

**Cheryl R. Winn**  
**Attorney At Law**

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April 6, 2006

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COMMISSION

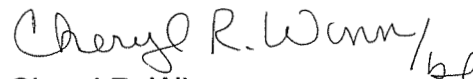
Ms. Beth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602

Re: Joint Application for Approval of the Indirect Transfer of Control Relating to  
the Merger of AT&T Inc. and BellSouth Corporation  
KPSC 2006-00136

Dear Ms. O'Donnell:

Enclosed for filing in this case are the original and ten (10) copies of the Joint Response of AT&T Inc. and BellSouth Telecommunications, Inc. to the Motion of Attorney General to Deem Filing Deficient or to Set an Informal Conference.

Very truly yours,

  
Cheryl R. Winn

Enclosures

cc: Holland N. McTyeire, V

629104

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

JOINT APPLICATION FOR APPROVAL )  
OF THE INDIRECT TRANSFER OF )  
CONTROL RELATING TO THE )  
MERGER OF AT&T INC. AND )  
BELLSOUTH CORPORATION )

Case No. 2006-00136

**RESPONSE TO THE MOTION OF ATTORNEY GENERAL TO DEEM FILING  
DEFICIENT OR TO SET AN INFORMAL CONFERENCE**

This filing is made in response to the motion filed by the Attorney General of the Commonwealth of Kentucky on April 4, 2006, through his Office of Rate Intervention, requesting an order from the Commission that the Joint Application for Approval of the Indirect Transfer of Control Relating to the Merger of AT&T Inc. and BellSouth Corporation (“Joint Application”) filed on March 31, 2006, be deemed “deficient” or, in the alternative, setting an informal conference to establish a 120-day procedural schedule.

As AT&T Inc. (“AT&T”), BellSouth Corporation, and BellSouth Telecommunications, Inc. (collectively, “Joint Applicants”) demonstrate below, the Attorney General’s claim that the Joint Application is deficient is based on a misunderstanding of the manner in which the Joint Application was filed. That claim, therefore, is without legal or factual merit and should be denied. On the other hand, Joint Applicants do support the Attorney General’s request for a prompt informal telephonic scheduling conference, and have in fact agreed with the Attorney General and the Commission staff to have such a conference on Friday, April 7. Joint Applicants disagree with the Attorney General, however, that there is any basis to adopt a schedule that goes beyond the 60-day period provided by law for approval of this Joint Application. This merger between two holding companies at the parent level will be seamless and transparent to

consumers in Kentucky and will not result in any change to the entities regulated by this Commission. It thus should readily be approved within 60 days.<sup>1</sup>

1. The Attorney General's claim that the Joint Application is deficient is without merit. The sole basis for the Attorney General's argument is the assertion that "Applicants have failed to file an application in hard copy as required." Mot. at 1 (citing 807 KAR 5:001, Section 3(3)). That is incorrect. In fact, had the Attorney General's office simply checked with the Commission's secretary, the Attorney General's office would have discovered that Joint Applicants *did* file their Joint Application in hard copy. Accordingly, the lone claim that the Attorney General makes in support of dismissing the Joint Application is inaccurate, and there is no legal or factual basis to grant that aspect of the Attorney General's motion.

Joint Applicants further note that they went beyond their legal obligations and, out of an abundance of caution, provided copies of the Joint Application on CD not only to the Attorney General's Office, but also to 37 other entities (listed on Exhibit B attached hereto) that have participated in recent matters involving BellSouth Telecommunications, Inc. and thus might conceivably have an interest in this proceeding. Moreover, upon receiving the Attorney General's motion, the Joint Applicants promptly provided the Attorney General's office with a paper copy of the exhibits that the Attorney General's office has suggested it was unable to read, and would have done that even earlier (or provided a complete paper copy of the filing) had they simply been informed of the Attorney General's request.

2. As noted above, Joint Applicants do agree with the Attorney General's request that this Commission set an informal telephonic scheduling conference in order to allow for the

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<sup>1</sup> Please see the Cautionary Language Regarding Forward-Looking Statements attached hereto as Exhibit A.

efficient and expeditious resolution of this proceeding. Indeed, Joint Applicants and the Attorney General together have already contacted the Commission staff and agreed to schedule a telephonic conference for tomorrow, April 7, at 11:00 a.m.

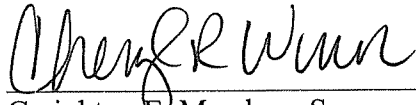
Joint Applicant's agreement to a telephonic scheduling conference does *not*, however, indicate agreement with the Attorney General's suggestion that there is "good cause" under KRS 278.020(6) to go beyond the 60-day statutory period for approval of this application. That suggestion is incorrect.

Although the Attorney General claims that prior transfer-of-control cases before this Commission have extended for more than 60 days, *see* Mot. at 2, it fails to note that this case, unlike the recent cases of which Joint Applicants are aware (including the recent cases involving AllTel), is a holding company transaction whereby BellSouth Corporation will become a wholly owned, first-tier subsidiary of AT&T. The transaction at issue here thus will not involve any transfer of assets or certificates of BellSouth Telecommunications, Inc., the regulated ILEC in Kentucky, or of any other subsidiaries of AT&T and BellSouth Corporation that operate in Kentucky. No tariffs will need to be amended or adopted, and nothing in this transaction will affect the Commission's regulatory authority over the BellSouth Corporation operating subsidiaries (and the AT&T subsidiaries) in Kentucky. Moreover, the BellSouth Corporation operating subsidiaries will remain subject to the same wholesale obligations they have under interconnection agreements and Commission orders. For all these reasons, this transaction will have no detrimental effect on the high quality of service that consumers in Kentucky receive today and, in fact, will be wholly transparent to them. Thus, far from being a complex proceeding that will have "significant ramifications . . . for decades to come," *id.* at 2, this should

be a straightforward case that does not require any additional time beyond the ordinary period contemplated by the statute.

Additionally, although the Attorney General suggests that this case will involve data requests and pre-filed expert testimony from intervenors, *see id.*, the proposed schedule submitted by Joint Applicants on March 31 (and attached hereto as Exhibit C) already accommodates the need for discovery and the filing of expert testimony within a 60-day procedural schedule. Accordingly, the arguments made by the Attorney General do not warrant an extension. Such an extension would only add unnecessary delay to this proceeding. Moreover, by filing pre-filed testimony with the Joint Application and providing copies of that filing to a broad set of potentially interested parties, Joint Applicants have taken additional steps to ensure that this case can be resolved within the 60-day statutory period.

FOR BELLSOUTH CORPORATION,  
BELLSOUTH  
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## EXHIBIT A

### Cautionary Language Concerning Forward-Looking Statements

We have included or incorporated by reference in this document financial estimates and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially from these estimates and statements. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T Inc. and BellSouth Corporation and are subject to significant risks and uncertainties and outside of our control.

Readers are cautioned that the following important factors, in addition to those discussed in this statement and elsewhere in the proxy statement/prospectus to be filed by AT&T with the SEC, and in the documents incorporated by reference in such proxy statement/prospectus, could affect the future results of AT&T and BellSouth or the prospects for the merger: (1) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (2) the failure of BellSouth shareholders to approve the merger; (3) the risks that the businesses of AT&T and BellSouth will not be integrated successfully; (4) the risks that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; (5) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; (6) competition and its effect on pricing, costs, spending, third-party relationships and revenues; (7) the risk that any savings and other synergies relating to the resulting sole ownership of Cingular Wireless LLC may not be fully realized or may take longer to realize than expected; (8) final outcomes of various state and federal regulatory proceedings and changes in existing state, federal or foreign laws and regulations and/or enactment of additional regulatory laws and regulations; (9) risks inherent in international operations, including exposure to fluctuations in foreign currency exchange rates and political risk; (10) the impact of new technologies; (11) changes in general economic and market conditions; and (12) changes in the regulatory environment in which AT&T and BellSouth operate. Additional factors that may affect future results are contained in AT&T's, BellSouth's, and Cingular Wireless LLC's filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's website (<http://www.sec.gov>). Neither AT&T nor BellSouth is under any obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

This document may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at [www.sbc.com/investor\\_relations](http://www.sbc.com/investor_relations).

## EXHIBIT B

### Joint Application for Approval of the Indirect Transfer of Control Relating to the Merger of AT&T Inc. and BellSouth Corporation

#### SERVICE LIST

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CompSouth**

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**EXHIBIT C**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

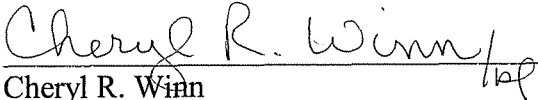
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MERCER OF AT&T, INC. AND )  
BELLSOUTH CORPORATION )

**PROPOSED PROCEDURAL SCHEDULE**

- File application with request for electronic filing (with associated pre-filed direct testimony/documents) and serve interested parties..... 3/31/06
- All Petitions for Intervention and requests for information to the Joint Applicants shall be due no later than ..... 4/10/06
- The Joint Applicants shall file and deliver responses to the requests for information no later than..... 4/17/06
- Intervenor Testimony, if any, shall be filed in verified prepared form no later than..... 4/24/06
- Pre-filed Rebuttal Testimony, if any, shall be due no later than..... 5/1/06
- Public Hearing, if requested, with expedited transcripts..... 5/10/06
- Briefs, if any, shall be due no later than..... 5/19/06

**CERTIFICATE OF SERVICE**

It is hereby certified that a true and correct copy of the foregoing was served on Dennis G. Howard, II, and Lawrence W. Cook, Assistant Attorneys General, 1024 Capital Center Drive, Suite 200, Frankfort, KY 40601-8204, by mailing a copy thereof, this 6th day of April, 2006.

  
Cheryl R. Winn