

and South Central Bell agreed to furnish the Commission information concerning the revenue loss and cost to South Central Bell to provide blocking of these numbers free to all classes of ratepayers. The Commission finds that it is in the public interest to eliminate the existing \$3.75 monthly charge to the above classes of customers for blocking of such calls. Therefore, a portion of the \$22.8 Million rate reduction shall be applied to this service as set out in Ordering paragraph 3 below.

Extended Area Calling Plan (ACP)

Four public witnesses urged the Commission to extend local calling in Smith and DeSoto Counties. Additionally, the Commission has received numerous inquiries from residents in these two counties and other counties concerning these issues. South Central Bell, through its witness James H. Anderson, also requested the Commission to extend the Area Calling Plan from 22 miles to 30 miles. This would allow residents of all Mississippi counties to call their county seats on a local measured basis. The extension of the Area Calling Plan will also go a long way in helping alleviate the Extended Area Service (EAS) problems facing many rural customers. As pointed out by Mr. Anderson, intraLATA short haul toll rates are at a level that substantially restricts calling to nearby exchanges. This limits economic expansion from larger cities into the rural areas which are served by a nearby exchange. Reducing these short haul toll rates should serve to open up opportunities for economic development. In large metropolitan areas today, customers can call locations that are 30 miles away on a local basis. In many of the smaller exchanges in the state, it is necessary to call on a toll basis at these and even shorter distances. Expansion of the Area Calling Plan to 30 miles makes expanded calling scopes available to customers in smaller exchanges on a basis similar to customers in larger exchanges. We are convinced that high toll rates do create an economic barrier to the citizens of our state and

that by reducing rates in these areas we will help enhance the economic development of the state. Therefore, a portion of the \$22.8 Million rate reduction shall be applied to extend the call area from 22 miles to 30 miles and to include county seat calling as set out in Ordering paragraph 3 below. This shall be accomplished no later than July 31, 1990 in those exchanges where the Area Calling Plan is currently in effect.

Bi-Jurisdictional WATS

The Commission finds that during the pendency of this case, it received correspondence from several interexchange carriers requesting that the Commission review its policy on the requirement for jurisdictionally separate WATS access lines. That policy was set forth in Docket No. U-4977, in which the Commission ordered that interstate and intrastate WATS service be provided over jurisdictionally separate WATS access lines.

On April 20, 1990, South Central Bell filed a tariff revision (to be effective July 2, 1990) which provided for the introduction of a bi-jurisdictional WATS service. The estimated annual revenue impact on South Central Bell of the filing is a reduction in revenues of \$770,000. The Commission finds that significant changes have occurred in the market to the point where jurisdictional restrictions are no longer appropriate and that customers will benefit from this filing through the ability to construct more efficient networks. Therefore, South Central Bell's proposed bi-jurisdictional WATS tariff should be implemented effective July 2, 1990 and a portion of the \$22.8 Million rate reduction shall be applied to this service as set out in Ordering paragraph 3 below.

Rural Zone Mileage Charges

Rural zone mileage charges are designed to recoup the extra expense to serve customers located outside the base rate area. The same charges are also responsible for some customers not being able to afford single line service. As

stated by Mr. Anderson of South Central Bell, the zone charge is simply a fixed charge that is added to the basic rate for customers who live in a rural area. In keeping with the universal service goal of this Commission, a reduction in zone charges would make telephone service more affordable to customers desiring single line telephone service. Also, by combining zone charge reductions with the Area Calling Plan reductions, customers in rural areas can see a substantial reduction in their phone bill.

Therefore, we find that we can accomplish our stated goals by allocating a portion of the \$22.8 Million rate reduction to all rural zone mileage charges as set out in Ordering paragraph 3 below.

IntraLATA Toll Reduction

IntraLATA toll charges are priced above cost and consequently provide a contribution to local service. Historically, intrastate rates have been priced higher than interstate rates. However, with increasing competition from the resellers and interexchange carriers, intraLATA toll rates must be reduced in order for South Central Bell to retain any of that business and remain in a competitive posture for the future.

South Central Bell, the Attorney General and Mississippi Legal Services Coalition/Southeast Mississippi Legal Services entered into a Stipulation on May 14, 1990. In paragraph 5 of that Stipulation the parties to the Stipulation suggested allocation of the reduction to certain areas; one of them being a reduction in intraLATA toll in the amount of \$10 Million.

The updated testimony of AT&T's witness, Neil E. Brown, suggested a reduction to be allocated between intraLATA toll and local services in the amount of \$12.6 Million.

South Central Bell urged that any reductions to intrastate access charges must be accompanied by reductions to South Central Bell's intraLATA toll rates. The Company

testified that such concomitant reductions are necessary in order to avoid increasing the disparity between South Central Bell intraLATA toll rates and rates for interLATA calling.

Mr. Anderson of South Central Bell testified on direct and cross-examination that intrastate toll was priced above cost and that it was South Central Bell's intention to move it toward cost.

The Supreme Court of Mississippi in Pittman v. MPSC, 538 So.2d 387,400 (Miss. 1989) said:

Under the statute utility rates must be just and reasonable. The statutory requirement of just and reasonable rates is satisfied when the rates are cost based.

Cost based rates are a goal of this Commission, however, it is the experience of this Commission that the goal of cost based rates often conflicts with other goals of this Commission, e.g., universal service. Additionally, moving to cost based rates too quickly can result in rate shock to the local subscriber. The Commission views cost based rates as an ideal, a yellow brick road that we tread deliberately and diligently with full knowledge that countervailing goals may prevent our arriving at the goal of totally cost based rates. Therefore, a portion of the \$22.8 Million rate reduction shall be applied to intraLATA toll as set out in Ordering paragraph 3 below.

Lifeline Program

Legal Services witness Roger Colton advocated the institution of a lifeline program in Mississippi and urged that a portion of the \$22,800,000 rate reduction be used to implement such program. This Commission is committed to the ideal of universal telephone service and we are very much aware of the special needs of very low income ratepayers. We have directed the Company to file two (2) separate tariffs which significantly address the needs of low income customers. The first of these was Link-Up Mississippi, which was approved in May of 1988. This plan has been successful in promoting

subscriptions among low income households without triggering the need for increases in basic local exchange rates. The second tariff filed by the Company to address the needs of low income customers was the Area Calling Plan (ACP) as ordered by the Commission in Docket U-5214. The ACP was designed to "provide a way for ratepayers to control their local telephone rates, help low income persons have access to the network, and address extended area calling concerns".

The Commission finds that a portion of the \$22.8 Million should be allocated to address further the needs of our low income telephone subscribers. Testimony supports both the need to further refine the ACP and implement a Lifeline Service offering which would be available to all persons meeting the eligibility requirements to be established for the program. Lifeline is a federal assistance program whereby part or all of the federal subscriber line charges are waived to the extent that intrastate rates for these customers are likewise reduced. Therefore, for those customers who meet the eligibility requirements for the lifeline service offering, the Commission finds that the ACP monthly rate should be reduced by \$1.00. The Commission with input from the Company and Legal Services will develop a Lifeline plan consistent with this order for the purpose of submission to the Federal Communications Commission to secure plan certification and thereafter ACP monthly rates shall be reduced as set forth above.

Therefore, a portion of the \$22.8 Million rate reduction shall be applied to these services as set out in Ordering paragraph 3 below.

Intrastate Access Charges

Prior to divestiture AT&T and the Bell Operating Companies were siblings as issue of "Ma Bell" and shared many common interests. Since divestiture their common interests have diminished and it is not unusual for the former siblings to agree to disagree. One issue that AT&T and South Central

Bell do agree on is that intrastate access charges should be moved toward parity with interstate access charges. South Central Bell's witness Jim Anderson, AT&T's witnesses Garry L. Sharp and Neil E. Brown, and MCI's witness Don Wood, all advocated a reduction in intrastate access charges. These witnesses agreed that the goal is for intrastate access charges to "mirror" interstate access charges, however, the intervenors wanted that goal accomplished instantter. The Company urged that it would be inappropriate to reduce intrastate access charges by the amount urged by the intervenors so as to achieve such parity at this time. South Central Bell, the Attorney General and Legal Services, in their aforementioned stipulation, set the intrastate access reduction at \$4 Million. The Commission accepts the concept that intrastate access charges should move toward parity with interstate access charges, however, as we stated previously, the funds available for this are finite. The Commission agrees with the position taken by the Company, the Attorney General and Legal Services in their stipulation. Therefore, a portion of the \$22.8 Million rate reduction shall to be applied to the reduction of intrastate access charges as set forth in Ordering paragraph 3 below.

IT IS, THEREFORE, ORDERED by the Commission that:

1. It is in the best interests of Mississippi ratepayers, the public, this Commission, and the Company for this Commission to adopt and implement a Rate Stabilization Plan.

2. The Commission hereby adopts and orders the implementation of the Mississippi Rate Stabilization Plan in the form and content of the November 15, 1989 Plan filed by the Company, but as modified by our Findings herein. In order to implement this Commission order with respect to the Mississippi Rate Stabilization Plan, the Company is ordered to make the modifications required herein and is ordered to prepare and file the Plan as a tariff which will become part

of its General Subscriber Services Tariff, with an effective date of July 1, 1990.

3. The Company shall immediately file, to become effective with billing periods on and after July 1, 1990, except as otherwise set forth herein, tariffs, rates, and charges, to reduce its rates by an annual amount of \$22,800,000 to be applied as follows:

<u>Service Categories</u>	<u>\$ Reduction Amount</u>
<u>Lifeline</u>	<u>1.4M</u>
<u>ACP</u>	<u>3.5M</u>
<u>Expand current ACP calling areas to 30 miles and allow all ACP customers to call County seat</u>	
<u>Access</u>	<u>4.0M</u>
<u>Reduce intrastate originating and terminating CCLC toward the interstate level</u>	
<u>Toll</u>	<u>10.0M</u>
<u>MTS Rates</u>	
<u>Rural Zone Mileage Charges</u>	<u>2.5M</u>
<u>DeSoto County</u>	<u>.55M</u>
<u>Smith County</u>	<u>.07M</u>
<u>Bi-Jurisdictional WATS</u>	<u>.77M</u>
<u>Blocking</u>	<u>.017M</u>
<u>Free blocking of calls to 976/900 numbers from businesses, churches, and schools</u>	

4. This Order constitutes the final Order of this Commission in this cause, and supersedes and supplants any interim or other prior Orders herein to the extent that any such Order is inconsistent with any finding or conclusion herein, or any other provision hereof.

5. Each specific finding of fact and conclusion of law heretofore made in this Order is accepted and adopted as an ultimate finding of fact and conclusion of law by the Commission.

ORDERED by the Commission this the 18th day of June, 1990.

Chairman Nielsen Cochran voted Aye; Vice Chairman Bo Robinson voted Aye; Commissioner George T. Watson voted Aye.

MISSISSIPPI PUBLIC SERVICE COMMISSION



Nielsen Cochran
Nielsen Cochran, Chairman

Bo Robinson
Bo Robinson, Vice Chairman

George T. Watson
George T. Watson, Commissioner

ATTEST: A TRUE COPY

Brian U. Ray
Brian U. Ray, Executive Secretary

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

IN REPLY REFER TO:

June 22, 1990

Mr. Paul Glist
Cole, Raywid & Braverman
Attorneys at Law
Second Floor
1919 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Dear Mr. Glist:

This is in response to your letter of December 20, 1989 which requested a response that would allow companies paying pole attachment rentals to determine pole attachment carrying costs using Part 32 accounts reported in the Annual Report Form M.

You requested that we review your understanding of where the contents of certain Part 31 accounts are reported on the Federal Communications Commission Annual Report Form M. Annual Report Form M was revised on April 27, 1989 (DA 89-503, released May 12, 1989) to reflect the new accounting system in Part 32 (47 C.F.R. Part 32) that replaced the accounting system in Part 31 effective January 1, 1988.

Your letter also requested information on whether or not the contents of several apparently comparable Part 32 expense accounts now include more expenses than they previously included under Part 31. The Part 32 accounts for which you requested more specific information are discussed in the following paragraphs.

Account 6411, Poles expense.

Account 6411 under Part 32 is comparable to Part 31 Account 602.1, Repair of pole lines, if the benefit component and rent component of the expense matrix are eliminated. Under Part 32, Account 6411 includes benefits previously included in Part 31 Account 672, Relief and pensions, social security and other payroll taxes previously recorded in Part 31 Account 307, Other operating taxes, and rents previously included in Part 31 Account 671, Operating rents. Account 602.1 generally matches with the sum of columns (ac) and (af) reported for Account 6411 on Annual Report Form M Schedule I-1.

In the formula prescribed in CC Docket 86-212, the benefit amounts reported in Annual Report Form M Schedule I-1 column (ad) would have been included as part of the numerator for the calculation of the administrative expense ratio and the social security and other payroll taxes also included in column (ad) would have been included in the numerator for the calculation of the normalized taxes ratio. The rents reported in column (ae) would have been included as part of the numerator for the calculation of the administrative expense ratio.

Account 6124, General purpose computers expense.
Account 6724, Information management.

Your letter correctly notes that Part 31 did not provide separate accounts for computer expenses and that Part 32 includes expenses recorded in Account 6724 in the category of general and administrative expenses. Your letter is not correct in assuming that if one wishes to isolate the computing expenses a telephone utility incurs in general corporate overhead, one would look to Account 6724 only. Account 6124, as presently described in Part 32 does include some expenses that under Part 31 were included in general and administrative expenses. Expenses recorded in Account 6124 relate to assets recorded in Account 2124, General purpose computers, which by definition relate to general administrative information processing activities. (See 47 C.F.R. Sections 32.2124 and 32.5999 (b)). While we have conducted no formal analysis of this account it should not contain expenses associated with computers and related devices and software that perform switching, network signalling, network operations or plant specific equipment functions for which accounts have been provided (See 47 C.F.R. 32.2124 (d)).

Account 6535, Engineering expense.

Under Part 31, expenses of general engineering departments were recorded initially in Account 705, Engineering expense and then cleared to other accounts on the basis of services rendered, as determined by the time devoted to particular jobs. The pay and expenses of supervisory personnel and other personnel engaged in clerical, reproduction and record work were also cleared to other accounts. Under Part 32, Account 6535 includes general engineering expense that is not directly chargeable to specific undertakings or projects. Under Part 32, engineering expenses directly related to poles would be recorded in Account 6411, Poles expense. As a result, a portion of Account 6535 would include the indirect expenses of supervisory personnel that under Part 31 would have been cleared to Part 31 Account 602.1, Repair of pole lines.

Account 6611, Product management.
Account 6612, Sales.
Account 6613, Product advertising.
Account 6621, Call completion services.
Account 6622, Number services.
Account 6623, Customer services.

Under Part 31, the expenses recorded in Accounts 640 through 650, considered in the aggregate, generally track to Accounts 6611 through 6623 under Part 32, with the exception of connecting company relations expenses, which were recorded in Part 31 Account 644 that are now recorded in Account 6722 under Part 32.

Account 6722, External relations.

Some of the expenses recorded in this account were not included in Accounts 661 through 677 under Part 31. These expenses include nonproduct related corporate image advertising and some expenses that were recorded in Account 644, Connecting company relations. The nonproduct related corporate image advertising portion of the expenses recorded in Account 6722 can be identified on Annual Report Form M Schedule I-6. There is no separate identification of the connecting company portion of expenses recorded in Account 6722 in the Annual Report Form M.

Account 6726, Procurement.

Under Part 31, the expenses now recorded in Account 6726 were originally recorded in Account 704, Supply expense and then cleared to appropriate accounts including Accounts 661 through 677.

We have reviewed the attachment to your letter, which we have revised in light of the previous discussion and enclosed as an attachment to this letter.

If you have additional questions you may contact John T. Curry or Thaddeus Machcinski of my staff on (202) 634-1861.

Sincerely,



Kenneth P. Moran
Chief, Accounting and Audits Division

Attachment

Conversion Schedule

<u>Part 31 Account</u>	<u>Part 32 Account Title</u>	<u>Form M Location</u>
100.1	Telephone Plant in Service	2001/Sch. B-1
171	Accumulated Depreciation	3100/Sch. B-1
176.1	Net Current Def. Operating Inc. Taxes	4100/Sch. B-11
	Net Noncurrent Def. Oper. Inc. Taxes	4340/Sch. B-11
241	Pole Lines Investment	2411/Sch. B-1
608	Pole Lines Accumulated Depreciation	2411/Sch. B-5b
304	Operating Investment Tax Credits-net	7210/Sch. I-1
306	Operating Federal Income Taxes	7220/Sch. I-1
307	Operating State and Local Income Taxes	7230/Sch. I-1 <u>1/</u>
	Operating Other Taxes	7240/Sch. I-1 <u>1/</u>
308.1		
308.2		
309	Provision for Defer. Operating Inc. Tax-net	7250
602.1	Pole Expense	6411/Sch. I-1 <u>2/</u>
661	Executive and Planning	6710/Sch. I-1
662		
663	Accounting and Finance	6721/Sch. I-1
664	External Relations	6722/Sch. I-1 <u>3/</u>
	Legal	6725/Sch. I-1

- 1/ Does not include social security and other payroll taxes.
- 2/ Column (ad) will include relief and pensions formally recorded in Account 672 and social security and other payroll taxes included in Account 307. Column (ae) will include rents included in Account 671.
- 3/ Includes institutional advertising included in Account 642, and connecting company relations included in Account 644. The amount of advertising in 6722 is reported on Form M Schedule I-6.

<u>Part 31 Account</u>	<u>Part 32 Account Title</u>	<u>Form M Location</u>
665	Other General and Administrative	6728
668	Poles Expense (other matrix)	6411/Sch.I-1 col.(af)
669	Poles Expense (other matrix)	6411/Sch.I-1 col.(af)
670	Earth Station Expenses	6231/Sch.I-1 col.
671	Poles Expense (rent matrix)	6411/Sch.I-1 col.(ae)
672	Poles Expense (benefits matrix)	6411/Sch.I-1 col.(ad)
673	Telephone Franchise Requirements	Various Accounts
674	General Services and Licenses	Various Accounts
675	Other Expenses	Various Accounts
	General Purpose Computers	6124/Sch. I-1 <u>4/</u>
	Engineering Expense	6535/Sch. I-1 <u>4/</u>
	Human Resources	6723/Sch. I-1
	Information Management	6724/Sch. I-1 <u>4/</u>
	Procurement	6726/Sch. I-1 <u>5/</u>
	Research and Development	6727/Sch. I-1
	Other General and Administrative	6728/Sch. I-1 <u>6/</u>

4/ A portion of these expenses were included in total administrative and general expenses under Part 31.

5/ A portion of the expenses recorded in this account were recorded in Account 704. Supply expense under Part 31 and then cleared to appropriate Accounts 661 through 677.

6/ A portion of these expenses were included in Account 626 Rest and lunchrooms under Part 31.

under Tele. Records Act
10/15/90

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

November 23, 1990

IN REPLY REFER TO:

Diana J. Harter, Esq.
Southwestern Bell Telephone
1010 Pine Street
St. Louis, Missouri 63101

Dear Ms. Harter:

We have received your November 8, 1990, letter regarding Mr. Glist's questions on the treatment of rental expense in pole attachment rates.

In your letter you state that for pole attachment rates charged to cable television companies, Southwestern Bell includes the pole rental expense it pays to power companies in the numerator of the maintenance expense ratio established by the Commission in Amendment of Rules and Policies Governing the Attachment of Cable Television Hardware to Utility Poles, 2 FCC Rcd 4387 (1987). You contend that the basis for that procedure is our June 22, 1990, letter to Mr. Glist which states that Part 31 Account 602.1 is comparable to Part 32 Account 6411 and the attachment to that letter which shows that Part 31 Account 602.1 is converted to Part 32 Account 6411.

Moreover, your letter asserts that Mr. Glist desires Southwestern Bell to selectively return to the Part 31 accounting system for calculating a single maintenance expense ratio for pole attachment rates while ignoring the offsetting effect the change to Part 32 had on other pole attachment rate expense ratios, such as the administrative expense ratio.

We do not agree with Southwestern Bell's interpretation of our June 22, 1990, letter to Mr. Glist, as it relates to pole rental expense. We believe that this letter clearly states in the section entitled "Account 6411, Poles expense" that Account 6411 is comparable to Part 31 Account 602.1 if the benefit component and the rent component of the expense matrix are eliminated. Thus, it is our opinion that in computing the maintenance expense ratio you would not include in the numerator the amounts reported in Account 6411 columns (ad) benefits and (ae) rents.

We also do not believe that Mr. Glist's request ignores the offsetting effect the Part 32 change had on other pole attachment rate expense ratios. He does not object to including all telephone company rent expense in the numerator of the administrative expense ratio nor does his letter object to the inclusion of benefits in this ratio as our June 22, 1990, letter advised.

Should you have further questions concerning this matter, please contact me on (202) 634-1861.

Sincerely,



Kenneth P. Moran
Chief, Accounting and Audits Division

cc: Paul Glist, Esq.

file

COLE, RAYWID & BRAVERMAN

JOHN P. COLE, JR.
 ALAN RAYWID
 BURT A. BRAVERMAN
 ROBERT L. JAMES
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 FRANCES J. CHETWYND
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 (202) 659-9750

CRAIG S. MCCOY
 (1943-1979)

CABLE ADDRESS
 "CRAB"

TELECOPIER
 (202) 452-0067

June 24, 1991

* ADMITTED IN PENNSYLVANIA ONLY

Ms. Jan J. Curtis
 South Central Bell
 P. O. Box 771
 Birmingham, AL 35201

Re: Pole Attachment Rates

Dear Ms. Curtis:

Thank you for the information you provided with your letter of June 19, 1991. A signed confidentiality agreement is enclosed. There are several calculations with which I differ, but I will focus only on three matters of substance.

South Central Bell's calculations are, in summary:

Net Investment Per Bare Pole		\$163.04
Carrying Charges		
Maintenance	16.85%	
Depreciation	10.56%	
Administration	7.11%	
Taxes	7.68%	
Cost of Capital	<u>11.99%</u>	
	54.19%	
Use Ratio		x 54.19%
		<u>x 1/13.5</u>
		\$ 6.55

Our first area of difference is in the calculation of the maintenance component of the carrying charge. In the FCC's Accounting and Audits Division letter of June 22, 1990 to me (copy enclosed), Mr. Moran explained that only columns (ac) and (af) of the Account 6411 matrix under Part 32 may be included

Ms. Jan J. Curtis
 June 24, 1991
 Page 2

when computing pole rents. (The reason is that in the Part 31 to Part 32 conversion, pole rents paid by SCB to a power company may not be charged to cable.) In his November 23, 1990 letter to Southwestern Bell, he reiterates that (ad) and (ae) must be excluded.

South Central Bell's Annual Report to the Mississippi PSC shows the following breakdown:

<u>Matrix</u>	<u>Amount</u>
(ac) salaries	291,929
(ad) benefits	67,902
(ae) rents	6,532,065
(af) other	709,591
(ab) total	7,601,487

Thus, the chargeable amount of maintenance expenses are only 291,929 + 709,591. The computation becomes

$$\frac{1,001,520}{72,194,010.47 - 23,599,952 - 3,510,862} = 2.17\%$$

Our second area of difference is in the administrative component. The same A&A letters indicate that only a portion of the 13,515,371 account 6535 may be charged. Absent an appropriate Part 31 to Part 32 conversion, the proper computation would be

$$\frac{70,893,140}{2,321,480,485.51 - 903,001,393 - 230,485,063} = 5.96\%$$

Our third area of difference is in the cost of capital component. The FCC has ruled that when a range of return is specified by a PSC, the pole rents are set against the midpoint. Teleprompter Corp. v. Tampa Electric Co., PA 81-0041, Mimeo 6683 at ¶8 (Sep. 26, 1983) (attached). The PSC's 1990 order establishes a range of 10.74-11.74% return on average investment base (p.6). Thus, the cost of capital should be 11.24%.

Our calculations are, in summary:

Net Investment per Bare Pole \$163.04

Carrying Charges

Maintenance 2.17%

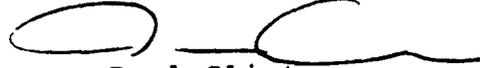
Ms. Jan J. Curtis
June 24, 1991
Page 3

Depreciation	10.56%	1	3
Administration	5.96%		4
Taxes	7.68%		4
Cost of Capital	<u>11.24%</u>	1	3
	37.61%	x37.61%	3

Use Ratio x1/13.5
\$ 4.54

On behalf of VACC Midwest and the Mississippi Cable Television Association, I am requesting that South Central Bell voluntarily reform its pole attachment rates to \$4.54. Please let me know your decision within the next fifteen days.

Sincerely yours,



Paul Glist

Enclosures

- cc: Fred McCallum (w/o enclosures)
- Frances Permenter (w/o enclosures)
- Suzy Hensley (w/o enclosures)
- Madlyn Bloom (w/o enclosures)



South Central Bell

P.O. Box 771
Birmingham, Alabama 35201

August 22, 1991

Mr. Paul Glist
Cole, Raywid & Braverman
Second Floor
1919 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-3458

RE: Pole Attachment Agreement Between UACC Midwest d/b/a United
Artists Cable MS G.C. and South Central Bell

Dear Paul:

We have completed our review of your June 24, 1991 letter concerning pole attachment rates for UACC Midwest. As we are all aware, the introduction of the Part 32 accounting rules has caused some confusion and disagreement regarding calculation of the pole attachment rates for cable TV companies. In calculating these rates, South Central Bell ("SCB" or the "Company") substituted the Part 32 accounts that it believes to be comparable to the former Part 31 accounts. Each component included in the current calculation covers costs associated with providing pole space to cable TV companies. Likewise, the Company has received no direction from the Federal Communications Commission ("FCC") that the calculation is improper.

The FCC accounting changes caused joint use rentals to be accounted for in the maintenance component rather than the administrative component of the carrying charge. Joint use rentals represent a portion of the total expense SCB incurs in providing pole space to cable TV companies. Thus, those costs are appropriately recovered in the pole attachment rates. Absent FCC direction to SCB to exclude these costs from the calculation, the Company will continue to include them as a legitimate cost of service.

We are not certain what portion of account 6535 you believe should be excluded from the calculation of the administrative component. Nevertheless, each of the components of the engineering account are legitimate expenses of providing service and, therefore, are recoverable in the pole attachment rates. Likewise, absent direction from the FCC, the Company is not inclined to modify the calculation as you suggest.

We agree with your analysis of the calculation of the cost of capital component. For purposes of calculating cable TV pole attachment rates, we agree that the proper cost of capital is the midpoint of the range specified by the Public Service Commission. Therefore, we have revised the calculation and have enclosed updated material reflecting this change. We do not believe, however, that a modification of the \$6.55 rate is required. In calculating rates for this year, SCB used the tax component from last year because current numbers were not available at that time. Inclusion of the updated tax numbers in the calculation would more than offset the \$.09 difference occasioned by the change in the cost of capital component.

In summary, the exclusion from the calculation of any component that is an actual cost of providing pole space to cable TV companies is not appropriate. To do so would require the Company to pass that cost on to another customer. If you wish to discuss this matter further, please call me at (205) 321-4740.

Best regards.

Very truly yours,

A handwritten signature in cursive script that reads "Jan Curtis".

Jan J. Curtis
Attorney

MISSISSIPPI
DEVELOPMENT OF ANNUAL CHARGE FACTORS FOR
POLE LINES USING FCC METHODOLOGY
FORM M YEAR END DECEMBER 31, 1990

NET FACTOR

(A) MAINTENANCE (6411)

Exhibit A, Paragraph C, Ln. 4 / Net Pole Investment =
(See Note 1.)
Maintenance / Net Pole Investment =
7601487.00 / 45123196.00 = 0.1685

(B) TAXES (NORMALIZED)

Exhibit C, Paragraph C, Ln. 4 / Net Plant Investment =
(See Note 2.)
Taxes Normalized / Net Plant Investment =
91183247.00 / 1187994030.00 = 0.0768

(C) DEPRECIATION

Exhibit B, Paragraph A, Ln. 4 x (Exhibit A,
Paragraph A, Ln. 4 / Net Pole Investment) =
Depreciation Rate x (Gross Pole Investment /
Net Pole Investment) =
0.066 x (72194010.00 / 45123196.00) = 0.1056
0.066 x 1.59993

(D) ADMINISTRATION (6710 + 6720 + 6535)

Exhibit D, Paragraph C, Ln.4 / Net Plant Investment =
Administration / Net Plant Investment =
84408511.00 / 1187994030.00 = 0.0711

(E) COST OF CAPITAL

0.1124

TOTAL ANNUAL CHARGE FACTOR = (A + B + C + D + E) = 0.5344

NOTE 1: Net Pole Investment =
Gross Pole Investment - Accumulated Depreciation for Poles -
Accumulated Deferred Income Taxes for Poles
Exhibit A, Paragraph A, Ln. 4 - Exhibit B, Paragraph B,
Ln. 4 - Exhibit C, Paragraph B, Ln. 4
72194010.00 - 23559952.00 - 3510862.00 = 45123196.00

NOTE 2: Net Plant Investment =
Gross Investment - Accumulated Depreciation - Accumulated
Deferred Income Taxes
Exhibit A, Paragraph B, Ln. 4 - Exhibit B, Paragraph C,
Ln. 4 - Exhibit C, Paragraph A, Ln. 4
2321480486.00 - 903001393.00 - 230485063.00 = 1187994030.00

1990 CATV POLE RENTAL RATES
SOUTH CENTRAL BELL

REVISED

8-15-91

MISSISSIPPI

(Net Book Investment X Bare Pole Factor) / Number of Poles In Service = Bare Pole Cost

(\$45,123,196 X .95) / 262,687 = \$163.19

Bare Pole Cost X Usage Factor X Annual Cost = Rental Rate

\$163.19 X (1 / 13.5) X .5344 = \$6.46



South Central Bell

P.O. Box 811
Jackson, Mississippi 39205

March 5, 1991

United Artists Entertainment Company
Attention: Madalyn Bloom
5619 DTC Parkway
Englewood, CO 80111

Dear Madam:

Enclosed is an executed copy of the document listed below:

Amendment No. 1 to the License Agreement for Pole Attachments
between UACC Midwest, Inc. d/b/a United Artists Cable
Mississippi Gulf Coast and South Central Bell Telephone
Company in Biloxi and Ocean Springs, Mississippi to include
Vancleave, Mississippi.

If you have any questions please call me at 601-961-2737.

Sincerely,

Karex D. McBride

for Henry Christy
Staff Manager-OSPE

Enclosures

HRC/kdm

Amendment No. 1

Effective 03-01-91

This Agreement amends the License Agreement for Pole Attachment, dated June 14, 1990 between South Central Bell Telephone Company, a corporation organized and existing under the laws of the State of Georgia, having its principal office in the city of Birmingham, Alabama, hereinafter called Licensor, and UACC Midwest, Inc. d/b/a United Artists Cable Mississippi Gulf Coast, hereinafter called Licensee.

Whereas, by License Agreement for Pole Attachments dated June 14, 1990, Licensor agreed to permit to the extent it may lawfully do so, the placement of cables, equipment and facilities on Licensor's poles where reasonably available in the town of Biloxi and Ocean Springs, Mississippi where such use will not interfere with Licensor's service requirements, or the use of Licensor's facilities by others.

Now therefore, Licensee desires and Licensor agrees to extend the limits of coverage of said License Agreement to include Vancleave, Mississippi as shown on the attached map.

This agreement modifies and amends the aforementioned License Agreement only so above stated, and when executed by both parties, will be attached to and made a part thereof.

Executed this 25th day of February, 1991.

LICENSEE
UACC Midwest Inc. d/b/a
United Artists Cable MS G.C.
(Name of Licensee)

BY [Signature]
Title Vice President
Date 2-15-91

LICENSOR
SOUTH CENTRAL BELL TELEPHONE COMPANY

BY [Signature]
Title General Mgr. - Ntwk. Provisioning
Date 2-25-91

ATTEST:

111
SUBJECT
Contract
File



South Central Bell

P.O. Box 811
Jackson, MS 39205

RECEIVED

JUL 26 1990

U. A. CABLESYSTEMS
BILOXI, MISS.

July 19, 1990

Madalyn Bloom
Corporate Paralegal
c/o United Artists Entertainment Company
2930 East Third Avenue
Denver, Colorado 80206

RE: License Agreement for Pole Attachments and Amendment Number 2
- Biloxi and Ocean Springs, Mississippi

Dear Ms. Bloom:

As requested in your letter of June 12, 1990, a fully executed copy of the above referenced documents is being forwarded for your file. I am also enclosing a copy of the letter that transmitted an original of the executed documents to the Biloxi, Mississippi office.

I regret the delay in forwarding your copies. If you have any questions, please contact me at 601-961-2737.

Yours truly,

Henry Christy
Staff Manager-OSPE

Attachments

HRC/kdm