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September 3, 1999

BELLSOUTH
REGULATORY AUTH.

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Charles L. Howorth, Jr.
Regulatory Vice President
EXECUTIVE SECRETARY

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TN REGULATORY AUTHORITY
GENERAL COUNSEL'S OFFICE

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VIA HAND DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Dear Mr. Waddell:

As you know, BellSouth addressed issues similar to those raised by your Data Request dated August 30, 1999¹ both in its Post-Hearing Brief and during oral arguments yesterday in Consolidated Docket Nos. 98-00559, 98-00210, and 98-00244, and BellSouth incorporates these materials in this response. In fact, we believe the Directors' action yesterday obviated the need for a response. However, out of an abundance of precaution and to ensure that there is no confusion, BellSouth provides the following response to your Data Request:

CSA TN99-3195-01

CSA TN99-3195-01 is a service-specific CSA for the purchase of Frame Relay Service over a thirty-seven month term. As indicated in the amendment to this CSA, termination charges are calculated as specified in BellSouth's Tariff Section A40.10.2.B. In addition, this customer received a discount from non-recurring charges, and the CSA provides that the customer will pay the balance of the non-recurring charges for each service upon early termination. Finally, the CSA provides that the Customer will pay a Contract Preparation Charge upon early termination.

¹ Termination charges applicable at the end of six months, twelve months, and eighteen months for CSAs TN99-3195-01 and TN99-4663-00 (Tennessee portion only). These calculations should be made assuming the following conditions. First, assume the customer terminates the contract and discontinues all tariff services provided by BellSouth. Further, assume the volume and mix of services as submitted in BellSouth's priceouts remains constant throughout the contract period. Please provide these calculations for each individual service, separating the termination charges as they apply under the CSA and pursuant to the tariff.

The following table provides the requested termination charges.

Rate Element	CSA Termination at		
	6 Mos	12 Mos	18 Mos
FRH64	9,769.70	7,917.50	6,065.30
FRH12	2,294.60	1,895.00	1,495.00
FP164	12,145.80	9,840.00	7,534.20
FP115	4,034.40	3,300.00	2,565.60
FPD64	3,388.00	2,740.00	2,092.00
FRVDX	68.30	57.50	46.70
FRVR3	1,785.60	1,440.00	1,094.40
CPC Charge	588.00	588.00	588.00
TOTAL	\$34,074.40	\$27,778.00	\$21,481.20

As reflected in the proprietary cost and revenue information filed with the TRA, the annual billing under this CSA is \$13,992.00, or \$1,166.00 per month. Thus the damages that could reasonably be anticipated upon early termination of this CSA are at least as follows:

Termination at 6 Months	\$36,146	(31 months x \$1,166.00 per month)
Termination at 12 Months	\$29,150	(25 months x \$1,166.00 per month)
Termination at 18 Months	\$22,154	(19 months x \$1,166.00 per month)

In each instance, therefore, the termination liability charge is reasonable in light of the anticipated damages.

CSA TN-99-4663-00

This CSA provides a discount on the rates for any discount-eligible service this customer orders from BellSouth's tariffs during the term of the CSA. The following calculations of the termination charges due under the CSA assume a constant discount of \$35,458.33 per month (the contract savings of \$851,000 divided by the 24-month term of the contract) and constant billing of \$840,833.33 per month (the contract revenue commitment of \$20,180,000 divided by the 24-month term of the contract).

Termination after 6 months:

The customer is billed a termination charge of \$365,750, which consists of the discounts received over the previous 6 months (\$212,750) plus \$153,000 as the prorated portion of the implementation and tracking costs. Calculation: $\$204,000 \times (18 \text{ months remaining} / 24 \text{ total contract months})$. This termination charge clearly is reasonable in light of the \$15,135,000 damages that reasonably could be anticipated to arise from the breach of the contract ($\$840,833.33 \times 18 \text{ months}$).

Termination after 12 months:

The customer is billed a termination charge of \$527,500, which consists of the discounts received over the previous 12 months (\$425,500) plus \$102,000 as the prorated portion of the implementation and tracking costs. Calculation: $\$204,000 \times (12 \text{ months remaining} / 24 \text{ total contract months})$. This termination charge clearly is reasonable in light of the \$10,090,000 damages that reasonably could be anticipated to arise from the breach of the contract ($\$840,833.33 \times 12 \text{ months}$).

Termination after 18 months:

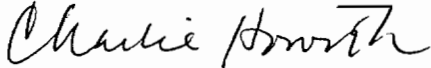
The customer is billed a termination charge of \$476,500, which consists of the discounts received over the previous 12 months (\$425,500) plus \$51,000 as the prorated portion of the implementation and tracking costs. Calculation: $\$204,000 \times (6 \text{ months remaining} / 24 \text{ total contract months})$. This termination charge clearly is reasonable in light of the \$5,045,000 damages that reasonably could be anticipated to arise from the breach of the contract ($\$840,833.33 \times 6 \text{ months}$).

If the customer terminates tariffed services at the same time it terminates the CSA, any tariffed termination liability charges provided in the applicable tariffs also will apply. If the customer terminates a tariffed service that has no termination liability associated with it (i.e. a month-to-month service), the customer would incur no termination charges other than those set forth above. The CSA, therefore, clearly does not convert a month-to-month service into a term service to which a termination charge applies. Nor does it extend the term of any tariffed term service or modify any other tariff provision in any manner.

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I trust that this letter adequately responds to your questions regarding these two CSAs.

Very truly yours,


Charles L. Howorth, Jr.

CLH/jem