

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BELLSOUTH	)	
TELECOMMUNICATIONS, INC., D/B/A	)	CASE NO.
SOUTH CENTRAL BELL TELEPHONE COMPANY	)	94-121
TO MODIFY ITS METHOD OF REGULATION	)	

O R D E R

In this Order, the Commission addresses three intervenors' motions to compel responses to certain data requests. On July 5, 1994, the Attorney General of the Commonwealth of Kentucky, by and through his Utility and Rate Intervention Division ("Attorney General"), filed with the Commission an information request to BellSouth Telecommunications, Inc., d/b/a South Central Bell Telephone Company ("South Central Bell"). The information request consisted of 594 interrogatories, with subparts. It is the Attorney General's position that the interrogatories are legitimate and necessary for a complete review of South Central Bell's earnings and costs. The Attorney General further states that if the Commission approves the proposed price cap plan, establishing correct future rates is essential to ensure consumer protection. Finally, the Attorney General opines that a review of South Central Bell's cost of capital is necessary because South Central Bell has previously acknowledged, via the cost of capital stipulation in Case No. 90-256,<sup>1</sup> that the cost of capital is out of date.

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<sup>1</sup> Case No. 90-256, A Review of the Rates and Charges and Incentive Regulation Plan of South Central Bell Telephone Company.

On July 26, 1994, South Central Bell filed its response to the Attorney General's information request, leaving 521 of the interrogatories unanswered. On August 3, 1994, the Attorney General filed a motion to compel South Central Bell to respond to its information request.

In its response to the motion to compel filed on August 10, 1994, South Central Bell characterized the requests as excessive, likely to cause unnecessary delay and expense and duplicate work already performed by the Commission and its Staff. South Central Bell opined that it is the most closely monitored utility in Kentucky and that monitoring of its operations has been ongoing since introduction of the experimental incentive plan in 1988. South Central Bell further asserts that an earnings and rate of return review reduces the incentives for efficient operation, is antithetical to the concept of price regulation and is not required to set initial rates for the company's proposed plan. The Commission has considered these arguments and reviewed the various requests and objections. What follows is a determination of the relevancy of each item requested by the Attorney General and objected to by South Central Bell. The Commission has endeavored to eliminate redundancy in these requests. However, to the extent that the items are redundant or have been answered elsewhere in this proceeding South Central Bell should merely make reference to the location where the information has been furnished.

Item No. 1 requests each change in accounting principle adopted by South Central Bell in 1991, 1992, and 1993. The

Commission finds that the information request is overly broad and is available from other sources. Its production should not be compelled.

Item No. 2 requests information on changes in the cost allocations to nonregulated operations resulting from implementation of a 1986 Federal Communications Commission ("FCC") proceeding. The information sought is outdated except for changes which affect the 1993 Kentucky intrastate regulated expenses. This item should be compelled to that extent.

Item No. 4 requests an accounts payable register for Kentucky operations and for all charges allocated from BellSouth Telecommunications for the year ended December 31, 1993 and for each month of 1994. While this information is relevant, it is too burdensome and voluminous for the Commission to compel its production. However, the Attorney General should be given access to this information at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the documents are located.

Item No. 5 asks whether any of South Central Bell's unregulated affiliates (i.e. subsidiaries of BellSouth) or subsidiaries jointly advertised with South Central Bell by including advertisements (bill stuffers) in South Central Bell-Kentucky's telephone bills for 1991, 1992, and 1993. This information is relevant to a determination of appropriate payments made by unregulated entities for use of regulated services. South Central Bell should respond, but only for 1993. Subparts (d), (e),

(f), and (g) should be answered. Response to subparts (b), (c), (h), and (i) should not be compelled as these subparts are burdensome and irrelevant to the determination of appropriate affiliate transactions.

Item No. 6 requests copies of all BellSouth corporate advertising during the test period, and certain information concerning each advertisement. This information is relevant only to the extent that BellSouth allocated expenses for these advertisements to South Central Bell. South Central Bell should answer Item No. 6 as it relates to advertising expenses allocated to South Central Bell and appearing in the test period for this proceeding.

Item No. 8 requests the total expenses incurred by South Central Bell during the years 1991, 1992, and 1993 associated with corporate advertising broken down into the categories of advertising used by South Central Bell. This information is relevant and should be compelled, but only to the extent that South Central Bell includes these expenses in its test period. Subparts (b), (c), and (d) should also be answered, but only to the extent that the expenses are included in the test period.

Item No. 9 requests South Central Bell's and any affiliate's organizational chart showing the job titles and position in the organization of each employee working on or supervising advertising or marketing functions. The question also asks that each individual's time spent on each type of advertising be identified: (1) informative, (2) promotional, (3) image-building/corporate, (4)

area development, or (5) other (help wanted, etc.). This request is voluminous, burdensome, and unlikely to produce relevant information. Therefore, response to this item should not be compelled. Answers to other items for which response is compelled should provide information sufficient to review the cost allocations for advertising which result in inclusion of expenses in the test period.

Item No. 10 requests a breakdown of South Central Bell's direct and allocated advertising expense for 1993 into its components, such as labor, overhead, materials, and fees to agencies. Production of this information should be compelled to the extent that these expenses appear in South Central Bell's test period for this proceeding.

Item No. 11 asks whether South Central Bell or any affiliate which charges or allocates advertising costs to South Central Bell has any studies as to the effectiveness of its advertising and marketing programs. Such studies are relevant to this proceeding if they relate to costs which appear in the test period and to that extent should be compelled.

Item No. 12 seeks information related to each expense over \$2,500 recorded by South Central Bell in its various advertising accounts. The information is relevant to a determination of appropriate expenses and its production should be compelled, but only for those expenses which appear in the test period.

Item No. 13 requests the total amount of product advertising expenses incurred by South Central Bell. This information is

relevant to a determination of appropriate advertising expenses and its production should therefore be compelled, but only to the extent that the expenses sought actually appear in South Central Bell's test period. Also to be compelled to the same extent are responses to subparts (b), (c), and (d).

Item No. 14 asks whether South Central Bell has allowed any unaffiliated companies to include bill stuffers with its telephone bills in Kentucky. This question is relevant and South Central Bell should provide details of such activities including total expenses and total revenues included in the test period. However, the Commission declines to compel response to subparts (b), (c), and (d) as they are too burdensome.

In Item No. 15, the Attorney General requests that South Central Bell identify all regulated and nonregulated services and products offered by South Central Bell-Kentucky for which South Central Bell-Kentucky jointly advertises the nonregulated services with the regulated services. This request is relevant to a determination of appropriate advertising expenses and revenues and, accordingly, response should be compelled. Response to subparts (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), and (m) should likewise be compelled, but only to the extent that expenses and revenues are in the test period. South Central Bell shall also identify test year revenues and account for below the line revenues accrued from joint advertising.

Item No. 16 requests the 1993 advertising costs incurred by South Central Bell-Kentucky to promote its CPE operations, its

inside wire operations, its protocol conversions associated with Basic Packet Switching, its Enhanced Voice Messaging service, and its Public Telephone Voice Messaging. The information is relevant to a determination of appropriate test period expenses and should be compelled.

Item No. 17 requests the total amount of advertising expenses incurred by South Central Bell during 1993. This information is relevant and should be provided by South Central Bell categorized as follows: (a) Institutional; (b) Promotional; (c) Informational; (d) Legal; (e) Financial; (f) Job vacancies; and (g) Other (explain). The Commission declines to require this information for 1991 and 1992 unless these expenses were included in the 1993 test period. Answers to subparts (b), (c), and (d) of Item No. 17 should also be compelled. Item 19 duplicates Item 17 and thus no response to it need be separately provided.

Item No. 18 requests information about image building advertising campaigns. This item as asked is vague. South Central Bell should therefore not be compelled to attempt an answer.

Item No. 20 requests a copy of the BellSouth Corporation advertisements and BellCore advertisements, expenses for which remain in the test year. This information is relevant to test period expenses and its production should be compelled.

Item No. 22 requests a copy of all 1993 bills rendered by South Central Bell to its subsidiaries and affiliates for referral service. This information is relevant to a determination of

appropriate test period expenses and its production should be compelled.

Item No. 23 requests the identity of all affiliates' charges monthly for 1993, 1994 to date, and projected for 1994 and yearly for 1992, including the type of goods or services provided and the method used in billing and basis for allocating common charges of appropriate expenses for affiliated transactions. The data sought is relevant to a determination of appropriate affiliated transactions and should be produced in its entirety.

Item No. 24 requests the level of participation of BellSouth or any affiliates in the sponsorship of the 1996 Summer Olympics. The information is relevant to a determination of test period expenses and its production should be compelled.

Item No. 25 requests copies of any management or regulatory audits of BellSouth Corporation (BSC), BellSouth Services, BellSouth Advertising & Publishing, BellSouth Telecommunications, Southern Bell or any other affiliate having transactions with South Central Bell issued since January 1, 1991. This information is relevant to a determination of South Central Bell's affiliated transaction practices. Accordingly, its production should be compelled.

Item No. 26 requests a description of each type of weekly, monthly, or annual report provided to South Central Bell's managers which assists them in monitoring affiliated charges for 1993 and 1994, to date. This information is relevant to a determination of



the reasonableness of test period allocations for affiliated charges and its production should be compelled.

Item No. 27 requests financial statements for each of the BellSouth subsidiaries, including balance sheet, income statement, and sources and uses of funds statement for each subsidiary year ending 1993. This information is relevant to a determination of test period allocations to South Central Bell. The Commission declines to compel production for years ending 1991 and 1992 because the information is not relevant to the test period affiliated charges for South Central Bell-Kentucky.

Items No. 28 and 29 concern lease agreements between South Central Bell and its affiliated companies for plant or equipment. The information sought is relevant to a determination of appropriate affiliated transactions. Responses to each subpart should be compelled, except response to Item No. 29(f) should be compelled only as it relates to test period revenues.

Items No. 30 and 31 seek information about short-term loans provided to subsidiaries by BellSouth Company's headquarters and refunds received by South Central Bell for overcharges from affiliates. These items are relevant to a determination of cost of capital and appropriate affiliated charges, but only to the extent that they affect test period expenses.

Item No. 32 requests specific information for each type of service provided by South Central Bell and BellSouth and each BellSouth subsidiary. The information sought is relevant to the determination of appropriate direct and allocated charges to South

Central Bell during the test period and, accordingly, its production should be compelled.

Item No. 33 requests information for each asset that was transferred to or sold out of South Central Bell's Kentucky operations to one of its affiliates or subsidiaries and requests a showing that the basis used by South Central Bell was appropriate and consistent with the FCC's requirements. This information is relevant only to the extent of transfers for which adjustments were made on South Central Bell's books during the test period and should be compelled to that extent.

Item No. 34 requests a description of each asset that was transferred to or out of South Central Bell's Kentucky operations into one of its affiliates or subsidiaries with a value greater than \$50,000. Each of the subparts of this item is relevant only to the extent of transfers for which adjustments were made on South Central Bell's books during the test period and responses to this item should be compelled only to that extent.

Item No. 35 requests general information on each of South Central Bell's affiliates and subsidiaries but is not likely to produce information related to specific expenses or revenues in the test period for this proceeding. Accordingly, the information sought is irrelevant and production should not be compelled.

Item No. 36 requests information on a service which South Central Bell's Kentucky operations may provide to its affiliates or subsidiaries by referring a customer who had originally contacted South Central Bell to the subsidiary or affiliate for services or

products. This item seeks information which is relevant, but only to the extent of expenses and revenues appearing in the test period. Response should be compelled only to that extent.

Item No. 37 requests information related to a calculated return on investments billed to South Central Bell by BellSouth Corporation or BellCore. This information is relevant to a determination of the rate base, rate of return, tax factors, and intrastate allocation of return for the test period and, accordingly, should be produced in its entirety.

Item No. 38 seeks information on the amount of net gains on sales of businesses, property, or plant and equipment, and losses on sales of businesses, property, or plant and equipment recorded by BellSouth Corporation and each of its affiliates which provide service to South Central Bell. This information is relevant only to the extent that such net gains or losses appear on the books of South Central Bell during the test period. Its production should be compelled only to that extent.

Item No. 39 concerns BellSouth's travel services. It seeks information which is relevant only to the extent that expenses or revenues appear on South Central Bell's books and are allocated to the Kentucky operations for this affiliate. Its production should be compelled only to that extent.

Item No. 40 seeks specific information related to finance charges or capital carrying costs on assets recorded on the books of the affiliated companies for charges received by South Central Bell. This item is relevant only to the extent that such finance

charges or capital carrying costs were charged to South Central Bell and allocated to the Kentucky operations during the test period. Response to this item should be compelled only to that extent.

Item No. 41 seeks information concerning expenses incurred by or charged to South Central Bell associated with audits, operation reviews, and value studies related to South Central Bell's transactions with its affiliates and in compliance with Part X of the FCC rules. This item is relevant to a determination of appropriate test period expenses and response should be compelled only to the extent that such expenses occurred during the test period.

Item No. 42 seeks information substantiating South Central Bell's representation that it is selling or buying products or services from its subsidiaries and affiliates at the prevailing market rate, including documents used by South Central Bell to establish the rate or justify the rate charged. To the extent that South Central Bell has such documents relating to products and services which it bought or sold during the test period, the requested information is relevant and its production should be compelled.

Item No. 43 requests the amount of expenses charged to South Central Bell from a list of subsidiaries. The information requested is relevant to a determination of appropriate corporate allocations charged to the Kentucky operations of South Central Bell for the test period and should be produced to that extent.

Item No. 44 seeks a description of the services BellSouth Direct Marketing provided to South Central Bell in 1993 and for projection of those services to be provided in 1994, including the cost of the services. The information sought is relevant to a determination of appropriate costs allocated to the Kentucky operations from affiliates and should be produced.

Item No. 45 seeks an identification of amounts included in the 1993 billings from affiliates for several specific items. This information is relevant to the extent that the allocations are included in the intrastate regulated accounts of South Central Bell and should be produced to that extent.

Item No. 46 seeks a breakdown by FCC account on an intrastate basis of each expense allocated or charged to South Central Bell's Kentucky operations from an affiliate during calendar year 1993 and projected for 1994. To the extent that these charges and allocations appear in the test period regulated operations, they are relevant to a determination of appropriate expenses. Response to this item should be compelled to that extent and should include the projections for 1994.

Item No. 47 requests a copy of each agreement between BellSouth Telecommunications, Inc. and BellSouth Business Systems. To the extent that these agreements represent expenses which are allocated or charged directly to the Kentucky operations these agreements are relevant and the requested information should be compelled.

Item No. 48 asks the extent that South Central Bell is dependent upon BellSouth Corporation Headquarters ("BSC-HQ") for federal regulatory support. This item is relevant to a determination of appropriate test period expenses but only to the extent that BSC-HQ charges or allocates to South Central Bell functions for federal regulatory support. Accordingly, response should be compelled only to that extent.

Item No. 49 seeks the amount of BSC-HQ costs associated with art works which is included in Kentucky intrastate expenses. This information is relevant only to the extent that BSC-HQ charges or allocates such expenses to the Kentucky regulated operations and those expenses appear in the test period. Accordingly, response should be compelled only to that extent.

Item No. 50 requests information on South Central Bell's policies and procedures for accruing Allowance for Funds Used During Construction ("AFUDC"). This item is relevant only to the extent that AFUDC has been accrued during the test period. Accordingly, response should be compelled only to that extent.

Item No. 51 requests a list of aircraft owned by South Central Bell directly or owned by an affiliate which allocates a portion of the costs and expenses to Kentucky. The information sought is relevant only to an extent that airplanes were utilized during the test period and allocated to the Kentucky regulated operations. Accordingly, response should be compelled only to that extent.

Item No. 52 requests information concerning the allocation of expenses associated with aircraft owned or controlled by BSC-HQ or

any affiliate. The information sought is relevant only to the extent that there were direct or allocated costs in the test period associated with this proceeding. Accordingly, response should be compelled only to that extent.

Item No. 53 seeks information regarding passenger capacity and flights made by BellSouth Corporation's aircraft. This information is not relevant to a determination of appropriate test year expenses and therefore production should not be compelled.

Item Nos. 54, 55, 56 and 57 request certain information and documents regarding expenses, accounting methods, and corporate policies of BSC-HQ, South Central Bell-Kentucky, and BellSouth affiliates as to use of aircraft. These items are relevant to a determination of appropriate test period expenses and should be compelled to the extent that there were direct or allocated costs associated with aircraft use in the test period.

Item No. 58 requests a detailed breakdown of information regarding allocation of South Central Bell-Kentucky's assets by FCC USoA account and subaccount. To the extent that the information sought is relevant to 1993 and 1994 operations, its production should be compelled.

Item No. 59 requests detailed information regarding cost pools within the USoA which are allocated between South Central Bell-Kentucky's regulated and unregulated operations, the expenses associated with each, and amounts charged to South Central Bell-Kentucky's regulated and unregulated operations. To the extent

that the information sought is relevant to 1993 and 1994 operations, its production should be compelled.

Item No. 60 requests certain information regarding South Central Bell-Kentucky's revenues and expenses by FCC USOA account and subaccount separated among South Central Bell-Kentucky, South Central Bell-Kentucky's regulated operations, South Central Bell-Kentucky's unregulated operations, and South Central Bell-Kentucky's regulated intrastate operations. To the extent that the information sought is relevant to 1993 operations, its production should be compelled.

Item No. 61 requests financial information pertaining to South Central Bell-Kentucky's unregulated operations, products, and services. The information sought is relevant to a determination of above-the-line and below-the-line operations. Its production should be compelled for 1993 and 1994 operations, products, and services.

Item No. 62 requests information regarding each expense USOA-Part 32 account and subaccount. To the extent that the information sought is relevant to 1993 operations, its production should be compelled. The requested information should be provided in the format prescribed by the Attorney General in his request, or in a similar format.

Item No. 63 requests documents and information regarding allocation factors used by South Central Bell-Kentucky. To the extent that the information and documents sought are relevant to 1993 and 1994 operations, production should be compelled.



Item No. 64 requests information concerning allocation factors by account which can be applied to the total company expenses to arrive at the Kentucky portion of these expenses. To the extent that the information sought is relevant to 1993 and 1994 expenses, its production should be compelled.

Item No. 65 requests information and documents concerning outside auditors' year end audit adjustments. To the extent the requested information and documents concern adjustments for 1993, they are relevant to this proceeding, and production should be compelled.

Item Nos. 66, 67, 68, 69, 70, and 71 request information concerning certain audits and associated workpapers. Production should be compelled for audits conducted from January 1, 1992 to date. Associated workpapers should not be compelled.

Item No. 72 requests information regarding bad debts incurred on both a full company basis and on a Kentucky intrastate basis. This information is relevant and its production should be compelled to the extent that it concerns data involving bad debt that affected test period earnings.

Item No. 73 requests information regarding services performed by BellCore for Kentucky. The information requested is relevant and its production should be compelled.

Item No. 74 requests information regarding disallowances by other states and federal regulatory agencies of South Central Bell's BellCore costs for rate-making purposes. The information

sought is irrelevant to this proceeding and its production should not be compelled.

Item No. 75 requests information regarding the 1993 allocated South Central Bell share of BellCore lobbying expenses by FCC account. The information sought is relevant to test year revenues and expenses and its production should be compelled.

Item No. 76 requests information regarding certain BellCore functions, projects, and operations. The requested information is relevant and its production should be compelled only to the extent those functions, projects, and operations affected the test period.

Item Nos. 77 and 78 request detailed information involving investment in, and expenses of, BellCore. To the extent the information requested in these items pertains to 1993, it is relevant and its production should be compelled.

Item No. 79 requests information regarding BellCore revenues earned from non-affiliated sources. To the extent that the information requested is relevant to a determination of appropriate test period revenues, its production should be compelled.

Item No. 80 requests information and documents regarding responsibilities, if any, of BellSouth or its subsidiaries to quantify the need for, or benefits of, participating in BellCore projects. To the extent that the information pertains to 1993 operations, its production should be compelled.

Item No. 81 requests information and documents regarding procedures, if any, within South Central Bell or any affiliate to identify and compensate for the use of BellCore-produced

technologies or innovations which are of benefit to non-regulated operations of affiliates. The information is relevant to a determination of appropriate affiliated transactions, and production should be compelled.

Item No. 82 requests information regarding reimbursement of South Central Bell, if any, from affiliated companies which benefitted from any technological or operational innovations produced by BellCore. The information is relevant to a determination of appropriate affiliated transactions, and production should be compelled.

Item No. 83 requests information and documents regarding certain audits, if any, performed by federal or state regulatory agencies since 1990. The information requested is not relevant to test period expenses or revenues. Accordingly, production will not be compelled.

Item No. 84 seeks information regarding BellCore's dissemination of work product and knowledge so as to create benefits which would be realized by local ratepayers. The information requested is relevant to this proceeding, and its production should be compelled.

Item No. 85 seeks information regarding the amount of unamortized investment tax credit included in the BellCore equity amount upon which return on equity was calculated. To the extent the information requested is included in South Central Bell's expenses for the test period, it is relevant and its production should be compelled.

Item No. 86 requests information as to whether South Central Bell ratepayers would be denied the benefits of certain technological advances in telecommunications if BellCore did not engage in "applied research." The information requested is relevant and its production should be compelled.

Item No. 87 seeks information regarding procedures for determining which BellCore project charges will be expensed rather than capitalized. To the extent there are BellCore charges in the test period, the information requested is relevant and its production should be compelled.

Item Nos. 88 and 94 request certain information regarding BellCore projects. The information requested is relevant insofar as it concerns projects in progress during the test period, and its production should be compelled to that extent.

Item No. 89 requests detailed information and documents regarding methods used to assign BellCore projects to unregulated operations. The information and documents requested are relevant insofar as they concern assignments made in 1993 and 1994, and their production should be compelled to that extent.

Item No. 90 requests BellCore's 1993 Report to Shareholders. The report is relevant to the test period, and its production should be compelled.

Item No. 91 requests BellCore's "business plan," while Item No. 92 requests BellCore's Federal Income Tax Schedule M-1. These documents are relevant to a determination of appropriate test

period expenses and revenues. Accordingly, production should be compelled.

Item No. 93 requests all contracts governing the provision of services by BellCore to South Central Bell. These contracts are relevant to test period expenses and revenues. Accordingly, production should be compelled.

Item No. 95 requests documentation of benefits being realized today because of BellCore applied research projects. The documentation requested is not specifically quantifiable and therefore not relevant to test period expenses and revenues. Accordingly, production should not be compelled.

Item No. 96 requests BellCore's gross departmental program costs and calculations supporting the allocation of same to South Central Bell each month, together with supportive workpapers. The information and documents requested are relevant to the extent they concern 1993 costs and calculations. Accordingly, production should be compelled to that extent.

Item No. 97 requests information and illustrative calculations regarding South Central Bell's allocation of 1993 and 1994 BellCore payments to non-regulated operations. The information requested is relevant to a determination of affiliated transactions, and its production should be compelled.

Item No. 98 requests the amount of, and supportive calculations for, BellCore dividends gross-up for taxable dividend payments included in 1993 Kentucky expenses. The information

requested is relevant to test period expenses and revenues. Accordingly, its production should be compelled.

Item No. 99 requests information regarding the basis of allocations used to apportion BellCore costs among BellSouth Operating Companies in each month since January 1993, together with calculations regarding same. The information requested is relevant to a determination of affiliated transaction, and its production should be compelled.

Item No. 100 requests the BellCore equity percentage rate of return and total dollars of equity return which are included in Kentucky 1993 intrastate expenses, together with supportive calculations. The information requested is relevant to test period expenses and revenues. Accordingly, its production should be compelled.

Item No. 101 requests information regarding patents held by BellCore, the amount of royalty income received during the test period, the amount credited to South Central Bell for each patent, the account credited, and the Kentucky intrastate amount. The information requested is relevant to expenses and revenues during the test period. Accordingly, its production should be compelled.

Item No. 102 asks the identity or identities of BellSouth personnel who serve as director(s) on the BellCore Board of Directors. The information requested is relevant to a determination of appropriate control by BellSouth over BellCore's expenses allocated to South Central Bell-Kentucky. Accordingly, its production should be compelled.

Item No. 103 requests information regarding the procedures and the organizations used by South Central Bell to govern BellCore participation and to prioritize BellCore projects for funding. The information requested is relevant insofar as it concerns test period projects, and its production should be compelled to that extent.

Item No. 104 requests the 1993 output from the Incoming Billing Interface Tracking System, together with amounts charged to Kentucky operations for each BellCore project and certain explanatory documents. The information requested is relevant to a determination of test period expenses. However, it is voluminous and its production would be burdensome. Consequently, the Attorney General should be given access to the requested documents and information at a mutually convenient time at the offices wherein such documents are located.

Item No. 105 requests the Kentucky regulated intrastate test period expense, by FCC Account, for each BellCore project. The information requested is relevant and its production should be compelled.

Item No. 106 asks how much of the charges from each BellSouth affiliate to South Central Bell is represented by a return on investment. The information is requested by affiliate and for South Central Bell's Kentucky and Kentucky intrastate operations. Insofar as this item seeks information relevant to the test period, the information sought is relevant and its production should be compelled.

Item No. 107 requests a copy of the most recent Prospectus of BellSouth Capital Funding Corporation associated with a debt issuance. Should such prospectus concern debt issued during the test period, it is relevant and its production should be compelled.

Items 109 through 114 request information and documents concerning BellSouth, D.C. To the extent the information and documents requested involve expenses and revenues applicable to the test period, and to the extent necessary to describe the process for allocating expenses to South Central Bell, the requested information and documents are relevant and their production should be compelled.

Item 115 requests the bills rendered by BellSouth Direct Marketing to South Central Bell's Kentucky intrastate operation for the years 1993 and 1994 to date. The bills sought are relevant to a determination of test period expenses and their production should be compelled.

Item 116 requests certain documents relating to the dissolution of BellSouth Enterprises. To the extent that such dissolution affected test period allocations for affiliated transactions, the requested documents are relevant and their production should be compelled.

Item 117 requests information regarding specific procedures used to allocate the consolidated BellSouth federal income tax liability among various affiliated companies, including South Central Bell. The information requested is relevant to the extent



it concerns South Central Bell, and its production should be compelled to that extent.

Item 118 requests information regarding 1993 taxes, if any, paid by BellSouth Corporation on the dividend income received from BellSouth Telecommunications which are assigned or allocated to Kentucky regulated intrastate expenses. The information requested is relevant to test period revenues and expenses. Accordingly, production should be compelled.

Item 119 requests the schedules M-1 from BellSouth consolidated corporate tax returns for 1989-1993. The 1993 schedule is relevant to test period revenues and expenses. Accordingly, production should be compelled only as to the 1993 schedule.

Item 120 requests information regarding the BellSouth logo or trademark and its use by BellSouth subsidiaries and affiliates. The information requested is not related to test period expenses or revenues and is irrelevant to this proceeding. Accordingly, response to this request should not be compelled.

Item 121 requests a detailed breakdown of the total amount of BellSouth expenses charged to affiliates, to South Central Bell, to South Central Bell's Kentucky operations, and to South Central Bell's Kentucky intrastate operations over a six-year period. To the extent that the requested information is relevant to a determination of the appropriate allocation of BellSouth expenses charged to affiliates during the test period, its production should be compelled.

Item 122 asks whether BellSouth directly charges South Central Bell's nonregulated operations for certain expenses and, if so, the amount charged to Kentucky operations during 1993 and the services for which the charges were incurred. The information requested is relevant to a determination of appropriate affiliated transactions during the test period. Especially critical is whether nonregulated operations are bearing a sufficient level of expenses for BellSouth services. Accordingly, the information should be compelled.

Item Nos. 123, 124, and 126 seek information regarding certain payments and benefits received by or accrued for BellSouth employees and officers, together with information concerning expenses thereby incurred by BellSouth and allocated to South Central Bell's Kentucky operations. The information requested is relevant only to the extent that any such expenses were allocated to South Central Bell-Kentucky for 1993 and 1994, and production will be compelled only to that extent.

Item No. 127 asks whether any BellSouth Corporation subsidiaries or BellSouth affiliate companies pay BellSouth a fee for use of trade names or trademarks; if so, why; and if not, why not. The information requested is relevant only to the extent that such fees appear as test period expenses or revenues. Accordingly, response is compelled only to that extent.

Item No. 128 requests the data and information necessary to reconstruct the general allocator used to allocate costs to BellSouth's subsidiaries and affiliates. While the information

requested is relevant, it is voluminous and its compilation would be too burdensome for the Commission to compel its production. However, the Attorney General should be given access to this information at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the relevant documents are located.

Item Nos. 129 and 130 request breakdowns of BellSouth's expenses charged to certain groups and to certain affiliates or subsidiaries. These requests are relevant only insofar as they show appropriate allocations for BellSouth expenses during the test period and expenses allocated to South Central Bell during the test period. Thus, production of the information requested should be compelled, but only to that extent.

Item No. 131 requests documents containing information pertinent to each type of service provided to South Central Bell by BellSouth and each BellSouth subsidiary. Only those documents pertaining to services provided to South Central Bell during the test period are relevant to this proceeding. Accordingly, production will be compelled only to that extent.

Item Nos. 132, 133, 134, 135, 137, and 138 request certain BellSouth documents which are relevant to this proceeding in that they concern BellSouth's dealings with its affiliates. Accordingly, complete responses to these requests should be compelled.

Item Nos. 136, 139, 140, 141, and 142 request BellSouth documents pertaining to 1993, or 1993 and 1994, financial

information and responsibility centers. The requested information and documents are relevant to this proceeding. However, they are voluminous and their compilation would be too burdensome for production to be compelled. The Attorney General should be given access to these documents at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the documents are located.

Item No. 143 requests information regarding budget authorization procedures within BellSouth subsidiaries and the extent to which BellSouth exerts influence over its subsidiaries' incurred costs. The information sought is relevant only to the extent that it concerns affiliate expenses charged to South Central Bell during the test period. Accordingly, response to this item will be compelled only to that extent.

Item No. 144 requests information and documents regarding BellSouth's corporate goals, objectives, and mission, and BellSouth's dissemination of same. The information requested is relevant to a determination of appropriate test period affiliated transactions, and production should therefore be compelled.

Item No. 145 requests information and documents pertaining to the process through which BellSouth communicates planning data and assumptions, budget guidelines, and financial performance commitments and expectations to South Central Bell. The information and documents sought are relevant only insofar as they concern the test period. Accordingly, production should be compelled only to this extent.

Item No. 146 requests certain information regarding BellSouth Corporation responsibility centers. The information sought is relevant to a determination of affiliated transactions. However, it is voluminous and its compilation would be too burdensome for production to be compelled. Accordingly, the Attorney General should be given access to the requested information at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the relevant documents are kept.

Item No. 147 requests copies of bills rendered to South Central Bell from BellSouth during 1992, 1993, and 1994 to date. Only such bills rendered during 1993 and 1994 are relevant to this proceeding. However, production would be burdensome. Accordingly, the Attorney General should be given access to those bills rendered during 1993 and 1994 at a mutually convenient time at the offices wherein such bills are kept.

Item No. 148 requests a copy of recent billing for a residential and business customer. A sample of the billing format is on file as part of South Central Bell's tariff. Consequently, production should not be compelled.

Item No. 149 requests information regarding bill inserts provided in South Central Bell's bills for AT&T and MCI. The requested information is irrelevant to this proceeding. Consequently, production should not be compelled.

Item No. 150 requests information regarding certain billing costs and allocation of same. The requested information is

relevant insofar as it pertains to billing costs during 1993. Consequently, production should be compelled to that extent.

Item No. 151 requests information regarding adjustments to BSC-HQ costs which have been approved by state regulatory commissions in the states wherein South Central Bell operates. The information requested is not relevant to this case. Consequently, production should not be compelled.

Item No. 152 requests information pertaining to each BSC-HQ project existing within the test year from which costs were charged to South Central Bell's Kentucky operations. The information requested is relevant to test year costs and production should be compelled.

Item No. 153 requests information regarding specific activities and business functions contained within each BSC-HQ division, district and responsibility code during the test year. The requested information is relevant insofar as it pertains to activities charged or allocated to Kentucky operations. Consequently, production should be compelled to that extent.

Item No. 154 requests information regarding, and bills generated in connection with, BSC-HQ total test period corporate services costs by responsibility code. The information requested is relevant only insofar as it pertains to costs charged or allocated to South Central Bell-Kentucky during the test period. Consequently, production should be compelled only to that extent.

Item No. 155 requests BSC-HQ allocation factors used to distribute the costs of each Corporate Service Responsibility Code

during the test period. The information requested is relevant only insofar as it pertains to Kentucky operations during the test period. Consequently, production should be compelled only to that extent.

Item No. 156 requests information and documents regarding disallowances or other adjustments of BSC-HQ costs for rate-making purposes by state and federal regulatory agencies since January 1, 1990. The information requested is irrelevant to this proceeding. Consequently, production should not be compelled.

Item Nos. 157, 159, 160, and 161 request, respectively, information and documents concerning the dependence of South Central Bell upon BSC-HQ in regard to certain cash management and banking functions; certain written work products of BSC-HQ; internal capabilities within South Central Bell to perform, without dependence upon BSC-HQ, certain financing, auditing, planning, and self-representation functions; and certain representative work products of BSC-HQ. The information and documents requested are relevant only insofar as they serve to verify the appropriateness of corporate allocations to Kentucky from BSC-HQ during the test period. Accordingly, production will be compelled only to that extent.

Item No. 158 requests certain information regarding BSC-HQ's leased space in the Campanile Building. Insofar as the requested information pertains to a test period expense for South Central Bell, it is relevant and production will be compelled to that extent.

Item No. 162 requests information regarding South Central Bell's authority to conduct day-to-day operational issues within policies and guidelines established by BSC-HQ. The requested information is relevant in that it tends to show local management's control over charges allocated to Kentucky operations. Accordingly, production should be compelled.

Item No. 163 requests information regarding specific activities and costs which are displaced or avoided by South Central Bell-Kentucky. The information requested is relevant insofar as it pertains to the test period. Accordingly, production should be compelled to that extent.

Item No. 164 requests information regarding the method by which facilities' costs and return on investment are calculated and added into billed overheads for BSC-HQ activities billed to South Central Bell in 1993. The information requested is relevant and, accordingly, production should be compelled.

Item No. 165 requests a copy of the agreement governing the provision of BSC-HQ services to South Central Bell. The agreement is relevant, and its production should be compelled.

Item No. 166 requests certain detailed information and documents pertaining to BSC-HQ's 1993 charges to South Central Bell-Kentucky. The information and documents requested are relevant to test period expenses, however they have already requested in Item No. 140 and Item No. 146. Accordingly, this item should not be compelled.



Item No. 167 requests all documents containing source data and calculations used to derive BSC-HQ's general allocator in effect during the test period. The documents requested are relevant. However, they are also voluminous and production would be burdensome. Accordingly, the Attorney General should be given access to these documents at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the documents are located.

Item No. 168 requests certain reports and billings generated each month from 1992 to date. The documents requested are relevant insofar as they pertain to reports and billings to South Central Bell for 1993 and 1994. However, production would be burdensome. Accordingly, the Attorney General should be given access to the requested 1993 and 1994 documents at a mutually convenient time at the offices wherein such documents are located.

Item Nos. 169, 170, and 171 request, respectively, information regarding activities of BellSouth Enterprises charged to BSC-HQ and allocated to Kentucky intrastate operations during the test period; information regarding antitrust cases involving BellSouth for which BSC-HQ has incurred and allocated costs to South Central Bell during 1993 and to date; and information regarding conduit expenditures of BSC-HQ charged to South Central Bell in 1993. The information requested is relevant to a determination of appropriate affiliated transactions. Accordingly, production should be compelled.

Item No. 172 requests information regarding specific BSC-HQ work functions which were transferred or reorganized upon formation of BellSouth Telecommunications, as well as information regarding the resultant impact upon ongoing costs to South Central Bell-Kentucky. The information requested is relevant only insofar as it pertains to the test period. Consequently, production should be compelled to that extent.

Item No. 173 requests criteria and written rules pertaining to BSC-HQ's identification of costs incurred which should be retained as shareholder expenses. The information requested is relevant, and production should be compelled.

Item No. 174 requests information and reports concerning any strategic issues researched, analyzed, and reported upon by BSC-HQ's Corporate Planning Function in 1993. The information requested is relevant to a determination of appropriate affiliated transactions, and production should be compelled to the extent expenses for same are in the test period.

Item No. 175 requests information concerning reasonableness tests or analyses of charges from BSC-HQ to South Central Bell, if any, together with copies of any such tests conducted during 1993 and 1994 to date. The information and documents requested are relevant to this proceeding, and production should be compelled.

Item Nos. 179, 181, 182, 183, and 185 request certain information and documents concerning South Central Bell budgets. The information and documents requested are relevant to a determination of appropriate expenses and revenues for South

Central Bell, should any true-up mechanism be adopted as part of South Central Bell's regulation. Accordingly, complete response to these requests should be compelled.

Item No. 186 requests both the budgeted expenses for 1994 and actual expenses for 1991-1993 for contract labor expenditure in eleven specified categories. The information requested is relevant to an analysis of South Central Bell's test period expenses and, accordingly, response should be compelled for 1993 and 1994.

Item No. 189 requests documents concerning business and financial risk resulting from, and strategies to deal with, wireless and Personal Communication Networks ("PCN") technologies. The information requested is relevant to a determination of South Central Bell's risk as a factor of cost of capital. Accordingly, production should be compelled.

Item No. 190 requests various types of information regarding capital carrying charges allocated or billed to Kentucky as of year end 1993. Insofar as the information requested pertains to capital carrying charges appearing in the test period, it is relevant. Accordingly, response should be compelled to that extent.

Item Nos. 191, 192, and 193 request certain information concerning Central Office conversions. Insofar as these requests concern conversions which occurred in 1993 and 1994, they are relevant. Accordingly, response should be compelled to that extent.

Item No. 195 requests information regarding certain closing entries made by South Central Bell on December 31, 1993, and the

impact of those adjustments on the Kentucky and Kentucky intrastate operations. The information requested is relevant to test period operations, and response should be compelled.

Item No. 196 requests information regarding sales commissions, if any, paid by South Central Bell to BellSouth Business Systems, Inc., for sales of regulated services in 1993 and projected for 1994. The information requested is relevant, and response should be compelled.

Item No. 197 requests documents and memoranda which discuss allegedly anticompetitive practices of South Central Bell or its affiliates. The information requested is irrelevant to test period analysis or to any determination in this case. Accordingly, production should not be compelled.

Item No. 198 requests documents concerning the impact of intraLATA competition on South Central Bell's toll volumes or toll revenues. To the extent that the documents requested concern any impact on test period revenues or volumes for toll, they are relevant. Accordingly, production should be compelled to that extent.

Item No. 199 requests documents concerning the competitive nature of products or services South Central Bell anticipates offering over the next five years. The requested documents are not relevant to any determination in this proceeding, and production should not be compelled.

Items 200, 201, 202, 203, 204, 205, 206, and 207 request certain documents and information concerning concessions to

employees. The information and documents requested are relevant only to the extent that concessions are provided to Kentucky employees or allocated to Kentucky operations in the test period. Accordingly, production should be compelled only to that extent.

Item No. 208 requests documents regarding the financial impact of the consolidation of Southern Bell, South Central Bell, and BellSouth Services. The documents requested concern a historical event which has no impact on test period operations. Consequently, the requested documents are irrelevant to this proceeding, and their production should not be compelled.

Item No. 209 requests information regarding the impact of the consolidation of Southern Bell and South Central Bell upon the allocation of BSC-HQ costs to Kentucky. Insofar as such consolidation affected allocation of BSC-HQ costs to Kentucky during the test period, the information requested is relevant. Accordingly, response should be compelled only to that extent.

Item No. 210 requests information regarding plans or attempts by BellSouth or any affiliate to consolidate or streamline operations during the past five years. The information requested is relevant only insofar as it concerns consolidation or streamlining plans or attempts which produced costs or savings during 1993 and 1994. Accordingly, production should be compelled only to that extent.

Item No. 211 requests information regarding any plans by BellSouth and any affiliate to consolidate or streamline operations during 1994 and the foreseeable future. Insofar as it concerns

plans which will affect expenses and revenues, the information requested is relevant. Accordingly, response should be compelled to this extent.

Item No. 212 requests information concerning all cost cutting measures taken by South Central Bell and any affiliate during the past three years. The information requested is relevant only insofar as it pertains to such measures taken in Kentucky during 1993 and 1994. Accordingly, response should be compelled only to that extent.

Item No. 216 requests information regarding all cost saving goals South Central Bell has concerning the development of the 1994 budget. The information requested is relevant to a determination of the reasonableness of appropriate expenses in this proceeding. Accordingly, its production should be compelled.

Item No. 217 requests certain information regarding contingent liabilities. The information requested is relevant as it pertains to such liabilities in 1993 and 1994. Accordingly, production should be compelled only to that extent.

Item Nos. 218 and 219 request certain information and documents concerning customer deposit interest. The requested information and documents are relevant, and production should be compelled.

Item No. 220 requests information relating to data processing projects and related expenses and revenues for 1993 and projected for 1994. The information requested is relevant, and response should be compelled.

Item No. 221 requests information regarding accounts wherein amortization is included in 1993 above-the-line expenses. The information requested is relevant to a determination of appropriate test period expenses. Accordingly, response should be compelled.

Item No. 222 requests information and documents regarding the composition of all deferred income tax charges as of December 31, 1993. The requested information and documents are relevant to a determination of appropriate test period expenses. Accordingly, production should be compelled.

Item Nos. 223, 224, and 225 request information concerning rights of way and the depreciation thereof. The information requested is relevant to a determination of appropriate test period depreciation expense, and production should be compelled.

Item No. 226 requests documents pertaining to directory advertising revenues for the affiliated company that provides directory advertising and services to South Central Bell. The documents requested are relevant insofar as they pertain to advertising agreements and the determination of directory revenue imputed to South Central Bell for the test period. Accordingly, production will be compelled to that extent.

Item No. 227 requests certain information regarding the provision of services to BellSouth Advertising and Publishing Company ("BAPCO") by affiliated companies. The information requested is relevant insofar as it pertains to 1993 and 1994 affiliated transactions, and its production should be compelled to that extent.

Item Nos. 228 and 229 request, respectively, certain documents concerning justification of affiliate transactions between South Central Bell and BAPCO; and information concerning expected increase in the amount of advertising and in the rates therefor in 1994. These requests are relevant to a determination of test period affiliated transactions, and complete responses should be compelled.

Item No. 230 requests certain information regarding services and fees related to telephone advertising, as well as interrelationships between BellSouth Enterprises and companies that publish, print, sell advertising in, or perform slated services concerning telephone directories. The information requested is relevant insofar as the test period includes expenses and revenues related to affiliated companies. Consequently, response to this item should be compelled to that extent.

Item No. 231 requests identification of, and information concerning, account numbers that included directory advertising expenses. The information requested is relevant to a determination of test period expenses, and response should be compelled.

Item No. 232 requests certain information and reports regarding directory revenues. The information and reports requested are relevant insofar as they concern 1993 and 1994. Consequently, production should be compelled to that extent.

Item No. 233 requests information concerning the dollar amount of billed directory revenues, together with reasons for increases thereof. The information requested is not relevant except as it



pertains to the test period and projections for 1994, which have been requested in Item No. 229. Consequently, response to this item should not be compelled.

Item Nos. 234 and 235 request information regarding options, if any, offered to residential and business customers for listings in the White Pages of the directory, together with certain statements of South Central Bell's policies involved in handling the revenues from these options. The information requested is relevant to a determination of appropriate test period revenues. Accordingly, responses to these requests should be compelled.

Item No. 236 and 237 request information concerning the transactions between BAPCO and South Central Bell regarding special options included in the White Pages for either residential or business, and certain other information concerning the treatment of such revenues upon receipt, including whether South Central Bell considers the revenues and expenses involved to be regulated or non-regulated. The information requested in these items is relevant to a determination of appropriate test period affiliated transactions. Accordingly, responses to these requests should be compelled.

Item No. 238 requests identification of, and provision of relevant portions of, commission orders for the past five years wherein states or jurisdictions have imputed additional revenues to local operating companies on the ground that earnings of the affiliated company providing the directory service were excessive. The requested documents and information will assist the Commission

in making a determination in this case. Accordingly, production should be compelled.

Item No. 239 requests a specified breakdown of directory revenues for the year ended December 31, 1993. The information requested is relevant to a determination of the appropriate level of imputed directory revenues. Accordingly, response should be compelled.

Item No. 240 requests information concerning the creation of a yellow page directory, including steps taken during the process, identification of which company is responsible for various tasks and liabilities involved, and certain information regarding related revenue and expense. The information requested is relevant to a determination of the appropriate level of imputed directory revenues. Accordingly, response should be compelled.

Item Nos. 241, 242, and 243 request information regarding expenses and uncollectible accounts. The information requested by these items is relevant to determining reasonable expenses for the test period. Accordingly, complete responses to all three items should be compelled.

Item No. 244 requests information regarding billings for directory advertising and, separately, special White Pages listings by year from 1990 through projection for 1994. The information requested is relevant to the extent it involves billings for 1993 and 1994. Consequently, response should be compelled only to that extent.

Item 245 requests information regarding viable competition for South Central Bell, if any, for yellow page advertising within its service territory. The information requested is relevant to a determination of South Central Bell's potential revenue losses due to competition and its production should be compelled.

Item No. 246 requests information regarding donations made with BellSouth and BellSouth Telecommunications, Inc. funds and amounts allocated or charged to Kentucky operations. The information requested is relevant to a determination of appropriate test period expenses and its production should be compelled.

Items 247, 248, 249, 250, and 251 request information regarding dues paid. The information is relevant to the extent that it concerns total dues paid, a description of dues, and whether there are above-the-line and below-the-line expenses associated with same. Accordingly, response should be compelled to that extent.

Items 252, 253, and 254 request information and documents regarding costs associated with early retirement of employees of BellSouth Telecommunications, BellSouth Corporation, South Central Bell, and BellCore. The information requested is relevant to a determination of appropriate test period expenses. Accordingly, its production should be compelled.

Item No. 255 requests information and documents regarding severance pay associated with early retirement. The information pertaining to 1993 is relevant to this proceeding. Accordingly, its production should be compelled to that extent.

Item Nos. 256, 257, 258, 259, 260, 262, 263, 264, 265, 266, 268, 269, 270, 271, 272, 273, and 274 request information and documents relating to employee benefits. The information and documents requested in these items are relevant to a determination of appropriate test period expenses. Accordingly, complete responses to these items should be compelled.

Item No. 261 requests information regarding subsidized employee cafeterias. The information requested is relevant insofar as it relates to 1993 test period expenses. Accordingly, response should be compelled only to that extent.

Item No. 267 requests information regarding costs associated with personal use of South Central Bell-owned vehicles. The information requested is relevant to test period expenses. However, South Central Bell should be compelled to supply this information only in the aggregate.

Item No. 275 requests information regarding recreational sites maintained by South Central Bell for the use of the public or South Central Bell employees. The information requested is relevant only insofar as it relates to test period expenses. Accordingly, response should be compelled to that extent.

Item No. 276 requests information regarding the number of employees, broken down among salaried, hourly, and outside contractors, from 1991 to present. The information requested is relevant only as to 1993 and 1994. Accordingly, production should be compelled to that extent.

Item Nos. 277 and 278, respectively, request information regarding contract personnel and changes to the work force. Both requests are relevant to a determination of appropriate test period expenses and operations. Accordingly, complete responses to these items should be compelled.

Item No. 279 requests information regarding the budgeted and actual number of employees, together with a separate listing, stated in terms of full-time equivalent positions, for any labor force levels other than full-time equivalent positions. The request is relevant only insofar as it requests information concerning 1993 and 1994 employee information. Accordingly, response will be compelled only to that extent.

Item No. 280 requests information regarding the planned reduction of BellSouth Telecommunications' work force. The information requested is relevant to test period operations, and response should be compelled.

Item No. 281 requests 1993 and 1994 information concerning the South Central Bell employee stock option plan. The information requested is relevant to test period operations, and response should be compelled.

Item No. 282 requests certain documents relating to the South Central Bell employee stock option plan. The request is relevant insofar as it requests documents pertaining to the 1993 plan. Accordingly, production should be compelled only to that extent.

Item No. 283 requests detailed information concerning savings plan expenses related to page 50 of the notes to consolidated

financial statements of the BellSouth Form 10-K for 1992. The information requested is relevant to a determination in this proceeding. Accordingly, production should be compelled.

Item No. 284 requests information regarding all South Central Bell-Kentucky personnel reporting exception time during 1993. The information requested is relevant to test period expenses, and its production should be compelled.

Item Nos. 285 and 286 request information concerning transfers of South Central Bell-Kentucky employees to its unregulated subsidiaries. The information requested is relevant only insofar as the subject transfers affected 1993 expenses. Accordingly, responses to these items will be compelled only to that extent.

Item No. 287 requests documentation of occasions in which South Central Bell "attempted to prevent" the transfer of an employee to an unregulated affiliate or subsidiary. The request as worded is vague. Consequently, South Central Bell should not be compelled to attempt a response.

Item No. 288 requests information regarding all central office switching equipment replacements planned for 1994 and actual replacements for the twelve months ended December 31, 1993. The information requested is relevant to a determination of test period rate base. Accordingly, response should be compelled.

Item No. 289 requests information concerning exercise or jogging tracks available for the exclusive use of employees of South Central Bell and any affiliate which provides services to South Central Bell. The information requested is relevant only

insofar as expenses related to such exercise or jogging tracks were charged or allocated to South Central Bell-Kentucky for the test period or are projected to be allocated to South Central Bell-Kentucky for 1994. Accordingly, response will be compelled only to this extent.

Item No. 293 requests a special computer printout of an extremely detailed listing of charges to any above-the-line account which exceed \$10,000 and are other than labor, for the year ended December 31, 1993 and the six month ended June 30, 1994 for South Central Bell and BellSouth Telecommunications, Inc. The information requested is relevant. However, production of the requested printout would be burdensome. Consequently, the Attorney General should be given access to the requested information at a mutually convenient time at the offices of South Central Bell or BellSouth, wherever the information is located.

Item No. 294 requests a comparison in schedule form of the balance in the total South Central Bell and intrastate operating expense accounts for each month of 1993 and projected 1994 for each account or subaccount included in South Central Bell's chart of accounts. The information requested is relevant. However, compliance with this request would be unduly burdensome. Accordingly, the Attorney General should be given access to the information necessary to develop the comparison chart at a mutually convenient time at the offices of South Central Bell.

Item No. 295 requests information associated with new system designs, specifically whether costs for the systems should be

expensed or capitalized. The information requested is relevant to the test period operations, and its production should be compelled.

Item No. 296 requests information concerning expenses for chauffeur employment included in the test period and projected for 1994. The information is relevant to a determination of appropriate expenses and, thus, should be compelled.

Item Nos. 297, 298, 299, 300, 301, 302, 303, 304, 305, 307, and 309 request information and documents concerning miscellaneous expenses incurred by South Central Bell and its affiliates. The information requested is relevant only to the extent the subject expenses are included in the South Central Bell-Kentucky test period. Accordingly, responses to these items should be compelled only to this extent.

Item No. 306 requests information relating to South Central Bell's belief as to whether comparisons of expense and operating ratios between regional utilities is an appropriate vehicle to test the reasonableness of expenses. The requested information is relevant. Accordingly, response to this item should be compelled.

Item No. 312 requests certain financial audit workpapers pertaining to South Central Bell and its parent company. The information requested is relevant. However, production would be burdensome. The Attorney General should be given access to this information at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the documents are kept.

Item Nos. 315 and 316 request certain financial statements. The information requested is relevant. However, production would



be burdensome. The Attorney General should be given access to this information at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the documents are kept.

Item No. 317 requests monthly surveillance reports provided to the Kentucky Public Service Commission from January 1, 1993 to the present. The requested documents are available for review at the offices of the Kentucky Public Service Commission. Consequently, production of these documents should not be compelled.

Item No. 318 requests copies of the original (or earliest available) and current strategic business plans of specified BellSouth companies. This request is relevant only insofar as it pertains to plans of those affiliates which have costs allocated to South Central Bell-Kentucky. Accordingly, production should be compelled only to this extent.

Item No. 320 requests all documents in the possession, custody, or control of South Central Bell concerning its long range plans. This request is irrelevant because it pertains to projections clearly outside of any test period in this proceeding. Accordingly, production should not be compelled.

Item No. 324 requests analyses of any gains or losses on utility property sold in 1991, 1992, and 1993 and anticipated in 1994 or 1995, together with an explanation of how such amounts have been treated for rate-making purposes. The information requested is relevant only insofar as it pertains to gains or losses for 1993 and projected for 1994. Accordingly, response to this item should be compelled only to that extent.

Item No. 325 requests copies of the general ledgers of South Central Bell for Kentucky operations for the year ended December 31, 1993, and for subsequent periods as they become available. The information requested is relevant. However, it is voluminous and its production would be unduly burdensome. Consequently, the Attorney General should be given access to these ledgers at a mutually convenient time at the offices of South Central Bell or BellSouth, wherever the ledgers are located.

Item No. 326 requests information concerning South Central Bell's sponsorship of any golf tournaments. This request is relevant to an analysis of expenses for 1993 and 1994 and, accordingly, a response should be compelled.

Item No. 327 requests information concerning South Central Bell's incentive compensation plan. This request is relevant to an analysis of expenses for 1993 and 1994. A response should be compelled.

Item No. 328 requests certain documents concerning BellSouth Corporation's executive long-term incentive plan and special payments plan. To the extent such documents have bearing upon the test period for South Central Bell-Kentucky, they are relevant to this proceeding. Accordingly, production should be compelled to that extent.

Item No. 329 requests information regarding incentive plans in other states. To the extent that this information does not duplicate information already provided in this proceeding, response should be compelled.

Item Nos. 330, 332, and 333 request certain information regarding deferred and excess income taxes of South Central Bell. The information requested in these items is relevant to a determination of expenses in this proceeding. Accordingly, response to these items should be compelled.

Item Nos. 334 and 335 request specified information concerning investment tax credits for 1993 and projected for 1994. The requested information is relevant to this proceeding. Consequently, response to these items should be compelled.

Item No. 336 requests detailed information regarding any IRS audits, settlements with the IRS, and audit adjustments during the three years ending with December 31, 1993. The requested information is relevant to this proceeding insofar as it has an impact on taxes paid in 1993. Accordingly, response should be compelled to this extent.

Item No. 337 requests certain information regarding deferred income taxes relating to vintage assets. The information requested is relevant to this proceeding. Consequently, response should be compelled.

Item No. 338 requests information regarding the participation of South Central Bell's Kentucky operations in income tax "consolidation benefit" amounts during the test period. The information requested is relevant to this proceeding. Consequently, response should be compelled.

Item No. 339 requests information regarding certain payments to, and descriptions of, industrial organizations. To the extent

the requested information pertains to the test period, it is relevant. Accordingly, response should be compelled to this extent.

Item Nos. 340 through 354 request information concerning inside wiring. The information requested in these items is relevant to the extent that it concerns test period expenses and revenues above-the-line and below-the-line. Accordingly, response to these items should be compelled to this extent. South Central Bell shall discuss in detail its procedures for determining the allocation of regulated versus nonregulated expenses and revenues. South Central Bell shall also provide full details of sales and marketing procedures as well as maintenance and repair procedures. South Central Bell's response shall include full explanations as to whether any inside wire revenues booked below-the-line should be imputed to regulated revenues, pursuant to FCC Docket No. 79-105, Report and Order dated February 14, 1992.

Item Nos. 355 and 356 request certain information relating to insurance expenses and insurance reserves. The information requested, as it pertains to 1993, is relevant to this proceeding. Accordingly, response should be compelled to this extent.

Item Nos. 357 and 358 request certain information relating to life insurance proceeds and expenses of South Central Bell and BellSouth Corporation. The information requested is relevant only insofar as it pertains to the South Central Bell-Kentucky operations for 1993 and 1994. Accordingly, response to these items should be compelled only to this extent.

Item No. 360 requests certain information regarding benefits to South Central Bell from certain investment tax credits. The information requested is relevant to this proceeding if it pertains to 1993 and 1994. Its production should be compelled to that extent.

Item No. 361 requests information and documents regarding lease expenses and allocations or charges to Kentucky and Kentucky intrastate operations concerning same. The information requested is relevant as to 1993 and 1994 leases. To this extent, production should be compelled.

Item No. 362 requests information and documents regarding all leases. The information requested fails to specify whose leases are requested. Accordingly, production should not be compelled.

Item No. 363 requests information regarding leasehold improvements, South Central Bell's understanding of how leasehold improvements are to be written off if a lease includes a renewal option, and identification of certain amortization-related expenses for the year ended December 31, 1993 and projected for 1994. The information requested is relevant to this proceeding. Accordingly, complete response should be compelled.

Item Nos. 364 and 365 request certain legal expenses for rate case and non-rate case related work. The information requested is relevant only insofar as it pertains to the test period. Accordingly, response should be compelled only to this extent.

Item No. 366 requests certain information regarding legal settlements for any injury and damage claims. The information

requested is relevant only insofar as it pertains to test period expenses. Accordingly, response should be compelled only to this extent.

Item No. 367 requests certain information regarding amounts included in the year ending December 31, 1993 and as projected for 1994 which are the result of the settlements of legal actions. The information requested is relevant to this proceeding. Accordingly, response should be compelled.

Item No. 368 requests information regarding the number and organization of lawyers employed by BSC-HQ, BellSouth Services, and South Central Bell. The information requested is not relevant since it does not pertain to test year expenses. Consequently, response should not be compelled.

Item No. 369 requests certain information regarding fees for maintaining lines of credit. The information requested is relevant insofar as it pertains to 1993 and 1994. Consequently, response should be compelled only to this extent.

Item No. 370 requests certain information regarding any employee-benefit or overhead factor employed by South Central Bell to assign overhead costs to specific projects. The information requested is relevant to this proceeding. Consequently, response should be compelled.

Item Nos. 371, 372, 373, and 374 request certain information concerning lobbying expenses and activities. To the extent that the requested information concerns expenses or activities concerning South Central Bell during the test period, such

information is relevant. Accordingly, response to these items should be compelled only to this extent.

Item No. 375 requests certain information and documents relating to any benefits conferred by South Central Bell's utility operations on its nonregulated affiliates and subsidiaries. The information requested is irrelevant to test period expenses and revenues. Accordingly, its production should not be compelled.

Item No. 378 requests certain information, including costs, in relation to the marketing of regulated and nonregulated services and products offered by South Central Bell-Kentucky. The information requested is relevant insofar as it applies to 1993. Accordingly, production should be compelled only to that extent.

Item No. 379 inquires as to South Central Bell's understanding of the difference between marketing and promotional activities. The requested information is not relevant to test period expenses and revenues. Consequently, response should not be compelled.

Item No. 380 requests information regarding marketing of personal information by BellSouth Telecommunications or affiliates. The information requested is not relevant to the test period applicable to this proceeding. Consequently, response should not be compelled.

Item No. 384 asks the average annual balance of materials and supplies for 1991, 1992, and 1993. Only the balance in 1993 is relevant to this proceeding. Consequently, response should be compelled only to this extent.

Item No. 385 requests information pertaining to certain miscellaneous expenses in 1993. The information requested will be provided in response to other information requests. Consequently, response to this item should not be compelled.

Item No. 386 requests information regarding certain non-recurring expenses. As to test period expenses, the information requested is relevant to this proceeding. Accordingly, response will be compelled to this extent.

Item No. 387 requests certain documents regarding the competitive nature of the nonregulated products and services offered by South Central Bell. The information requested is not relevant to this proceeding. Consequently, production should not be compelled.

Item Nos. 388, 389, 390, and 391 request certain organizational charts for BSC-HQ, South Central Bell, BellSouth, and parent company and subsidiaries. The requested charts are relevant to an analysis of affiliated transactions with which this proceeding is concerned. Consequently, production should be compelled.

Item No. 392 requests the annual level of outside services expense from 1991 through 1993 on a Kentucky intrastate basis. The requested information is relevant only as to 1993. Accordingly, response should be compelled only to this extent.

Item No. 393 requests certain information regarding computation of parent company debt adjustment, together with information regarding subsidiaries of the parent company which have



outstanding debt, information regarding any South Central Bell subsidiary which is a financing subsidiary, and information concerning assets and liabilities of the parent company as of December 31, 1993. The information requested is relevant only insofar as it affects the financial status of South Central Bell-Kentucky during the test period. Accordingly, response should be compelled to that extent.

Items 394, 395, 396, and 397 request certain information relating to payroll allocation and expense. The information requested is relevant only insofar as it concerns 1993 and 1994 allocations and expenses. Accordingly, response should be compelled to that extent.

Item No. 398 requests information concerning all penalties and fines recorded in 1993 and budgeted for 1994. The information requested is relevant insofar as it pertains to South Central Bell-Kentucky. Accordingly, response should be compelled only to that extent.

Item Nos. 401 through 414 request information and documents pertaining to pension plans and costs. The information requested is relevant insofar as it concerns (1) the determination of pension expenses in the test period and (2) future estimated pension expenses. Accordingly, responses to these items should be compelled only to this extent.

Item Nos. 415 and 418 through 427 request certain information and documents pertaining to postretirement benefits and costs. These items are relevant to a determination of the reasonableness

of test period postretirement expenses. Consequently, responses to these items should be compelled.

Item No. 428 requests the average annual balance of prepayments for 1991, 1992, and 1993. Averaged information is relevant to this proceeding. Consequently, response to this item should be compelled.

Item No. 429 requests, by FCC account, South Central Bell's annual expenses for the year ended December 31, 1993, and as projected for 1994, and for each account having a variance over or under the prior period exceeding 10%, certain information regarding such variance. The information requested is relevant to a determination of the reasonableness of test period expenses. Consequently, response should be compelled.

Item Nos. 430, 431, and 432 request certain charts and information regarding procurement, property, and services management organizations of South Central Bell and BellSouth. The information requested is relevant to a determination of appropriate procurement, property, and services practices. Accordingly, response to these items should be compelled.

Items 433 through 443 request further information and documents regarding procurement, property, and services management. The information and documents requested are relevant to the extent that they concern the test period. Accordingly, response to these items should be compelled to this extent and to the extent that the information and documents are not already a part of the record of this proceeding.

Item No. 444 requests certain information concerning actual 1993 expenses and 1994 budgeted expenses for environmental areas of concern. The information requested is relevant to this proceeding. Accordingly, response should be compelled.

Item No. 445 requests information and expenses related to upgrading existing coin sets to "smart sets." The information requested is relevant to this proceeding only insofar as it pertains to 1993 and 1994. Accordingly, response should be compelled only to this extent.

Item No. 446 requests a schedule with detailed information pertaining to each item of plant held for future use included in the 1993 rate base. The information requested is relevant to this proceeding. Consequently, complete response should be compelled.

Item No. 454 requests information regarding all nonregulated services and products provided by or sold by South Central Bell subsidiaries. The information requested is irrelevant to the South Central Bell-Kentucky test period. Consequently, response should not be compelled.

Item No. 455 requests a description of all nonregulated services or products provided or sold by South Central Bell. The requested information is relevant to a determination of appropriate allocation of above-the-line and below-the-line expenses and revenues. Consequently, response should be compelled.

Item Nos. 456, 457, and 458 request certain information pertaining to property taxes disputed, refunded, and abated. The information requested is relevant only insofar as it pertains to

1993 and 1994. Accordingly, response to these items should be compelled only to this extent.

Item Nos. 459, 460, and 461 request certain information concerning rate base. To the extent the information requested concerns items relevant to the rate base for 1993 and 1994, it is relevant to an appropriate analysis of test year expenses and revenues. Accordingly, response to these items should be compelled to this extent.

Item No. 462 requests the annual level of rate case expense incurred in South Central Bell's last three rate proceedings. The information requested is irrelevant to analysis of test period expenses and revenues. Accordingly, response to this item should not be compelled.

Item No. 463 requests information regarding items included in 1993 expenses for regulatory expenses. The information requested is relevant to an appropriate analysis of test period expenses. Accordingly, response to this item should be compelled.

Item Nos. 464, 465, and 466 request certain information regarding relocation expenses and allocation of same. To the extent these requests concern expenses incurred in 1993, they are relevant to an appropriate analysis of the test period. Accordingly, response to these items should be compelled to this extent.

Item No. 467 requests information regarding facilities, locations, and assets included as rental expense for the year ended December 31, 1993 and as budgeted for 1994. The information

requested is relevant to an appropriate analysis of test period expenses. Accordingly, complete response should be compelled.

Item Nos. 468 through 474 request information regarding research and development projects and policies and expenses relative to same. To the extent the requested information is relevant to the test period and 1994, production should be compelled.

Item No. 475 requests documents relating to South Central Bell's business restructuring plans. The information requested is relevant to an understanding of South Central Bell's structure and operations. Accordingly, production should be compelled.

Item No. 476 requests information and documents pertaining to restructuring charges and costs. Insofar as the information and documents requested relate to 1993 and to future year projections, they are relevant to this proceeding. Consequently, production should be compelled.

Item No. 477 requests information relating to monthly billing data such as total minutes of use and the number of originating and terminating calls for 1993 and projected for 1994. The information requested is relevant to an appropriate analysis of revenues and practices. Accordingly, complete response to this item should be compelled.

Item No. 478 requests information and documents relating to late charges South Central Bell is authorized to impose. The information and documents requested are otherwise available and do

not specifically relate to the test period. Consequently, production should not be compelled.

Item Nos. 479 through 484, 486 through 491, and 493 request documents and detailed information regarding revenues. To the extent these requests concern 1993 and 1994, they are relevant to an appropriate analysis of test period revenues. Accordingly, responses to these items should be compelled to this extent.

Item No. 485 requests copies of all intercompany revenue reports generated for 1993 and 1994 to date. The documents requested are relevant to the financial analysis necessary for an appropriate determination in this case. However, they are voluminous and production would be too burdensome. Consequently, the Attorney General should be given access to the requested documents at a mutually convenient time at the offices of BellSouth or South Central Bell, wherever the documents are located.

Item No. 492 asks South Central Bell to say, with complete explanation, whether it is willing to commit to above-the-line regulated treatment of future revenues earned by any BellSouth subsidiary using each of eight listed technologies. The information requested is irrelevant to test period analysis and any answer given would be speculative. Consequently, response to this item should not be compelled.

Item Nos. 494 and 495 request documents and information related to, respectively, new services which may be offered in 1994 and 1995, and projected revenues for 1994 through 1997 for Kentucky nonregulated operations. Neither of these requests concerns

information relevant to a test period analysis. Accordingly, responses to these items should not be compelled.

Item Nos. 497 through 509 request information concerning salaries and wages paid by South Central Bell. To the extent the information requested concerns 1993 and 1994, it relates to an analysis of the reasonableness of test period expenses. Consequently, responses to these items should be compelled to this extent.

Item Nos. 510, 511, and 512 request information and documents concerning compensation, incentives, and objectives related to sales. Insofar as the information and documents requested pertain to 1993 and 1994, they are relevant to a determination of appropriate test period expenses. Accordingly, responses to these items should be compelled to this extent.

Items 513, 514, and 515 request information relating to separation factors and past and projected relative rates of increase of intrastate and interstate traffic. The information requested is relevant to appropriate determinations of jurisdictional separation factors. Accordingly, responses to these items should be compelled.

Items 516 through 524 request information regarding regulated and nonregulated services and products offered by, and to be offered by, South Central Bell. Insofar as the requested information pertains to nonregulated and deregulated operations offered in 1993 and 1994, it is relevant to this proceeding.

Accordingly, responses to these items should be compelled to this extent.

Item No. 525 requests information concerning amounts of severance pay for 1993 and budgeted for 1994. The information requested is relevant to an appropriate analysis of test period expenses. Accordingly, response to this item should be compelled.

Item Nos. 526, 527, 528, 529, and 530 request information and documents concerning the impact of Statement of Financial Accounting Standards ("SFAS") 112. The information and documents are relevant to test period expenses. Accordingly, responses to these items should be compelled.

Item Nos. 531 and 532 request documents and information concerning gains or losses recognized under SFAS 88. The information requested is relevant to an appropriate test period financial analysis. Accordingly, responses to these items should be compelled.

Item No. 533 requests documents concerning the effect of Subscriber Plant Factor and Dial Equipment Minutes on revenues, expenses, or assets for 1993 and projected for 1994. The documents requested are relevant to an appropriate analysis of test period expenses and revenues. Accordingly, production should be compelled.

Item No. 534 requests information regarding each separate software addition in 1993. The information requested is relevant to an appropriate analysis of test period expenses and revenues. Accordingly, response should be compelled.



Item No. 535 requests information regarding the financial impacts of special projects participated in by South Central Bell for 1993 and projected for 1994. The information requested is relevant to an appropriate analysis of the test period. Accordingly, response to this item should be compelled.

Item No. 536 requests information concerning storm damages expenses for 1993 and 1994 to date. Insofar as the information requested relates to storm damage expenses incurred by South Central Bell-Kentucky, the request is relevant. Consequently, response should be compelled to this extent.

Item No. 538 requests information regarding subscriptions costing \$2,500 or more for 1993 and projected for 1994. Insofar as the information requested pertains to South Central Bell-Kentucky, it is relevant. Consequently, response should be compelled to this extent.

Item Nos. 539, 540, 541, and 542 request information and documents regarding taxes accrued, payroll taxes, tax refunds, and other taxes. Insofar as these requests concern 1993 and 1994, they are relevant to an appropriate analysis of test period revenues and expenses. Accordingly, response should be compelled only to this extent.

Item No. 543 requests information regarding telecommunication plant under construction which was included in the 1993 rate base. The information requested is relevant to an appropriate test period analysis. Accordingly, response to this item should be compelled.

Item No. 544 requests information regarding tennis tournaments, if any, sponsored by South Central Bell or any of its affiliates. Insofar as the information requested relates to expenses incurred by South Central Bell-Kentucky for the test period, it is relevant. Accordingly, response should be compelled only to this extent.

Item Nos. 545, 546, and 547 request information regarding uncollectible accounts. To the extent the information requested concerns uncollectible accounts for 1993, it is relevant. Accordingly, responses to these items should be compelled only to this extent.

Items 548, 549, and 550 request information concerning sales, marketing, and cost allocation regarding, unregulated services of South Central Bell-Kentucky. To the extent the information requested concerns such practices during 1993 and 1994, it is relevant to a determination of whether appropriate cost allocations for unregulated services are followed. Consequently, responses to these items should be compelled to this extent.

Item No. 551 requests all documents in South Central Bell's control, possession, or custody which address whether or not there are cross-subsidies between South Central Bell and its unregulated affiliates and unregulated subsidiaries and between South Central Bell and its unregulated operations. The request, as worded, is vague and, consequently, production should not be compelled.

Item Nos. 552 and 553 request information and documents concerning payments received from the High Cost Fund or Universal

Service Fund. Insofar as the information requested concerns payments in 1993 and 1994, it is relevant to an appropriate analysis of the test period. Accordingly, responses to these items should be compelled to this extent.

Item No. 554 requests a specified breakdown of amounts paid to the United States Telephone Association during 1993. The information requested is relevant to an appropriate analysis of the test period. Accordingly, response to this item should be compelled.

Item No. 555 requests a detailed vendor listing for the year ended December 31, 1993. The information requested is relevant to this proceeding. It is, however, voluminous, and its production would be burdensome. Accordingly, the Attorney General should be given access to this information at a mutually convenient time at the appropriate offices of South Central Bell or BellSouth, wherever the information is located.

Item No. 556 requests studies and reports concerning costs associated with South Central Bell's voice message services in Kentucky. Insofar as the information requested concerns such costs in 1993 and 1994, it is relevant to test period analysis. Consequently, production should be compelled to this extent.

Item No. 559 requests information concerning expenses and claims associated with Workers' Compensation. Insofar as this request concerns claims and expenses for 1993 and 1994, it is relevant to an appropriate test period analysis. Consequently, response should be compelled to this extent.

Item Nos. 579, 580, and 581 request information or documents concerning the telephone network in BellSouth states other than Kentucky. The information and documents requested are relevant in that they pertain to allocations and cost of capital. Accordingly, production should be compelled.

Item No. 582 requests certain documents and information regarding the decision to deploy certain technologies. The information and documents requested are relevant insofar as they concern deployment decisions and projections for South Central Bell-Kentucky. To this extent, and to the extent such information and documents are available, production should be compelled.

Item Nos. 589, 590, and 591 request documents and information pertaining to Yellow Pages Directory advertising and publishing, as well as certain policies and practices related to same. The information requested is relevant to a determination of reasonableness of directory revenues. Consequently, production should be compelled, with the provision that only the most recent documents in each category shall be provided.

Item No. 592 requests copies of all financial reports for BellSouth and South Central Bell. The reports requested are publicly available. Consequently, production should not be compelled.

Item No. 593 requests analyses conducted by South Central Bell or BellSouth concerning the competitiveness in Kentucky of eight specified services. The analyses requested are relevant to review

of South Central Bell operations and assessment of competition. Consequently, complete response to this item should be compelled.

Item No. 594 requests analyses conducted by South Central Bell or BellSouth concerning the competitiveness in BellSouth states other than Kentucky of eight specified services. The analyses requested are not relevant to this proceeding. Consequently, production should not be compelled.

Additionally, the Attorney General's August 3, 1994 motion to compel South Central Bell to respond to questions also included two interrogatories from his initial data request dated May 14, 1994. Item No. 38 requested projections made by South Central Bell related to business plans or other planning documents prepared in the last five years. Item No. 59 sought copies of South Central Bell's commitment view operating and capital budgets for 1993 and 1994. In response to these items, South Central Bell furnished certain information. In its response to the Attorney General's motion filed August 10, 1994, South Central Bell asserted that no more information was available on these two items. Therefore, further production should not be compelled.

On August 22, 1994, MCI Communications Corporation ("MCI") filed a motion to compel South Central Bell to respond to Item No. 2 of its data request. On August 25, 1994, South Central Bell responded to MCI's motion. Item No. 2 requests an explanation of South Central Bell's position regarding whether KRS 278.512 and 278.514 apply to South Central Bell's application in this proceeding. South Central Bell made no objection to this question

but instead responded to the item. Accordingly, no further production should be compelled.

On August 24, 1994, AT&T Communications of the South Central States, d/b/a AT&T, filed a motion to compel South Central Bell to answer certain of its data requests. On August 30, 1994, South Central Bell responded to this motion. Item Nos. 10, 11, 12, and 13 relate to South Central Bell's beliefs regarding the exclusivity of franchises for local service and intrastate access service. The opinions sought in these questions are relevant to issue of whether South Central Bell faces sufficient competition to justify approval of price cap regulation. Therefore, responses will be compelled.

Item No. 15 requests information regarding the availability of answer supervision for all services offered for resale in Kentucky. The information sought is relevant to a determination of the competitive nature of South Central Bell's services. This information should therefore be compelled.

Item Nos. 17, 19, 20, 21, 22, and 23 request information regarding voice grade equivalent loop miles of plant in Kentucky; working voice grade equivalent circuit miles between South Central Bell's end offices and intraLATA toll and access tandems; voice grade equivalent circuit miles and circuits between South Central Bell's end offices and local tandems; interoffice voice grade equivalent circuit miles and circuits that directly connect South Central Bell's end offices to other South Central Bell and interexchange company end offices; interoffice voice grade equivalent circuit miles and circuits between South Central Bell

intraLATA access tandems and interexchange carrier points of presence serving wire centers; and voice grade equivalent circuit miles and circuits between South Central Bell tandems by switching office. None of the information sought by these items is relevant to this proceeding. AT&T appears to be seeking competitively sensitive information in the context of this proceeding which would enable it to compete against South Central Bell. Production of these materials should not be compelled.

Item Nos. 24 and 25 seek information related to the number of exchanges, end offices, remotes, access tandems, local tandems, and intraLATA toll tandems owned by South Central Bell in Kentucky and also the number of switching offices that provide more than one function in Kentucky. South Central Bell objects to these items on the basis of lack of relevancy but then states that the information is available in the NECA ("National Exchange Carrier Association") 4 tariff. Production of this information should not be compelled because it is publicly available.

Item No. 27 requests the number of South Central Bell local subscriber access lines for specific years and in a specific format. South Central Bell asserts that the information is not relevant, that it is confidential, and that it is not available in the format requested. The information sought is not relevant to this proceeding in the format in which it has been requested. Accordingly, it should not be compelled at this time.

Item Nos. 28 and 29 seek information regarding exchange cost studies for Kentucky and the average level of subsidy to basic

residential services and the variance in the average subsidy level by exchange. Exchange cost studies are not specifically relevant to this proceeding. Nor is the average level of subsidy to services relevant to this proceeding. Thus, production should not be compelled.

Item Nos. 45 and 46 request information concerning the incremental cost of access. In response to these items, South Central Bell has stated that it has agreed to mirror the interstate rates in effect December 1, 1994 and that those rates cover the intrastate cost. Therefore, according to South Central Bell the long line incremental cost of switched access is unnecessary for the resolution of this proceeding. Additional information should not be compelled at this time.

Item Nos. 60(a), 60(b), 61, 79, 80, and 81 seek information concerning the historical growth of contribution by category of service. These items request imbedded direct cost analysis and the tariff units of services by year, the percentage growth of the services by year, and revenues collected from contract service arrangements. The information sought by these items is not relevant to a determination of test year expenses and revenues and accordingly, production should not be compelled.

Item No. 65 requests all available data pertaining to price elasticities and price elasticity characteristics of services included in the non-basic category. The information sought is relevant to a determination of the reasonableness of the non-basic category services and the type of regulation proposed by South



Central Bell. Accordingly, production of this item should be compelled.

The Attorney General has requested that the Commission initiate an earnings investigation of South Central Bell prior to reviewing the proposed price cap regulation plan. At this time the Commission declines to specifically require an earnings investigation. However, the information compelled herein will assist the Commission and parties in evaluating the appropriate level of rates for South Central Bell and the reasonableness of the proposed price cap regulation plan.

The Commission, having reviewed these motions, responses, and interrogatories, and having been otherwise sufficiently advised, HEREBY ORDERS that:

1. The disposition of each item as described herein is specifically ordered.
2. Within 45 days of the date of this Order, South Central Bell shall furnish the responses prescribed herein.
3. The Attorney General's motion for an earnings investigation is denied.
4. This is not a final and appealable Order.

Done at Frankfort, Kentucky, this 14th day of November, 1994.

PUBLIC SERVICE COMMISSION

*Bill E. Frank*  
Chairman

*Robert M. Davis*  
Vice Chairman

*Linda K. Breathitt*  
Commissioner

ATTEST:

*Don Mills*  
Executive Director