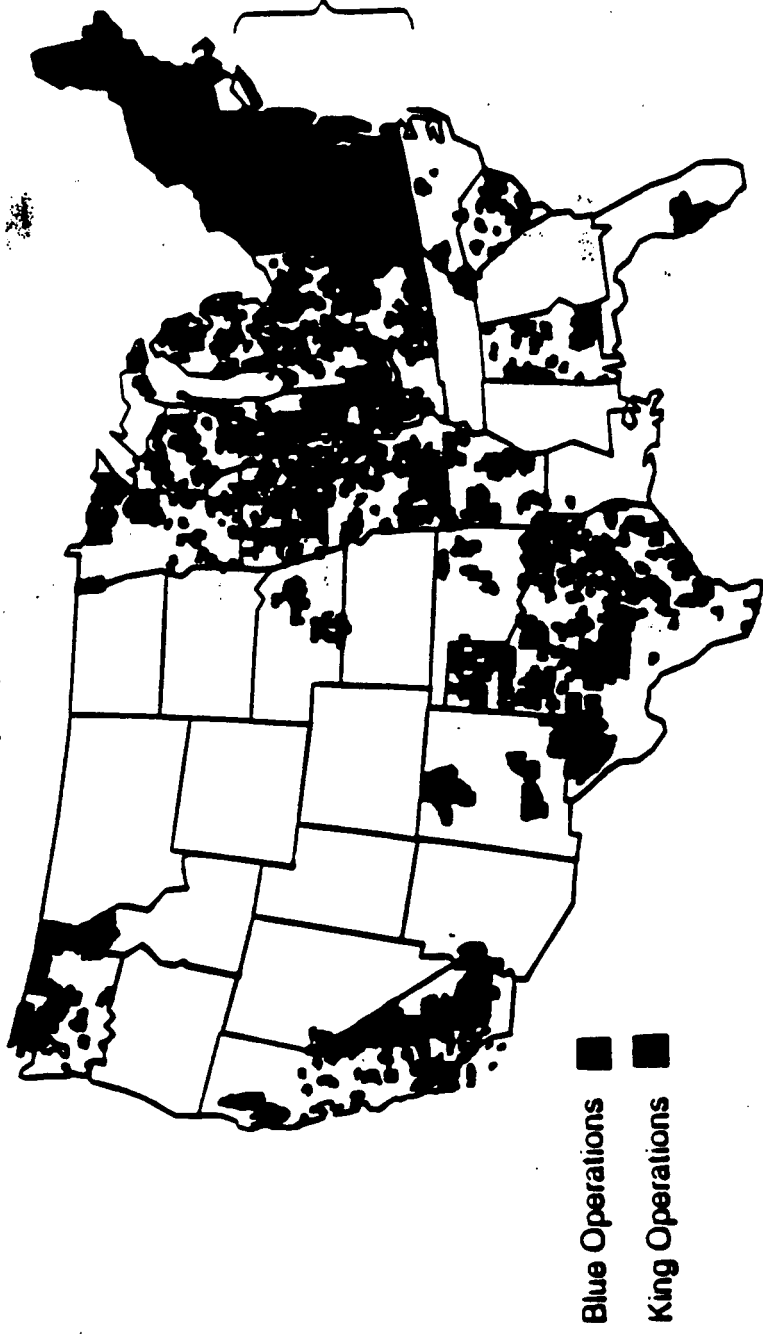
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*Includes: systems integration services, equipment and construction for other carriers, billing and collection for LD carriers, customer premises equipment services, facilities rental services, voice messaging
 Source: King annual report, 1997. *Statistics of Communications Common Carriers, 1997*

Strategic fit: Local service

King and Blue have adjacent local service areas only in Pennsylvania and Virginia.

Local Service Areas
(King and Blue)



Source: King and Blue July 28, 1998

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Strategic fit: Local service

Blue States	Total Lines (M)	Blue Lines (M)	King Lines (M)
NY, CT	[REDACTED]	[REDACTED]	[REDACTED]
ME, MA, NH, RI, VT	[REDACTED]	[REDACTED]	[REDACTED]
NJ	[REDACTED]	[REDACTED]	[REDACTED]
PA	[REDACTED]	[REDACTED]	[REDACTED]
VA	[REDACTED]	[REDACTED]	[REDACTED]
MD	[REDACTED]	[REDACTED]	[REDACTED]
DC	[REDACTED]	[REDACTED]	[REDACTED]
WV	[REDACTED]	[REDACTED]	[REDACTED]
DE	[REDACTED]	[REDACTED]	[REDACTED]

• King provides 2.8% of lines in Blue states

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Strategic fit: Wireless

Blue's wireless business has been growing quickly, but King has maintained higher revenue per subscriber.

	King	Blue
Adjusted Pops (Domestic, in M) ¹	[REDACTED]	[REDACTED]
• Cellular	[REDACTED]	[REDACTED]
• PCS	[REDACTED]	[REDACTED]
• Total ²	[REDACTED]	[REDACTED]
Subscribers (Q1 98, Domestic, in M)	[REDACTED]	[REDACTED]
Subscriber Growth (1997-1998)	[REDACTED]	[REDACTED]
Monthly Revenue/Subscriber (Q1 98)	[REDACTED]	[REDACTED]
Monthly Costs/Subscriber ⁴ (Q1 98)	[REDACTED]	[REDACTED]
EBITDA Margin (Q1 98)	[REDACTED]	[REDACTED]

¹ Adjusted to account for percent ownership

² Includes Puerto Rico

³ Adjusted for overlap - DLJ

⁴ Before taxes, depreciation and amortization

Source: DJ Wireless Communications Industry, 6/98 - all data Q1 1998

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Cellular Conflicts
 PrimeCo PCS

King Controlled
 King Minority
 Blue Controlled
 Blue Minority

Source: King and Blue July 28, 1996
 (X:1 DX:12:JA01 0/3196 A

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Strategic fit: Wireless

There are substantial overlaps of King cellular properties with PrimeCo PCS.

Pop Overlap Assessment
(M)

	Blue Cellular Controlled	Blue Cellular Passive	PrimeCo PCS
King Cellular Controlled	[REDACTED]	[REDACTED]	[REDACTED]
King Cellular Passive	[REDACTED]	[REDACTED]	[REDACTED]
King PCS	[REDACTED]	[REDACTED]	[REDACTED]

1 King/Blue partnership markets not included (Washington, D.C., 3.9M pops, wireline 35% King, 65% Blue)
 2 King/Blue partnership markets not included (Norfolk, Newport News, Richmond, Petersburg, VA, 2.5M pops, 95% King, 5% Blue)
 3 King/Blue cellular partnership markets included as overlap with PrimeCo (Norfolk, Newport News, Richmond, Petersburg, VA, 2.5M pops)
 Source: *Wireless Industry Report*, Donaldson, Lufkin & Jenrette, June 1998; Mercer analysis

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Strategic fit: Wireless

There are substantial overlaps of King cellular properties with PrimeCo PCS.

Pop Overlap Assessment
(Complete List of Markets)

	Blue Cellular Controlled	Blue Cellular Passive	Blue PCS (PrimeCo)
King Cellular Controlled	[REDACTED]	[REDACTED]	[REDACTED]
King Cellular Passive	[REDACTED]	[REDACTED]	[REDACTED]
King PCS	[REDACTED]	[REDACTED]	[REDACTED]

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Strategic fit: Data and long distance

Significant synergies can be captured in both data and long distance.

Potential Benefits of Combining Selected King/Blue Businesses

Data

Long Distance

King

[Redacted text under King Data]

Blue

[Redacted text under Blue Data]



Merger Benefits

[Redacted text under Merger Benefits]

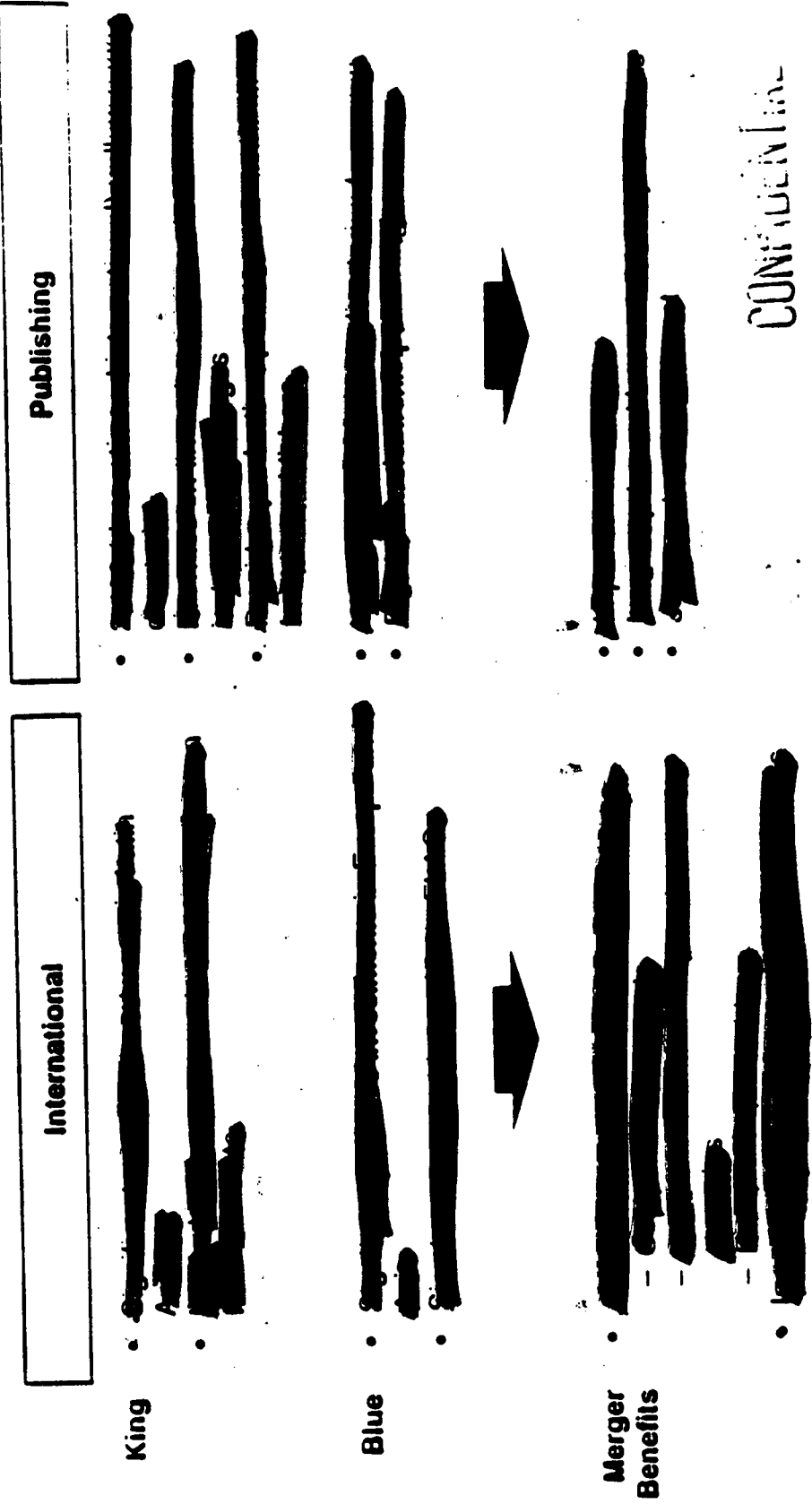
[Redacted text under Long Distance]

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Strategic fit: Other

Increasing international market scope and publishing group scale will enable King/Blue to improve its economics.

Potential Benefits of Combining Selected King/Blue Businesses



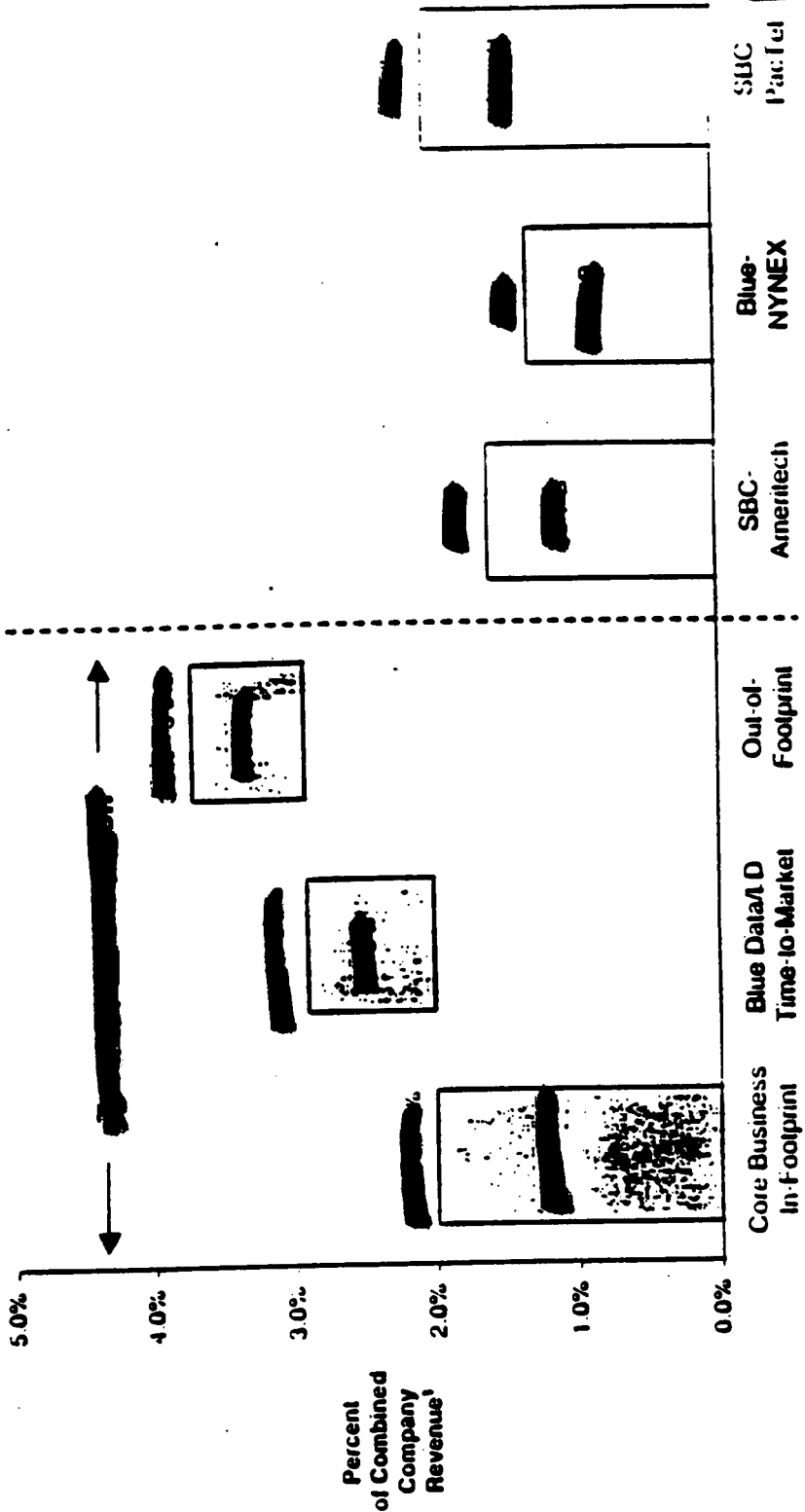
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Summary of synergies: Revenue



Potential Revenue Synergies
(Relative to Benchmarks)



King and Blue
(2002)
Recent Horizontal Mergers²
(Year 3)

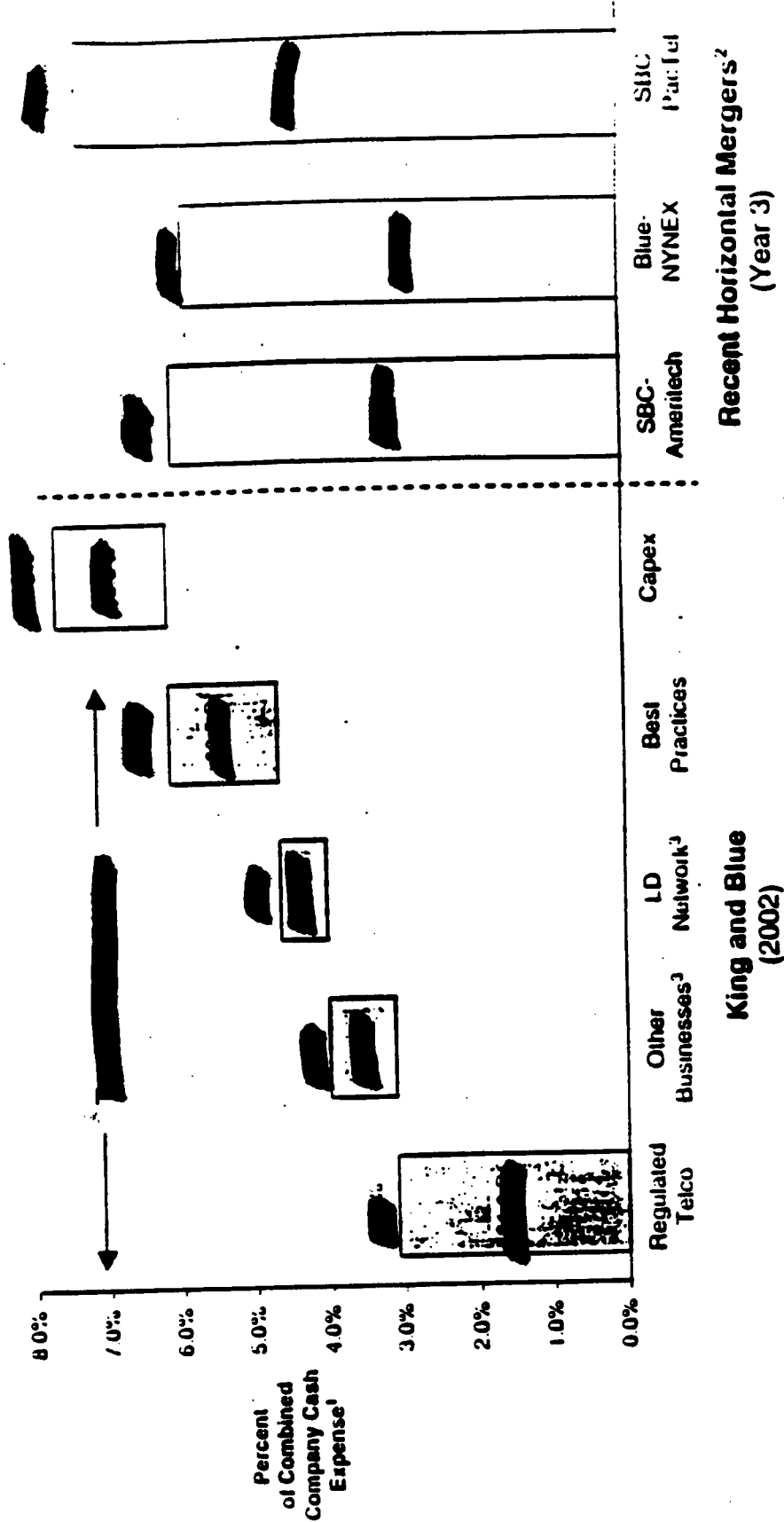
Note: King/Blue base case revenues include Publishing, Government Systems, Arlone, Video Services and International for which no revenue synergies are assumed
¹ Year 3 revenue synergies as percent of combined entity's revenue
² Source: JP Morgan Equity Research

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Summary of synergies: Cost

Similar cost synergies were identified in other recent horizontal mergers.

Potential Cost Synergies
(Relative to Benchmarks)



¹ Cost synergies as percent of combined entity's operating expenses before depreciation and amortization.

² Source: JP Morgan Equity Research

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Summary of synergies: Timeline

Revenue Synergies (\$M)			
	2000	2001	2002
Local	[REDACTED]	[REDACTED]	[REDACTED]
Long Distance	[REDACTED]	[REDACTED]	[REDACTED]
Data	[REDACTED]	[REDACTED]	[REDACTED]
Wireless	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue Synergies	[REDACTED]	[REDACTED]	[REDACTED]
Assumed Proportion of 2002 Total	[REDACTED]	[REDACTED]	[REDACTED]

Cost Synergies (\$M)			
	2000	2001	2002
Direct Costs	[REDACTED]	[REDACTED]	[REDACTED]
Ancillary Services	[REDACTED]	[REDACTED]	[REDACTED]
General and Administrative	[REDACTED]	[REDACTED]	[REDACTED]
Total Cost Synergies	[REDACTED]	[REDACTED]	[REDACTED]
Assumed Proportion of 2002 Total	[REDACTED]	[REDACTED]	[REDACTED]

(S)



Revenue Synergies

(\$ in billions)

Annual Revenue Run Rate

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Value-added Services <i>- Best Practices</i>	\$0.1	\$0.2	\$0.2
Long Distance <i>- High End Business Bundle</i>	\$0.3	\$0.5	\$0.8
Enhanced Data <i>- Full Suite of Services</i>	<u>\$0.3</u>	<u>\$0.5</u>	<u>\$1.0</u>
Total Revenue	\$0.7	\$1.2	\$2.0
EBIT @ 25% Margin	\$0.2	\$0.3	\$0.5

Notes:



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Synergy Analysis

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Executive Presentation

August 21, 1998

w/r 6-1.



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Synergy Analysis

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Executive Presentation

August 21, 1998

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- Overview

- Revenue Synergy

- Expense Synergy

- Capital Synergy

- Back-up

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Announced Synergy Targets



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	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Revenue Synergies (\$ Billions)			
Value-added Services			
Long Distance			
Enhanced Data			
Total			
Expense Synergies (\$ Billions)			
Corporate Overheads			
Information Systems			
LD Transport			
Wireless			
Operational Savings			
Procurement / Other			
Total			

Year 3 Summary
 \$2.0 B Revenue Synergy
 \$2.0 B Expense Synergy
 \$0.5 B Capital Synergy

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Revised Synergy Outlook



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	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Revenue Synergies (\$ Billions)			
Vertical Services	[REDACTED]	[REDACTED]	[REDACTED]
Long Distance	[REDACTED]	[REDACTED]	[REDACTED]
Large Business	[REDACTED]	[REDACTED]	[REDACTED]
Data Products	[REDACTED]	[REDACTED]	[REDACTED]
IP & Hosting	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]
Expense Synergies (\$ Billions)			
Telephone Operations	[REDACTED]	[REDACTED]	[REDACTED]
G & A	[REDACTED]	[REDACTED]	[REDACTED]
LD Transport / Support	[REDACTED]	[REDACTED]	[REDACTED]
Wireless	[REDACTED]	[REDACTED]	[REDACTED]
IP Cost Avoidance	[REDACTED]	[REDACTED]	[REDACTED]
Directory	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

Year 3 Summary

\$2.0 B Revenue Synergy

\$2.0 B Expense Synergy

\$0.5 B Capital Synergy

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Revenue Synergy - Summary

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	Year 3 Synergy	Synergy Realization			Synergy		
		Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3
Incremental Revenues							
Vertical Services Penetration							
Long Distance Acceleration							
Large Business Relationships							
New/Accelerated Data Products							
Basic IP & Hosting							
Gross Operating Synergy (Revenues)							
		Expense % of Revenue					
		Yr.1	Yr.2	Yr.3			
Less: Operating Expense Margin							
Net Realized Synergy (EBIT)							

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Vertical Services Penetration

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Description:

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Incremental Revenues (\$ Millions)	Year 3		Synergy Realization		Synergy	
	Synergy	Yr. 3	Yr. 1	Yr. 2	Yr. 1	Yr. 2
<u>Consumer</u>						
Call Waiting (40% to 42% Penetration)						
Caller ID (17% to 23% Penetration)						
Voice Mail (8% to 11% Penetration)						
Other Vertical Services (Various %'s)						
2 nd Line (16% to 25% Penetration)						
<u>Small Business</u>						
All Vertical Services (Various %'s)						
Gross Operating Synergy (Revenues)						
Less: Operating Expense Margin	Expense % of Revenue					
	Yr. 1	Yr. 2				
	Yr. 3					
Net Realized Synergy (EBIT)						

Long Distance Acceleration

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Description:

○ [REDACTED]

○ [REDACTED]

(\$ Millions)	Year 3			Synergy Realization			Synergy		
	Synergy	Yr.1	Yr.2	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3
Incremental Revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Consumer Penetration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Small Business Penetration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Medium Business Penetration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Large Business Penetration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Operating Synergy (Revenues)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Expense % of Revenue			Expense % of Revenue			Expense % of Revenue		
	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3
Less: Operating Expense Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Realized Synergy (EBIT)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Large Business Relationship

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Description:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

	Year 3			Synergy Realization			Synergy																													
	Synergy	Yr.1	Yr.2	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3																											
Incremental Revenues (\$ Millions)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																											
Local (OOF Only)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																											
Long Distance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																											
Data Service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																											
Video	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																											
Gross Operating Synergy (Revenues)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																											
Less: Operating Expense Margin	<table border="0"> <tr> <td colspan="3">Expense % of Revenue</td> <td colspan="3"></td> <td colspan="3"></td> </tr> <tr> <td>Yr.1</td> <td>Yr.2</td> <td>Yr.3</td> <td>Yr.1</td> <td>Yr.2</td> <td>Yr.3</td> <td>Yr.1</td> <td>Yr.2</td> <td>Yr.3</td> </tr> <tr> <td>[REDACTED]</td> <td>[REDACTED]</td> <td>[REDACTED]</td> <td>[REDACTED]</td> <td>[REDACTED]</td> <td>[REDACTED]</td> <td>[REDACTED]</td> <td>[REDACTED]</td> <td>[REDACTED]</td> </tr> </table>									Expense % of Revenue									Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expense % of Revenue																																				
Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3																												
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																												
Net Realized Synergy (EBIT)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]																											

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New/Accelerated Data Products

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Description:

○ [REDACTED]

	Year 3			Synergy Realization			Synergy	
	Synergy	Yr.1	Yr.2	Yr.1	Yr.2	Yr.3	Yr.2	Yr.3
Incremental Revenues (Millions)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
IP Fax	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Unified Messaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Smart Card	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
IP Telephony	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Digital Certificates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Call Centers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Gross Operating Synergy (Revenues)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less: Operating Expense Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Realized Synergy (EBIT)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Expense % of Revenue							
	Yr.1	Yr.2	Yr.3					
	[REDACTED]	[REDACTED]	[REDACTED]					

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Basic IP & Hosting



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Description:

- [Redacted]
- [Redacted]
- [Redacted]

Year 3 Synergy **Synergy Realization** **Synergy**

(\$ Millions)
Incremental Revenues

Yr 1 **Yr 2** **Yr 3**

Dial-up Access

Dedicated Access

Web Hosting

Data Transport

Gross Operating Synergy (Revenues)

Expense % of Revenue
Yr 1 **Yr 2** **Yr 3**

Less: Operating Expense Margin

Net Realized Synergy (EBIT)

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Expense Synergy - Summary



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	Year 3			Synergy Realization			Synergy			
	Synergy	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3
Cash Operating Expense (\$ Millions)										
Telephone Operations										
G&A										
LD Transport / Support										
Wireless										
IP Cost Avoidance										
Directory										
Gross Operating Synergy (EBITDA)										
Capital Savings										
Total Synergy (Gross Cash Savings)										
Less: Integration Costs										
Realized Synergy (Net Cash Savings)										
										<To be Determined>
										n.a.
										n.a.
										n.a.

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Telephone Operations - Description

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Operating Cash Improvement of \$900 M

- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- » [REDACTED]

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Telephone Operations - Detail

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	Cost Base	% Savings	Year 3 Synergy	Synergy Realization			Synergy		
				Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3
Cash Operating Expense									
Information Systems - Base									
Information Systems - Dev.									
Consumer & Business									
Network / Customer Service									
Procurement									
Product Mgm't / Advertising									
Wholesale									
Research & Development									
Total									
Gross Operating Synergy (EBITDA)									
Capital Savings									
Total Synergy (Gross Cash Savings)									
Less: Integration Costs									
Realized Synergy (Net Cash Savings)									
									<To be Determined>
									n.a. n.a. n.a.

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G&A - Description

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Operating Cash Improvement of \$300 M

- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- » [REDACTED]

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G&A - Detail

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	Cost Base	% Savings	Year 3 Synergy	Synergy Realization			Synergy		
				Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3
Cash Operating Expense									
Finance / Planning / Treasury									
Regulatory / Ext. Affairs / Legal									
Human Resources									
Network Support & Other									
Total									
Gross Operating Synergy (EBITDA)									
Capital Savings									
Total Synergy (Gross Cash Savings)									
Less: Integration Costs									
Realized Synergy (Net Cash Savings)									

Integration (% Synergy)
Yr.1 Yr.2 Yr.3

<To be Determined>

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n.a. n.a. n.a.

LD Transport / Support - Description

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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w/p 6-16

LD Transport / Support - Detail



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	Year 3			Synergy Realization			Synergy		
	Synergy	Yr.1	Yr.2	Yr.1	Yr.2	Yr.3	Yr.1	Yr.2	Yr.3
(\$ Millions)									
Cash Operating Expense									
Transport Related									
Platform Related									
Gross Operating Synergy (EBITDA)									
Capital Savings									
Total Synergy (Gross Cash Savings)							\$130	\$250	\$350
Less: Integration Costs							<To be Determined>		
Realized Synergy (Net Cash Savings)							n.a.	n.a.	n.a.

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Wireless - Description



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[REDACTED]

- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- » [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- » [REDACTED]
- » [REDACTED]
- [REDACTED]
- [REDACTED]

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Wireless - Detail



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	Year 3 Synergy	Synergy Realization		Synergy	
		Yr 1	Yr 2	Yr 1	Yr 2
National (\$ Millions)					
1) Headquarters Consolidation					
2) Bill Processing					
3) Handsets					
4) National Advertising					
National Total					
Regional					
1) East					
2) Midwest					
3) Southeast					
4) Southwest					
Regional Total					
Gross Operating Synergy (EBITDA)					
Capital Savings					
Total Gross Synergy					
Integration (% Synergy)					
	Yr 1	Yr 2	Yr 3		
Less: Integration Costs				<To be Determined>	
Net Synergy (Total Cash Savings)				n.a.	n.a.

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Proprietary and Confidential

IP Cost Avoidance - Description



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[REDACTED]

○ [REDACTED]

○ [REDACTED]

» [REDACTED]

» [REDACTED]

6-2-C

Directory - Description



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[REDACTED]

○ [REDACTED]

» [REDACTED]

- [REDACTED]

- [REDACTED]

» [REDACTED]

- [REDACTED]

- [REDACTED]

» [REDACTED]

- [REDACTED]

- [REDACTED]

» [REDACTED]

- [REDACTED]

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Directory - Detail



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	Year 3			Synergy Realization			Synergy				
	Synergy	Yr1	Yr2	Yr3	Yr1	Yr2	Yr3	Yr1	Yr2	Yr3	
(\$ Millions)											
Cash Operating Expense											
Domestic											
International											
Electronic											
Internet											
Gross Operating Synergy (EBITDA)											
Capital Savings											
Total Synergy (Gross Cash Savings)											
Less: Integration Costs											
Realized Synergy (Net Cash Savings)											
							Integration (% Synergy)				
							Yr1	Yr2	Yr3		
										<To be Determined>	
							n.a.	n.a.	n.a.		

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Capital Synergy



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Description:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

	Synergy Savings		
(\$Millions)	Yr 1	Yr 2	Yr 3
Telephone Operations	[Redacted]	[Redacted]	[Redacted]
LD / Data / Internet	[Redacted]	[Redacted]	[Redacted]
Wireless Operations	[Redacted]	[Redacted]	[Redacted]
	[Redacted]	[Redacted]	[Redacted]

6-27

Attached workpaper was prepared by "August 21 Group". This workpaper is the detail behind the "Cost Base" column on page 13 of August 21, 1998 Synergy Analysis.

Back-up for GTE Portion of Combined Pools:
GTE 1998 Costs

Bell Atlantic
 (Tom Flahive & ...)

Combined

98 Bdg

Operations

Consumer

- Inbound Contact
- Outbound Contact
- Retail Outlets
- CARE
- Other National/Supp

Business

- Inbound Contact
- Outbound Contact
- Field Sales
- CARE/BRC

Call Centers

- Operator Services
- Select Operations

Network

- Oper Ping & Support
- Region Operations

- Misc. Directory Costs
- Retail Inventories
- Ntwrk. Oper. Ctr. (NOC)
- DB/Dispatch & Other Centr Oper
- Network & Cust Service

Procurement

- Total Purchases (L.Henry)
- % Expense
- Est. of Expense Purchases

Product Mngt / Advertising

- Product Mgt
- Market Mgt
- Advertising/Events/Incentives
- Product Advertising
- Brand Advertising
- Events
- Product Mngt / Advertising

Information Technology

- GTEDS Programming
- IT Services
- Data Centers
- Total IT

R&D

LABS

Wholesale

- CLEC
- Field Sales & Operations
- Total Wholesale

G&A BELLSOURCE Budget/Outlook (More than Mark 800)

- Finance & Planning
- Regulatory/Legal
- Public Affairs
- Human Resources
- Other
- Oper Process Ping
- Other
- Network Support (BA type function)

Total G&A Base

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GTE / Bell Atlantic Merger Workpaper Merger Costs

(\$'s in Millions)

Cost Range		
Low	High	Mid Point
Column 1	Column 2	Column 3

Transaction Cost	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED] (See W/P 12)
Implementation Costs:			
A) Severance	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED] (See W/P 9)
B) Employee Relocation	[REDACTED]	[REDACTED]	[REDACTED]
C) Systems	[REDACTED]	[REDACTED]	[REDACTED] (See W/P 10)
D) Branding	[REDACTED]	[REDACTED]	[REDACTED] (See W/P 11)
E) Real Estate Consolidations	[REDACTED]	[REDACTED]	[REDACTED]
F) Departmental Integration Initiatives	[REDACTED]	[REDACTED]	[REDACTED]
G) Training	[REDACTED]	[REDACTED]	[REDACTED]
Total Implementation Costs	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Total Merger Costs	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

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w/p 8

GTE / Bell Atlantic Merger Workpaper
 Merger Implementation Costs - Severance Estimate
 (If in Address)

Force	
Estimated Total Force	[REDACTED]
Senior Manager	[REDACTED]
Directors	[REDACTED]
Managers	[REDACTED]
Total Force	[REDACTED]

Severance Costs

	Average Salary	Excise Tax	Total Severance Exp.
Senior Manager	\$ [REDACTED]	[REDACTED]	[REDACTED]
Directors	\$ [REDACTED]	[REDACTED]	[REDACTED]
Managers	\$ [REDACTED]	[REDACTED]	[REDACTED]
Total Force			[REDACTED]

	Low Range Estimate			
	Total	%	BA	GTE
Senior Manager	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Directors	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Managers	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Total	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]

(see W/P 8 line 4, column 4)

	High Range Estimate			
	Total	%	BA	GTE
Senior Manager	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Directors	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Managers	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Total	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]

(see W/P 8 line 4, column 5)

Note: Assumption was made that severance cost would be divided equally between GTE and BEL. Merger Integration Teams will actually determine where reductions in force will occur in each organization and cost will be charged accordingly.

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GTE / Bell Atlantic Merger Workpaper
Merger Implementation Costs - Systems Estimate

(\$'s in Millions)

Cost Range		
Low	High	Mid Point
Column 1	Column 2	Column 3

Systems Costs:

A) Finance

S [REDACTED]

B) HR Systems

[REDACTED]

C) Network

[REDACTED]

D) Telecom

[REDACTED]

E) Logistics

[REDACTED]

F) All Other

[REDACTED]

Total Systems Costs

S [REDACTED] (See H/P 8)

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11

w/p 10

CTE / Bell Atlantic Merger Workpaper

Merger Implementation Costs - Branding Estimate

(\$'s in Millions)

Cost Range		
Low	High	Mid Point
Column 1	Column 2	Column 3

Branding Costs

A) Advertising

\$

[REDACTED]

B) Building Signage

[REDACTED]

C) Payphones

[REDACTED]

D) Fleet

[REDACTED]

E) Other

[REDACTED]

Total Systems Costs

\$

[REDACTED]

(See W/P 8)

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w/p 11

**GTE/Bell Atlantic Merger Workpaper
Direct Incremental Merger/Transaction Cost Estimates
(\$ in Millions)**

Workpaper 12

	GTE Column 1	BEL Column 2	Total C3=C1+C2
A) Professional Services			
1 Investment Banking	[REDACTED]	[REDACTED]	[REDACTED]
2 Consulting	[REDACTED]	[REDACTED]	[REDACTED]
3 Legal	[REDACTED]	[REDACTED]	[REDACTED]
4 Auditors	[REDACTED]	[REDACTED]	[REDACTED]
5 Actuarial	[REDACTED]	[REDACTED]	[REDACTED]
6 Other	[REDACTED]	[REDACTED]	[REDACTED]
Total Professional Services	[REDACTED]	[REDACTED]	[REDACTED]
B) Compensation Arrangements			
1 Stay Agreements	[REDACTED]	[REDACTED]	[REDACTED]
2 LTP-CIC payout	[REDACTED]	[REDACTED]	[REDACTED]
3 Special Board Compensation	[REDACTED]	[REDACTED]	[REDACTED]
Total Compensation Arrangements	[REDACTED]	[REDACTED]	[REDACTED]
C) Shareowner Related			
1 Proxy	[REDACTED]	[REDACTED]	[REDACTED]
2 Special Meetings	[REDACTED]	[REDACTED]	[REDACTED]
3 Tender/Exchange	[REDACTED]	[REDACTED]	[REDACTED]
4 Transfer Agent	[REDACTED]	[REDACTED]	[REDACTED]
5 Dividend Reinvestment Plan	[REDACTED]	[REDACTED]	[REDACTED]
6 Listings	[REDACTED]	[REDACTED]	[REDACTED]
7 Communications	[REDACTED]	[REDACTED]	[REDACTED]
Total Shareowner Related	[REDACTED]	[REDACTED]	[REDACTED]
D) Registration & Regulatory			
1 SEC Filings	[REDACTED]	[REDACTED]	[REDACTED]
2 Federal (including DOJ)	[REDACTED]	[REDACTED]	[REDACTED]
3 State	[REDACTED]	[REDACTED]	[REDACTED]
4 Lobbying	[REDACTED]	[REDACTED]	[REDACTED]
5 Other	[REDACTED]	[REDACTED]	[REDACTED]
Total Registration & Regulatory	[REDACTED]	[REDACTED]	[REDACTED]
E) Tax & Other			
1 Tax	[REDACTED]	[REDACTED]	[REDACTED]
2 Corporate & Employee Communication	[REDACTED]	[REDACTED]	[REDACTED]
3 Employee & Organization Related	[REDACTED]	[REDACTED]	[REDACTED]
4 All Other	[REDACTED]	[REDACTED]	[REDACTED]
Total Tax & Other	[REDACTED]	[REDACTED]	[REDACTED]
Total Transaction Costs	[REDACTED]	[REDACTED]	[REDACTED]

GTE / Bell Atlantic Merger Workpaper
Cost to Achieve Synergies @ Midpoint of Cost Range - \$1,425M

(In Millions)

	Severance / Relo.		Systems		Other		Totals	
	Dollars	% (d)	Dollars	% (d)	Dollars	% (d)	Dollars	% (d)
	Column 1	Column 2	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Telephone Operations (c)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General & Administrative	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total II.FC (a)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LD Transport	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Wireless	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
IP Cost Avoidance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Directory	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Company	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- Notes:
- (a) As used herein, the term "II.FC" refers collectively to functions that, in whole or in part, support the regulated telephone operations of the companies.
 - (b) Source is 8/21 Synergy Analysis page 11.
 - (c) See Workpaper 13-2
 - (d) Percentages based on judgement of senior managers.
 - (e) See Workpaper 8.0, sum of column 3 for Line A (Severance \$530M) and Line B (Employee Relocation \$75M).
 - (f) See Workpaper 8.0, column 3 for Line C (Systems \$450M).
 - (g) See Workpaper 8.0, sum of column 3 for Line D (Branding \$175M), Line E (Real Estate Consolidation \$100M), Line F (Departmental Integration Initiative \$38M) and Line G (Training \$57M).
 - (h) See Workpaper 8.0, column 3 for Total Implementation Costs.

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3/2/01

CTE / Bell Atlantic Merger Workpaper
 (Cost to Achieve Synergies @ Midpoint of Cost Range - \$1,425M)

Workpaper 13-2

(Values in Millions)

	Severance / Relo.		Systems		Other		Totals	
	Dollars	% (d)	Dollars	% (d)	Dollars	% (d)	Dollars	% (d)
Synergy (b)	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
Telephone Operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Information Systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Consumer & Business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Network / Customer Service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Procurements	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prod. Mgmt/ Advertising	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Wholesale	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Research & Development	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal Telephone Op.'s	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General & Administrative	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total IL/EC (a)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes: (a) As used herein, the term "IL/EC" refers collectively to functions that, in whole or in part, support the regulated telephone operations of the companies.
 (b) Source is 8/21 Synergy Analysis page 11.
 (c) See Workpaper 13-1.
 (d) Percentages based on judgement of senior managers.

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W/P 13-2



CIT / Bell Atlantic Merger Workpaper
 Calculation of Composite Cost Factors @ Midpoint of Cost Range - \$1,425M

	Service / Relo (c)			Systems (d)			Other (e)			Composite (1)(g)		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)	\$ % (b)
Telephone Operations	[REDACTED]											
General & Administrative	[REDACTED]											
Total ILEC (a)	[REDACTED]											
1.1) Transport	[REDACTED]											
Wireless	[REDACTED]											
IP Cost Avoidance	[REDACTED]											
Directory	[REDACTED]											
Total Company	[REDACTED]											

Notes: (a) As used herein, the term "ILEC" refers collectively to functions that, in whole or in part, support the regulated telephone operations of the companies.

(b) Percentages based on judgment of senior managers.

(c) C1=C2 * W/P 13-1, C2 C3=C4 * W/P 13-1, C2 C5=C6 * W/P 13-1, C2

(d) C7=C8 * W/P 13-1, C4 C9=C10 * W/P 13-1, C4 C11=C12 * W/P 13-1, C4

(e) C13=C14 * W/P 13-1, C6 C15=C16 * W/P 13-1, C6 C17=C18 * W/P 13-1, C6

(f) C19=C1+C7+C13 C21=C3+C9+C15 C23=C5+C11+C17

(g) C20=C19 / W/P 13-1, C8 C22=C21 / W/P 13-1, C8 C23=C23 / W/P 13-1, C8

(h) Composite factors used in Paul Shirell testimony exhibit A.4.

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CASE

NUMBER:

99-296

Filed 8-18-99

KY. PUBLIC SERVICE COMMISSION

Index for Case: 1999-00296

AS OF : 12/19/02

Verizon South, Inc.

Transfer / Sale / Purchase / Merger

OF BELL ATLANTIC CORPORATION

IN THE MATTER OF THE JOINT APPLICATION OF BELL ATLANTIC CORPORATION AND GTE CORPORATION FOR ORDER AUTHORIZING TRANSFER OF UTILITY CONTROL

SEQ NBR	Date	Remarks
1	07/09/99	Application.
2	07/12/99	Acknowledgement letter.
3	07/14/99	No deficiencies letter
4	07/15/99	Order entered setting procedural schedule; hearing set for 8/24.
5	(M) 07/15/99	PETITION FOR LEAVE TO INTERVENE (WILLIAM ATKINSON SPRINT)
6	07/16/99	Letter granting joint pet. for conf. filed 7/9/99 by GTE Corp. and Bel Atlantic.
7	07/22/99	Order granting Sprint intervention
8	(M) 07/22/99	MOTION TO INTERVENE (ANN LOUISE CHEUVRONT AG)
9	07/26/99	Data Request Order, response due 8/9/99.
10	(M) 07/26/99	FIRST DATA REQ & INTERROGATORIES (SPRINT WILLIAM ATKINSON)
11	07/29/99	Order granting Attorney General intervention
12	(M) 08/02/99	LETTER TO INFORM OF JEFFERY KISSELL TO REPLACE MR GRISWOLD (LARRY CALLISON GTE)
13	(M) 08/09/99	JOINT RESPONSE TO SPRINTS FIRST DATA REQ & INTERROGATORIES & PETITION (LARRY CALLISON GTE)
14	(M) 08/09/99	RESPONSE OF JOINT APPLICANTS TO PSC ORDER OF JULY 26,99 (LARRY CALLISON GTE)
15	(M) 08/16/99	DIRECT TESTIMONY OF DAVID REARDEN (WILLIAM ATKINSON SPRINTQ)
16	(M) 08/20/99	REBUTTAL TESTIMONY OF JOINT APPLICANTS (GTE LARRY CALLISON)
17	08/26/99	Letter granting joint pet. for conf. filed 8/9/99 by GTE Corp. and Bell Atlantic
18	08/26/99	Letter granting joint pet. for conf. filed 8/9/99 by GTE Corp. & Bell Atlantic.
19	(M) 08/30/99	BRIEF OF SPRINT COMMUNICATIONS (WILLIAM ATKINSON SPRINT)
20	(M) 08/30/99	POST HEARING BRIEF OF JOINT APPLICANTS (GTE LARRY CALLISON)
21	(M) 09/02/99	REPLY BRIEF OF SPRINT (WILLIAM ATKINSON SPRINT)
22	(M) 09/02/99	REPLY BRIEF OF JOINT APPLICANTS BELL ATLANTIC & GTE (LARRY CALLISON GTE)
23	09/07/99	FINAL ORDER APPROVING MERGER OF GTE AND BELL ATLANTIC; SUBJECT TO TERMS & COND.
24	(M) 09/17/99	MOTION FOR MODIFICATION OF ORDERING PARAGRAPH 10 OF SEPT 7,99 MERGER (LARRY CALLISON GTE)
25	(M) 10/04/99	NOTIFICATION OF MEETING SCHEDULED FOR OCT 7,99 (LARRY CALLISON GTE)
26	10/06/99	Order granting motion for modification
27	(M) 10/12/99	PETITION TO INTERVENE (EDWARD BUSCH/AT&T)
28	(M) 10/18/99	BELL ATLANTIC/GTE RESPONSE TO OPPOSITION TO AT&T INTERVENTION REQUEST (LARRY D. CALLISON/GTE SERVICE CORP)
29	11/10/99	Letter denying AT&T's petition for leave to intervene.
30	(M) 12/06/99	QUALITY PERFORMANCE REPORTS USING THE TWO PRIOR YRS AS A BENCHMARK (GTE LARRY CALLISON)
31	(M) 03/07/00	THREE REPORTS RESPONSIVE TO ORDERING PROVISION 3,4,& 8 OF PSC ORDER (GTE LARRY CALLISON)
32	(M) 03/29/00	RESPONSE TO ORDER OF SEPT 7,99 (GTE LARRY CALLISON)
33	(M) 07/11/00	RESPONSE TO COMMISSION'S ORDER OF OCTOBER 6, 1999 (LARRY CALLISON/GTE)
34	(M) 07/20/00	ADOPTION NOTICE, TARIFF (GTE LARRY CALLISON)
35	(M) 07/26/00	TARIFF FILING (PHYLLIS MASTERS/GTE)
36	(M) 07/28/00	REVISED TARIFF SHEET (PHYLLIS MASTERS/GTE)
37	(M) 09/06/00	SECOND SIX-MONTH REPORT ON BEST PRACTICES (LARRY CALLISON/VERIZON)
38	(M) 10/25/00	RESULTS FROM FCC CARRIER-TO-CARRIER PERFORMANCE PLAN (LARRY D. CALLISON/VERIZON)
39	(M) 03/06/01	THIRD SIX-MONTH REPORT ON BEST PRACTICES (LARRY CALLISON/VERIZON)

- 40 - (M) 09/07/01 Larry D Callison - Verizon South, Inc. - Response to Commission's Order of September 7, 1999
- 41 (M) 03/06/02 Larry D Callison - Verizon South, Inc. - Response to Order of September 7,99 - Fifth six-month report
- 42 (M) 03/13/02 Larry D Callison - Verizon South, Inc. - Notification that Verizon has met the Promotional Resale discount maximum allowable quantity in the state
- 43 (M) 03/18/02 Larry D Callison - Verizon South, Inc. - Response to Order of September 7,99
- 44 (M) 10/11/02 Stephen R Byars - ALLTEL Kentucky, Inc. - Letter from ALLTELL reminding that they will not be filing requested information per Order

ALLTEL COMMUNICATIONS

230 Lexington Green Circle
P. O. Box 1650
Lexington, KY 40588



Stephen R. Byars

Vice President - External Affairs

859-271-8324 (office)
859-271-7811 (fax)

October 8, 2002

Mr. Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

RECEIVED

OCT 11 2002

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 1999-00296

Dear Mr. Dorman:

Kentucky ALLTEL ("ALLTEL") received a letter from you dated October 1, 2002 reminding ALLTEL that it must "review and identify "Best Practices" adopted by the merged companies in a report filed every six months that includes actual and updated costs and savings achieved." The merged companies referred to in the letter were GTE and Bell Atlantic. The letter also reminded ALLTEL that the filing was due September 9, 2002.

While ALLTEL is eager to comply with any Commission Order pertaining to ALLTEL we do not believe that this requirement pertains to Kentucky ALLTEL. The Order approving the acquisition of Verizon's Kentucky telephone property in Case No. 2001-00399 does not require ALLTEL to provide the information described above. Furthermore, ALLTEL does not have any way of determining what best practices were employed by GTE and Bell Atlantic nor do we have any way of determining the costs and savings achieved by these best practices.

ALLTEL appreciates your reminder but respectfully denies responsibility for filing the requested information and also stresses that the requested information is impossible for ALLTEL to obtain. Please do not hesitate to call if you wish to discuss further.

Sincerely,

A handwritten signature in cursive script that reads "Stephen R. Byars".

Stephen R. Byars

c: Dale Wright
Carolyn Jones

Larry D. Callison
State Manager
Regulatory Affairs & Tariffs



P.O. Box 1650
Lexington, KY 40588-1650

Phone 859 245-1389
Fax 859 245-1721
larry.callison@verizon.com

March 30, 2001

RECEIVED

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

MAR 06 2002

PUBLIC SERVICE
COMMISSION

Re: In the Matter of: Joint Application of Bell Atlantic Corporation and GTE Corporation
for Order Authorizing Transfer of Utility Control – Case No. 99-296

Dear Mr. Dorman:

The Kentucky Public Service Commission (“Commission”), in its order dated September 7, 1999 (“Order”) in which it approved the Joint Application in the above-referenced matter, imposed certain terms and conditions upon the Joint Applicants, Bell Atlantic Corporation and GTE South Incorporated (“GTE”), collectively now doing business as Verizon Communications (“Verizon”).

Enclosed for filing with the Commission are an original and ten copies of Verizon’s fifth six-month report on “Best Practices”, responsive to ordering provision #3 of the Commission’s Order. Verizon filed previous “Best Practices” reports in March and September of 2000, and in March and September 2001.

Please bring this filing to the attention of the Commission. Should you have any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in cursive script that reads "Larry D. Callison".

Larry D. Callison

Enclosure



Kentucky Best Practices Compliance Report

Pursuant to the Kentucky Public Utility Commission Order issued September 7, 1999, Verizon Communications ("Verizon") is providing a report on Best Practice initiatives being implemented. This report covers the period through February 28, 2002.

These Best Practice initiatives impact several business units and functions within Verizon: Consumer, Business, Carrier and Network Operations and General & Administrative functions. Best Practices being implemented are primarily national in scope and impact, although some may have a more regional application and focus. All the Best Practice initiatives reviewed below are currently being implemented or in implementation planning; most will be completed by mid-year 2002.

Organizational Steps –

Verizon has deepened and broadened the identification and implementation of Best Practices since submitting the last Best Practice Compliance Report in September 2001. Additional functions are included in this report, as are new initiatives being implemented in the lines of business.

For the purpose of compliance reporting, Best Practices are broadly defined as the most effective strategies, policies, processes and procedures appropriate for implementation in Verizon. Best Practices can:

- Enhance the delivery of customer service
- Enhance the ability to compete effectively in the marketplace
- Increase overall value for customers
- Enhance product quality
- Improve responsiveness to customers and service reliability

Efficiencies are gained by adopting one former company's process or practice for use in operations of both former companies. These may result in three types of opportunities:

1. Elimination of redundant functions
2. Increased economies of scale
3. Adoption of the most efficient business practices or processes followed by both companies

There are several criteria used to evaluate and select Best Practices, the most important being the potential for improvements in customer service.

Implementation of Best Practices may be constrained by such factors as:

- The need to make changes to systems
- Training requirements
- Personnel issues
- Resource prioritization

Using this definition and approach, the Verizon business units and functions identified a number of areas where merger synergies or integration result in Best Practices benefits. These are listed below. All of these initiatives were identified using selection criteria focused on improved customer service impacts, including enhanced efficiency, responsiveness and product quality. Best Practice implementations enable Verizon to compete more effectively, providing quality service and increased value to customers in its service areas.

Financial information for merger related Best Practice initiatives will be provided when available. In some instances, merger transition program financial data is still being analyzed, while in other, more general cases, Best Practice programs are part of continuing business as usual operations and are not separately identified. All Best Practices are expected to positively impact the value customers receive and the provision of adequate service at just and reasonable rates.

Business units and functions reviewing and implementing Best Practice initiatives include:

- Live Source (Operator Services)
- Brand Management & Marketing
- Consumer Marketing and Sales
- Business Solutions Group
- Carrier Marketing
- Network Operations
- Public Affairs & Communications
- Human Resources
- National Operations
- Enterprise Solutions Group

Best Practice Initiatives –

- Single Directory Assistance Database, involving the consolidation of multiple databases maintained by the former Bell Atlantic and GTE companies. This initiative provides cost efficiencies in maintenance and capital upgrades of databases physically located in different geographical locations. Implementation began 1Q2001, and is expected to be completed in early 2002.
- New Line Segment is an ongoing marketing initiative targeted at new customer lines via a callback program to verify line quality and ensure customer requirements are met. This initiative is expected to improve overall customer satisfaction and enhance revenue growth.
- WorkFlow Manager is an automated tool providing on-line monitoring and aging of service order error queues, the ability to measure employee performance and allocate the distribution of work. Currently, it is being implemented in former GTE and is under review for former Bell Atlantic. WorkFlow Manger automates the distribution of work, improves quality and increases productivity.
- Marketing Data Warehouse, establishes an integrated data warehouse enabling marketing groups across the Lines of Business to deliver personalized service options that meet customer needs, as well as support FCC requirements for Do Not Solicit, Privacy and Consent needs of the customer. Implementation of a pilot of this former GTE best practice is in development prior to being extended to Verizon East.
- Single Workforce Management Platform provides a standardized platform for scheduling and reports, including an automated payroll interface, consolidating multiple tools and systems. This system was used by the former GTE and the Operator Services Group in the former Bell Atlantic. The project focus is on converting other areas of the former Bell Atlantic, and is estimated to be complete in early 2003.
- Telephone Account Management (TAM) is a proactive account management channel for High Value customers designed to enhance customer satisfaction and retention. This initiative is a former Bell Atlantic Best Practice being extended to former GTE. Three TAM centers became operational in 2001, located in Massachusetts, Pennsylvania and Indiana.
- Employee Recognition – WOW Factor is an initiative designed to sharpen the focus on customer service and key drivers of customer delight by engaging the workforce in spirited competition and recognizing outstanding performances in employee development, customer satisfaction and operations performance. Based on former Bell Atlantic and GTE experiences the new program was implemented for selected National applications in 1Q2001.
- Coin Refund System standardizes coin refund processes. A former Bell Atlantic Best Practice, former GTE has implemented and now processes coin refund requests using an interactive voice response system. Fraud detection,

also a Best Practice in the former Bell Atlantic, was implemented for former GTE customer refund requests in 2Q2001.

- Third Party Verification (TPV) Mechanization reduces handling time and operating expense by mechanizing the process for obtaining a third party verification code. TPV mechanization is a former GTE Best Practice implemented in former Bell Atlantic in December 2000.
- List Management is a Marketing Campaign System implemented in 2Q2001 in former Bell Atlantic that provides a common list generation/campaign analysis tool for direct mail and telephone marketing campaigns. The initiative improves time to market, enables business units to coordinate lead lists and ensures that business rules are being followed.
- Validation Module is a Quality Assurance/Quality Control process used in Database Marketing that maintains the integrity of data for direct mail. The process is applied to all Verizon customer lead requests. A former GTE Best Practice, the process was extended to former Bell Atlantic in 2Q2001.
- Quality Assurance Operational Reviews are annual reviews conducted in each Verizon business sales center, evaluating performance levels for quality, revenue, cost, employee development and recognition. This initiative standardizes processes and enhances customer satisfaction. A former GTE Best Practice being implemented in former Bell Atlantic, Operations Reviews were conducted during 1Q2001 in all mass markets districts in Verizon.
- Automated Contract Administration provides a faster, simplified and standardized approach to contract management. A database is being deployed across the Verizon service area to track contract provision, compliance and issue resolution, develop reports and assist during arbitration. This is a former GTE Best Practice being implemented throughout former Bell Atlantic.
- Automated Contract Production provides a system-generated template to create a simple, standard approach for customizing individual CLEC and state provisions to the specific contract negotiation. This is a former GTE Best Practice being implemented throughout former Bell Atlantic.
- Trouble Analysis Center (TAC) Focus is a Service Assurance program designed to provide funding for targeted reductions of OSP network trouble. Implementing this process will improve the reliability of the outside plant ('OSP') network, facilitating reduced customer trouble reports and improving customer satisfaction. This process will also reduce operating expenses by reducing the number of dispatches. TAC Focus is on going in former GTE service areas and being extended to all Verizon operating areas beginning in 2001.
- Cable College – Quality Review and Accurate Time Reporting is a provisioning training package designed as a refresher course for all Construction Managers and Line and Splice technicians. Applicable to the Verizon National footprint, the training package is being updated to include feedback from the completed pilot programs and recent requirement changes.

- Standardized Dispatch Priority Matrix has been implemented throughout Verizon. The Matrix provides a consistent and standard framework to identify customer priority and job dispatch priority for each customer. This enables consistent weighting of job priorities for uniform delivery of customer service to all, and within all, Verizon lines of business. The Priority Matrix is a former GTE Best Practice that has been fully implemented in all Verizon regions as of February 2001.
- Customer Contact, Closeout and Follow-up Practice is an initiative combining the best attributes of both former Bell Atlantic's practices for Customer Contact and former GTE's related practice entitled Customer Notification. The merged practice is expected to improve customer satisfaction through increased and enhanced communication with the customer. Key changes involve new and improved Premise Collateral material left behind by technicians, as well as follow-up contacts to ensure complete satisfaction.
- Witness Call Monitoring Program is used in Repair Centers to monitor the quality of customer contacts. Witness records the movements of the advocate within the systems simultaneously with the dialogue between the advocate and the customer. The session is reviewed at a later time and the advocate can be coached on tone of service and other quality attributes. The benefits include improved customer satisfaction, less rework, reduction of unnecessary dispatches and fewer customer complaints. Currently used in former GTE repair centers, implementation is planned for most Verizon repair centers.
- Scrubber (Testing and Trouble Management) is a system developed to retest the pending basic voice service trouble load for the purpose of identifying physical trouble conditions that are no longer present. Using an automated system, Scrubber calls the customer to verify customer's consent that the condition is either no longer present or is a CPE trouble. Scrubber is a former Bell Atlantic system being extended to former GTE, where no similar system with the level of detail provided by Scrubber is available. System requirements meetings are underway, to be followed by the development of a deployment schedule, targeted for early 2002.
- National Operations Work Center Strategy is a work standardization initiative implementing a standard operating environment for each of the major functions performed within the organization. Implementing standard processes and systems will enable the delivery of improved customer service while reducing costs through consolidating locations. This is a former Bell Atlantic Best Practice being extended to former GTE.
- Barcode Inventory supports a serialized inventory of all Central Office and Remote Terminal electronics towards the goal of a standard operating environment and set of practices. This will allow a single process Verizon-wide operating on a single architecture, thus eliminating alternate environments and increasing flexibility and adaptability. Implementation began in 2001 and continues through 2002.
- Public Affairs & Communication (PA&C) Strategic Planning process is an initiative combining the planning processes of the two former companies. The process links the PA&C department plans to the various business units being supported, enabling more proactive communication, improved

allocation of resources, and the ability to communicate more effectively with customers. The consolidated planning process has been implemented throughout Verizon.

- VZ, an employee newsletter, was implemented shortly after merger close and consolidated the former Bell Atlantic weekly and former GTE semi-monthly publications into a bi-weekly publication that delivers important and timely company information and news to employees, thus providing a better understanding of the company's operations.
- Business Partners is a structural model assigning PA&C executives responsibility for the internal and external communications of specific business units and aligning the PA&C organization to more effectively communicate messages and coordinate activities across the corporation. This initiative, intended to improve the delivery of PA&C service and enable the operating units to enhance customer service, has been implemented. This initiative is a former GTE Best Practice extended to former Bell Atlantic.
- Verizon Code of Business Conduct consolidating and replacing the former GTE and Bell Atlantic Codes of Conduct, outlines the standards for Verizon employees, including 'privacy principles', which define the requirements for all Verizon employees to ensure that customer information is kept private in all respects, thereby providing direct benefit to Verizon customers. The new Verizon Business Code of Conduct was implemented in May 2001.
- Employee Data Warehouse (EDW) is an initiative to implement an integrated, on-line tool to access data, perform employee analysis and identify strategies to increase performance. The EDW provides a single repository for workforce transactions and data, integrating employee data from several platforms. EDW enables Verizon to proactively and strategically address the changing needs and requirements of the organization.
- Centrex/CentraNET Standardization - Upon completion the product line will be realigned into three variations of product from the current eleven. This will result in less customer confusion, reduced support and billing system costs, and improved network deployments. The Roll Out will begin in 2002 in five states and be completed by late 2004.
- ICB Billing Practice - a process team has been appointed and tasks established to select a common practice for creating individual case basis (ICB) pricing. This will result in more timely and accurate bills and reduce customer confusion. It has been targeted for implementation in late 2002.
- Operations Support Systems (OSS) - The FCC's approval of the Bell Atlantic/GTE merger required Verizon to develop a plan to implement uniform, electronic OSS interfaces and business rules within the Bell Atlantic Service Areas and separately within the GTE Service Areas;

Verizon's Best Practices review of OSS interfaces and business rules identified improvements that are being proposed for both the former GTE and Bell Atlantic service areas. The table below summarizes the improvements planned for former GTE service areas:

Category	GTE Service Areas
Pre-Ordering	Parsed customer service record (CSR) Completed 10/2000 Loop Qualification – xDSL Completed 12/2000
Ordering - Products	Electronic ordering of IDSL Available 12/2000
Maintenance & Repair	Premise Access Hours Completed 2/2001
Maintenance & Repair Electronic Bonding Interface (EBI)	EBI Interface to match Bell Atlantic capability available 2/2001
Change Management Process (CMP)	Adopt the Bell Atlantic New York Change Management Process Completed 7/2/2001
Transport & Security Protocols <ul style="list-style-type: none"> • Implement Digital Certificates for transport encryption and client authentication access • Expand Dial up Authentication access to GTE Service Areas 	<ul style="list-style-type: none"> • Completed 9/4/2001 (Note 1) • Completed 7/6/2001

Note 1: Digital Certificates for former GTE Service Areas dedicated Common Object Request Broker Architecture (CORBA) are being implemented.