BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 91-203-C - ORDER NO. 91-886

OCTOBER 14, 1991

IN RE: Application of Southern Bell Telephone & Telegraph Company for Approval of Transfer of Assets to BellSouth Communications, Inc.	)))))	ORDER APPROVING ASSET TRANSFER

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed on behalf of Southern Bell Telephone & Telegraph Company (Southern Bell or the Company) seeking approval of a transfer of assets to BellSouth Communications, Inc. (BCI).

The matter was duly noticed to the public and a Petition to Intervene was filed on behalf of Steven W. Hamm, Consumer Advocate for the State of South Carolina (the Consumer Advocate). Thereafter, a public hearing was held on August 29, 1991, at 2:30 p.m., in the Commission's Hearing Room, the Honorable Henry G. Yonce, Vice Chairman, presiding. Fred A. Walters, Esquire, represented Southern Bell; Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate; and Marsha A. Ward, General Counsel, represented the Commission Staff.

The Company presented the testimony of E. Brian Killingsworth, Manager in the Company Headquarter's Comptrollers Department. Mr.

Killingsworth described and quantified the assets that Southern Bell transferred to BCI on July 1, 1991, and explained the rationale for this transaction. According to witness Killingsworth, Southern Bell is transferring these assets so that it may realign its marketing organization in an effort to grow network usage, provide business customer focus, and to continue a CPE presence in the marketplace. This realignment will allow the Company to achieve a better focus on the telecommunication needs of business customers and to continue to be a source of "one-stop shopping" for the customer. Southern Bell will be transferring its marketing forces responsible for premise network sales and customer premise equipment sales to business customers. Additionally, the support staff for these marketing forces are also transferred from BellSouth Services (BSS) to BCI.

BCI is owned by BellSouth Business Systems, Inc. (BBS), a holding company. BBS, according to witness Killingsworth, is being established to oversee all business operations for premise network sales and CPE as well as all related CPE installation service features. BBS will be owned on a 50/50 basis by Southern Bell and South Central Bell.

The assets being transferred as reflected on the Company's books are Account 2122-Furniture; Account 2123-Office Equipment; and Account 2124-General Purpose Computers. Hearing Exhibit No. 1 contained a summary of the transferred assets, as well as a comparison to an earlier estimate used in the Company's Application. As of the time of the hearing, the total amount of

the actual transfer amounted to $361,000 on a total Southern Bell basis.

Witness Killingsworth testified to the effect on Southern Bell's South Carolina operations. According to Witness Killingsworth, the same sales functions being performed today will be performed after the merger. Pre July 1, 1991, costs are separated between network sales and CPE based on the cost allocation manual. After the transfer, they will still be separated based on affiliated transaction rules and these fully distributed costs will be billed back to the proper regulated or non-regulated line of business.

Southern Bell further requests that this Application be approved because it will allow cost savings, make the Company more competitive, and the other state commissions and Southern Bell have accepted the transfer. If the Company's request in South Carolina is not granted, it will be required to maintain a separate organization and an accompanying set of records.

The Commission has considered the information provided by the Company and the testimony adduced at the hearing through the participation of the Company, the Consumer Advocate, and the Commission Staff. The Commission finds that the Application of the Company and the information gathered at the hearing has caused the Commission to determine that the transfer of the facilities and assets requested to be transferred to BellSouth Communications, Inc. on July 1, 1991, from Southern Bell is in the public interest and should be approved. However, during the hearing, questions

were raised concerning the allocation of overhead to the remaining Southern Bell assets and the potential ratepayer impact. Parties are not precluded from investigating or raising this issue in appropriate future proceedings.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Marjorie Amos-Frazier
Chairman

ATTEST:

Charles W. Ballentine
Executive Director

(SEAL)