COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO THE DEVELOPMENT OF DEAVERAGED RATES FOR UNBUNDLED NETWORK ELEMENTS	)))	ADMINISTRATIVE CASE NO. 382

COMMISSION STAFF'S FOURTH DATA REQUEST

Pursuant to 807 KAR 5:001 BellSouth Telecommunications, Inc. ("BellSouth") and other parties are to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 17, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

1. Provide a detailed description of the methodology which BellSouth proposes to use to implement deaveraging in its models, including any detailed description of opinions regarding the effectiveness of the model in addressing deaveraging issues. Are there alternatives to the rate group approach proposed by BellSouth? If so, describe in detail.

2. Provide a complete list of each source code used by BellSouth in the programming of its proposed models.

3. Provide a complete list of all model inputs. If such a list is not available, explain in detail why it is not.

4. Provide a list of all model inputs which are user-defined and a list of those inputs which are hard-wired into the model.

5. BellSouth should provide an exhibit showing the calculation of the 15.37 percent to 15.61 percent equity range for the DCF model referenced in Billingsly's testimony. This exhibit should substitute values for the letters in the formula.

6. Billingsly's testimony states that BellSouth's cost of debt is 8.05 percent and that debt is 13.42 percent of the forward-looking capital structure. Isn't it true that debt is short term as well as long term? How would this 13.42 percent of debt be allocated to short term versus long term? What cost rate would you recommend for short-term debt?

7. BellSouth should provide an exhibit supporting the S&P 500 growth rate of 19.57 percent and 19.67 percent mentioned at line 8, page 20 of Billingsly's testimony. This exhibit should be detailed enough to show the period of time by individual time frames, i.e., by year and rate by year. Do IBES and Zacks provide the information on an industry basis? If yes, provide this information for telephone companies and telephone holding companies.

8. Update the expected returns from IBES and Zacks to the most recent date for which the information is available.

9. What capital structure does BellSouth use for planning purposes? What are the components and what are the cost rates used in this capital structure? Provide an exhibit.

10. SECCA should explain what the debt issued by BellSouth Capital Funding represents as referenced on Exhibit 7, page 2 of 10. What entity was it issued to? Why is this debt rated Aa3 as opposed to the remainder of the debt rated Aa2? What does the word QUIBS stand for?

11. SECCA should provide the following:

a. With reference to Exhibit 7, page 3 of 10, substitute the values shown in the first four columns for the letters in the DCF formula to produce the cost of capital shown in the fifth column. Also, show the calculation of the values shown in the sixth column of this exhibit in the same manner as above.

b. On page 92, should the 4.43 percent premium be 4.34?

c. The expected return on the market you used was historically based. How was the 9.55 percent market return determined? How is an historical return consistent with a forward-looking rate of return? Why is it reasonable to use an historical return and an expected return on 30-year bonds and T-Bills?

12. SECCA should explain how the market value capital structure on page 9 of 10, Schedule 7 was derived. How would you allocate the 20.9 percent debt shown on page 9 of 10 of your exhibit and what cost rate would you recommend for short-term debt?

13. Would it be reasonable to use the 15.06 percent stock return rate shown on page 7 of 10 for the period 1971-1998 instead of an average rate for a period starting in 1802 [*sic*] and ending in 1998? If not, explain why not.

14. SECCA should provide an exhibit to support the 5.97 percent and 5.21 percent rates for 30-year bonds and T-Bills.

15. On July 27, 2001, BellSouth provided a model run which was based on the May 2001 decisions of the Florida Public Service Commission but used Kentucky input values. All parties should provide comments on whether these results should be adopted by the Kentucky Commission in whole or in part. Such comments should specifically reference the Florida order if possible.

16. Other commissions in BellSouth states have issued staff recommendations or orders. Parties should comment whether findings in any of these documents should be adopted in Kentucky.

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DATED: 8/3/01

cc: All Parties