1. Please provide the names of the personnel who will comprise the executive management of the Post-Merger Corporate Entity ("PMCE") that will result from the contemplated merger, and describe the financial, technical and managerial abilities they possess enabling them to engage in the telecommunications industry.

a. Please provide the total employee count of AT&T and Bellsouth immediately prior to the contemplated transaction, and provide an estimated employee count following the transaction, extending to 12 months following the date of the contemplated transaction.

b. Please state whether the duties of any employee regarding the PMCE's financial, technical or managerial functions will be outsourced, and if "yes," specifically identify the nature of the job responsibilities to be outsourced and the name of the person or entity who/which will assume the responsibilities.

c. State whether any AT&T and Bellsouth employees who are employed in Kentucky will be laid off or otherwise terminated as a result of the contemplated transaction, and if so, provide, with as much accuracy as possible, the number of employees to be so affected.

d. Please provide the total number of employees working in any and all AT&T and Bellsouth customer service centers, regardless of location, dedicated to addressing inquiries and other needs of customers located in Kentucky. Please provide the total number of such employees as of the date of your response to this request, and an estimate for the number of such employees following the completion of the contemplated transaction.

e. Please provide a copy of any existing agreement, whether a collective bargaining or otherwise, between both of the Joint Applicants and their respective union employees.

RESPONSE:

1. The names and qualifications of the Senior Executive Team for AT&T, Inc. ("AT&T") are listed in Exhibit E to the Application for Approval of Indirect Change of Control filed on March 31, 2006 in this docket.[1] The names and qualifications of the

[1] Please see the Cautionary Language Regarding Forward-Looking Statements attached as Exhibit A to this filing.

executive management of BellSouth Corp. ("BellSouth") are provided in Exhibit B attached hereto. Upon closing the merger, Edward E. Whitacre Jr. will serve as Chairman, Chief Executive Officer, and a member of the board of directors of the combined company. F. Duane Ackerman will serve as Chairman and Chief Executive Officer of BellSouth for a transition period following merger closing. At this time, the Joint Applicants have made no decisions as to which particular individuals will serve in which senior executive roles after the merger, although those individuals will almost certainly come from these current senior management teams. All these individuals are highly qualified for these positions and possess the necessary abilities to manage the combined company, as demonstrated by their experience and current positions.

a. As of March 1, 2006, the total employee count of AT&T and its wholly-owned subsidiaries is approximately 181,760. As of March 6, 2006, the total employee count of BellSouth and its wholly-owned subsidiaries is 63,458. The remaining requested employee count information is confidential and is being made available subject to the Joint Protective Agreement between the Joint Applicants and the Office of the Kentucky Attorney General dated May 2, 2006. In addition, as of December 2005, Cingular had approximately 64,000 employees.

Responding further, Joint Applicants have stated publicly that they expect merger synergies to lead to a headcount reduction of 10,000 jobs nationwide across AT&T, BellSouth, and Cingular between 2007 and 2009. To put those figures in context, prior to its merger last year with AT&T Corp., SBC Communications Inc. ("SBC") alone lost approximately 1,200 employees *per month* through normal attrition, *i.e.*, voluntary departures and retirement. The BellSouth entities likewise lose about 580 employees a month (or 6,960 per year) through normal attrition. To further minimize any impact on employees, both AT&T and BellSouth have initiated a freeze on hiring. Thus, AT&T and BellSouth believe that a substantial portion of any headcount reduction that results from the merger will likely be absorbed primarily through normal attrition.

Moreover, in each of the previous major mergers involving AT&T (*i.e.*, SBC prior to its merger with AT&T Corp. in 2005), most management employees retained their current positions or were offered new opportunities within the new company. Union employees are offered other positions within the company in accordance with their contracts.

There is no reason to expect anything different with this merger. In a letter to BellSouth Chairman and Chief Executive Officer F. Duane Ackerman, AT&T's Chairman and Chief Executive Officer Edward E. Whitacre Jr. highlighted "the value we attach to a high quality workforce, and the experience and skills of the management and employees of BellSouth," and AT&T's intent "to broadly utilize the services of the management and employees of BellSouth following the closing of the Merger." Exh. C to Joint Application.

b. The Joint Applicants have no current plans to outsource the duties of any employees in Kentucky as a result of the merger.

c. The Joint Applicants have no current plans to lay off employees in Kentucky as a direct result of the merger, but they cannot guarantee that no employees in Kentucky or elsewhere will be laid off. Importantly, however, as discussed in detail above, the Joint Applicants anticipate that a substantial portion of any headcount reductions relating to the merger can be accomplished primarily through normal attrition. Moreover, past experience indicates that employees whose jobs are eliminated are often offered other positions within the company.

d. The total number of employees working in customer service centers serving Kentucky is approximately 14,000. Employees in these centers are not dedicated to customers in particular states, so Joint Applicants cannot provide a number of employees dedicated to Kentucky. Joint Applicants have not determined the number of employees that will serve Kentucky consumers in these customer service centers post-merger, but that figure will be consistent with ensuring that customers in Kentucky continue to receive high-quality and responsive customer service.

e. The existing agreements between the Joint Applicants and their respective union employees relevant to Kentucky are attached hereto at ATT/BLS-KY-000001-002076**.**

WITNESSES: Kahan, Roberts

2. Please identify all of the Joint Applicants' subsidiaries and affiliates that will exist following the contemplated transaction, and state with specificity whether each one will be subject to regulation by:

a. the Kentucky Public Service Commission;
b. any other state utility commission and if so, the name of the commission(s);
c. the Federal Communications Commission; and
d. any other state or federal agency.

RESPONSE:

2. Given the very large number of subsidiaries and affiliates of the Joint Applicants, it would be extraordinarily burdensome to identify all of those entities and state all the state or federal agencies that may regulate each of those entities. For instance, AT&T alone currently has more than 700 subsidiaries. Joint Applicants respectfully submit, moreover, that information as to the vast majority of these entities is not relevant to this proceeding and is not likely to lead to relevant information because this proceeding is properly limited to intrastate telecommunications services provided in Kentucky and within the jurisdiction of the Kentucky Public Service Commission ("PSC"). Subject to and without waiving the foregoing objections, Joint Applicants respond as follows.

The AT&T subsidiaries that are currently subject to regulation by the PSC as to their intrastate telecommunications services in Kentucky are AT&T Communications of the South Central States, LLC; TCG Ohio; SBC Long Distance, LLC, and SNET America, Inc. d/b/a SBC Long Distance East. The BellSouth subsidiaries that are currently subject to regulation by the PSC as to their intrastate telecommunications services in Kentucky are BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. These same BellSouth and AT&T subsidiaries are subject to the regulation of the Federal Communications Commission ("FCC") to the extent they provide interstate telecommunications services.

Because the merger of AT&T and BellSouth is a holding company transaction, these operating subsidiaries will remain subject to the PSC's regulatory authority after the merger to the same extent they are today. Simply put, the merger will not in any way affect the regulatory jurisdiction of the PSC.

WITNESSES: Kahan, Roberts

3. Please state what benefits the Joint Applicants hope to achieve as a result of the contemplated transaction.

a. Will the transaction in any way facilitate the Joint Applicants' ability to charge for priority delivery of internet content?

RESPONSE:

3. The transaction will create a series of public-interest benefits. *First*, the unification of ownership and managerial control of Cingular, a nationwide wireless provider now operated as a joint venture by AT&T and BellSouth, will allow Cingular to meet more quickly consumers' demand for converged wireless and wireline services. *Second*, the merger will enhance the combined company's ability to deploy facilities-based competitive video services and therefore bring the benefits of increased video competition to consumers in Kentucky. *Third*, the combination of these companies will enhance services to government customers, strengthen national security, and improve response to natural disasters and other public safety emergencies in Kentucky. *Fourth*, consumers will benefit greatly from the integration of BellSouth Telecommunications, Inc.'s IP network with the AT&T IP backbone. *Fifth*, the merger will serve the public interest by enhancing research and development opportunities, and bringing to customers the innovations of AT&T Laboratories. *Finally*, the merger will result in substantial savings in costs of operations that will benefit customers by supporting the combined company's increased research, development, and innovation, thereby making the combined company a more effective competitor.

These benefits are discussed in more depth in the Application filed on March 31, 2006, and in the prefiled testimony of James Kahan, Christopher Rice, and Eddy Roberts filed with that Application. Moreover, these same benefits are discussed in detail in the application that the Joint Applicants filed with the FCC on March 31, 2006, and that Joint Applicants are providing in response to Data Request 4.

a. Delivery of Internet content involves activities that the FCC has concluded are jurisdictionally interstate and subject to the exclusive jurisdiction of the FCC; they are thus beyond the scope of the jurisdiction of the PSC. *See* Memorandum Opinion and Order, *In re Vonage Holdings Corp. Petition for Declaratory Ruling Concerning an Order of the Minnesota Pub. Utils. Comm'n*, 19 FCC Rcd 22404 (2004). That determination is not subject to challenge here. *See Vonage Holdings Corp. v. Minnesota Pub. Utils. Comm'n*, 394 F.3d 568 (8th Cir. 2004). In addition, the FCC has taken clear steps to ensure the vibrant, open nature of the Internet, *see* Policy Statement, *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, 20 FCC Rcd 14986 (2005) ("FCC Policy Statement"), and it has a proceeding underway pursuant to which it aims to "ensure[] that consumer protection needs are met by *all* providers of broadband Internet access service, regardless of the underlying technology," Notice of Proposed Rulemaking, *Appropriate Framework for Broadband Access to the Internet* *over Wireline Facilities*, 20 FCC Rcd 14853, ¶ 4 (2005) (emphasis added). Because the information sought in this request is beyond the scope of the jurisdiction of the PSC, it is not relevant to this proceeding and is not likely to lead to the discovery of relevant evidence. Subject to and without waiving any of the foregoing objections, the Joint Applicants respond as follows.

Joint Applicants are committed to the principles set forth in the FCC's Policy Statement issued on September 23, 2005 (FCC 05-151) as follows:

- Consumers are entitled to access the lawful Internet content of their choice;
- Consumers are entitled to run applications and use services of their choice, subject to the needs of law enforcement;
- Consumers are entitled to connect their choice of legal devices that do not harm the network; and
- Consumers are entitled to competition among network providers, application and service providers, and content providers.

At the same time, certain Internet content applications require continuous and heavy broadband usage that imposes an increased burden on the network. Joint Applicants are presently exploring ways to address this issue, with the aim of ensuring fast and secure delivery of content, while at the same time preserving the open character of the Internet and addressing security concerns. Offering Internet content and application providers unique network capabilities that would enhance their content or applications is one way to address this issue.

WITNESSES: Kahan, Rice

4. Did, or will, the Joint Applicants have to seek approval from the Federal Communications Commission regarding the contemplated transaction? If so, please submit copies of any and all filings submitted to, and responses from the FCC in this regard, including but not limited to any findings the FCC may have made regarding:

a. whether the contemplated merger is in the public interest;
b. the quality of and rates for telecommunications services;
c. industry trends and needs;
d. the impact of the proposed merger on spectrum use and efficiency;
e. license holding diversity;
f. national security, law enforcement, and public safety concerns.

RESPONSE:

4. The Joint Applicants filed an application for approval with the FCC on March 31, 2006. That application is included herewith at ATT/BLS-KY-002077-004890. The FCC has responded to that application by issuing a Public Notice, DA 06-904, on April 19, 2006, establishing a procedural schedule for comments and reply comments on the Application. Under the FCC schedule, comments are due on June 5, 2006, and replies are due on June 20. The FCC has made no findings to date.

WITNESSES: Kahan, Roberts

5. Did or will the FCC seek as a condition to the transaction, enforcement over issues pertaining to "net neutrality?" (For purposes of this document and this discovery request, the term in quotation marks is defined as the concept that owners of telephonic and/or cable networks should not be able to dictate or place restrictions upon how a consumer uses the internet, or discriminate against any internet content, regardless of the source).

RESPONSE:

5. The FCC has not sought any conditions to date, and Joint Applicants do not believe that any conditions are necessary or appropriate in this instance, at either the federal or state level. For further information regarding the specific issue of "net neutrality," please see the response to Data Request 3(a) above.

WITNESSES: Kahan, Rice

6. Do either of the Joint Applicants currently employ multi-tiered pricing schemes for internet usage? If not, do either of them deliver internet traffic on a best-efforts basis? Does the PMCE anticipate employing the use of multi-tiered pricing schemes following the contemplated transaction?

RESPONSE:

6. As discussed above, in response to Data Request 3(a), issues relating to the Internet are under the exclusive jurisdiction of the FCC. Moreover, to the extent this Data Request deals with broadband Internet access, state (and federal) law deprives the PSC of jurisdiction over that matter. *See, e.g.*, KRS 278.5462(1) ("The provision of broadband services shall be market-based and not subject to state administrative regulation."); Memorandum Opinion and Order, *GTE Telephone Operating Cos.; GTOC Tariff No. 1; GTOC Transmittal No. 1148*, 13 FCC Rcd 22466, ¶ 28 (1998) ("*GTE Tariff Order*") (broadband DSL service subject to federal, not state, jurisdiction). For these reasons, this question does not seek information relevant to this proceeding, and it is unlikely to lead to relevant information. Without waiving the foregoing objections, the Joint Applicants respond as follows.

AT&T provides dial-up and broadband Internet services to mass-market customers. For broadband, AT&T currently does not employ multi-tiered pricing based on Internet usage. AT&T offers broadband multi-tier pricing based on speed. For dial-up, AT&T does have usage based services. AT&T is still working through the merging of the Internet service between pre-merger SBC and pre-merger AT&T. Based on the timing of the BellSouth transaction, the usage based dial-up services offered by AT&T may still be offered following the transaction. AT&T does deliver Internet traffic on a best-efforts basis.

BellSouth provides dial-up and broadband Internet services for mass-market customers. For broadband, BellSouth does not employ multi-tiered pricing based on Internet usage. BellSouth does offer broadband multi-tier pricing based on speed. For dial-up, back-up dial-up is provided as part of the broadband service for free for the first 20 hours. After that, for consumer customers, charges are usage-based, but are capped at 20 hours. BellSouth currently offers dial-up to new customers on an unlimited usage basis. BellSouth has some grandfathered customers on old dial-usage-based plans, but BellSouth does not offer those plans to new customers. In addition, to the extent a dial-up customer uses a non-local number for dial-up access, the customer will be responsible for all toll or long-distance charges. All consumer BellSouth Internet traffic is delivered on a best efforts basis. BellSouth does, however, offer two-mass market business broadband services in a manner that is engineered to preserve a consistent speed.

The Joint Applicants have no specific plans as to the precise pricing schemes that will be offered after the merger.

WITNESSES: Kahan, Rice, Roberts

7. Do either of the Joint Applicants anticipate charging internet content providers a fee based on volume transmitted over the Joint Applicants' network(s)?

RESPONSE:

7. As discussed in response to Data Request 3(a) above, issues regarding the Internet are inherently interstate and thus not within the proper jurisdiction of the PSC. Joint Applicants thus respectfully submit that this question does not seek relevant information and is not likely to lead to discovery of relevant information. Without waiving the foregoing objections, Joint Applicants respond to this question by incorporating by reference the response to Data Request 3(a) above.

WITNESSES: Kahan, Rice

8. Describe in detail the PMCE's monetization strategies for internet usage accessed by both wireless and wireline modalities.

a. Will the PMCE charge competitors for use of the PMCE's network?

If so:

(i) Does the PMCE envision raising fees of any type or sort it charges to competitors and resellers for access to the PMCE's network?

(ii) Please describe the factors contemplated and the basis for raising fees.

(iii) Will the PMCE prohibit competitors' access to the PMCE network? If so, describe in detail how this will enhance competition in the telecommunications industry.

b. Will the PMCE allow consumers to use the internet as they themselves choose, and to access the internet via whatever devices they themselves choose? If so, does the PMCE contemplate selling on an exclusive basis those internet access devices?

c. If the PMCE will not allow consumers to use the internet as they themselves choose, by devices of their own choice, then:

(i) please describe the factors the PMCE did or will contemplate to limit or circumscribe access; and

(ii) describe in detail how such actions will enhance competition in the telecommunications industry.

d. The PMCE attempt to tier charges for internet usage based on the type of device used to access the internet? If so, describe in detail how such actions will enhance competition in the telecommunications industry.

RESPONSE:

8. As discussed in response to Data Request 3(a) above, issues regarding the Internet are inherently interstate and thus not within the proper jurisdiction of the PSC. Joint Applicants thus respectfully submit that this question does not seek relevant information and is not likely to lead to discovery of relevant information. Without waiving the foregoing objections, Joint Applicants respond to this question by incorporating by reference the response to Data Request 3(a) above.

WITNESSES: Kahan, Rice

9. Please provide copies of any and all documents the Joint Applicants have filed with the Securities and Exchange Commission regarding the contemplated transaction, to the extent not already provided.

RESPONSE:

9**.** Documents filed by the Joint Applicants with the Securities and Exchange Commission regarding the contemplated transaction are provided herewith at ATT/BLS-KY-004891-013658.

WITNESS: Kahan

10. Please state whether the Joint Applicants will agree to make available for inspection copies of any and all documents they have filed with any and all other regulatory bodies, whether state or federal, regarding the contemplated transaction.

RESPONSE:

10. The Joint Applicants will agree to make available for inspection copies of any and all documents they have filed with other regulatory bodies, whether state or federal, regarding the contemplated transaction, so long as adequate notice of the request is provided and appropriate protective agreements protecting confidential documents and information are in place. Documents provided to the United States Department of Justice are addressed in response to Data Request 37.

WITNESSES: Kahan, Roberts

11. Please provide copies of any and all reports and other documents identifying synergies expected to result from the contemplated transaction.

a. Separately identify any synergies affecting the Joint Applicants' Kentucky-based operations;

b. State whether any synergy savings will be shared with the Joint Applicants' customers, and if so, whether this includes Kentucky customers, and how much.

RESPONSE:

11. In addition to the analysts presentation provided in response to Data Request 9 above, Joint Applicants are providing to the Office of the Kentucky Attorney General pursuant to this request and Data Request 37 those documents they provided the United States Department of Justice pursuant to Item 4(c) of the Antitrust Improvements Act Notification and Report Form for Certain Mergers and Acquisitions required under the Hart Scott Rodino Antitrust Improvements Act of 1974. These are the documents prepared for the officers and directors of AT&T and BellSouth for the purpose of evaluating and analyzing this merger, including the synergies expected to result therefrom. This information is confidential and subject to the Joint Protective Agreement between the Joint Applicants and the Office of the Kentucky Attorney General dated May 2, 2006.

a. The synergy opportunities identified in conjunction with this merger occur entirely at the enterprise level. The Joint Applicants have not done any analysis of merger synergies on a state-specific basis. Thus, Kentucky-specific data are not available.

b. The synergies resulting from the merger at the enterprise level will allow the combined company to be a better and more efficient competitor to invest in providing new, innovative, and more efficient products and services to consumers in Kentucky and elsewhere. The public-interest and consumer benefits resulting from the merger are discussed in the Application filed on March 31, 2006, and in the prefiled testimony of James Kahan, Christopher Rice and Eddy Roberts submitted with that Application. Moreover, as discussed in detail in response to Data Request 19 below, BellSouth Telecommunications, Inc., the regulated incumbent LEC in parts of Kentucky, is not subject to cost-based rate-of-return regulation. Additionally, pursuant to Kentucky law HB 337, basic local rates are frozen for five years following election by BellSouth Telecommunications, Inc. after the effective date of the law, July 12, 2006.

WITNESSES: Kahan, Rice, Roberts

12. Please provide copies of any and all reports and other documents identifying economies of scale or scope expected to result from the contemplated transaction.

a. Identify any economies of scope or scale affecting the Joint Applicants’ Kentucky-based operations;

b. State whether any savings related to economies of scale or scope will be shared with the Joint Applicants’ customers, and if so, how much.

RESPONSE:

12. The information provided in response to Data Request 11 above is also responsive to this request.

WITNESSES: Kahan, Rice, Roberts

13. Please state whether the Joint Applicants or any of their subsidiaries or affiliates sustained any damage to their networks and/or other infrastructure resulting from hurricane-related losses in 2005. If so, please:

a. provide a brief description of the damage;
b. state the amount of damage in U.S. dollars;
c. state whether such losses will have a financial impact on any of the Joint Applicants' Kentucky-based holdings, and if so, describe the impact;
d. state whether any such losses or any portion thereof were covered by insurance, and provide a percentage of insured vs. uninsured losses;
e. state whether any such losses will, or are likely to be shared with any of the Joint Applicants' (including the PMCE's) ratepayers.

RESPONSE:

13. Neither BellSouth nor AT&T sustained hurricane damage in Kentucky in 2005. Across its region, the damage to BellSouth infrastructure from Hurricane Katrina was catastrophic and unprecedented. In the immediate aftermath, 2.3 million lines in Alabama, Mississippi, and Louisiana were impacted. While Katrina impacted parts of Florida, these areas were less impacted than on the Gulf Coast. Also, the Gulf Coast portions of Florida that were severely impacted are not in BellSouth territory.

a. Thirty-three BellSouth Central Offices in Alabama, Louisiana, and Mississippi were out of service. In Louisiana, continued flooding caused by breeches in the levees and unprecedented security issues stalled refueling efforts resulting in the loss of generator power at several central offices. The flooding also caused extensive damage to buildings and other structures in the flooded areas. No employee lives were lost as a result of any of the hurricanes.

b. & d. During the first quarter of 2006, BellSouth recognized incremental expenses associated with Hurricane Katrina of $94 million which is net of $20 million in insurance recoveries during the quarter. BellSouth also incurred approximately $135 million of incremental capital expenditures for Katrina restoration. Since the third quarter of 2005, BellSouth has incurred approximately $730 million for Katrina-related network restoration expense and capital spending. BellSouth expects a portion of the cost associated with the Hurricane Katrina recovery effort to be covered by insurance. While the exact amount has not been determined, the current estimate of the total amount of covered losses that will be covered by insurance, net of deductibles, is approximately $250 million. The actual recovery will vary depending on the outcome of the insurance loss adjustment effort. There were no insured losses in BellSouth Kentucky in 2005.

AT&T estimates that its hurricane-related damages (including those sustained by pre-merger SBC, pre-merger AT&T Corp, and post-merger AT&T) are in the $65 to $75 million range. At this time, AT&T estimates that less than 15% of these damages are potentially covered by insurance.

c. & e. As explained in detail in response to Data Request 19 below, Joint applicants' rates in Kentucky are not based on a rate-of-return methodology, so increases in costs do not result in rate increases. Moreover, as a result of Kentucky law HB 337, basic local rates for BellSouth Telecommunications, Inc. are frozen for five years after election by that company following the effective date of the law, July 12, 2006. Thus, those rates cannot be affected by these costs for that additional reason as well.

WITNESSES: Rice; Roberts

14. Please state whether any of the PMCE's executive management, and members of its proposed board of directors are members, officers, partners, directors of, or have a controlling interest in, any business entity engaged in the telecommunications industry other than the Joint Applicants, and if so, identify them by name and by type of interest.

RESPONSE:

14. In January 2006, each member of the AT&T Board of Directors was asked the following in a questionnaire: "Are you an officer, director or employee of, or do you (together with members of your immediate family) directly or indirectly hold an interest in the form of debt, stock or otherwise, but excluding an interest of less than one percent of the outstanding equity of the entity) in an entity that competes with AT&T or an affiliate of AT&T?" Each member of the AT&T Board responded in the negative to that question.

James Kahan is on the board of Chase Communications and AMDOCS. Rayford Wilkins Jr., AT&T group president, sits on the boards of Telefonos de Mexico and America Movil. Several AT&T executives sit on the boards of AT&T subsidiaries.

At the date of this response, none of BellSouth's officers or members of its Board of Directors is a member, officer, partner, director of, or has a controlling interest in, any business entity engaged in the telecommunications industry other than the Joint Applicants, except that William L. Smith, Chief Technology Officer, is a member of the board of directors of eAccess Ltd.

WITNESSES: Kahan, Roberts

15. Please state whether the PMCE will engage in non-regulated activities in any location. If so, please provide:

a. the nature of the activity;
b. the location of the activity;
c. a breakdown by percentage of the amount of non-regulated activity and regulated activities in which the PMCE will engage; and
d. the amount of revenue derived from non-regulated activities.

RESPONSE:

15. Given the number of activities in which AT&T and BellSouth engage through their operating subsidiaries both in the United States and around the world, it would be unreasonably burdensome to attempt to respond to this question in full. Moreover, the vast majority of any information that the Joint Applicants provided would be about activities that are not intrastate telecommunications services provided in Kentucky and thus are beyond the PSC's lawful jurisdiction. Furthermore, as made clear in the Joint Application, the regulatory authority of the PSC over the regulated subsidiaries in Kentucky will not change as a result of the merger. In these regards, this request is overbroad. Additionally, because analyses to date have not been done on a state-specific basis, it would be speculative to attempt to quantify by percentage the revenues that will be gained from non-regulated and regulated intrastate activities within Kentucky after the merger. Subject to and without waiving any of these objections, the Joint Applicants respond as follows.

Both AT&T and BellSouth, through their operating subsidiaries, engage in a variety of non-regulated activities. These activities include broadband and wireless services, as well as some forms of competitive telecommunications services as to which price regulation does not apply. As explained in detail in the Application filed with the PSC on March 31, 2006, and the attached prefiled testimony, the merger will benefit consumers in such intensely competitive markets because the combined companies will be better able to compete than would either company alone. To choose just one example, the merger will allow the companies to integrate their IP networks, which will result in a broader and more rapid deployment of IP-based services. This integrated end-to-end IP network will allow the combined company to bring innovative wireline and wireless services to consumers more quickly. It will also allow AT&T to offer the managed services and other products it currently offers to its large business "enterprise" customers to BellSouth's small and medium-sized business customers. In these and many other ways, the Joint Applicants expect that the combined company will provide valuable and innovative non-regulated services to consumers in Kentucky and elsewhere.

WITNESSES: Kahan; Roberts

16. Please identify, in detail, any and all tax savings the Joint Applicants expect to result from the contemplated transaction, and provide any relevant quantifications.

RESPONSE:

16. The merger between AT&T and BellSouth will be solely between holding companies. There are no direct or planned tax consequences of the transaction, and no attempt has been made to quantify any tax savings that may occur as a result of the transaction.

WITNESS: Kahan

17. Please state whether BellSouth currently has any deferred tax accounts on its balance sheets. If "yes," please identify the account(s), the amount carried therein, and provide a summary of the nature of the balance.

a. For each deferred tax balance identified above, please state what impact the contemplated transaction will have on the account (e.g., will the contemplated transaction result in a loss of any deferred tax credits?).

RESPONSE:

17. Yes. Below are the BellSouth deferred tax assets and liabilities as shown on the BellSouth SEC Form 10-K for the year ended December 31, 2005:

	($ in millions)	
Operating loss and tax credit carryforwards	$412	
Capital loss carryforwards	390	
Allowance for uncollectibles	122	
Deferred revenue	214	
Other	149	
		$1,287
Valuation Allowance		(732)
Deferred tax assets		$555
Tangible and intangible property	$(4,551)	
Equity investments	(2,133)	
Compensation related	(117)	
Other	(98)	
Deferred tax liabilities		$(6,899)
Net deferred tax liability		$(6,344)

Balance Sheet Classification as of December 31, 2005	
Current deferred tax asset	$263
Noncurrent deferred tax liability	(6,607)
Net deferred tax liability	$(6,344)

a. BellSouth expects there will be changes to some of the deferred tax balances; however, BellSouth will not know this until AT&T books its opening balance sheet through purchase accounting. However, currently BellSouth does not have any tax credits with Kentucky included in its tax balances.

WITNESS: Roberts

18. Please state whether any of the Joint Applicants' employees, officers, directors, consultants, or contractors will receive, directly or indirectly, any bonus, stock option, and/or other remuneration of any type or sort resulting from the contemplated transaction. If so, please identify the person, the method of remuneration, whether directly or indirectly, whether it is deferred, and the dollar value thereof.

RESPONSE:

18. In response to this question, BellSouth is attaching at ATT/BLS-KY-013661-014614 certain material filed with the SEC enumerating the remuneration resulting from the contemplated merger transaction. As these documents reflect, these benefits apply to all eligible employees, manager level and above. Thus, the specific employees are too numerous to name.

WITNESS: Roberts

19. Do the Joint Applicants agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g. due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost savings in the post-transaction structure (e.g., systems integration, etc.)? If not, please identify the categories and provide a definition. Regardless of the answer, please provide the following:

a. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective shareholders, and those costs that are allocated to or the responsibility of their respective ratepayers. Include any allocation methodologies.

b. For the costs-to-achieve cost savings, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective shareholders, and those costs that are allocated to or the responsibility of their respective ratepayers. Include any allocation methodologies.

c. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective non-regulated operations. Include any allocation methodologies.

d. For the costs-to-achieve cost savings, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their respective regulated operations. Include any allocation methodologies.

e. Do the Joint Applicants agree that there are certain costs associated with the contemplated transaction that are attributable solely to the process of obtaining the approval of the transaction (e.g. legal counsel for the regulatory proceedings)?

f. Do the Joint Applicants agree that they will obtain certain cost savings post-transaction that do not require the expenditure of costs-to-achieve those savings? (For example, AT&T and Bellsouth both presently prepare their own respective annual reports to shareholders, to the FCC, and to utility commissions in various states, and there is an expense associated with the preparation of such a report that will be avoided post-transaction due to the fact that only one report will be prepared.) If not, then is it the Joint Applicants' position that all cost savings associated with this transaction require spending?

g. Do the Joint Applicants consider the reduction of a company's or unit's operating loss a cost savings?

h. Please supply an itemized schedule that shows the cost-to-achieve the transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

i. For the schedule requested under sub-part h (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;
(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations of each of the Joint Applicants.

j. Please supply an itemized schedule that shows the costs-to-achieve the costs savings post-transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

k. For the schedule requested under sub-part j (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;
(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations.

l. Please supply an itemized schedule that shows the cost savings associated with this acquisition for as many years as your projections provide. (This is a request for a schedule that shows the estimated cost savings by year.)

m. For the schedule requested under sub-part l. (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of Applicants' shareholders;
(2) the assignment of costs to each of Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations.

RESPONSE:

19. Without agreeing to the definitions set forth in Data Request 19, Joint Applicants acknowledge that there are costs that will be incurred before the merger closes, and costs that will be incurred after the merger closes. Given the structure of this transaction, these costs will be recognized at the holding company level.

The remainder of Data Request 19 requests information that does not currently exist in this form, would be overly burdensome to create, and is not relevant to this proceeding nor likely to lead to relevant information because none of the operating subsidiaries of the Joint Applicants is subject to cost-based, rate-of-return regulation in Kentucky. Under cost-based, rate-of-return regulation, fluctuations in cost can drive prices up or down, and the PSC has the authority to approve or require rate changes based on a company's costs and associated rate of return. In a price-regulation environment, on the other hand, prices are not driven by costs but rather the marketplace. Hence, costs incurred during the merger will not impact rates, but will be borne by shareholders.

The importance of this distinction to this case is that, unlike most other companies involved in previous merger dockets before this commission, BellSouth Telecommunications, Inc., the regulated ILEC in parts of Kentucky, is not a rate-of-return regulated company, but is currently regulated according to the Transition Regulation Plan approved most recently by the Commission in June, 2004. In 1988, the Kentucky Commission approved an incentive regulation plan pursuant to which BellSouth Telecommunications, Inc. gained certain pricing flexibilities and moved away from traditional rate-of-return regulation. That plan was broadened to price cap regulation by the Commission in 1995 (94-121), and to full price regulation in 2000 (99-434), and 2004 (2003-00304).

Moreover, it is also critical to recognize that pursuant to Kentucky law HB 337, basic local rates are frozen for five years following election by BellSouth Telecommunications, Inc. after the effective date of the law, July 12, 2006. Thus, even if costs of the merger were to impact Kentucky rates (which they will not, for the reasons discussed above), prices for customers of regulated services, such as basic service will not change for five years.

WITNESSES: Kahan, Roberts

20. For each category of cost savings, did both of the Joint Applicants determine the allocation percentages to separate out the non-regulated cost savings from the regulated costs savings? For example, did the Joint Applicants determine the amount of total staffing cost savings to allocate to regulated operations and the amount to allocate to non-regulated operations?

RESPONSE:

20. The Joint Applicants do not have data separating out cost savings to regulated and non-regulated services and thus do not have information responsive to this request.

WITNESSES: Kahan, Roberts

21. For each category of cost savings, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations.

RESPONSE:

21. As discussed in response to Data Request 20 above, the Joint Applicants have made no such cost allocation and thus do not have information responsive to this request.

WITNESSES: Kahan, Roberts

22. For each category of cost savings, identify the corresponding amount of cost savings allocated to non-regulated operations for that category.

RESPONSE:

22. As discussed in response to Data Request 20 above, the Joint Applicants have made no such cost allocation and thus do not have information responsive to this request.

WITNESSES: Kahan, Roberts

23. Please provide a copy of any and all due diligence report(s) conducted.

RESPONSE:

23. The AT&T materials responsive to this request are subject to attorney-client and work product privileges. In particular, due diligence reports that were conducted in connection with AT&T's evaluation of the contemplated merger were prepared by attorneys at the law firms of Sullivan & Cromwell LLP, Arnold & Porter LLP, and Crowell & Moring LLP between February 7 and March 3, 2006 and all were addressed to members of the AT&T Legal Department.

With the exception of a confidential document that is being provided to the Office of the Attorney General subject to the Joint Protective Agreement between the Joint Applicants and the Office of the Kentucky Attorney General dated May 2, 2006, the BellSouth documents responsive to this request are subject to the attorney-client and work product privileges. These documents are memoranda from the law firm of Fried, Frank, Harris, Shriver & Jacobson LLP addressed to members of the BellSouth legal department that were prepared in February 2006.

WITNESS: Kahan

24. In the course of conducting their due diligence reviews, did the Joint Applicants identify any facts or circumstances that would have a material adverse effect on their customers?

RESPONSE:

24. No.

WITNESSES: Kahan, Roberts

25. Please provide all minutes of any meetings held: (a) between the shareholders and the company management; and (b) between the board of directors and the company management, of each of the Joint Applicants pertaining to the contemplated transaction.

RESPONSE:

25. (a) Company management meets with shareholders on a routine basis with regard to a variety of topics. Minutes of these meetings are not prepared. To the extent that company management met with shareholders pertaining to the contemplated transaction where transcripts were made or handouts were provided, these documents are being produced in response to Data Request 9.

(b) The minutes between both the AT&T Board of Directors and company management and the BellSouth Board of Directors and company management are confidential and are being provided to the Office of the Kentucky Attorney General subject to the Joint Protective Agreement between the Joint Applicants and the Office of the Kentucky Attorney General dated May 2, 2006. Parts of these minutes subject to attorney-client privilege have been redacted.

WITNESSES: Kahan, Roberts

26. Will the contemplated transaction result in any changes in accounting principles for either of the Joint Applicants, the PMCE, or any of their subsidiaries or affiliates? If yes, please summarize the change(s).

RESPONSE:

26. The Joint Applicants are not aware of any changes in accounting principles that will result from the merger.

WITNESSES: Kahan, Roberts

27. Do the Joint Applicants anticipate any substantive changes in any existing contracts of the Joint Applicants with other vendors (e.g., engineering, information technology, maintenance, etc.)? If so, please summarize the changes.

RESPONSE:

27. At this time, Joint Applicants have made no specific decisions regarding substantive changes to existing contracts with vendors. Consistent with their contractual obligations, Joint Applicants will continue to seek to obtain the best and most efficient products and services from vendors so as to provide high-quality services to consumers.

WITNESSES: Kahan, Roberts

28. Do the Joint Applicants anticipate entering any new contracts as a consequence of the contemplated transaction? If so, will any of the entities with whom the Joint Applicants will enter into said contract(s) be affiliated in any way with the Joint Applicants, or any of their employees, stockholders, officers, contractors, consultants, or directors?

RESPONSE:

28. At this time, Joint Applicants have made no specific decisions regarding new contracts that may be entered as a result of the transaction. As discussed in response to Data Request 27 above, Joint Applicants will continue to seek to obtain the best and most efficient products and services from vendors so as to provide high-quality services to consumers.

WITNESSES: Kahan, Roberts

29. Provide the name and position of the person(s) who prepared each Exhibit to the application filing materials.

RESPONSE:

29. Exhibit A to the Application, the Cautionary Statements Regarding Forward-Looking Statements, was prepared by counsel for the Joint Applicants to accord with their understanding of requirements imposed by the Securities and Exchange Commission.

Exhibits B-D and F-J to the Application are documents (such as Articles of Incorporation) that were previously created for reasons independent of this Application, and that were obtained by counsel to the Joint Applicants in order to provide relevant information to the PSC and other parties to this proceeding.

Exhibit E to the Application contains publicly available information from AT&T's website that lists and provides the qualifications of AT&T's Directors and Senior Management. That information was obtained from AT&T's website by counsel for the Joint Applicants.

Exhibits F-N contain the prefiled testimony of Eddy Roberts, James S. Kahan, Christopher Rice, and Dr. Debra Aron. Each piece of testimony was prepared under the supervision of the relevant witness.

Exhibit O is a proposed procedural schedule that counsel for the Joint Applicants prepared in order to assist the Commission and its Staff.

30. Please provide a copy of any and all materials, including but not limited to transcripts of presentations, recordings or notes of presentations, or other information, regarding any and all financial analyses concerning the transaction.

RESPONSE:

30. All publicly available financial analyses concerning this transaction have been filed at the SEC and thus are being provided pursuant to Data Request 9 above. Other financial analyses may be found in the documents provided in response to Data Requests 11 and 37. This information is confidential and subject to the Joint Protective Agreement between the Joint Applicants and the Office of the Kentucky Attorney General dated May 2, 2006.

WITNESSES: Kahan, Roberts

31. Please state whether any of the Joint Applicants' subsidiaries or affiliates (including those of the PMCE) located in Kentucky, or any other state, will as a condition of the contemplated transaction be required to guarantee the debt of any other subsidiary, affiliate, or holding company of the Joint Applicants. lf "yes," please provide complete details.

a. If "yes," are any of the terms to which the Kentucky-based subsidiaries or affiliates of Joint Applicants have agreed, or will agree, different in any way from the terms agreed to by subsidiaries or affiliates based in other states? If so, explain in detail.

RESPONSE:

31. No subsidiary or affiliate will be required, as a condition of the contemplated transaction, to guarantee the debt of any other subsidiary, affiliate, or holding company of the Joint Applicants.

WITNESS: Kahan

32. Please state whether any of the Joint Applicants' subsidiaries or affiliates (including those of the PMCE) located in Kentucky, or any other state, will as a condition of the contemplated transaction be required to grant liens against their own assets in favor of any lender(s) providing financing or any portion of financing necessary for the contemplated merger to occur. If "yes," please provide complete details.

b. If "yes," are any of the terms to which the Kentucky-based subsidiaries or affiliates of Joint Applicants have agreed, or will agree/different in any way from the terms agreed to by subsidiaries or affiliates based in other states? If so, explain in detail.

RESPONSE:

32. No. The merger is a stock transaction that will not require financing, and thus no subsidiary or affiliate will be required to grant liens in favor or any lender providing financing.

WITNESS: Kahan

33. Will the contemplated transaction have any ramifications for any agreements with competing local exchange carriers? If so, please explain in detail.

RESPONSE:

33. No. The contemplated transaction will have no ramifications for any agreements with competing local exchange carriers. BellSouth Telecommunications, Inc., as an ILEC in parts of Kentucky, will continue to be bound by those agreements to the same degree it is today.

WITNESS: Roberts

34. Will the contemplated transaction have any ramifications upon the jurisdiction or authority of the Kentucky Public Service Commission over the Joint Applicants and the PMCE?

RESPONSE:

34. No. This merger is a holding company transaction between BellSouth and AT&T that does not affect the obligations of those companies' operating subsidiaries in Kentucky. The PSC's jurisdiction and authority over those operating subsidiaries will not be affected by the merger.

WITNESSES: Kahan, Roberts

35. In the application and accompanying testimonies, the Joint Applicants make certain assertions. In the event the Kentucky Public Service Commission approves the Joint Applicants' application, would the Joint Applicants agree and adhere to the following commitments (note: this question should not be construed as the Attorney General's acquiescence to the contemplated transaction):

a. The PMCE will, regardless of its location, provide specific company contacts and work with the Attorney General's Office, Commonwealth of Kentucky, on any and all complaints which the Attorney General may receive. Furthermore, specific protocol and timeframes shall be established by both parties to resolve complaints or disputes expeditiously.

b. The Joint Applicants will provide copies of all applications, notices, final approval orders, or other regulatory notifications regarding the contemplated transaction, received from the SEC, the Federal Communications Commission, and any and all other regulatory bodies including but not limited to state utility commissions having jurisdiction over any of the Joint Applicants, as well as from any and all regulatory bodies, both federal and state, that will have jurisdiction over the PMCE, to the extent that these documents have not already been provided in this case.

c. Within 30 days of the date of the final order in this case, the Joint Applicants will file a report with the Kentucky Public Service Commission detailing their actual expenditure levels for economic development activities and civic and charitable activities for the past three calendar years. The report will also include the current budgets for the same activities for the years 2006 through 2007, and will include estimates or projections for any such sums the PMCE will expend. Further, Joint Applicants will provide the Attorney General with a copy of such report.

d. The contemplated transaction will not impair, impede, nor prohibit the ability and capabilities of the Joint Applicants' Kentucky-based subsidiaries and affiliates, and the PMCE from meeting their obligations to provide adequate, efficient and reasonable service to their Kentucky customers.

e. The contemplated transaction will not detract from the benefits that customers of the Joint Applicants currently receive.

f. The contemplated transaction will not in itself result in higher rates or higher charges of any type or sort for the Joint Applicants' Kentucky-based customers.

g. To the extent required by law, the Joint Applicants agree to seek approval from the Kentucky Public Service Commission prior to transferring any asset currently based in Kentucky having an original book value in excess of $5 million.

h. Costs for the contemplated transaction shall not be pushed down to Kentucky ILECs, nor in any manner to any of the Joint Applicants' or the PMCE's ratepayers.

i. No change in control payments will be allocated to the Joint Applicants' Kentucky ratepayers.

j. Any costs associated with early termination of any of Joint Applicants' staff responsible for serving Kentucky customers, regardless of the staff's location, will not be levied against their Kentucky ratepayers.

k. Any additional administrative costs incurred in order to comply with the financial and accounting standards of any other regulatory body, whether federal or state, will not be borne by Kentucky ratepayers.

l. The Joint Applicants commit to maintaining a sound and constructive relationship with those labor organizations that may represent certain of their employees; to remain neutral respecting an individual's right to choose whether or not to be a member of a trade union; to continue to recognize the unions that currently have collective bargaining agreements with the Joint Applicants (as well as those unions that could or may have Agreements with the PMCE), and to honor those agreements.

m. The Joint Applicants agree to filing with the Commission and the Attorney General copies of their annual reports (as well as those of the PMCE) issued to their respective shareholders.

n. Before implementing any management practice, the Joint Applicants commit to taking into full consideration the related impacts on levels of customer service and customer satisfaction, including any negative impacts resulting from any workforce reductions.

o. The Joint Applicants agree that the contemplated transaction will not cause any material adverse change in their financial condition, nor that of the PMCE.

p. The distribution of any of Joint Applicants' assets that provide service to both wireline and wireless business, and related transactions, will not have a substantial or long-term effect on the PMCE.

q. Any changes in the centralized services provided to the Regulated Entities by the PMCE will not cause any additional costs to the Regulated Entities.

RESPONSE:

35. No commitments or conditions are appropriate or necessary in the context of this transaction. This is a holding company transaction in which the operating subsidiaries will continue to provide service in the Commonwealth just as they did before the merger. The merger thus will not adversely affect the well-established financial, technical, and managerial abilities of the operating subsidiaries that currently provide high-quality service to Kentucky customers. Nor will the merger affect the PSC's regulatory authority over the BellSouth operating subsidiaries (and the AT&T subsidiaries) in Kentucky. Additionally, the BellSouth operating subsidiaries will remain subject to the same wholesale obligations they have under interconnection agreements and PSC orders. In sum, the merger will not create any public interest concerns that would make commitments or conditions necessary or appropriate. Joint Applicants thus reject any suggestion that commitments or conditions are appropriate as a prerequisite to PSC approval of the merger.

a. The Joint Applicants have already stated in the March 31 Application that, post-merger, they will continue to support the PSC's vital role in regulating intrastate services in Kentucky. Moreover, Mr. Whitacre, AT&T's Chairman and Chief Executive Offices, has stated that AT&T will "maintain state headquarters in each of BellSouth's traditional nine-state area." Joint Application, Exh. C. After the merger, Joint Applicants will likewise continue to work with the Attorney General's Office to assist it in its important duties.

b. Regulatory approvals and notifications are generally publicly available documents provided on the websites of the relevant regulatory body. If it would assist the PSC and the Attorney General's Office, the Joint Applicants, upon reasonable notice and opportunity to respond, will provide both the PSC and the Attorney General's Office with copies of all regulatory decisions available to date. *See also* Joint Applicants response to Data Request 10, above.

c. If it will assist the PSC and the Attorney General's Office, upon reasonable notice and opportunity to respond, Joint Applicants will provide data regarding economic development activities and civic and charitable activities. Although estimates of future expenditures may not be available, Joint Applicants note that Mr. Whitacre, AT&T's Chairman and Chief Executive Officer, has stated that AT&T "will continue BellSouth's historic levels of charitable contributions and community activities, including the continued funding of charitable activities throughout BellSouth's nine-state area as has previously been provided through the BellSouth Foundation." Joint Application, Exh. C.

d. As discussed in detail in the Joint Application at ¶¶ 30-34, and the prefiled testimony submitted with that Application, because the merger is at the holding company level, it will be transparent to Kentucky customers and will not prevent the Joint Applicants' subsidiaries and affiliates from meeting their obligations to provide service to their Kentucky customers consistent with applicable Kentucky law and PSC requirements.

e. Please see the Joint Applicants' response to Data Request 35(d) above.

f. For the reasons discussed in the Joint Application and the prefiled testimony submitted with that application, as well as the reasons outlined in response to Data Request 19 above, the merger will be seamless and transparent to Kentucky customers.

g. The Joint Applicants will comply with any relevant legal requirements, including those involving the transfer of any Kentucky-based assets. This merger, however, does not involve any transfer of assets.

h.-k. In response to these questions, which all involve the effect of merger-related and other costs on Kentucky ratepayers, Joint Applicants incorporate by reference their response to Data Request 19 above. As emphasized there, BellSouth Telecommunications, Inc. is not subject to cost-based rate-of-return regulation, and, moreover, pursuant to Kentucky law HB 337, its basic local rates are frozen for five years following election by BellSouth Telecommunications, Inc. after the effective date of the law, July 12, 2006.

l. The Joint Applicants will remain bound by their existing union agreements, including existing neutrality agreements where applicable, and will adhere to applicable labor laws.

m. The Joint Applicants' annual reports issued to their shareholders are publicly available on their websites. If it will assist the PSC and the Attorney General's Office, AT&T will provide those entities with their next annual report.

n. The Joint Applicants believe that full consideration of all relevant factors, including impacts on customer service and customer satisfaction, is a part of all sound management planning and intend to give appropriate consideration to all such factors in their decision-making. In addition, Joint Applicants will adhere to applicable PSC service quality standards.

o. The Joint Applicants do not believe that the completed transaction will cause a material adverse change in their financial condition or the condition of the combined company. Please see also Joint Applicants response to Data Requests 31, 32, and 40.

p. This merger is a stock transaction at the holding company level. Hence, no asset transfers are involved, nor do the Joint Applicants have any plans for a distribution of assets that provide service to both wireline and wireless businesses.

q. Please see the response to Subparts h-k above.

WITNESSES: Kahan, Roberts

36. Please provide pages 76, 78, 80-81, 83, and 85 of BellSouth's Form 10-K filed February 28, 2006.

RESPONSE:

36. The requested pages are provided herewith at ATT/BLS-KY-014615-014620**.**

WITNESS: Roberts

37. Please provide a complete copy of any filings associated with the contemplated merger made pursuant to the Hart-Scott-Rodino Antitrust Improvements Acts of 1976 (15 U.S.C.A. § 18a; together with regulations promulgated thereunder at 16 CFR §§ 801-803)(hereinafter jointly referred to as "the Act').

a. In the event the U.S. Department of Justice Antitrust Division determines that further inquiry is necessary and pursuant to the Act issues a second request for documents to the Joint Applicants, will the Joint Applicants (and the PMCE) agree to supply the Kentucky PSC and the Kentucky Attorney General's Office with copies of any documents produced in response to such a request, regardless of when the Joint Applicants/PMCE make their (its) response?

RESPONSE:

37. Joint Applicants are providing the Item 4(c) documents in response to Data Request 11 above. This information is confidential and subject to the Joint Protective Agreement between the Joint Applicants and the Office of the Kentucky Attorney General dated May 2, 2006.

(a) The Joint Applicants will confer with the Office of the Kentucky Attorney General about the production of documents provided to the United States Department of Justice in response to the second request.

WITNESS: Kahan

38. Please provide the current bond rating for each of the Joint Applicants' together with any projected bond ratings for the PMCE, issued by the three major bond rating agencies.

RESPONSE:

38. Current credit ratings for AT&T Inc. and BellSouth are below. These ratings are based on publicly available information. Projected PMCE ratings are unknown at this time. The Joint Applicants have not had discussions with the three rating agencies on possible actions and are unaware of their thinking with regard to the PMCE.

Credit Ratings

	Moody's	**S&P**	**Fitch**
AT&T Inc.			
Long Term Debt	A2	A	A
Short Term Debt	P-1	A-1	F1
BellSouth			
Long Term Debt	A2	A	A
Short Term Debt	P-1	A-1	F1

WITNESS: Kahan, Roberts

39. What effect will the contemplated merger have on the ability of Kentucky consumers to purchase unbundled phone services from the PMCE?

a. Will the PMCE always allow consumers, including Kentuckians, the option of purchasing basic telephone service without options?

b. If your answer to a., above is "yes," state the effect of the contemplated merger will have on pricing for such basic services. Will pricing be raised, or lowered?

RESPONSE:

39. The PMCE will continue to adhere to all legal requirements regarding the availability of unbundled phone services in Kentucky. These requirements include the obligation to provide basic regulated services at existing rates for five years from election by BellSouth Telecommunications, Inc. as a result of the enactment of Kentucky law HB 337, which is effective July 12, 2006.

WITNESSES: Kahan, Roberts

40. Will the contemplated merger have an impact on the ability of the PMCE to obtain capital? Will the $22 billion in extra debt AT&T is assuming as a result of the contemplated merger have any negative ramifications for the PMCE's access to capital? Describe in detail.

RESPONSE:

40. Joint Applicants do not believe that the merger will have any negative ramification on the ability of the PMCE to access capital. There is no additional debt created as a result of the merger. The $22 billion of debt acquired from BellSouth is pre-existing debt that is fully supported by BellSouth's continuing operations. The overall debt ratio of the combined company will not change significantly.

WITNESS: Kahan

41. Describe the impact the contemplated merger will have on Cingular's wireless plan fees. Are fees likely to increase or decrease as a result of the contemplated merger? Will the PMCE agree that Cingular will not impose any additional charges as a result of the contemplated merger on Kentucky customers?

RESPONSE:

41. Rates for wireless services are not subject to the jurisdiction of the PSC. *See* KRS 278.54611(1) ("The provision of commercial mobile radio services shall be market-based and not subject to Public Service Commission regulation."). For that reason, the Joint Applicants respectfully submit that this Data Request is not relevant to the issues presented in this proceeding and is not likely to lead to relevant evidence. Subject to and without waiving the foregoing objection, the Joint Applicants will attempt to respond to this Data Request as follows.

Cingular competes in a highly competitive marketplace. The merger will bring Cingular under unified ownership and management control, and thus will permit it to compete more effectively and efficiently and to provide new and innovative services that consumers want. In this highly competitive marketplace, it will be the market, not the Joint Applicants, that will determine the appropriate price.

WITNESS: Kahan

42. In some European nations, consumers pay $35 - $40 (U.S. dollars) per month for combined wireline, wireless, and video services. Does the PMCE envision similar pricing for similar services offered to its Kentucky based customers? If not, please explain in detail.

RESPONSE:

42. The rates for bundles of wireless, video, and wireline services are not within the jurisdiction of the PSC, and thus this question is not relevant to any proper issue in this proceeding and is not likely to lead to any relevant evidence. Subject to and without waiving the foregoing objection, Joint Applicants respond as follows.

Joint Applicants are not familiar with the bundles of telecommunications services offered in European countries, the prices charged for those bundles, whether they are subsidized, or are even provided at the level of quality that AT&T and BellSouth provide service to their customers in the United States. However, the rates for bundled services of the types identified in this Data Request are, and will continue to be, subject to intense competition and market discipline in the United States. Thus, it is the marketplace that will determine what bundles the combined company will offer and at what rates.

WITNESSES: Kahan, Rice

43. The Joint Applicants' filing states that it intends to market video services over both wireline and wireless modalities. Will the PMCE place any restrictions on the content of video themes delivered to customers, especially minors? If so, please describe in detail, especially as they relate to minors' viewing of video products via wireless modalities.

RESPONSE:

43. Video services are not within the jurisdiction of the PSC and thus, this question is not relevant to any proper issue in this proceeding and is not likely to lead to any relevant evidence. Subject to and without waiving the foregoing objection, Joint Applicants respond as follows.

The Joint Applicants provide parental controls so that minors do not view material that their parents believe is inappropriate for them. As to wireline video, AT&T does not include adult programming in a basic package, and it must be separately ordered and paid for by a customer (subscription only). This content can be blocked by parental controls, although parental blocking does not block the general description of the content at the electronic programming guide (this general description is "G" rated).

Cingular similarly offers parental controls over content. Cingular provides parents with choice and control over the content their children can purchase (Purchase Blocker) and access (Content Filters) on Cingular devices. These choices can be made by the parents directly from the child's phone.

WITNESS: Kahan

44. Describe the PMCE's strategy for developing the 2.3 GHz and 2.5 GHz bands.

a. How much of these bands will the PMCE control in the top 100 markets?

b. How much of these bands will the PMCE control in Kentucky markets?

RESPONSE:

44. Issues regarding spectrum allocation and usage are subject to the authority of the FCC and are not within the jurisdiction of the PSC. For that reason, Joint Applicants respectfully submit that this Data Request is not relevant to the issues properly presented in this proceeding and is not likely to lead to relevant information. Subject to and without waiving that objection, the Joint Applicants respond as follows.

Regulatory uncertainty has inhibited the build out of both the 2.3 GHz and 2.5 GHz bands. Spectrum adjacent to the 2.3 GHz band is assigned to the Digital Audio Radio Service ("DARS"), which Sirius and XM Radio intend to use for terrestrial repeaters to retransmit signals from their satellites o improve reception, especially in urban areas, where tall buildings can block signals from satellites. The FCC has yet to adopt rules governing the operation of DARS terrestrial repeaters, which could interfere with WCS operations, and this has inhibited the development and deployment of equipment that uses the WCS spectrum. The 2.5 GHz spectrum is in the middle of a multi-year transition to a new band plan.

Despite these obstacles, both AT&T and BellSouth have been conducting tests of wireless broadband technologies that might take advantage of the 2.3 GHz and 2.5 GHz bands. BellSouth has launched a wireless broadband service called BellSouth Fast Access using the 2.3 GHz and 2.5 GHz bands in Palatka and DeLand, Florida, Athens, Georgia, Biloxi and Gulfport, Mississippi, and New Orleans, Louisiana.

a. As to control of these bands in the top 100 markets, AT&T and BellSouth both hold 2.3 GHz licenses. These licenses, however, do not overlap anywhere. Thus, after the merger, holdings of 2.3 GHz licenses will be no more concentrated in any location than they are now. The PMCE will have coverage ranging from 5 Mhz to 30 MHz over much of the United States. The major holes in the PMCE's spectrum footprint will be located around New York, Philadelphia, Dallas, and San Antonio.

Only BellSouth holds 2.5 GHz licenses (and spectrum leases). Thus, after the merger, holdings of 2.5 GHz licenses will be no more concentrated than they are now. The PMCE will hold 2.5 MHz spectrum near Louisville, Atlanta, New Orleans, and in Florida.

b. As to control in Kentucky markets, the PMCE will hold 10 MHz in Fulton and Hickman Counties, 15 MHz in Livingston County, 20 MHz in Adair, Allen, Ballard, Barren, Bell, Boone, Boyd, Boyle, Bracken, Butler, Caldwell, Calloway, Campbell, Carlisle, Carter, Casey, Christian, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Elliott, Floyd, Gallatin, Grant, Graves, Grayson, Green, Greenup, Hancock, Harlan, Hart, Henderson, Hopkins, Jackson, Johnson, Kenton, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Logan, McCracken, McCreary, McLean, Magoffin, Marion, Marshall, Martin, Mason, Metcalfe, Monroe, Morgan, Muhlenberg, Ohio, Owsley, Pendleton, Perry, Pike, Pulaski, Rockcastle, Russell, Simpson, Taylor, Todd, Trigg, Union, Warren, and Wayne Counties, and 30 MHz in the remaining counties in Kentucky.

The PMCE will hold 72 MHz in a circle 70 miles in diameter with its center at 38° 10> ‘> 25> "> North, 85° 54> ‘> 50> "> West (*i.e.*, near Lottick Corner, Indiana, about 10 miles southwest of downtown Louisville).

WITNESS: Rice

45. Will the PMCE give any assurances that it will not attempt to block or in any manner disrupt VoIP transmissions from other telecommunications providers utilizing the PMCE's network? Describe in detail.

RESPONSE:

45. Joint Applicants respectfully suggest that broadband transmissions and VoIP services are inherently interstate and beyond the jurisdiction of the PSC under federal and state law. *See, e.g.*, KRS 278.5462(1) ("The provision of broadband services shall be market-based and not subject to state administrative regulation."); *GTE Tariff Order*, 13 FCC Rcd 22466, ¶ 28 (broadband DSL service subject to "federal," not state, "jurisdiction"). For that reason, these matters are not relevant to this proceeding and are not likely to lead to relevant information. Subject to and without waiving that objection, Joint Applicants respond as follows.

Please see Joint Applicants' response to Data Request 3(a) regarding their commitment to the principles set forth in the FCC's Policy Statement issued on September 23, 2005 (FCC 05-151).

WITNESS: Kahan

46. Will the PMCE give clear and conspicuous notice to Kentucky consumers regarding any change in services resulting from the merger?

RESPONSE:

46. As the Joint Applicants have discussed, the merger of AT&T and BellSouth is a holding company transaction that will be seamless and transparent to the customers of those entities' operating subsidiaries in Kentucky. Consumers in Kentucky will continue to receive high-quality services from these same operating subsidiaries just as they do today. Nevertheless, to the extent that there are changes in service at any point in the future, the PMCE will comply with all existing laws and regulations, including any applicable notice requirements, in Kentucky.

WITNESS: Kahan