BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of

PETITION FOR EXPEDITED REVIEW AND CANCELLATION OF BELLSOUTH TELECOMMUNICATIONS, INC.'S KEY CUSTOMER PROMOTIONAL TARIFFS AND FOR INVESTIGATION OF BELLSOUTH'S PROMOTIONAL PRICING AND MARKETING PRACTICES, BY FLORIDA DIGITAL NETWORK, INC.	DOCKET NO. 020119-TP
PETITION FOR EXPEDITED REVIEW AND CANCELLATION OF BELLSOUTH TELECOMMUNICATIONS, INC.'S KEY CUSTOMER PROMOTIONAL TARIFFS BY FLORIDA COMPETITIVE CARRIERS ASSOCIATION	DOCKET NO. 020578-TP
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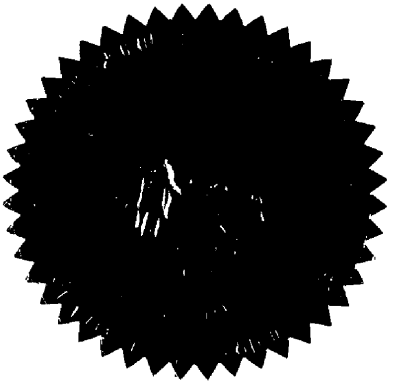

PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN LILA A. JABER COMMISSIONER J. TERRY DEASON COMMISSIONER BRAULIO L. BAEZ COMMISSIONER CHARLES M. DAVIDSON COMMISSIONER RUDOLPH "RUDY" BRADLEY
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APPEARANCES:	(As heretofore noted.)

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CHAIRMAN JABER: Let's get back on the record. Ms. White, I think where we left off yesterday afternoon was with two witnesses, Mr. Taylor and Mr. Pitofsky. And I understand from staff this morning that there is agreement to take those witnesses out of order. And there is Mr. Pitofsky. Was he sworn last night?

MS. MAYS: He was, Madam Chair.

CHAIRMAN JABER: Great. Let's get started, then.

MR. FEIL: Madam Chair, could I bring up one preliminary matter?

CHAIRMAN JABER: Sure.

MR. FEIL: I talked with staff and with BellSouth this morning about stipulating in some confidential exhibits that I asked Mr. Ruscilli about yesterday. They are both confidential. It is the response to FDN Interrogatory 19 and Interrogatory 20. If I could have the next exhibit number for that, please.

CHAIRMAN JABER: It is BellSouth's response to FDN Interrogatories 19 and 20?

MR. FEIL: Yes, ma'am.

CHAIRMAN JABER: And those are confidential. And that is assigned Exhibit Number 27. And without objection, Exhibit 27 is admitted into the record.

MR. FEIL: Thank you.

(Exhibit 27 marked for identification and admitted into the record.)

MS. MAYS: Thank you, Madam Chair.

ROBERT PITOFSKY

was called as a witness on behalf of BellSouth Telecommunications, Inc., and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. MAYS:

Q Professor Pitofsky, can you please provide to the Commission your full name and business address?

A Robert Pitofsky, and I am a professor at law at Georgetown University Law Center. And I am also of counsel to the Washington D.C. law firm of Arnold & Porter.

Q Professor Pitofsky, have you caused to be prefiled in this hearing 13 pages of rebuttal testimony?

A Yes.

Q And throughout your rebuttal testimony you make reference to a draft Commission report. Is it correct that since the time of that testimony you have reviewed the final Commission report?

A Yes.

Q And all of the references to draft should simply be omitted from your testimony, is that right?

A That is correct.

Q There were two page references that I believe changed as a result of you reviewing the final report as opposed to the draft report. The first one was at Page 5, Line 1, and the reference should be Pages 21 through 22, is that right?

A Correct.

Q And then also at Page 5, Line 9, the page reference should be to Page 22, is that right?

A Yes.

Q And subject to the changes with the report and the page numbers I have given you, if I asked you the same questions would your answers here be the same?

A They would be the same.

MS. MAYS: Madam Chair, we would ask that the rebuttal testimony be admitted.

CHAIRMAN JABER: The prefiled rebuttal testimony of Robert Pitofsky shall be inserted into the record as though read.

BELLSOUTH COMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF ROBERT PITOFSKY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020119-TP & 020578-TP

NOVEMBER 25, 2002

Q: PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A: My name is Robert Pitofsky and I am Professor of Law at Georgetown University Law Center, 600 New Jersey Ave., N.W., Washington, DC 20001, and Counsel to Arnold & Porter, 555 12th Street, N.W., Washington, DC 20004.

Q: PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A: I graduated from New York University in 1951 and from Columbia Law School in 1954. After military service and a year in an appellate section of the United States Department of Justice, I joined the New York Law Firm of Dewey, Balletine, Bushby, Palmer and Wood as an associate. In 1964 I was appointed Professor of Law at New York University Law School and in 1974 was appointed Professor of Law at Georgetown University Law Center. Also in 1974 I initiated an Of Counsel relationship with the Washington, D.C. law firm of Arnold & Porter. From the period 1983 to 1989, I was Dean of the Law School at Georgetown. I have also taught as a Visiting Professor at Harvard Law School.

Q: PLEASE DISCUSS YOUR PROFESSIONAL EXPERIENCE IN THE ANTITRUST AND CONSUMER PROTECTION FIELDS.

A: I have served in the United States government four times, most recently as a Commissioner (1979-1982) and then as Chairman (1995-2001) of the Federal Trade Commission. In that capacity I was involved in and supervised a wide range of government antitrust and consumer protection enforcement efforts and policy decisions. I have also served as the Director of the Federal Trade Commission's Bureau of Consumer Protection.

During my years as a lawyer at Dewey Ballentine in New York and at Arnold & Porter in Washington, my practice has been devoted primarily to matters relating to antitrust enforcement. I have represented scores of clients in private litigation and before the United States regulatory agencies, and counseled companies on issues relating to telecommunications. I am coauthor of the leading set of antitrust teaching materials in American law schools (Handler, Pitofsky, Goldschmid and Wood, "Cases and Materials on Trade Regulation" (4th Ed. 1995)) and have authored over 50 articles and speeches on antitrust subjects, mostly published in American law journals. A copy of my most recent biography is attached as Exhibit A.

Q: WHAT MATERIALS DID YOU REVIEW IN ORDER TO PREPARE YOUR EXPERT OPINION?

A: I reviewed a range of written materials including the written direct testimony submitted in this proceeding, the Florida Public Service Commission's Draft 2002 Report on Competition ("Draft 2002 Report") and the Recommendation of the Antitrust Division of the Department of Justice concerning BellSouth's Request for Section 271 authority in Florida ("DOJ 271 Recommendation"). I also have spoken to various lawyers and business representatives of BellSouth.

Q: DID YOU HAVE ANY ASSOCIATION WITH BELLSOUTH PRIOR TO THE TIME YOU WERE REQUESTED TO FURNISH AN EXPERT OPINION

A: No.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: The purpose of my testimony is to rebut the direct testimony submitted on behalf of various parties in this docket by addressing certain policy considerations the Commission should take into account in reaching a decision in this docket. As an overview, I believe that the discount programs made available to customers in Florida by BellSouth are proconsumer and procompetitive. The various challenges to that program that I have seen in materials submitted to the Florida Public Service Commission, as I will discuss in subsequent portions of this submission, are not valid. In my discussion of these issues, I will refer at times to analogous questions that have risen under the antitrust laws. I recognize of course that the Florida Public Service Commission is not bound by the technical limits or

requirements of the antitrust laws. I offer these comparative views because I believe the goals of sensible regulation and of antitrust are similar if not identical – i.e., to preserve the free market from unjustified conduct by firms in the market in order to preserve vigorous competition and to benefit consumers.

Q: DO YOU HAVE ANY GENERAL COMMENTS REGARDING THE APPROPRIATENESS OF BELLSOUTH COMPETING THROUGH THE USE OF PROMOTIONAL OFFERINGS?

A: As I understand the general nature of this proceeding, BellSouth has been discounting to reduce its rates in some instances to levels closer to but generally not equal to those of most of its competitors. Specifically, in January 2002 and in June 2002 BellSouth implemented Key Customer programs that offered small business customers that met the conditions for participation (purchases of $75 to $3000 per month) in certain geographic areas (referred to as "hot wire centers") discounts ranging from 10% to 25% depending on the duration of the contract chosen by the customer and on the specific program (January or June) in which the customer participated. Similar discounts have been offered since the year 2000.

In offering these discounts, BellSouth is responding to significant marketplace competition. In the Draft 2002 Report this Commission noted that "ALECs have made impressive gains in the business market, increasing their share to 26%, up from last year's share of 16%." (Draft 2002 Report at 3) The Draft 2002 Report also notes that "ALECs show the heaviest presence in BellSouth's territory,"

where they have 33.16% of business lines. (Id. at ~~20-21~~ 21-22) These "impressive gains" during the period when BellSouth was offering the Key Customer programs are indicative of a vigorously, and increasingly, competitive market. Indeed, it is my understanding that one of the ALECs participating in this hearing, FDN, saw the number of access lines it was serving in hot wire centers increase significantly from 2001 to 2002, despite the fact that it raised its tariffed rates during that same time period. (Ruscilli Rebuttal at p. 6). Finally, the Draft Report notes that there are 122 ALECs currently providing service in Florida. (Draft 2002 Report at ~~38~~ 22).

The competitors that have submitted testimony in this proceeding have complained that BellSouth's conduct has been an "abus[e of] its monopoly status" (Kennedy at p. 11, line 15; Gallagher at p. 4, line 12), "anticompetitive" (Gallagher at p. 9, line 12, p. 13, line 13, p. 15, line 12) or "predatory" (Kennedy at p. 11 line 15). These competitors have asked the Commission to impose artificial limits on BellSouth's ability to react to marketplace competitive conditions by limiting the amount and duration of the discounts BellSouth can offer until the competitors' market shares reach a certain level. (Kennedy at p. 16, lines 6-12; Gillan at p. 8, lines 15-16; p. 9, lines 11-16; p. 10, lines 14-19; Gallagher at p. 15, lines 3-13; p. 18, lines 13-18).

The requested limitation on BellSouth's ability to compete vigorously would lead to reduced competition and would not be in the interests of consumers in Florida. Any regulatory agency that wants to be procompetitive and proconsumer should be very cautious about adopting rules or enforcement interpretations that come

between a seller offering low prices and its customers. The immediate effect of any such rules or interpretations is to deny customers low prices. Enforcement along those lines also has the effect of creating a protective umbrella over rivals that reduces their incentive to offer lower prices. Both consumers and the competitive process lose out. Given competitors' ability to easily price below BellSouth should such curbs be imposed, the competitors are actually doing nothing more than asking the Commission to guarantee them higher prices and higher profits. (Gallagher at p. 12; Kennedy at p. 7) Given the "impressive growth" of ALECs' market share in the past year, such a protectionist step would be a particularly inappropriate means of attempting to ensure continued vigorous competition for small business customers in Florida.

Of course, it is theoretically possible that discounts could be too great, driving BellSouth's prices below appropriate levels of cost. But as I shall explain in my testimony, there is no reason to believe that BellSouth has offered discounts that would reach that level. Further, because Florida statutes already set price floors that adequately protect against below-cost prices, there is no need for additional limits on BellSouth's ability to discount.

Q: IN YOUR OPINION, DOES BELLSOUTH ENJOY DOMINANT MARKET POWER IN THE MARKETS WHERE IT HAS OFFERED THE KEY CUSTOMER PROMOTIONS?

A: BellSouth is of course a powerful company but, as facts cited above indicate, it is operating in a highly competitive market in which numerous rivals are increasing

their market share. BellSouth faces many aggressive competitors, and has steadily lost market share among small business customers over the last three years even while running promotional offers similar to those at issue in this proceeding. These factors underlie the finding by the Antitrust Division of the Department of Justice that the local telephone market in Florida is "fully and irreversibly opened to competition." DOJ 271 Recommendation at 1.

Q: ASSUMING FOR THE SAKE OF ARGUMENT BELLSOUTH WERE CHARACTERIZED AS A MONOPOLIST, WOULD IT FOLLOW THAT SPECIAL RESTRICTIONS OUGHT TO BE PLACED ON ITS DISCOUNT PROGRAMS?

A: No. I believe that the requests of Mr. Gallagher, Mr. Gillan and Ms. Kennedy for special restrictions on BellSouth's ability to compete should be rejected, even if we all agreed that BellSouth could be fairly characterized as a monopolist, which of course, we do not. Antitrust law permits monopolists to aggressively compete using any superior skill, foresight or industry at their disposal. Low prices and discounts, rather than being examples of improper use of market power, are a form of superior skill and industry. In addition, the rapid growth of the ALECs' market shares during the period when BellSouth was offering the Key Customer promotions demonstrates how easy it has been for competitors to enter and expand their market shares, even when BellSouth was competing vigorously. That rapid growth is inconsistent with the notion that BellSouth has been acting as a monopolist that is impermissibly using its market power to expand its sales. Based on the material I have reviewed, there is no basis for a conclusion that

BellSouth is using its size impermissibly to increase its share or exclude its competitors.

Q: SHOULD BELLSOUTH BE REQUIRED TO MAKE ANY PROMOTIONAL OFFER AVAILABLE TO ALL CUSTOMERS IN A PARTICULAR CLASS?

A: No. The suggestion of Mr. Gallagher that "because BellSouth has not made its discounts available to all customers in the business class, the discounts are, if not discriminatory, at least anticompetitive in the manner in which they are set up and marketed" (p. 13) should be rejected. There is no legitimate policy reason to adopt such a suggestion in a competitive market. BellSouth's rivals do not operate under such restrictions. On the contrary, they can and do target specific classes of customers in specific geographic areas where they believe BellSouth may be vulnerable. It would be unwise to adopt a rule that if a provider (even if that provider were a monopolist) discounts to some customers it must discount to all. Under such a regulatory structure, it likely would be uneconomic for sellers that face competition only for some customers to reduce prices to all customers. Rivals would, of course, be aware of such a regulatory restriction, and would not find it necessary to compete as vigorously to obtain customers. The result of such a requirement would be that consumers would be deprived of the low prices and enhanced service that results from competition on the merits.

A rejection of Mr. Gallagher's suggestion also is consistent with current antitrust thinking. If one were to ignore the competitive nature of the Florida hot wire markets and assume that BellSouth were a monopolist, some have concluded in

the past that such a party could not offer low prices in areas where it met considerable competition and at the same time keep its prices high where competition was weak or nonexistent, but that does not reflect current thinking. Indeed, there have been many factual circumstances where exactly the opposite result has now been obtained, as was the result when Telex Corporation complained about IBM raising prices on part of its line, but lowing prices on other items where competition was more intense. These are ordinary business practices today, and are well accepted as ordinary business practices typical of those used in a competitive market.

Q: SHOULD THE LEVEL OF THE PROMOTIONAL DISCOUNT OFFERED BY BELLSOUTH BE LIMITED BY REGULATION?

A: No. Competition is supposed to lead to lower prices and enhanced service. It is antithetical to the idea of competition policy to impose limits on the amount of discount that can be offered. So long as BellSouth's prices are above a reasonable measure of its costs, there is no reason to limit its ability to determine what level of discount is necessary for it to compete to obtain or retain customers. Nothing that I have seen in the record of this matter suggests that BellSouth's Key Customer programs, as implemented, resulted in sales below costs, as costs are defined by the state of Florida and the Commission. (Shell at p.3, lines 4-8; p.5, lines 14-18).

There are limits under the antitrust laws on excessively low pricing. The most widely adopted view is that competition is enhanced and consumers benefited by

low prices as long as they are not below average variable cost (i.e., essentially the cost of ingredients) There is no policy reason to reach a different outcome here.

Q: DOES THE USE OF MULTI-YEAR CONTRACT LENGTHS AND OTHER TERMINATION PROVISIONS "LOCK UP" CUSTOMERS AND IMPEDE THE ABILITY OF BELLSOUTH'S RIVALS TO COMPETE EFFECTIVELY?

A: No. Mr. Gallagher and Ms. Kennedy have stated or at least implied that BellSouth's 18-month and 36-month discount offers are comparable to exclusive dealing arrangements, and that they inappropriately fence out BellSouth's competitors for the duration of the contract. I believe any such challenge to these contracts is exceptionally wide of the mark.

There are many reasons why complaints about "exclusivity" or "foreclosure of rivals" are not persuasive here. Perhaps most important, the BellSouth discount arrangements are not "exclusive." As I understand it, as long as the customer satisfies the minimum-billing amount of $75 per month, the customer is eligible for the discounts. Even if a customer who met the $75 minimum billing requirement when it signed a Key Customer contract subsequently bills less than $75 per month, the customer does not pay any termination fee as long as it continues to purchase some service from BellSouth. In all cases, the customer is free to contract with BellSouth rivals for other services. Viewed in that light, the challenge here is not so much to any alleged exclusivity of the Key Customer programs as it is to the fact that BellSouth is offering discounts that are welcome to consumers, but which put competitive pressure on rivals.

Even if these contracts could be viewed as exclusive, which I would dispute, BellSouth's contracts should still be allowed. It is well established now that it is necessary for a challenger to demonstrate the following in order to show that partial or complete exclusive dealing contracts unreasonably restrain trade: a person who complains about the arrangement must show that a substantial share of the market is foreclosed, that the duration of the contract is unreasonably long, that there are no other outlets that rivals of the exclusive dealing seller can turn to, and that there are high barriers to entry. As I understand it, no more than 30% of eligible customers in the state of Florida have participated in one of BellSouth's promotional offerings at any one time. (Massey Rebuttal at pp. 11-12). Such a low level of foreclosure would be *per se* legal. Even if more than 30% or 40% were covered, the arrangements would still be examined under a rule of reason, and any challenge would be defeated if the offers were of short duration or entered into for good business reasons.

There also is no reason to regulate the duration of the promotional programs offered by BellSouth in response to competition as Messrs. Gillan and Gallagher have suggested. As I noted above, the Key Customer programs at issue here do not require that a customer deal only with BellSouth. But even if they did, the duration of those programs, eighteen months and thirty-six months, are not so long as to inhibit competition. With respect to duration, there is no lack of authority that exclusive dealing contracts terminable in less than a year are presumptively lawful. Contracts of longer length might be reviewed under a rule of reason but are not likely to be successfully challenged, especially in circumstances like those that pertain here – where competitors are offering

discount programs of even longer duration, up to five years in some instances. (Ruscilli at Exhibit JAR-2, p.2). Finally, the recent history in the Florida markets described by the 2002 Draft Report and the DOJ Recommendation indicates that there has been significant new entry and thus no substantial barriers.

Q: IS IT UNFAIR OR ANTICOMPETITIVE FOR BELLSOUTH TO OFFER NEW PROMOTIONS AS SOON AS ITS PREVIOUS PROMOTIONS EXPIRE?

A: Successive discount and other promotions are common business practices offered in many sectors of the economy. As long as the promotions are not below cost or require exclusivity, as I discussed above, they should be allowed regardless of their duration. If the promotions require exclusivity, the issue should not be whether discount arrangements are successive, but rather whether the contracts inappropriately foreclose a large share of the potential customer base for an unreasonable period of time. When, as is the case here, customers have the opportunity to sign up with competitive providers at the end of the customer's chosen 18 or 36-month contract period, challengers of the party offering the discounts can then offer customers before or at the time of termination a better deal and compete away attractive customers. Eighteen-month and 36-month discount arrangements, especially when different contracts expire at different dates, as is the case here, certainly offer those opportunities.

Q: DO YOU BELIEVE THAT BELLSOUTH IS PRICING SO AS TO DRIVE ITS RIVALS OUT OF THE MARKET?

A: I have seen no indication that BellSouth is doing anything here except lower its prices to a class of customers in order to retain or gain their business. I understand that BellSouth's discounts do not bring its prices below those offered by most rival ALECs. Even if BellSouth's prices in some instances would be below a particular rival's prices, the point is that most rivals' prices for the vast majority of services remain lower than BellSouth's discounted prices. A restriction on BellSouth pricing might be welcomed by the ALECs but would be antithetical to the most basic ideas of preserving competition. It is a fundamental point of sound competition policy that even monopolists be allowed to compete aggressively. Any other rule limits competition and harms consumers and consumer welfare.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes.

BY MS. MAYS:

Q Did you also cause to be prefiled, Professor Pitofsky, one exhibit, which was your curriculum vitae?

A I'm sorry, I couldn't hear that.

Q I'm sorry. Did you also cause to be prefiled one exhibit, which was your biographical information?

A Yes, I did.

Q Are there any changes or corrections to that exhibit?

A No.

MS. MAYS: Madam Chair, if I could have that identified as the next exhibit.

CHAIRMAN JABER: RP-1 is identified as Hearing Exhibit 28.

(Exhibit 28 marked for identification.)

BY MS. MAYS:

Q Professor Pitofsky, have you prepared a summary of your testimony?

A I have.

Q Would you please give it at this time?

A Good morning, Madam Chair, members of the Commission. I was asked by BellSouth to take a look at the record in this proceeding and give some comments and evaluation from the point of view of competition policy over as to what BellSouth has done and whether it conforms with general principles of free and open competition.

I realize, of course, that this Commission is not bound by the technical rules, nor should they be bound by the technical rules of antitrust policy. But I have always felt that at bottom good regulatory policy in this area and competition policy seek the same goals. And by that I mean a principal goal of consumer welfare.

Now, at times consumer welfare will produce a situation where competitors or a competitor will be hurt as a result of fierce and vigorous competition. But we have come around in this country to the solid view that where there is a conflict between the consumer welfare and the welfare of a competitor, consumer welfare trumps.

That is particularly true where you have a market that is workably competitive. And it does seem to me that this market in Florida served by BellSouth is more than workably competitive. That was the conclusion of this Commission in its report. It was a conclusion of the antitrust division of the Department of Justice, who said that this market is irreversibly competitive, and it certainly strikes me that the substantial growth of the ALECs over the last seven years, six or seven years growing from nothing to somewhere between 26 and 33 percent depending on which report you rely on certainly is a symptom to me that we are talking about a competitive market.

I was asked to look at the question of the Key Customer discounts, and measure them against principles of

competition policy. And I have done so, and it seems to me that it would be unwise for this agency to come between a company like BellSouth trying to offer better prices to its customers and the customers. The one sure thing that would occur as a result of that is the customers would pay more, or at least the customers in the wire centers would certainly pay more.

Second, the discount programs of 18 months and 36 months by competitive standards are really not very long, the duration is not long at all. In the antitrust world, we reached a point where exclusive dealing contracts, if that is what this was, and I will suggest that these are not exclusive dealing contracts. But if they were, one year is a safe harbor. Eighteen months, 36 months would be rule of reason. They are common in various economic sectors of the economy. You would take into account the duration against other factors, including the lower prices to small business, and I don't think it would be vulnerable to attack.

Most important to me, the single most important factor is that as I read this record, this discount program has been offered and accepted by less than 20 percent of the eligible small business enterprises in the state. It may be as low as 15 percent. The Supreme Court in Jefferson Parish less than a decade ago said that exclusive dealing contracts of substantial duration that only foreclose 30 to 40 percent of

the market are in a safe harbor. Here we have foreclosure of 20 percent or less. The rest of the market, 80 percent, is open to the rivals of BellSouth. Under those circumstances to deny the consumers the benefits of the discount seems to me to be unwise policy.

Finally -- or not finally, but I also note that I'm not sure this is an exclusive dealing contract in any technical sense of the word. Under the terms of the tariff, all the customer has to do in order to get the discount, the 10, 20, 25 percent discount is buy $75 worth of telecommunications services. They can and some do take the $75 service and then either during the contract or at some other point migrate to another seller. So in the sense that we use the phrase exclusive dealing, this isn't quite it.

Finally, let me say that, again, one of the more important aspects of this is the growth of the ALECs. Six years, seven years, something like 30 percent. To me that looks like a pretty competitive market.

Finally and briefly, the most perplexing of the issues that I have seen addressed here is the argument that if BellSouth offers this discount to small business customers anywhere in its territory, it must offer it everywhere. That is certainly not an acceptable interpretation of antitrust policy today. Because it doesn't stand to reason. Why would you lower your prices in an area where you don't have any

competitors? Of course your prices are going to be lower where you face vigorous competition, and that is what these hot wire centers are. The theory that you must offer it everywhere has been rejected because of a notion that if you are required to offer it everywhere you may not offer it at all. It will be uneconomic to offer it all. And your rivals, knowing that to offer it anywhere you must offer it everywhere, themselves will be less vigorous in their own competition.

Finally, at the introduction to this hearing I heard the argument that BellSouth would try to persuade this Commission over and over again that they are not a dominant company. BellSouth is a very powerful company, you can't blink that fact. The problem with the argument is that it assumes that a very powerful company can't compete to protect its market share. That it must stand there with its hands tied behind its back while small companies come in and offer lower prices and take their market share away.

Once these small companies get to 30 percent -- actually, I think antitrust would allow a competitor to respond with meeting lower prices almost immediately. But certainly when you get to 30 percent, even a large company. I would go further, I'm not sure BellSouth is a monopolist, but even if they were, under current notions of antitrust they would be allowed to protect their market share and meet the prices in the marketplace. Thank you.

MS. MAYS: The witness is available for cross.

CHAIRMAN JABER: Mr. Feil.

CROSS EXAMINATION

BY MR. FEIL:

Q Good morning, Professor.

A Good morning.

Q Other than as stated in the errata sheet from your deposition, did you have any changes to your deposition questions and answers?

A Not that I recall.

Q Okay. So if I asked you the same questions in your deposition, your answers today would be substantially the same?

A I hope so.

Q On Page 2, Line 15 of your testimony, you say that you have counseled other companies on telecom issues. It is correct, is it not, that the services you are referring to were on antitrust issues to ILECs only, correct?

A Yes, I'm quite sure that is correct.

Q On Page 3, Line 1, you refer to some of the materials you have reviewed in this case and you mentioned it in your summary, one of those items is the DOJ report. Isn't it correct that the DOJ report did not evaluate BellSouth's market power under an antitrust or other standard?

A Well, it was looking at the question of whether the market was open in order to allow BellSouth to engage in long

distance services. In a sense it was antitrust, but they weren't directly looking at an antitrust violation, true.

Q And is it not also true that the DOJ report didn't address Key Customer promotional practices?

A That is true.

Q Okay. Isn't it correct that you have not reviewed any information or made any analysis of your own addressing the profitability of Florida ALECs?

A No, I haven't. But I want to add that had I reviewed that, I don't think it would have influenced one way or another my testimony here today.

Q Well, you agreed with me during your deposition, did you not, that the Commission should look at not just the quantity of competitors, but the quality of competitors? Didn't you say that in your deposition?

A Yes.

Q Isn't it correct you have not reviewed or performed an analysis comparing the various ALEC market entry methods and the relative costs of those methods?

A That is true.

Q And it is correct, is it not, that your basis for saying that BellSouth is not pricing below cost is in reliance on the testimony of other BellSouth witnesses?

A Yes.

Q Is it correct to say that your knowledge of ALEC

pricing versus BellSouth pricing in this case comes from the testimony of other witnesses and your review of the Key Customer tariffs themselves?

A That is what I was asked to do, and, yes, that is exactly the basis of my testimony.

Q Isn't it true that your understanding of BellSouth pricing versus ALEC pricing is that there was no instance in which BellSouth prices were below those offered by an ALEC?

A That is what some of the testimony said.

Q Okay. And you are relying on that testimony, correct?

A I am.

Q Okay. Isn't it correct that your knowledge of the pre-2002 discounts that BellSouth has offered was in reliance on the testimony of other BellSouth witnesses and that you have not reviewed those programs?

A Well, that was true up to the time that you and I spoke in my deposition, but that issue did come up and I have since looked at tariffs that were filed prior to 2002.

Q Okay. Isn't it correct that the discounts in those tariffs were not as significant as the current ones in 2002?

A Well, they were very close to it. They looked to me to be parallel discount programs.

Q Did they offer free hunting?

A Not that I recall.

Q Did they have termination liability provisions?

A I don't think so.

Q Okay.

A But remember what I'm saying here, there were discounts going back to 2002 that were similar to, parallel to the discounts in the programs that are being challenged here.

Q Do you know what BellSouth's take rate was for those discounts as compared to the 2002 Key Customers?

A No.

Q Would you agree with me that in protecting the public interest this Commission and any state public utility Commission must look to protecting all the consumers, not just some of the consumers?

A Yes.

Q Would you agree that a state PUC has the authority to exercise discretion to promote its own policy goals when viewing competitor conduct in the marketplace?

A Yes, I do. Although I certainly would expect that the group would take into account a role in protecting the welfare of consumers and being the beneficiaries of vigorous competition.

Q And that would be to all the consumers, correct?

A Well, yes, to all consumers who are entitled to the benefits of competition.

Q Well, shouldn't all consumers be entitled to the

benefits of competition?

A I'm not sure where you are going with this. Is this the business about if you offer a discount in one city you have to offer it in the whole state?

Q Not necessarily, no, sir.

A Then I didn't understand your question, then. My answer is of course an agency should do its best to be sensitive to the welfare of all consumers who are regulated by it.

Q And you agree with me, would you not, that in evaluating this case the Commission should be looking at ALEC market share as a whole and not just my client's market share?

A Yes, I think so.

Q Okay. Do you agree that this case individual ALECs competing with BellSouth have small market share; one percent, one and a half percent, two percent, and less?

A Yes, some of the ALECs have very small market shares. But if you aggregate it, it gets up to something approaching 30 percent, a little more, a little less than 30 percent.

Q Would you agree with me that the ALECs do not control the terms or prices for purchasing essential facilities from BellSouth known as UNEs?

A I'm not ready to call them an essential facility, but, yes, I agree you can't control the prices at which they sell to you.

Q Would you agree with me that typically when one is evaluating market power, first, one must look to an examination of what the relevant product and geographic markets are?

A That is the usual way. It is not necessarily the only way, but it is the usual way it is done.

Q Thank you. That examination involves identifying the relevant product or service and the relevant geography that is covered by those products or services, correct?

A Right.

Q Now, assuming that since the Key Customer discounts are not available in nonhot wire centers, that nonhot wire centers constitute a separate relevant market. And isn't it correct that you have not evaluated whether or not the price increase in the nonhot wire centers has coincided with an influx of competitors to enter those markets?

A No. But, again, that wouldn't have anything to do with the opinion that I am offering here.

Q Do you accept that BellSouth has higher market share in the nonhot wire centers than in the hot wire centers?

A I believe they do, yes.

Q Significantly higher?

A Well, higher to a point where they have little or no competition and, therefore, they don't offer the same discounts that they offer where they have vigorous competition. That is so common in the American economy. That is the way virtually

all businesses operate.

Q Isn't it correct that you have not been asked to review BellSouth profitability in either hot wire centers or nonhot wire centers?

A That is correct.

Q And you haven't been asked to look at BellSouth's profitability either before or after the Key Customer program or the price increases that I have referred to?

A That is correct.

Q Okay. It is true, isn't it, that you have not performed an analysis of the total savings or cost increase to the whole of BellSouth's customer base achieved as a result of BellSouth offering the Key Customer discounts and price increases to the overall customer base?

A The answer is that I have not, but I hope the point that I am making is not lost. None of this matters to what I am suggesting, which is that a powerful company, I would even say a monopolist now has the right to protect its market share in an open market through discounting. I mean, the courts, including the Supreme Court, have come around to the view that nobody promised a new entrant a rose garden. It is rough to get into a business where there is a powerful incumbent, but the answer to that is not to tie the incumbent's hands behind its back. That is the teaching of the federal courts and the Supreme Court.

Q In some of your scholastic writings you have criticizing the courts for failing to consider an alleged dominant firm's profitability when assessing market power, isn't that correct?

A Well, you reminded me of that last time we spoke.

Q And basically what that criticism is is that a large firm could lower prices to something above cost, drive competitors out of business, still make a healthy profit, and that would serve as an exercise of market power?

A Yes, it is a fairly common view among academics, and I think the courts, too, that you don't just judge market power by the prices of your rivals, because you may be making ten times as much money as your rivals, and, therefore, you have a kind of market power. This is so-called cellophane fallacy and everybody agrees to it now, and I have sort of gotten on that train myself.

Q Do you agree that a firm can deter competitors from entering a market though the firm is still pricing above the appropriate measure of cost?

A Oh, yes. If the firm is much more efficient than the rival, then it can lower its cost, be above its average variable cost, and still deter entry, certainly.

Q Well, it may not vary with efficiency, it that also true?

A Well --

Q Tying it into the cellophane fallacy, in other words?

A No, I don't think those two connect. Your question was could a firm deter entry by charging prices that are above its average variable cost, and I think the answer is yes, and it would be effective only if the challenger weren't as efficient as the incumbent. Because if it were, it could meet or beat the incumbent's price.

Q In your summary you mentioned that BellSouth had only 20 percent of the eligible lines locked up under contract. Do you know what period of time over which BellSouth obtained that level?

A I'm not certain. Let me just say I am speculating a little bit, but I assume it was the period 2000 or shortly thereafter to the present.

Q But you don't know for sure?

A Not for sure, no.

Q Okay. You mentioned also in your summary that a customer could migrate to another provider while still under contract, and you said that some do. Do you know what percentage do that or have done that?

A I don't. I am relying on Mr. Carlos' testimony that it does happen. And it certainly can happen. There is no reason why. As long as you keep your $75 worth of purchases, you can take your other $2,825 and move elsewhere, and apparently some people do it.

Q But you don't know how many have, correct?

A I don't.

MR. FEIL: Okay. Nothing further.

CHAIRMAN JABER: Staff.

CROSS EXAMINATION

BY MS. BANKS:

Q Good morning, Professor Pitofsky.

A Good morning.

Q My name is Felicia Banks, and I will be asking you questions on behalf of the Commission.

This morning in your summary you stated that you believe monopolists would be entitled to reduce its prices to meet a competitive threat. If a monopolist were to reduce its price below cost, could this be construed as an anticompetitive action or pricing?

A That would be actionable. By cost we mean in most circuits below average variable cost, but the truth of the matter is even a nonmonopolist that sells below average variable cost has probably violated the law.

Q Professor Pitofsky, how would you define predatory pricing?

A That is a tough one. I would define it as below average variable cost. Most circuit -- and that means the cost of ingredients. It is a very low standard. And I would insist that the market be such that after the victim is driven out of

the market, there is a plausible way for the predator to recoup its investment. That is the way I would do it. I would say, I haven't counted really, but I would say about three-quarters of the circuits that have addressed this question adopt that view. One or two go further. No one thinks predatory pricing or pricing below full cost. You have got to go lower than that before you get into trouble in terms of competition policy.

CHAIRMAN JABER: For those courts that have gone further, Professor, what did they say?

THE WITNESS: They establish a zone between average variable cost and full cost, and they say let's look at other factors. And the first factor they will look at -- I think this is the Fifth Circuit -- is barriers to entry. But in a situation like this where ALECs are coming and going in the market so easily -- I don't mean easily, but they are entering and they are exiting in a fluid fashion, the court would conclude that there aren't powerful barriers to entry and, therefore, that zone between average variable and full cost is not actionable and they would insist that the prices be below average variable cost before they would step in.

CHAIRMAN JABER: Did they define for those -- I guess you said it was the Fifth Circuit where a court went further on the definition of predatory pricing and looked at the first factor being a barrier to entry. Did they define barriers to entry?

THE WITNESS: I think they did. I am quite sure they did. But I am going to be colloquial about this. It is the costs that the outsider would have to invest in order to become a player in the market that are greater than the costs that the incumbent is already investing.

CHAIRMAN JABER: And that is what they defined as a barrier to entry?

THE WITNESS: Well, you know, I am in deep water here. First of all, I am not positive it is the Fifth Circuit. I know it is one of the circuits. Secondly, barriers to entry, it is true, is the principal other factor. Whether they define it in quite the way I have, I defined it in colloquial economic terms. I'm not sure exactly what they said.

CHAIRMAN JABER: You said that was one factor. What are some of the other factors that courts have looked to?

THE WITNESS: They would take into account the size and strength of the incumbent would be relevant here. They would take into account the --

CHAIRMAN JABER: It would be relevant? I didn't hear what you said. It would be relevant?

THE WITNESS: It would be. Not as relevant as barriers, but it would be relevant. They would take into account how powerful the customers were, whether or not it was the customers who were inducing the discounts. And here is one that is very relevant to this inquiry. They would take into

account whether the party offering these low prices was losing market share. And they would conclude that when a company is losing market share it has a right to fight back.

CHAIRMAN JABER: And for those courts that have gone further than your definition of predatory pricing, are there any other factors they looked at?

THE WITNESS: I can't think of any at the moment, but there has been quite a bit of litigation in this area over the last 20 years. Not in the Supreme Court, but in the lower courts.

CHAIRMAN JABER: Professor, one day when this case is all over and we have made a decision on this matter, I would love to talk to you further about these issues just to help me understand a little bit more about antitrust.

THE WITNESS: I would welcome the opportunity.

CHAIRMAN JABER: Thank you.

BY MS. BANKS:

Q Professor Pitofsky, I just wanted to clarify a few points in your deposition that was conducted last week. Mr. Feil has made some references to that particular deposition. In your response to the question about appropriate test for lifting market restrictions, you indicate that the period of time to restrict a company from aggressively competing would be very short. Would you just give me some idea of what you would consider to be a short time period?

A I would like to elaborate on that because it was a very good question on your part, and I'm not sure I handled it as I should have. If a company is very powerful -- let's assume it is a monopolist. Microsoft, 90 percent. Intel, 90 percent of the market. Then the courts would probably say engaging in exclusive dealing contracts, tie-in sales, predatory pricing, we are not -- even if it were legal for a company with 20 percent of the market, we are not going to let you do it because you have 90 percent of the market. Indeed, the majority in the Microsoft case said exactly that about exclusive dealing contracts.

As to pricing, I am not sure a court would ever intervene with even a monopolist charging aggressively low prices. I think a court would see that as superior skill and industry. I think they would say the antitrust laws are there to encourage companies to charge lower and lower prices to consumers, so I don't even think they would weigh if a company had 100 percent. But they would hold the company back if it had 100 percent exclusive dealings, tie-in sales, joint ventures, boycotts, and all the other things that companies tend to do to preserve their market position.

Q One of the things I do want to follow up on the statement you made about ALECs are fluidly coming in and out of the market. Is it plausible that ALECs are going in and out of the market because the ILEC pricing and rates imposed for

network elements are driving the fluidity?

A I'm sorry, the last part? Coming in and out of the market because --

Q Because the ILEC pricing and rates imposed for network elements are driving the fluidity?

CHAIRMAN JABER: Driving the fluidity.

A One of the most interesting aspects -- part of the reason probably is the aggressive competition by BellSouth. But one of the most interesting features of this entire matter, at least to a stranger's eyes like mine, is the extent to which the ALECs have thrived in the four or five years since these discounts went into effect.

Now, you could say, well, the discounts prior to 2002 weren't the same thing. But they thrived in 2002, as well. They may not have grown as fast as they were previously growing. I understand there was a year during the Halcion (phonetic) days when the ALECs expanded by 111 percent. But no one can expect to expand by 111 percent year, after year, after year, after year. So the fact of the matter is they have grown in market share. I know some have been driven out of the market, but they have grown in market share during the period of these discounts. Would they have grown even more but for the discounts? I think the answer is probably yes.

Q Changing gears slightly, Professor Pitofsky, concerning contract length. And I know you made some reference

earlier about exclusive dealing contracts, and this is still referencing your deposition. In response to a question about potential anticompetitive elements of multiyear contract lengths and a customers' freedom to choose, you cite that the answer depends on a sliding scale. Could you just give me an example or some kind of scenario of what you mean as relates to the sliding scale?

A You mean the duration of the contract or the fact that people renew the contract year after year?

Q The duration of the contract as it would apply to the BellSouth offering?

A Yes, yes. Exclusive dealing contracts as long as 20 years have been sustained by the Supreme Court. No exclusive dealing contract of less than a year has ever been successfully challenged. What do you do about that area in between? The main thing you do is look at the percentage foreclosure. If the percentage foreclosure is 50 percent or 60 percent and the contract goes on for five years, there are antitrust problems.

You also look at the question of why these exclusive contracts exist. Quite often it is because the buyers want it and they pressure the sellers to engage in these long-term contracts at a discount.

Third, you look at efficiencies. There are circumstances in which exclusive dealing contracts produce efficiencies. They certainly eliminate transaction costs. You

don't have to negotiate year, after year, after year if the contract goes on for three years. But the main point is generally speaking if the market foreclosure is less than 40 percent, under present Supreme Court law -- what the Supreme Court has said to the enforcement agencies, don't bring us one of those cases again. We don't want to see it. These arrangements are too likely to be efficient for the government to be aggressive in striking them down.

Q Just following up on that, Professor Pitofsky, about a market share or market foreclosure rate of 40 percent. Is there a threshold market share foreclosure level that will present a competitive problem?

A A threshold foreclosure rate for -- I'm sorry, for --

Q That will present a competitive problem?

A Well, it is probably over 40 percent. What happened in the Microsoft case is the court said, look, this isn't 30 or 40 percent. On the other hand, Microsoft is such a powerful company maybe some number over 40 percent could be a problem. We are remanding this back to the district court for a fuller investigation. So that is a long way of saying I don't know where the courts will end up in terms of market share foreclosure.

Q One additional thing, Professor Pitofsky. In response to your question about ALEC market share and BellSouth's territory you cite that BellSouth's ability to

offer Key Customer tariffs at a market share of five percent in your words would be a close call and depend on recent law on the subject. Did you have any particular case or statute in mind when you made that reference?

A That a market share -- I'm sorry, could you repeat that question.

Q In response to the question about ALEC market share in BellSouth's territory, you made reference to BellSouth's ability to offer the Key Customer tariffs at a market share of five percent would be in your words a close call and depend on recent law on the subject.

A The fact that they were offering discounts of five percent?

Q Give me one moment, Professor Pitofsky.

CHAIRMAN JABER: Professor, while Ms. Banks is doing that, let me ask you as it relates to different geographic parts of the state if antitrust law speaks to barriers to entry and competition policy based on geographic differences. One of the things I have tried to keep in the back of my mind as a Commissioner is that our responsibility to promote and facilitate a competitive environment in telecommunications is a statewide consideration, and some areas of our state have developed faster than others, as you would expect.

For those areas where a competitive environment is not as great as perhaps I would like it to be, should there be

any consideration given to whether these kinds of promotional tariffs should be offered there, you know, until a certain trigger? And if you can speak to that a little bit, I would --

THE WITNESS: The way I would come about it is my first question is if I am a consumer, if I am a small business in a state that is less developed than Dade County, my first question is what are my options. And if I have only one option, then I am hard put to call that a fiercely competitive market. And, of course, that is why BellSouth doesn't offer discounts in that part of the state.

But beyond that, my understanding is the complainant here is mainly in parts of the state where there are options, where it is not just BellSouth. In fact, the reason BellSouth is offering the discount is because they are losing business to others. If BellSouth -- the irony here is if BellSouth did what the complainant wants and offered the discount in all parts of the state, I don't know, my take on that is that that is so uneconomic the discount wouldn't happen in the first place.

I can't help asking the question, why does the complainant want the discount in all parts of the state? After all, it doesn't help the complainant. If the discount is 5 percent or 10 percent lower where it is competing, but also 10 percent lower elsewhere, it doesn't make any difference to the complainant. So that leads me to suspect, I'm not certain, but

it leads me to suspect that the reason that request is introduced is because of a hope that if it has to be offered in all of the state it won't be offered at all.

CHAIRMAN JABER: Well, assume with me for a moment that in an effort to facilitate a competitive environment in those parts of the state where the percentages are not great, set aside the complainant, I'm talking about statewide competition policy. Walk me through what the effect on competition policy would be if this Commission for whatever reason said these promotional tariffs must be offered statewide. Now, you know, I don't know that that is the right thing to do, but just assume with me that that is the decision that we end up making. What does that do to the state of competition?

THE WITNESS: Well, I don't know. It lowers the prices in areas where they wouldn't otherwise be lowered. It's a trade off and a difficult one. There was a time in this country where the courts said with respect to particular products if you offer a discount on that product you must offer it on your entire range of products.

And the courts came around to the view that that was self-defeating, because in the end discounts that might otherwise occur wouldn't happen. And I cited in my testimony one case, IBM against Telex. Telex complained and said if IBM is going to offer discounts on memory units that hurt me, I

want discounts on central processing units. IBM's answer was why would I give a discount on central processing units, I don't have a competitor. And the court backed them up on that.

CHAIRMAN JABER: Commissioner Deason has a follow-up.

COMMISSIONER DEASON: Yes, I have a follow-up question on that. If the Commission were to require any discounts to be applied to all wire centers, would that not have the effect of perpetuating one dominant carrier in the noncompeting wire centers? And the reason I ask that question is it seems to me that if competitors cannot come in and compete at the higher prices that the dominant provider is charging, how are they going to come in and compete in those wire centers at a lower price?

THE WITNESS: That sounds right to me.

CHAIRMAN JABER: Staff, are you ready?

MS. BANKS: Yes, Madam Chair.

BY MS. BANKS:

Q Professor Pitofsky, just to follow-up on the question I was asking about 5 percent ALEC market share. There was a hypothetical that was posed to you during the deposition stating that if an ALEC market share in BellSouth's territory was currently 5 percent instead of the 33 percent you cited in your testimony, should BellSouth be allowed to offer its Key Customer tariff in its present form?

A I'm sorry, I misunderstood. It's my fault, I

misunderstood your question. And what I said is that is a tough call. And certainly if the ALECs had 5 percent and BellSouth had 95 percent, then I think exclusive dealing contracts and tie-in sales would be exclusionary and would violate conventional antitrust law. But that is not the case we are dealing with here today.

We are dealing with a case in which the ALECs have roughly 30 percent. And there has to come a point at which BellSouth is turned loose and allowed to protect its market share. Otherwise, you know, 40 percent, 50 percent, it will keep going downhill. It seems to me quite clear that at 30 percent with the Justice Department saying competition is irreversible, that that is a point where BellSouth ought to be turned loose. Not to engage in predation, not to engage in below-cost selling, but to protect its market share by competing.

Q Just a follow up to that. What other factors do you think, I guess, notwithstanding market share should be viewed or looked at in order to decide whether to restrict a dominant company's competitive tariff offerings?

A Oh, I think the main one people would ask about are barriers to entry. Whether other firms could come in the market, whether they are coming into the market, what are the sunk costs to put it as an economist would. Factors like that. And then I have mentioned several times the strength of the

buyer.

CHAIRMAN JABER: Commissioner Davidson.

COMMISSIONER DAVIDSON: Thank you, Chairman. Professor, a couple of questions while staff is preparing. Would the ability of a competitor to provide for similar terms and provisions in their offering, such as for exclusivity or termination liability, impact a rule of reason analysis under antitrust law? And if so, how?

THE WITNESS: Well, it would impact. A rule of reason asks whether the anticompetitive effects have stripped the pro-competitive virtues. If you can get the pro-competitive virtues and not hurt other competitors in the market because they can defend themselves, I guess it is more likely that the arrangement would be sustained.

COMMISSIONER DAVIDSON: In your testimony you touched upon the parameters of predatory pricing as a type of anticompetitive conduct of a firm with market power. Referring again to antitrust law, can you offer some additional examples of what is competitive conduct by a firm with substantial market share or even market power and some other examples of what might be considered anticompetitive conduct?

THE WITNESS: Well, the odd thing is virtually no plaintiff has won a predatory pricing case since the Supreme Court spoke about 20 years ago. So it is not a dead letter, there are cases in the lower courts, but you really have to go

awfully low and perhaps be accompanied by a couple of documents, as one case in the Supreme Court said that Jones is our competitor, squish him like a bug. That begins to be predatory in quality. But predatory pricing is extremely hard to prove and unlikely.

Beyond that, when you are a very large company -- I will assume for purposes of this discussion that BellSouth qualifies as a monopolist, although I must say at 75 percent that would be a ballgame. That would be a fight. You cannot engage in unnecessarily exclusionary behavior. But the first question the court is going to ask about, well, is it unnecessarily exclusionary is will the customers like it, is it good for the customers. And if it is, it may be that there will be an effect on arrival on a competitor, but our theory in this country and increasingly around the world is that antitrust is not there to protect competitors, it is there to protect consumers.

CHAIRMAN JABER: Staff, are you ready?

BY MS. BANKS:

Q Professor Pitofsky, I think I have just one last question. Is it plausible that a monopoly provider could offer prices that provide minimal or no profit in a hot wire center in order to flesh out competitors, because in other markets a monopoly would be able to recover the higher profit margin?

A As long as they are above average variable cost, even

a monopolist can make more money in Area A and less money in Area B. More money in Los Angeles, less money in San Francisco. It is supply and demand. I mean, you make as much money as you can. If you have a rival, you try to hold onto your market share. If you don't have a rival, you don't cut your prices. And there hasn't been -- here, let me -- there hasn't been a geographic discriminatory case brought by the government in this country in 40 years. I mean, we just don't think that is a theory that is going to benefit consumers.

MS. BANKS: Thank you, Professor Pitofsky.

CHAIRMAN JABER: Professor, in your written testimony and then again today the percentages you cite to are to the business market?

THE WITNESS: Oh, yes.

CHAIRMAN JABER: ALECs have the higher percentages now in the business market. In the residential market it is quite lower, although there have been increases according to our own reports. Has that weighed into your recommendation at all? And if not, should it?

THE WITNESS: Madam Chair, I know nothing about the residential market in Florida. And, therefore, I don't know if it should weigh in or not. I doubt it. I think it is a separate market, separate services, separate supply and demand curves, but I don't really know the residential market.

CHAIRMAN JABER: The PSC's report indicates that the

ALEC residential market share is at 7 percent. Obviously that is as of June of last year, but I don't know what it is now. But if it is at 7 percent and these promotional tariffs were offered to residential consumers, is that a percentage that would give you concern?

THE WITNESS: Not if a lower price were offered. But if other exclusionary practices were attempted by a company with 93 percent of the market, I would pull out my unanimous D.C. Circuit opinion on Microsoft, and I would say you have got problems here.

CHAIRMAN JABER: And then my final question. And by the way, I really appreciate your testimony.

THE WITNESS: Thank you.

CHAIRMAN JABER: But my final question relates to how an ALEC can respond and what might be an acceptable response. If the ALEC responds by offering something like a 45 percent reduction to the bill, I think we have heard testimony in the last couple of days that BellSouth's offering can go up to a 40 percent discount. Let's say FDN wanted to respond with a 45 percent discount, or a 50 percent discount for a time certain, does that in your mind equate to predatory pricing or a violation of any sort of antitrust provision?

THE WITNESS: Very interesting question. There is a split in the authority. The academics all think that that would be predatory. The courts unanimously think you have the

right to meet competition. You know, the academics think you shouldn't meet their price, you should go to the government and complain that they are engaged in predatory pricing. The courts think that is impractical and that you have the right to defend your turf. And if meeting competition is the way to defend it, so be it. That's where the courts are.

CHAIRMAN JABER: So if FDN responds in that fashion, Professor, and BellSouth files something here, would you gladly come and testify?

THE WITNESS: I don't know what they will file, I happen to agree with the courts. I leave my academic colleagues on this particular one. I think it is impractical not to allow companies to meet competition. And I think in your statute there is a provision saying that it is appropriate to meet competition.

CHAIRMAN JABER: Thank you, sir.

Commissioners, do you have any questions? Redirect.

MS. MAYS: Just a couple of questions, Madam Chair.

REDIRECT EXAMINATION

BY MS. MAYS:

Q Professor Pitofsky, we have heard a lot of questions today about exclusivity. Is it your understanding that the Key Customer offerings that are at issue are in any way exclusive?

A I don't think they are.

Q The second question follows up on a question

Commissioner Deason asked, and he was asking you about -- and I think the Chairman, as well -- promoting competition in the areas where there is not a lot of competition. And Commissioner Deason was saying that if the competition is not coming in at the prices now, my question to you is if the Commission wanted to encourage competition in those areas of the state, wouldn't the response be to have BellSouth raise its prices?

A I hesitate to have an opinion on --

COMMISSIONER DEASON: You have gone to meddling now.

CHAIRMAN JABER: That was a good try, though.

(Laughter.)

THE WITNESS: I don't know what all the weapons are for an agency like this to encourage competition in areas where it seems to be lame and not working. Since I happen to be on the consumer welfare side of things, there is a certain logic to what you say, but I wouldn't encourage raising prices.

MS. MAYS: Thank you. I have nothing further.

CHAIRMAN JABER: Thank you, sir. Okay. BellSouth, you have got Exhibit 28.

MS. MAYS: Move to admit, Madam Chairman.

CHAIRMAN JABER: Without objection, Exhibit 28 is admitted into the record.

(Exhibit 28 admitted into the record.)

CHAIRMAN JABER: The last witness is William Taylor.

MS. WHITE: Yes. BellSouth calls Doctor Taylor to the stand. And Doctor Taylor has not been sworn, yet, Madam Chairman.

CHAIRMAN JABER: Thank you. Mr. Taylor, will you raise your right hand for me, please.

(Witness sworn.)

CHAIRMAN JABER: Thank you.

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WILLIAM E. TAYLOR, Ph.D.

was called as a witness on behalf of BellSouth Telecommunications, Inc, and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. WHITE:

Q Doctor Taylor, could you please state your name and address for the record?

A My name is William E. Taylor. My address is NERA, One Main Street, Cambridge, Massachusetts 02142.

Q And by whom are you employed and in what capacity?

A National Economic Research Associates, Inc. I am senior vice-president, and I head their telecommunications practice.

Q Have you caused to be prefiled in this docket direct testimony consisting of 23 pages?

A Yes.

Q And do you have any changes to your direct testimony at this time?

A Yes. I have one correction on Page 15. Actually two on Page 15. Line 12, the phrase, "Involving expectations of future customer behavior will," insert the word be difficult. And second on the same page, Line 18, the phrase, "Under the provisions of the Telecommunications Act of 1996," scratch Telecommunications Act of 1996, and replace it with, "local competition order, Paragraph 950."

Q Is that all the changes you have to your direct testimony?

A Yes, ma'am.

Q If I would ask you the questions that are contained in your direct testimony today, would your answers be the same with those changes?

A They would.

MS. WHITE: Madam Chairman, I would ask that Doctor Taylor's direct testimony be admitted into the record.

CHAIRMAN JABER: The prefiled direct testimony of William E. Taylor with the two modifications made shall be inserted into the record as though read.

BY MS. WHITE:

Q And, Doctor Taylor, you have one exhibit to your direct testimony labeled WET-1, is that correct?

A Yes.

Q Do you have any changes to that exhibit?

A No.

MS. WHITE: I would ask that the exhibit attached to Doctor Taylor's direct testimony be identified for the record.

CHAIRMAN JABER: WET-1 is identified as Hearing Exhibit 29.

(Exhibit 29 marked for identification.)

BY MS. WHITE:

Q Doctor Taylor, you also caused to be prefiled in this case rebuttal testimony consisting of 32 pages, is that correct?

A Yes.

Q And do you have any substantive changes to your rebuttal testimony?

MS. WHITE: And for the ease of the staff, and the parties, and the Commissioners, we have handed out a summary of those changes, but I will ask Doctor Taylor to read those changes into the record.

CHAIRMAN JABER: Thank you, Ms. White.

THE WITNESS: Yes, I have some portions which have been withdrawn because of the change in witnesses. Those are as follows: Withdraw from Page 5, Line 4 through Page 7, Line 2. Withdraw from Page 9, Line 14 through Page 20, Line 5. Withdraw Page 21, Line 8 through Page 22, Line 1. And withdraw Page 28, Line 14 through Page 29, Line 11.

And then I have two changes, one on Page 23 and one on Page 26. On Page 23, Line 12, please substitute Gallagher for Gillan, and 16 for 9. And on Page 26, Line 9, the same substitution, substitute Gallagher for Gillan and 16 for 9.

BY MS. WHITE:

Q With those changes to your rebuttal testimony, if I asked you the questions that are contained in your rebuttal testimony today, would your answers be the same?

A They would.

MS. WHITE: I would ask that Doctor Taylor's rebuttal testimony be admitted into the record with the changes that he has noted.

CHAIRMAN JABER: The prefiled rebuttal testimony of William E. Taylor, with the modifications noted, shall be inserted into the record as though read.

ON BEHALF OF BELLSOUTH TELECOMMUNICATIONS, INC.

DIRECT TESTIMONY OF WILLIAM E. TAYLOR, Ph.D.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NOS. 020119-TP AND 020578-TP

OCTOBER 23, 2002

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT POSITION.

A. My name is William E. Taylor. I am Senior Vice President of National Economic Research Associates, Inc. ("NERA"), head of its Communications Practice, and head of its Cambridge office located at One Main Street, Cambridge, Massachusetts 02142.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL, PROFESSIONAL, AND BUSINESS EXPERIENCE.

A. I have been an economist for over twenty-five years. I earned a Bachelor of Arts degree from Harvard College in 1968, a Master of Arts degree in Statistics from the University of California at Berkeley in 1970, and a Ph.D. from Berkeley in 1974, specializing in Industrial Organization and Econometrics. For the past twenty-five years, I have taught and published research in the areas of microeconomics, theoretical and applied econometrics, which is the study of statistical methods applied to economic data, and telecommunications policy at academic and research institutions. Specifically, I have taught at the Economics Departments of Cornell University, the Catholic University of Louvain in Belgium, and the Massachusetts Institute of Technology. I have also

conducted research at Bell Laboratories and Bell Communications Research, Inc. I have participated in telecommunications regulatory proceedings before several state public service commissions, including the Florida Public Service Commission ("Commission") in Docket Nos. 900633-TL, 920260-TL, 920385-TL, 960786-TP, 980000-SP, 980696-TP, 990750-TP, 000075-TP, and 000121-TP.

I have also filed testimony before the Federal Communications Commission ("FCC") and the Canadian Radio-television Telecommunications Commission on matters concerning incentive regulation, price cap regulation, productivity, access charges, local competition, interLATA competition, interconnection and pricing for economic efficiency. Recently, I was chosen by the Mexican Federal Telecommunications Commission and Telefonos de Mexico ("Telmex") to arbitrate the renewal of the Telmex price cap plan in Mexico.

I have also testified on market power and antitrust issues in federal court. In recent years, I have studied—and testified on—the competitive effects of mergers among major telecommunications firms and of vertical integration and interconnection of telecommunications networks.

Finally, I have appeared as a telecommunications commentator on PBS Radio and on The News Hour with Jim Lehrer. My curriculum vita is attached as Exhibit WET-1.

Q. PLEASE DESCRIBE NERA, YOUR PLACE OF EMPLOYMENT.

A. Founded in 1961, National Economic Research Associates or NERA is an internationally known economic consulting firm. It specializes in devising economic solutions to problems involving

competition, regulation, finance, and public policy. Currently, NERA has more than 275 professionals (mostly highly experienced and credentialed economists) with 10 offices in the U.S. and overseas offices in Europe (London, Brussels, and Madrid) and Sydney, Australia. In addition, NERA has on staff several internationally renowned academic economists as Special Consultants who provide their professional expertise and testimony when called upon.

The Communications Practice, of which I am the head, is a major part of NERA. For over 30 years, it has advised a large number of communications firms both within and outside the U.S. Those include the regional Bell companies and their subsidiaries, independent telephone companies, long distance companies, cable companies, and telephone operations abroad (e.g., Canada, Mexico, Europe, Japan and East Asia, Australia, and South America). In addition, this practice has provided testimony or other input to governmental entities such as the FCC, the Department of Justice, the U.S. Congress, state regulatory commissions and legislatures, and courts of law. Other clients include industry forums like the United States Telephone Association. Last year, the NERA Communications Practice received the *International Business Leadership Award* from the Center for International Business Education and Research at the University of Florida, citing our work on incentive regulation, transfer pricing, technological convergence and opening new markets to competition.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I have been asked by BellSouth Telecommunications, Inc. ("BellSouth")—an incumbent local exchange carrier ("ILEC")—to address several economic issues raised for this proceeding by the

Florida Public Service Commission ("Commission") Order No. PSC-02-1295-PCO-TP, dated September 23, 2002.

II. RESPONSE TO SELECTED COMMISSION ISSUES

Q. WHAT CRITERIA, IF ANY, SHOULD BE ESTABLISHED TO DETERMINE WHETHER THE PRICING OF A BELLSOUTH PROMOTIONAL TARIFF OFFERING IS UNFAIR, ANTI-COMPETITIVE, OR DISCRIMINATORY? [ISSUE 2]

A. From an economic standpoint, the *fairness* of a price is judged in two dimensions: (1) whether the price is fair to competitors, and (2) whether the price is fair to customers. Although a price would need to be fair on both counts, it is possible for any given price to satisfy one of these requirements but not the other.

A price is fair to competitors as long as it is not anti-competitive. As discussed later, Sections 364.051(5) and 364.3381 of the Florida Statutes provide protections against anti-competitive pricing.

A price is fair to customers if it does not discriminate among customers that are similarly situated. While price differentiation (or, in economic parlance, "price discrimination") can occur even in workably competitive markets, and in fact such pricing can be efficient and promote social welfare, the minimum requirement there is that customers being charged different prices must be in different circumstances. I return to how customers may or may not be differently situated later in my testimony.

Just like its regularly tariffed services, if BellSouth's promotional offerings are priced in accordance with these two principles, then they will be fair to both competitors and customers. However, while the application of those two principles would be *sufficient* to ensure that promotional prices are acceptable, there may be circumstances in which promotional prices do not, on the surface, meet the price floor test for fairness to competitors but can still be procompetitive rather than anti-competitive. I return to these circumstances later in my testimony.

Q. WHAT CRITERIA SHOULD BE ESTABLISHED TO DETERMINE WHETHER THE PRICING OF A BELLSOUTH PROMOTIONAL TARIFF OFFERING IS UNFAIR, ANTI-COMPETITIVE, OR DISCRIMINATORY, PURSUANT TO THE COST STANDARD IDENTIFIED IN SECTIONS 364.051(5) AND 364.3381, FLORIDA STATUTES. [ISSUE 2(i)]

Section 364.051(5) contains two cost standards that pertain to the pricing of nonbasic services. Section 364.051(5)(b) states the following cost standard for preventing cross-subsidy:

> The cost standard for determining cross-subsidization is whether the total revenue from a nonbasic service is less than the total long-run incremental cost of the service. Total long-run incremental cost means service-specific volume and nonvolume-sensitive costs.[1]

Section 364.051(5)(c) lays out a cost standard that (implicitly) address both predatory pricing and a price squeeze.

> The price charged to a consumer for a nonbasic service shall cover the direct costs of providing the service and shall, to the extent a cost is not included in the direct cost,

[1] This measure of cost is also frequently called total *service* long-run incremental cost ("TSLRIC").

include as an imputed cost the price charged by the company to competitors for any monopoly component used by a competitor in the provision of its same or functionally equivalent service.

Section 364.3381(1)-(2) states the same cost standards as in Section 364.051(5) for the prevention of cross-subsidy, while Section 364.3381(3) reserves to the Commission "continuing oversight jurisdiction over cross-subsidization, predatory pricing, or other similar anti-competitive behavior ... ." While I am not an attorney, it is my understanding that Section 364.3381 applies to local exchange telecommunications carriers that do not operate under price regulation, while Section 364.051(5) applies specifically to BellSouth and other local exchange carriers operating under the price regulation statute. Therefore, the latter section contains the cost standards for preventing anti-competitive or discriminatory pricing that apply to BellSouth. I conclude that the Florida Statutes provide all the protections necessary against unfair pricing (and, in particular, anti-competitive promotional tariff offerings), and the Commission should apply the tests contained therein to resolve the issues in dispute in this proceeding.

Q. DO THE FLORIDA STATUTES SPECIFY OTHER FORMS OF ANTI-COMPETITIVE PRICING AND PROVIDE FOR PROTECTIONS AGAINST THEM?

A. As noted above, Section 364.3381 refers to predatory pricing as a form of anti-competitive behavior, but sets out no specific protection against it. Section 364.051(5)(c), on the other hand, sets out the economic protection against predatory pricing and a price squeeze but doesn't name these forms of anti-competitive pricing. From an economic standpoint, the price floor that

protects against predatory pricing generally is long run incremental cost ("LRIC"), although courts of law have sometimes used the short run marginal cost (or the short run average variable cost) as the price floor to test for the possibility of predatory pricing.[2] The economic price floor that protects against a price squeeze augments the floor for predatory pricing by adding the contribution (price less incremental cost) the competitor must pay for use of the incumbent's essential facilities.

Q. WHAT IS A PRICE SQUEEZE, AND HOW DOES THE COST STANDARD OF SECTION 364.051(5)(C) PROTECT AGAINST IT?

A. The opportunity for a price squeeze of competitors arises when a firm that competes at the retail stage with other firms also controls an essential facility—a facility that competitors are unable to practically or reasonably duplicate—that *all* firms need to produce the retail-stage service. The price squeeze occurs when the firm that controls the essential facility (which its retail competitors must buy from it) sets the price of that facility so high that it becomes an unbearable cost to its competitors (i.e., leaves equally-efficient competitors unable to match its retail price without incurring losses).

Section 364.051(5)(c) of the Florida Statutes identifies as a "monopoly component" the essential facility that is used both by BellSouth to provide a nonbasic service and by its competitors to provide a functionally equivalent service. It also seeks to prevent any price

[2] LRIC is approximately the long run analog of short run marginal cost. It is defined as the additional cost to the firm of providing the last unit of a service, once the firm has made the capacity adjustments to operate at the most efficient scale of operations.

squeeze by requiring BellSouth to impute the price of that essential facility into its cost to supply the retail nonbasic service.[3]

Q. ARE THERE ADDITIONAL PROTECTIONS FROM OUTSIDE THE FLORIDA STATUTES THAT MAKE A PRICE SQUEEZE UNLIKELY?

A. Yes. The imputation price floor that protects against a price squeeze is only needed when competitors are obliged to buy an essential facility ("monopoly component") from BellSouth (or any other source of that facility). If competitive alternatives exist for that facility, or if competitors can procure it from other sources, then that facility ceases to be "essential" or a monopoly component. In that event, the imputation price floor is no longer necessary, and price floors needed to prevent other forms of anti-competitive pricing alone suffice.

One circumstance in which competitors are able to procure a facility without facing the danger of a price squeeze is when BellSouth resells its retail service at an avoided cost discount. As is evident from a passage in its recent Order authorizing BellSouth to enter interLATA long distance markets in Georgia and Louisiana, the FCC evidently subscribes to this view. Responding to AT&T's claim of a price squeeze when residential local exchange rates of Bell Operating Companies ("BOCs") are set below a competitor's cost of providing the same service by combining the necessary BOC-supplied UNEs, the FCC noted:

[3] From an economic perspective, the imputation price floor should be the sum of the direct incremental cost of the nonbasic service and the contribution margin (i.e., price less incremental cost) that BellSouth could earn from the nonbasic service. When BellSouth's cost to provide the essential facility to its competitors is the same as the cost to provide it to itself, this condition can be shown to be equivalent to that in Section 364.051(5)(c) of the Florida Statutes.

> UNEs are priced from the "bottom up," that is beginning with a BOC's costs plus a reasonable profit, whereas resale is priced from the "top down," that is, beginning with a BOC's retail rate and deducting avoided costs. Such a distinction ensures that resale provides a profit margin where, as is the case here, the costs of individual elements exceed the retail rate. *Accordingly, we conclude that it is appropriate to consider the effects of resale on whether a price squeeze exists such that competitors are doomed to failure.*[4]

Q. WHAT IS A CROSS-SUBSIDY, AND HOW DOES THE COST STANDARD OF SECTION 364.051(5)(B) PROTECT AGAINST IT?

A. In theory, a cross-subsidy is an anti-competitive anomaly which pertains to firms regulated under traditional cost-of-service standards. For such firms, regulated service prices depend on accounting costs allocated to the services. Any ability to shift accounting costs from a competitive to a non-competitive service would permit the firm to price its competitive service at a predatory level (below actual incremental cost) and make up for the losses involved by increasing the prices of non-competitive services. Public Service Commissions frequently consider such cross-subsidies to be anti-competitive because they permit the regulated firm to undercut the prices of equally-efficient competitors and make up for any reduction in profits by increasing prices for non-competitive services.

There are several reasons why cross-subsidization of nonbasic services is not a serious real-world concern in Florida. First, regulatory concern with universal service has created prices which, if they embody a subsidy at all, are much more likely to entail a subsidy flow from

[4] FCC, *In the Matter of Joint Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc. for Provision of In-Region InterLATA Services in Georgia and Louisiana*, CC Docket No. 02-35, Memorandum Opinion and Order, released May 15, 2002, ¶287. Emphasis added.

nonbasic services to basic services, rather than the other way around. Second, a complete accounting separation of non-competitive and competitive services makes it difficult for the firm to shift costs in the manner described. Third, most forms of price cap regulation (like the one that applies to BellSouth in Florida under Section 364.051 of the Florida Statutes) automatically prevent cross-subsidization by (1) separating prices from accounting costs and (2) assigning non-basic and basic services to separate baskets and applying different pricing rules. As a result, service prices within each basket are governed solely by pricing rules specific to that basket, and cannot be influenced by costs or prices in other baskets. Even if costs for nonbasic services could be shifted into the basic services basket, such a change in costs would have no effect on the price BellSouth could charge for basic services.

Q. WHAT CRITERIA SHOULD BE ESTABLISHED TO DETERMINE WHETHER THE PRICING OF A BELLSOUTH PROMOTIONAL TARIFF OFFERING IS UNFAIR, ANTI-COMPETITIVE, OR DISCRIMINATORY, PURSUANT TO ANY OTHER PROVISIONS OF CHAPTER 364, FLORIDA STATUTES? [ISSUE 2(ii)]

A. The criteria listed above from the Florida Statutes are reasonably consistent with the economic tests for anti-competitive pricing in the forms of predatory pricing, cross-subsidization and a price squeeze. I discuss below criteria for determining whether a promotional tariff offering is discriminatory. Finally, if a promotional tariff offering is not anti-competitive or discriminatory, it is fair to both competitors and consumers.

Q. UNDER WHAT CIRCUMSTANCES WOULD A PROMOTIONAL TARIFF

OFFERING BE CONSIDERED ANTI-COMPETITIVE?

A. Promotional offerings, particularly those offering price discounts to specific sets of customers, are sometimes alleged to be anti-competitive merely because the resulting prices are lower than they would otherwise be. It is one thing for competitors to feel aggrieved by the incumbent firm's promotional prices that are provably anti-competitive; it is quite another to object to those prices simply because they strain the competitors' ability to offer matching prices and to earn the profit margins that had been anticipated before the incumbent's promotional prices went into effect.

Generally, a promotion should be viewed as an offering of an existing or new service at a discount and, therefore, a form of pricing flexibility. It is often temporary and designed typically to (1) gain new customers, (2) win back customers lost to competitors, (3) retain customers, (4) sell additional services, and (5) learn more about the market. Lowering a price temporarily to some customers, or under certain conditions, does no harm to equally or more efficient competitors if that price does not fall below the applicable cost-based price floor. Indeed, such price reductions are the very essence of competition, and restrictions on any firm's ability to undertake such forms of competition are likely to result in higher prices for consumers. As long as the service being promoted is priced to satisfy the applicable price floor(s), the promotional price associated with it is efficient and pro-competitive. In addition, as described below, some promotional prices may appear to violate an applicable price floor and yet the offering, taken as a whole, does not.

Q. WHAT ARE THE ECONOMIC EFFECTS OF IMPLEMENTING A

PROMOTIONAL OFFERING?

A. A promotional offering entails a price reduction for particular services (or packages of services) and customers. Because BellSouth would recover at least some contribution from every customer it serves under the promotion, its total contribution derived from the service (including both discount and regular tariff customers) could be higher than in the absence of the promotion where it would receive no contribution from those customers who would not have purchased services from BellSouth but for the promotion. In such circumstances, the promotion would not be anti-competitive because the price reduction would increase the firm's profits (compared with no price reduction) and no service or package of services would be priced below its incremental cost. Again, as noted next, there may be promotions that are procompetitive and yet may appear to violate the applicable generic price floor. Care must be taken in assessing promotions to allow common types of retail promotions that are procompetitive even though they may appear to violate a price floor.

Q. PLEASE EXPLAIN IN WHICH CIRCUMSTANCES THE PRICE FLOOR TESTS MAY ONLY BE SUFFICIENT, BUT NOT NECESSARY, TO PROTECT AGAINST ANTI-COMPETITIVE PRICING.

A. As explained above, promotional offerings are designed, particularly in competitive markets, to attain several different goals. In so doing, the returns to promotional offerings may accrue over longer periods of time than the durations of those offerings. Thus, for example, a promotional offering (at discounted prices) that is run for, say, 90 days may not reasonably be expected to

produce a revenue effect that is limited to that three-month period. Rather, customers who sign up for the short-term promotional offering may continue to purchase the promoted service or services at higher than promotional prices long after the promotion itself has been terminated. This reflects a common marketing strategy in most competitive markets—that of securing a customer's business over the long haul, using whatever short-term inducements may be necessary. No profit-maximizing firm would ever consider pursuing such a strategy if it did not prove profitable or at least compensatory (wherein revenues earned at least recover costs) over the long haul. Thus, a promotional price that temporarily falls below the price floor (used in static tests of anti-competitive conduct) need not be anti-competitive if, as a result of the promotion, enough revenue is generated during the post-promotion period to recover the relevant costs.

Some specific circumstances in which this exception applies to the general rule for testing anti-competitive pricing are as follows. First, a firm may determine through market research that the probability of customer retention in the post-promotion period is reasonably high (i.e., better than even odds). If the firm can then make a reasonable prediction about how long it could continue to serve the customer with the promoted service, then it could also calculate the expected revenue from the complete strategy of first promoting the service at a discounted price and then selling it at a higher price once the promotion was terminated.[5] If that calculation shows that expected revenue (which takes account of the statistical probability of customer retention) is no less than the expected cost of serving the customer, then the firm would have met the burden

[5] A variation of this strategy is the common promotion in telecommunications of waiving one-time installation or (continued...)

of demonstrating that its promotion and pricing strategy is not anti-competitive.

Second, this type of calculation would be more tractable with a slightly different marketing strategy of first running a limited-duration promotion at a discounted price and then signing up the customer for service over a fixed term. This is a variation on term discounts in that all of the discounts are received up front subject to the customer's agreeing to purchase the service for a predetermined length of time in the post-promotion period. The calculation of expected revenue, and its comparison to expected cost, is even more straightforward in this instance, and judging whether the entire marketing strategy results in fair prices is equally uncomplicated.

A third situation where a more dynamic view of the price floor tests may be necessary is when, in the process of running a promotion, a firm provides an additional product or service at no extra charge. This strategy would be procompetitive in at least two circumstances. First, suppose the forward-looking incremental cost of providing that product or service were essentially zero. This could happen, for example, if a telephone company were to attempt to develop goodwill from prospective customers by giving them older-generation telephone sets or handsets at no extra charge. For all practical purposes, the forward-looking incremental costs of those sets are zero. In this instance, bundling them with other services provided through the promotional offering should not require a separate accounting for the revenues and costs of the

(...continued)

start-up fees for new customers.

telephone sets or handsets. Second, including a free service with a package of other services is not anticompetitive when the expected revenue from the entire package equals or exceeds its incremental cost.

In general, competition in unregulated competitive markets is characterized by rapid, clever, dynamic promotional campaigns of amazing and unpredictable variety. Such competition is particular apparent in markets, like telecommunications services, where production entails high fixed and low variable costs and simple price competition is a losing strategy. Perhaps the one common thread these promotions have is that their sponsors expect each of them to make money, and whenever those expectations are reasonable, the promotion is entirely procompetitive. Sometimes those expectations are realized, and sometimes they are not. Sometimes it is easy to show that a promotion will likely be profitable, and sometimes such showings, involving expectations of future consumer behavior, will be difficult. In any case, the regulator must be careful to establish policies that encourage—and certainly not discourage—all firms in the provision of such promotional activity.

Q. IS THERE ANY OTHER REASON TO BELIEVE THAT COMPETITION WILL NOT BE HARMED BY BELLSOUTH'S PRICE-DISCOUNTED PROMOTIONAL OFFERINGS?

A. Yes. Under the provisions of the ~~Telecommunications Act of 1996~~ local competition order, paragraph 950 and this Commission's own implementing rules, BellSouth is obligated to offer its long-term (greater than 90 day) promotional offerings for resale by its competitors. Those competitors receive not only the discounts built into

BellSouth's long-term promotional offerings, but also the wholesale (avoided cost) discount for which all competitors in Florida are eligible when they resell BellSouth's services. Thus, promotional discounts that BellSouth finds sufficiently profitable to warrant longer than a 90 day period become subject to increased competition when BellSouth's competitors can purchase them for resale at the avoided-cost discount.

Q. HOW SHOULD THE APPROPRIATE CRITERIA IDENTIFIED IN ISSUES 2(i) AND 2(ii) BE APPLIED TO A TARIFF UNDER WHICH VARYING CUSTOMER CONFIGURATIONS ARE POSSIBLE? [ISSUE 2(iii)]

A. In economic theory, the proper starting point for applying such criteria is the product or service market in which the service or package of services is being sold. Offering "free" installation with a new basic service order could not be considered anti-competitive simply because installation was "priced" below its incremental cost. So long as the price of the package (installation plus service) covers the incremental cost of the package, there should be no economic presumption of anti-competitive pricing. Similarly, a package including free calling after midnight is not necessarily anti-competitive, because post-midnight calling is not a standalone product market, as economists define those markets.

In addition, no matter how narrowly the customer base for a product or service is defined, competitive equity (or fairness) considerations only demand that the customers of a product or service do not, *as a group*, either provide a cross-subsidy to (or receive a cross-

subsidy from) the customers of another product or service, again taken as a group.[6]

While varying customer configurations are certainly possible from a sales standpoint, there is no *economic* reason for applying the competitive fairness tests to each such configuration. Different customer configurations can arise from allowing customers to purchase services in different combinations, with each constituent service priced differently in those combinations than they would be on a stand-alone basis. However, no matter how those service combinations are put together, what ultimately matters for competitive fairness is whether each service in the aggregate passes the various price floor tests that may be applied, such as those envisioned by Sections 364.051(5) and 364.3381 of the Florida Statutes.

The reason is that, as long as the service for which firms compete in the market is priced appropriately, no competitor in the market is placed at a competitive disadvantage. Firms do not generally offer identical packages of services, let alone compete in any product market consisting of a single package. Rather, firms compete in access and usage service markets, and only if offerings at a service level of aggregation fail a price floor test is there a reason to be concerned about anti-competitive behavior. Even in the special case where the incumbent firm has control over a specific input for that service that all competitors need (e.g., an essential facility), the extra layer of protection called for—namely, the test against price squeeze described above—should only apply to the retail price of the service, whether it is sold in packaged or standalone form.

Q. IS THE BELLSOUTH KEY CUSTOMER TARIFF FILING (TARIFF NUMBER T-

[6] See, e.g., William J. Baumol, *Superfairness: Applications and Theory*, Cambridge, MA: MIT Press, 1986, Ch. 6.

020595 OR A SUBSEQUENT TARIFF FILING THAT EXTENDS THE EXPIRATION DATE THEREOF) UNFAIR, ANTI-COMPETITIVE, OR DISCRIMINATORY UNDER THE CRITERIA, IF ANY, ESTABLISHED PURSUANT TO ISSUES 2(i), 2(ii), AND 2(iii)? [ISSUE 2(v)]

A. No. The operational criteria for judging competitive fairness that apply to the initial offering of the BellSouth Key Customer plan should also apply to a subsequent version of that promotional offering that results from extending the expiration date of the original offering. If any such extension leads also to specific changes in the terms and conditions (including price) of the promotional offering, then it is appropriate to re-conduct the tests of fairness on that subsequent version. However, if the price that results under those changed terms and conditions satisfies the criteria for competitive fairness, then the subsequent version of the Key Customer tariff offering must be considered valid and acceptable under the Florida Statutes. Simply extending the expiration date of a promotional offering has nothing *per se* to do with competitive fairness. It is not unusual or anti-competitive for successive promotional campaigns to be run in unregulated or competitive markets, even if those campaigns run consecutively and produce, in effect, one long and continuous campaign. If BellSouth chooses to reduce prices for a service over a long period in order to run successive promotional campaigns, it is a market calculation that BellSouth must live by. As long as its prices are not anti-competitive and/or discriminatory in the process, BellSouth should not be denied the opportunity to make that market calculation. Moreover, consumers stand to benefit from the lower price of the promotional offering.

The imposition of any "cooling-off period," such as mandating a return to "regular"

service prices for some specified period of time before the next promotion is permitted is not warranted by legitimate concerns about unfair pricing. If BellSouth's promotional prices pass the competitive fairness tests, it would diminish competition and consumer welfare to require BellSouth to stagger its promotions. On the other hand, if cooling-off periods are mandated, customers would be denied the benefit of the lower promotional prices for the duration of those periods, and competitors would be less compelled to compete on the basis of their efficiency and powers of innovation relative to those of BellSouth. Moreover, mandatory cooling-off periods imposed asymmetrically on BellSouth could leave its competitors with significant competitive advantages. This would be especially so when the length and timing of the cooling-off periods are known, or can be anticipated, in advance. Regulatory restraints on BellSouth in the absence of evidence of anti-competitive or discriminatory behavior could only confer artificial competitive advantages upon BellSouth's unregulated rivals, reducing social welfare in the process.

Q. PURSUANT TO SECTION 364.051(5)(A), FLORIDA STATUTES, HOW SHOULD "MEETING OFFERINGS BY ANY COMPETITIVE PROVIDER" BE INTERPRETED? [ISSUE 3D(i)]

A. The relevant passage from Section 364.051(5)(A) of the Florida Statutes states:

> Nothing contained in this section shall prevent the local exchange telecommunications company from meeting offerings by any competitive provider of the same, or functionally equivalent, nonbasic services in a specific geographic market or to a specific customer by deaveraging the price of any nonbasic service, packaging nonbasic services together or with basic services, using volume discounts and term discounts, and offering individual contracts.

From an economic perspective, the reference to "meeting offerings by any competitive provider"

should be interpreted as the ability of the regulated local exchange carrier (here, BellSouth) to respond to the offering of any substitute service by any competitor operating within the same market and competing for the same set of customers. A substitute need not be an identical service, in terms of either its price or non-price characteristics. Rather, all that matters is that if a customer for a specific BellSouth service is likely to be lured away by a competitor offering a "functionally equivalent" substitute, such as by the offer of a more favorable price or other terms and conditions, then regardless of any of the other rules that may apply, BellSouth should have the ability within that market to attempt to retain or win back that customer by suitably altering or redesigning the terms and conditions under which it offers its own service. Doing so precludes BellSouth neither from repackaging or redesigning the service itself nor from offering the original service at a different price or under contract.

Q. PURSUANT TO SECTION 364.051(5)(A), FLORIDA STATUTES, HOW SHOULD "SPECIFIC GEOGRAPHIC MARKET" BE INTERPRETED? [ISSUE 3D(ii)]

A. From an economic standpoint, BellSouth should be allowed to respond flexibly to the actions of competitors that offer either identical or substitute services within the confines of a "specific geographic market." This refers to the geographic area within which a competitor offering different terms and conditions (either price or non-price features) than BellSouth can induce a current customer for BellSouth's service to switch. If similar actions taken by other firms cannot or do not affect the customer for BellSouth's service in that fashion, then those firms do not belong in the same geographic market.

Q. PURSUANT TO SECTION 364.051(5)(A), FLORIDA STATUTES, HOW SHOULD "SIMILARLY SITUATED" OR "SUBSTANTIALLY SIMILAR" BE INTERPRETED? [ISSUE 3D(iii)]

A. From an economic standpoint, the proper interpretation should be that "similarly situated" or "substantially similar" customers are those whose objective circumstances with respect to a specific service are similar. For example, customers with similar willingness to pay (or price elasticity of demand) for a service, or facing similar competitive alternatives in the same geographic market, could be considered similarly situated. Differential pricing (i.e., price discrimination in the economic sense) should not be permitted for similarly-situated or substantially similar customers.

In the context of BellSouth's Key Customer promotional offering, similarly situated customers are those for whom BellSouth faces competition from rivals offering substitute services. Those customers are, however, *not* similarly situated to BellSouth's other customers who do not have the same competitive options.

Q. PLEASE EXPLAIN WITH SPECIFIC EXAMPLES OF CUSTOMERS IN DIFFERENT OBJECTIVE CIRCUMSTANCES.

A. If one customer is capable of (or interested in) buying large quantities of a service, and another only wishes to purchase small amounts, then the two customers should be regarded as being differently situated. In that event, the firm should be able to offer various incentives (e.g., volume discounts) to the customer that buys in bulk, but not be obliged to do the same for the customer

that only buys small quantities. Customers with different degrees of price sensitivity to the price of the same underlying service should also be considered differently situated. In competitive markets, it is commonplace to charge different prices to customers who differ in their price sensitivities.

Finally, customers of the same underlying service may be differently situated if some among them have access to multiple competitive options (such as rival offerings from BellSouth's competitors), while others can only receive that service from BellSouth because of the lack of competitive alternatives where they are located. Again, different prices to those two different groups of customers should be permitted.

Similarly, other forms of differential pricing are not unfair or discriminatory, such as offering term discounts to the customer that commits to making purchases over the long haul, or offering a lower price to a customer at a nearby location relative to a customer at a more distant location (to serve whom additional costs of transportation and delivery need to be incurred). Also, as customers are differently situated (with respect to the competitive alternatives they face or their sensitivity to price), the offering of the service at different prices to those customers would not only *not* be unfair or discriminatory, it could actually increase consumer welfare.

Q. WHAT IS THE COMPETITIVE IMPACT, IF ANY, OF THE RESALE OF BELLSOUTH PROMOTIONAL TARIFF OFFERINGS? [ISSUE 4B]

A. State and Federal regulatory rules require BellSouth to make its long-term promotional tariff offerings (greater than 90 days) available to competitors at an avoided cost discount. No such

requirement pertains to its short-term promotions. There are valid economic reasons for this distinction. If all promotional tariff offerings were subject to mandatory resale at an avoided cost discount, BellSouth would have a greatly diminished incentive to offer such promotional tariffs. In effect, a resale requirement would make it impossible for BellSouth to compete in some market segment on the basis of price: every retail price reduction by BellSouth would result in a lower wholesale price to the competitor.

On the other hand, the mandatory resale provisions of the Telecommunications Act of 1996 do have an important policy role in opening the local exchange market to competition. Also, as observed above, as long as retail services are available for resale at an avoided cost discount, the possibility of an anti-competitive price squeeze is eliminated.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

ON BEHALF OF BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF WILLIAM E. TAYLOR, Ph.D.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NOS. 020119-TP AND 020578-TP

NOVEMBER 25, 2002

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT POSITION.

A. My name is William E. Taylor. I am Senior Vice President of National Economic Research Associates, Inc. ("NERA"), head of its Communications Practice, and head of its Cambridge office located at One Main Street, Cambridge, Massachusetts 02142.

Q. DID YOU TESTIFY PREVIOUSLY IN THESE DOCKETS?

A. Yes. I filed direct testimony in this matter on October 23, 2002. That testimony lists my qualifications.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I have been asked by BellSouth Telecommunications, Inc. ("BellSouth") to respond to economic issues raised in the testimonies of Joseph Gillan and Danyelle Kennedy (on behalf of the Florida Competitive Carriers Association) and Michael P. Gallagher (on behalf of Florida Digital Network, Inc.) filed on October 23, 2002 in these Dockets. In general, these witnesses urge the Commission to impose additional restrictions on BellSouth's ability to compete through temporary promotions, targeted price reductions, bundling of services, and term and volume discounts. Both price and non-price limitations on BellSouth's promotions are proposed. Price limitations would take the form of excessive price floors—applying

only to BellSouth—to address alleged threats of price squeezes and cross-subsidies. Proposed non-price limitations on BellSouth's behavior include

- a redefinition of what it means for customers to be "similarly-situated,"
- restrictions on the terms of volume and term discount plans,
- absolute limitations (unrelated to cost) on the size of allowable BellSouth discounts, tied to BellSouth's loss of market share, and
- limits on the duration and frequency of BellSouth promotions.

In general, these proposed restrictions are anticompetitive and, if imposed, would eviscerate the competitive process in Florida and deny both ALEC customers and BellSouth customers the benefits of competition.

It is important to bear in mind that promoting competition to allow the free market to function will generally serve the goal of lower prices, a wider array of better services, and the more efficient allocation of resources than would otherwise be the case. Rules that limit a firm's ability to lower its prices or structure its promotional offerings should be approached with great caution, because lower prices are precisely what competition is designed to promote. This Commission should be especially skeptical of a proposal suggested by any company that would prevent its competitor from reducing prices, because companies would always prefer that their competitors charge higher prices.

Restricting the incumbent by an excessive price floor immediately reduces consumer welfare by holding prices up. Additionally, it reduces future consumer welfare by creating a price umbrella for competitors, which not only protects inefficient competitors but also relieves the more efficient competitors from constantly striving to maintain their competitive edge by lowering prices. To the extent that price floors are necessary, Sections

364.051(5)(b-c) of the Florida Statutes clearly express the standards to be used to prevent price squeezes and cross-subsidies, and no additional standards are necessary or appropriate.

Although many consumers benefit from competition by switching to a new provider that offers lower-priced or higher-quality services or more appealing packages of services, other consumers also benefit from competition by receiving better services, or packages of services, at lower prices from their incumbent supplier. In Florida, business customers are increasingly switching to competitive suppliers, presumably because of additional benefits that accrue to them from doing so. However, those who have not switched from—or have chosen to stay with—BellSouth as the incumbent supplier can also benefit from competition to the extent that BellSouth is able to respond to competitors' offerings.

I also want to emphasize the importance of allowing all firms flexibility to structure their promotional offerings to respond to the varying market conditions that exist in the state. Section 364.051(5)(a) of the Florida Statutes emphasizes this requirement. It endorses pricing and product flexibility, including geographic and customer deaveraging, contracts, packaging and bundling, and volume and term discounts, as long as the result is not anticompetitive and does not unreasonably discriminate among similarly-situated customers.[1] To balance these requirements, we need to know how to determine whether a proposed promotion is procompetitive or anticompetitive.

[1] "Nothing contained in this section shall prevent the local exchange telecommunications company from meeting offerings by any competitive provider of the same, or functionally equivalent, nonbasic services in a specific geographic market or to a specific customer by deaveraging the price of any nonbasic service, packaging nonbasic services together or with basic services, using volume discounts and term discounts, and offering individual contracts. However, the local exchange telecommunications company shall not engage in any (continued...)

An anticompetitive *price* is one that violates the standards provided by the Statutes, as discussed above. A *non-price* anticompetitive act is one that diminishes the level of competition in the market. As a general proposition, when a company with market power acts without a valid business purpose—i.e., its conduct makes no business sense apart from its tendency to exclude competition and thereby create or maintain market power—the conduct can be deemed anticompetitive if it in fact diminishes competition. While a firm may complain that a rival's conduct that harms it is a non-price anticompetitive act, that complaint seldom will have merit because any action a rival takes to better serve and attract more customers is likely to make life more difficult for its competitors and reduce their profit. For this reason, economics distinguishes between conduct that is *anticompetitor* from that which is *anticompetitive* largely by asking whether the conduct in question increases or decreases consumer welfare. By these standards, restricting the degree, frequency, and duration of BellSouth promotions would restrict procompetitive behavior and harm consumers by reducing the vigor of competition in Florida. Term and volume discounts expand consumer choice and ultimately expand demand, increasing consumer welfare directly. In addition, because charging different prices to differently-situated customers can expand demand and increase consumer welfare, artificially restricting price flexibility by narrowing the definition of "similarly situated" customers would be anticompetitive.

Finally, the fact that all of the restrictions proposed by ALECs would be imposed

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(...continued)

anticompetitive act of practice, nor unreasonable discriminate among similarly situated customers."

only on BellSouth would distort the process of competition in Florida and reduce the benefits of that competition to Florida consumers.

II. RESTRICTIONS ON PRICE REDUCTIONS: PRICE FLOORS

A. Imputation

Q. MR. GILLAN PROPOSES (AT 4) A UNE-BASED IMPUTATION TEST TO BE APPLIED TO INDIVIDUAL SERVICES AND PROMOTIONS. IS SUCH AN IMPUTATION TEST NECESSARY IN FLORIDA?

A. No. Under the Section 364.051(5)(c) standard, the minimum retail price must cover the direct cost of the service plus—to the extent not already included in the direct cost—the price charged by the incumbent for any "monopoly service." For this purpose, I equate the term "monopoly service" with "essential facility." The purpose of the Section 364.051(5)(c) standard is to ensure that competitors compete on an even footing with BellSouth with respect the price they pay for the use of any BellSouth essential facility. Because the Key Customer promotion is, and was, subject to resale at an avoided cost discount, carriers can always purchase any telecommunications service that BellSouth sells under the promotion (including any essential facility) at a regulated price designed to be consistent with Florida's imputation price floor. That is, even if BellSouth were to offer a service at a discount off the retail price (under the Key Customer promotion), an ALEC that resells that promotional service would receive the full benefit of both that discount as well as the avoided cost discount that applies to resold services.[2] The resale price the competitor

[2] For purposes of illustration, if the Key Customer retail price discount to end user customers were *x* percent, (continued...)

pays BellSouth for any service (including any essential facility that is a component of that service), therefore, will always be less than the price BellSouth charges its retail customers for the same service (including any essential facility component). Moreover, the discount off of BellSouth's promotional price will be sufficient for an efficient firm to compete profitably against BellSouth in the retail market.

In particular, it is not necessary to require that BellSouth's retail price for a service exceed the prices of the UNEs that could be used to replicate the same service. UNE prices are based on TELRIC. Suppose, first, that TELRIC reasonably measures the forward-looking incremental costs that BellSouth incurs to provide the UNE. Then even if BellSouth's retail price is less than the TELRIC-based UNE price, both BellSouth and its competitors are on a level playing field, in the sense that both firms face the same incremental cost for the same facilities. It costs BellSouth TELRIC to use its UNE, and its competitors pay the same TELRIC to use the UNE.[3] Both carriers, of course, expect to serve customers profitably even if retail basic exchange service prices do not fully cover direct costs by selling other higher-margin services to the customer.

Second, TELRIC-based UNE prices specifically include a markup to cover a portion of shared fixed and common costs. Suppose BellSouth's incremental costs for providing the UNE are the same as the incremental cost component of the TELRIC costs for the UNE. The

(...continued)

and the avoided cost discount for resold services were y percent, then an ALEC that resells BellSouth's Key Customer promotional service would get the benefit of both the x percent discount and the y percent discount.

[3] To the extent that BellSouth's actual costs exceed TELRIC costs, the ALEC is placed at an artificial competitive advantage, in the sense that it receives use of the essential facilities supplied by BellSouth at a lower cost than BellSouth incurs to provide them to itself for its retail service.

fact that TELRIC includes an allocation of shared fixed and common costs means that the TELRIC-based UNE price would be too high for a price floor.

Q. PLEASE COMMENT ON THE ARGUMENTS BY MS. KENNEDY (AT 14-16) AND MR. GALLAGHER (AT 22) THAT A COMPETITOR'S ABILITY TO RESELL A BELLSOUTH PROMOTION DOES NOT, BY ITSELF, MAKE THE PROMOTION PROCOMPETITIVE.

A. The fact that a competitor can resell a promotion ensures that an equally efficient competitor will not be unfairly excluded from the market. To understand why, it is important to first revisit the need for imputation itself and the price floor standard formulated in Section 364.051(5)(c). As I explained in my direct testimony in this proceeding (at 7-9), imputation—and the specific price floor (such as that in Section 364.051(5)(c)) it embodies—is a competitive safeguard against a price squeeze, i.e., it is intended to protect dependent competitors who must purchase essential facilities from the incumbent. These essential facilities are precisely the "monopoly component" to which Section 364.051(5)(c) refers. Arguably, some UNE loops are such facilities that ALECs may find economically infeasible to reproduce on their own. With that said, however, it also follows that a facility that *can* be reproduced economically by ALECs, or can be obtained from alternative sources or in an alternative manner, should no longer be considered an essential facility or a monopoly component. Hence, for such a facility the imputation standard—and the price floor standard in 364.051(5)(c)—cannot possibly apply.

In the present context, were ALECs not allowed to resell BellSouth's Key Customer promotional service (which is not the case), it might be the case that ALECs cannot replicate

for themselves the essential facilities (*e.g.*, certain UNE loops) that are embodied in the promotional service. However, the possibility of resale by ALECs changes this condition fundamentally—a fact unambiguously recognized by the FCC.[4] Under resale, an ALEC can gain access to *all* facilities and rate elements that make up the Key Customer promotional service, including any that would be considered essential facilities or monopoly components in the absence of resale. Therefore, in economic theory, the availability of resale (as one possible alternative source of essential facilities) vitiates any argument for the application of the imputation price floor (such as that in Section 364.051(5)(c)).

Now, both Ms. Kennedy and Mr. Gallagher claim that the ALEC's margin on a resold service is too small to make resale a profitable proposition for the ALEC. It is important to note that this is not an argument against the fundamental principle discussed above of imputation itself. The resale (avoided cost) discount was calculated by the Florida Public Service Commission precisely to give a firm that is at least as *efficient* in retailing (the only function the ALEC is performing) as BellSouth the same margin that BellSouth has between its retail price and its incremental cost. If that margin is too small for an ALEC to succeed as a reseller, then all that proves is that BellSouth is more efficient than the ALEC at providing the retail function. Other things being equal, there would then be no reason for customers to benefit from having the ALEC provide that retail function rather than BellSouth. The *sole* purpose of a retail price floor is to ensure that ALECs are not unfairly disadvantaged whenever they have to purchase essential facilities or services from

[4] FCC, *In the Matter of Joint Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc. for Provision of In-Region InterLATA Services in Georgia and Louisiana*, CC Docket No. 02-35, Memorandum Opinion and Order, released May 15, 2002, ¶287.

BellSouth; it is *not* to provide a crutch to less efficient ALECs or their faulty business plans.

Q. TO SUMMARIZE, HOW SHOULD THE COMMISSION APPLY THE PRICE FLOOR STANDARD IN SECTION 364.051(5)(C) WHEN RESALE OF BELLSOUTH'S KEY CUSTOMER PROMOTIONAL SERVICES IS POSSIBLE?

A. The Commission should recognize that the resale provisions of the federal Telecommunications Act of 1996, as implemented by the FCC and this Commission, create a situation in which BellSouth's competitors are not disadvantaged by BellSouth's control of any "essential facilities" or "monopoly services" as those terms are contemplated in Florida statutes. This is because, as explained above, the resale price the competitor pays BellSouth for any service (including any monopoly component of that service) will always be less than the price BellSouth charges its retail customers for the same service (including any monopoly component thereof). Accordingly, competitors suffer no disadvantage and the rationale for the price floor standard in Section 364.051(5)(c) disappears.

~~**Q. EVEN IF A UNE-BASED IMPUTATION PRICE FLOOR WERE THOUGHT TO BE NECESSARY, WOULD MR. GILLAN'S PRICE FLOOR BE ECONOMICALLY CORRECT?**~~

A. No. Even if it were necessary for BellSouth retail prices to pass a Section 364.051(5)(c) price floor test based on UNE prices (and it is not), Mr. Gillan's proposed test (at 4) would be incorrect. The Florida price floor standard begins with the direct cost of the retail service as provisioned by BellSouth. The price floor additionally includes (as an imputed

cost) the UNE price BellSouth charges to competitors, *but only to the extent that such cost is not already included in the direct cost of the retail service.*[5]

To see what this means consider two possible scenarios. First, suppose the TELRIC of a given UNE (and thus the price of that UNE) is a reasonable approximation to the network component of BellSouth's incremental costs for a given retail service. Under this assumption, the Florida standard (and economic theory) would set the retail price floor for basic exchange service *exactly* at the direct cost of the retail service. That is because, by assumption, the UNE price would already be fully included as part of the direct cost of the retail service.

Alternatively, suppose instead that the UNE price *exceeds* the direct cost of the network elements involved in a given retail service.[6] In this case, the Florida standard (and economic theory) would set the retail price floor at the sum of the direct cost of the retail service and the *contribution* (i.e., the price of the UNE less the direct cost of the UNE) that BellSouth would earn from selling the UNE to ALECs. This contribution is exactly what Section 364.051(5)(c) refers to as the portion of "the price charged by the company for any monopoly component..." that is "not included in the direct cost" of the retail service. It follows then that the Florida standard would add this contribution to the direct cost of the retail service. In economic theory, this imputation price floor would clearly exceed

[5] "The price charged to a consumer for a nonbasic service shall cover the direct costs of providing the service and shall, to the extent a cost is not included in the direct cost, include as an imputed cost the price charged by the company to competitors for any monopoly component used by a competitor in the provision of its same or functionally equivalent service."

[6] In theory, the UNE price based on TELRIC exceeds the direct cost of the network elements (as measured by the TELRIC method) because the UNE price includes an assignment of common overhead costs.

BellSouth's incremental cost of the retail service. The amount by which that price floor would be higher is exactly the difference between the UNE price that competitors pay BellSouth and the UNE direct cost that BellSouth incurs. This standard would ensure that as long as the UNE is considered an essential facility, BellSouth's competitors would be neither advantaged nor disadvantaged by having to purchase that essential facility from BellSouth.[7]

These ideas can be illustrated with a simple example. Suppose the TELRIC price of a given UNE is $20 and we have reason to believe that the direct cost of that UNE is also $20. That is, BellSouth can earn no contribution from selling the UNE at a price equal to cost. This corresponds to the first scenario considered above. If BellSouth's direct incremental cost to provide the retail service is the sum of this network component cost and the cost of direct retailing functions, say, $5, then the Florida imputation price floor in this scenario would be simply $20 (the TELRIC of the UNE, which in this case is the same as the direct cost of the UNE) + $5 (the direct costs of the retail service that are not included in the TELRIC of the UNE) = $25.

Next, consider the second scenario in which the TELRIC price of the UNE remains at $20, but we know that the true direct cost of UNE to BellSouth is only $17 (the remaining $3 being the built-in assignment of overhead and common costs). Then, Section 364.051(5)(c) would start with the $22 direct costs of providing the service (which consists of $17 for the UNE and $5 for retailing functions). The statute would then add the

[7] Of course, as explained earlier, the availability of resale means that the UNE loop is not an essential facility, and this entire discussion would become moot.

contribution that BellSouth earns from selling the UNE at a price above its direct cost. That contribution is exactly the $3 that is built into the TELRIC of the UNE to cover overhead and common costs. Thus, in the second scenario, the Florida imputation price floor would be $17 (the direct cost of the UNE) + $5 (the direct costs of the retail service that are not included in the TELRIC of the UNE) + $3 (the contribution that BellSouth earns from selling the UNE at a price above its direct cost) = $25 (the same amount as in the first scenario).

The fact that the imputation price floor is the same in both scenarios is neither surprising nor an accident. It is precisely what is implied by the wording of Section 364.051(5)(c), and is entirely consistent with economic theory.

Q. PLEASE EXPLAIN SPECIFICALLY WHAT IS WRONG WITH MR. GILLAN'S APPROACH TO IMPUTATION.

A. Mr. Gillan takes a different approach from that discussed above. He assumes that the direct cost of the retail service is equal to the sum of (i) network direct costs and (ii) retailing direct costs. The former are approximated by the sum of the UNE prices and the latter by the cost implied by the 16.81 percent avoided cost discount associated with supplying resold services. Neither of these approximations is valid for the purposes to which Mr. Gillan applies them. First, we know that TELRIC, in principle, overstates BellSouth's direct network costs associated with a UNE because TELRIC includes an allocation of common overhead costs which are not part of the direct cost of network services. Second, the avoided cost discount is calculated as the percentage of total costs avoided by reselling *all* services rather than supplying them through normal retail channels. That cost bears no relationship to the incremental retail costs associated with supplying a particular retail

service to a customer while continuing to sell other services through normal retail channels.

Q. MR. GILLAN PROPOSES THAT HIS PRICE FLOOR SHOULD APPLY TO INDIVIDUAL SERVICES AND PROMOTIONS. DO YOU AGREE?

A. No, there is no economic basis for such a requirement. Indeed, there would be a decrease in economic efficiency if price floors and imputation standards were imposed at the level of, say, individual rate elements. To achieve the economic goal of efficient competition in the presence of essential facilities, an imputation test should apply its test at the level of the relevant service market.

Q. PLEASE EXPLAIN HOW APPLYING IMPUTATION AT THE SERVICE MARKET LEVEL WILL FOSTER COMPETITIVE CONDITIONS.

A. It would do so by ensuring that no equally efficient firm (including BellSouth) is denied the ability to compete because of the prices that BellSouth charges for essential facilities. By applying imputation at the level of the service market, the Commission can be assured that in Florida, an equally efficient firm is able to recover its economic costs and to compete on the basis of its economic advantages with BellSouth. Any competitor with lower average incremental costs could enter and charge an average price lower than that of BellSouth. In this aggregate sense, economic efficiency would be preserved because an efficient competitor will have a cost-based competitive advantage in setting its price.

The business basic exchange service market, for example, includes all of BellSouth's serving area, all types of tariffed service offerings, term and volume discount plans, promotions, and contracts. If BellSouth passes an imputation test at this level of aggregation, then an equally or more efficient competitor can purchase essential services from BellSouth

and design a set of retail prices that are equal to or lower overall than BellSouth's set of prices.[8] The Commission would not be serving any procompetitive interest by requiring that BellSouth's prices for components of a retail package equal or exceed an imputation price floor because no potential competitor would be placed at a competitive disadvantage by BellSouth's pricing some service components above an imputation standard and other components—within the same service market—below an imputation standard. This is the same logic that shows that drug stores are not guilty of predatory pricing when they sell the second tube of toothpaste for a penny, despite the fact that its variable cost is somewhat higher.

Q. BUT ISN'T IT NECESSARY FOR FIRMS TO MAKE A PROFIT ON EVERY COMPONENT OF A SERVICE THEY OFFER?

A. No. Competition is not a process of replicating every aspect of other firms' services; it is a process by which each firm seeks to exploit its own competitive advantage by offering one or more services or bundles of services that customers will substitute for other competitors' services. Thus, to compete effectively, it is not necessary for firms to be able to supply profitably every component of a service.

Q. MR. GILLAN (AT 4) WANTS THE COMMISSION TO APPLY HIS TEST SEPARATELY TO RECURRING AND NON-RECURRING PRICES. DOES THIS MAKE ECONOMIC SENSE?

[8] And, irrespective of whether BellSouth passed an imputation test, a more efficient competitor could resell BellSouth's business basic exchange service profitably at a lower price than BellSouth's retail basic exchange price.

A. No. One generally cannot purchase retail basic exchange service without also purchasing the non-recurring activities necessary to establish service. What matters for an efficient price floor is whether the expected incremental revenue from offering the service (including both recurring and non-recurring revenue) equals or exceeds the incremental cost of the service (again, including both recurring and non-recurring costs). The relationship between revenue associated with individual components of the package and the individual incremental costs of the different components of the package is irrelevant. Thus, the common practice across the industry of discounting or waiving non-recurring charges to attract new customers is not—by itself—anticompetitive; so long as the package the consumer actually purchases is priced at a compensatory level, consumers benefit from such promotions and the competitive process is strengthened.

Q. MR. GILLAN (AT 5) ILLUSTRATES HIS TEST WITH SOME BELLSOUTH PRICES AND CLAIMS THAT BELLSOUTH'S DISCOUNTED RETAIL PRICE FAILS THE APPLICABLE PRICE FLOOR TEST BY NEARLY $15. ASSUMING, FOR THE SAKE OF ARGUMENT, THAT HIS NUMBERS ARE CORRECT, IS THE DISCOUNTED RETAIL PRICE ANTICOMPETITIVE?

A. No. The discounted retail price (assumed to be $98.84) is not anticompetitive for two reasons. First, competitors can obtain the services necessary to provide 4-line business basic exchange service by reselling BellSouth's Key Customer promotion at an avoided cost discount. Instead of paying $93.68 for UNE-P facilities, an ALEC can purchase the same

services for $82.23 in the form of resale.[9] Second, even if an ALEC chooses to use the more expensive UNE-P—no doubt because the ALEC receives the benefit of access charges from long distance carriers (IXCs) when it uses UNE-P but not when it uses resale—the $98.84 discounted retail price is not anticompetitive because BellSouth and the ALEC are placed on the same competitive footing. That is, assuming that the TELRIC-based price for the UNE-P represents BellSouth's costs, both the ALEC and BellSouth experience the same costs for use of the UNE-P facilities. Of course, as a business matter, it is possible that neither carrier would find it profitable to supply 4-line service (and no other services) to the customer at this price. But neither carrier intends to do that. Rather, by selling basic exchange service to the customer, BellSouth and the ALEC each expect to provide additional higher-margin services to the customer, including vertical services, toll and exchange access services. On average, BellSouth and an equally-efficient ALEC would find it similarly profitable to provide this bundle of services to the customer.

B. Cross-Subsidization

Q. MR. GILLAN ASSERTS (AT 6) THAT AN ADDITIONAL TEST IS NECESSARY TO GUARD AGAINST CROSS-SUBSIDIZATION OF NON-BASIC SERVICES. DO YOU AGREE?

A. No. In the first place, cross-subsidization of non-basic services is not likely to be a problem in Florida for the reasons outlined in my direct testimony (at 9-10). Second, a proper economic test for cross-subsidy is already part of the Florida Statutes in Section

[9] That is, a 16.81 percent discount off the assumed discounted retail price of $98.84.

364.051(5)(b).

Q. MR. GILLAN PROPOSES A TEST (AT 6-7) THAT BELLSOUTH SHOULD BE REQUIRED TO USE ANNUALLY TO SHOW THAT NONBASIC SERVICES ARE NOT CROSS-SUBSIDIZED BY BASIC SERVICES. IS THIS TEST CONSISTENT WITH THE ECONOMIC TEST FOR CROSS-SUBSIDIZATION OR THE TEST IN SECTION 364.051(5)(B)?

A. No. While the Florida cost standard is consistent with the economic definition of cross-subsidization, there are several differences between Mr. Gillan's proposed test and that defined in the Florida statutes. Section 364.051(5)(b) states that

> The cost standard for determining cross-subsidization is whether the total revenue from a nonbasic service is less than the total long-run incremental cost of the service. Total long-run incremental cost means service-specific volume and nonvolume-sensitive costs.[10]

First, the statute literally applies to a single nonbasic service, while Mr. Gillan wishes to test for cross-subsidy at the aggregate level to ensure that "all nonbasic services cover the total cost of providing such services" (at 6). That difference presents no economic problem: a valid test of cross-subsidy can be conducted for individual services or for any given group of services taken together. Moreover, the Florida standard is readily interpreted in the context of a group of services simply by substituting the phrase "service or group of services" for the word "service."

Second, and more important, Mr. Gillan recommends that the test be based on "a fully-allocated cost study." Mr. Gillan is not specific about the nature of the costs he has in

mind, but the phrase "fully-allocated costs" in telecommunications economics is generally used to mean a top-down cost study based on embedded accounting costs in which total (historical) accounting costs for the firm are first assigned to services on as cost-causal a basis as possible, after which the remaining costs are assigned to services based on some non-cost-causal algorithm. If that type of study is what Mr. Gillan is proposing, it would violate both the Florida statute and established economic principles.

Cross-subsidization is measured using forward-looking incremental costs, not historical accounting costs. What matters in determining whether a service is receiving a subsidy is whether the costs incremental to the decision to provide the service are covered by the incremental revenue from providing the service. Embedded costs play no role in such an analysis.

In addition, fully-allocated costs—of any description—have no place in a cross-subsidy test. The only costs that matter in a subsidy test are those that are causally associated with supplying the service and that would be avoided if the service were discontinued. Even reasonable allocations of fixed costs or common overhead costs to a service have no role in a subsidy test because those costs would be incurred whether or not the service were provided and would still be incurred if the service were discontinued.

Q. MS. KENNEDY (AT 10) CLAIMS THAT WAIVING INSTALLATION CHARGES "INSURES THAT EXISTING CUSTOMERS WILL SUBSIDIZE NEW INSTALLATIONS." DO YOU AGREE?

(...continued)

[10] This measure of cost is also frequently called total *service* long-run incremental cost ("TSLRIC").

A. No. Installation is not a separate service provided in a separate market from basic exchange service. So long as the price of the package of services actually offered to customers (basic exchange service bundled together with installation) meets the relevant price floor, there is no danger of cross-subsidization. In particular, waiving installation charges for new customers does not imply that existing customers are subsidizing new service installations, as alleged by Ms. Kennedy (at 10). If the revenues from basic exchange service and installation equal or exceed the cost of basic exchange service including installation, then no customer or service is being subsidized.

Q. MS. KENNEDY ADDITIONALLY CLAIMS (AT 11) THAT BELLSOUTH DOES NOT WAIVE ITS NON-RECURRING CONNECTION CHARGE TO ALECS, AND THIS FACT ALLEGEDLY "GIVES BELLSOUTH AN ANTICOMPETITIVE ADVANTAGE TO WAIVE THESE CHARGES FOR END-USER CUSTOMERS..." DO YOU AGREE?

A. No. In principle, BellSouth's non-recurring installation charges to ALECs are based on the TELRIC associated with the activity. In addition, as she points out, the ALEC will also incur its own installation costs in establishing service for a customer. The sum of those two costs is part of the incremental cost to the ALEC of providing basic exchange service. BellSouth also incurs costs associated with establishing a retail account, and those costs are part of its cost of providing basic exchange service. If BellSouth thinks new customers can be attracted by reducing or waiving the non-recurring charge, there is nothing in economics (or in the Florida Statutes) that would consider such a package to be anticompetitive, provided the package as a whole passed the relevant price floor test. The ALEC, of course,

is also perfectly free to structure its basic exchange prices as it sees fit, charging up front for installation costs or recovering them over the life of the service. Indeed, in the reasonably competitive long distance market, we observe long distance carriers not merely waiving installation or PIC-change fees but actively writing checks ($75 in my mailbox within the past month in Massachusetts) to induce new customers to subscribe to their service.

III. OTHER RESTRICTIONS ON PROMOTIONS.

A. Discrimination Among Similarly-Situated Customers.

Q. WHAT IS THE JUSTIFICATION IN ECONOMICS FOR CHARGING DIFFERENT CUSTOMERS DIFFERENT PRICES FOR THE SAME SERVICE?

A. Price discrimination in economics is important for at least two reasons. First, in industries like telecommunications which have a high proportion of fixed costs, pricing services at incremental cost will not recover the total cost of the firm. Pricing services differently to differently-situated customers is a useful technique to recover the total cost of the firm while minimizing the effect of pricing above incremental cost on customers' purchase decisions. Second, in economic theory, charging different prices to customers in different groups can increase aggregate economic welfare,[11] depending upon characteristics of demand and cost functions. Circumstances where price discrimination is likely to increase welfare are where total output increases (compared with the outcome when a single price is charged to all

[11] Economic welfare is defined as the sum of consumer surplus and producer surplus. Consumer surplus is the difference between what customers are willing to pay for a service and what they actually pay. Producer surplus is the aggregate profit of firms that produce the service.

customers) and where demand functions are relatively price-inelastic.[12]

Price discrimination is a pervasive feature of the economy and a powerful tool that firms use to compete. One classic example is airline fares in which customers having a high willingness to pay for flexibility (business travelers) are frequently charged much more than vacation travelers who have a much lower willingness to pay. As a result of such price discrimination, many more people fly than would occur if all passengers were charged the same fare.

Q. MR. GILLAN (AT 8-9) RECOMMENDS THAT THE COMMISSION PROHIBIT BELLSOUTH FROM OFFERING PROMOTIONS TO PARTICULAR CUSTOMERS *SOLELY* BECAUSE THEY HAVE CHOSEN TO TAKE SERVICE FROM ANOTHER PROVIDER. ARE CUSTOMERS WHO DIFFER ONLY IN THE CARRIER THEY CHOSE TO PROVIDE SERVICE "SIMILARLY-SITUATED" FROM AN ECONOMIC PERSPECTIVE?

A. Yes. A qualitative economic interpretation of "similarly situated" was given in my direct testimony (at 20-21) which emphasized the importance of both cost and demand characteristics in classifying customers as similarly or differently situated. On that basis, it is not unreasonable to suppose that customers who have actually chosen to leave a supplier have different demand characteristics from those customers who remain. In addition, Mr. Gillan's specific concern applies to winback-type programs, not to the Key Customer

[12] See, *e.g.*, H R. Varian, "Price Discrimination and Social Welfare," *American Economic Review*, Vol 75 (1985), 870-877. A general discussion of the welfare effects of price discrimination is found in D. Carlton and J. Perloff, *Modern Industrial Organization*, Second Edition, New York: Harper Collins (1994) Chapter 11.

promotions that concern us here.

Q. MR. GALLAGHER OPINES (AT 13) THAT BELLSOUTH'S DISCOUNTS ARE ANTICOMPETITIVE BECAUSE BELLSOUTH HAS NOT MADE THEM AVAILABLE TO "ALL CUSTOMERS IN THE BUSINESS CLASS." ARE SUCH PROMOTIONS NECESSARILY ANTICOMPETITIVE OR DISCRIMINATORY?

A. No. Not all business customers in Florida face the same range of choices for services, and it is perfectly reasonable to price and market differently to customers having comparatively more competing alternatives. As Mr. Gillan observes,

> If competitors offer service generally to an area, then BellSouth's competitive responses should be available to the same customer segment, not only to those customers that may have *chosen* an alternative. (at 8-9, emphasis in original).

While Mr. Gillan and I disagree about whether customers who actually choose a competitor's service are similarly-situated to those who do not, apparently we do agree that if ALECS offer a service in a particular geographic area or to a particular set of customers, BellSouth should be allowed to respond by pricing services differently in that geographic area or to that set of customers.

Q. IN ADDITION, EVEN AMONG THE CUSTOMERS ELIGIBLE FOR A BELLSOUTH PROMOTION, MR. GALLAGHER COMPLAINS (AT 14) THAT BELLSOUTH DOES NOT "USE THE SAME MEANS, METHODS AND MATERIALS TO OFFER THE KEY CUSTOMER PROGRAM TO ALL ELIGIBLE CUSTOMERS." SHOULD BELLSOUTH BE REQUIRED TO MARKET ITS PROMOTIONS IN THE SAME WAY TO ALL ELIGIBLE CUSTOMERS?

A. No. In competitive, unregulated markets, efficient firms—large and small—target their marketing efforts and budgets towards those customers from whom the expected return is greatest. To do otherwise would be unprofitable and would waste valuable time and resources. Efficient ALECs presumably do the same. To require BellSouth to market *inefficiently*—to expend the same effort to attract each eligible customer to a promotion—would be discriminatory and wasteful and amount to an anticompetitive strategy of using regulation to raise a rival's costs. BellSouth's costs would be artificially increased since for any level of marketing, BellSouth would have to spend resources where the expected return would be negative. At the end of the day, Florida customers would pay more for the services they receive.

B. Long-Term Contracts

Q. MR. ~~GILLAN~~ Gallagher ASSERTS AT (p. 10) THAT LONG-TERM CONTRACTS WORK AGAINST THE OBJECTIVE OF EFFECTIVE COMPETITION. DO YOU AGREE?

A. No. Long-term contracts can be beneficial to both contracting parties and consumers in general. From an economic perspective, long term-contracts serve several important functions. First, they can reduce the business risk to BellSouth so that an otherwise unprofitable sunk investment in facilities or in a customer relationship might become profitable. Such reductions in risk reduce service prices that customers ultimately pay.

Second, they reduce the business risk of BellSouth's customers, so that investment in facilities or relationships that the customer may make in order to use BellSouth's services might become profitable.

Third, the general public benefits from such contracts because they: (i) promote

continuity between the contracting parties, (ii) reduce transaction costs, and (iii) provide the parties an opportunity to reduce risk and manage their budgets more effectively. By providing both parties an opportunity to plan and reduce uncertainty more effectively, BellSouth's ability to negotiate long-term contracts benefits all Florida customers because reduced uncertainty reduces the overall cost of doing business.

Finally, competitors also offer long-term contracts at a discounted price, and some customers prefer them. The ability to offer similar contracts permits BellSouth to obtain *some* retail contribution from those customers who otherwise would choose a competitor's service and supply no contribution to BellSouth.[13] While the contribution is less than what BellSouth would receive if the customer simply purchased services out of the tariff, customers currently have a choice of suppliers, and the contribution BellSouth receives from its long-term contracts is more than it would receive if it did not offer those services.

Q. HOW DOES A REDUCTION IN UNCERTAINTY REDUCE COSTS?

A. At a minimum, the selling firm gains more control over its long term planning process, and the buying firm enjoys more control over its long term budget. Consequently, long-term contracts are commonly used in unregulated competitive markets.

Production decisions—such as how much and what kind of capital equipment is required to fulfill demand—are primarily responsible for the level of a firm's capital expenditures. For capital-intensive production processes such as telecommunications, capital costs generally constitute the majority of all costs incurred. The more certain

[13] Because of the fixed cost markup in the TELRIC rates, BellSouth would receive some contribution when it supplied UNEs to a competitor rather than the retail service to a customer.

managers can be about the likely demand for output, the more efficient they can be about acquiring and deploying capital and designing plant to accommodate demand. In particular, certainty regarding the facilities required at particular locations is valuable because, once placed, important types of telecommunications equipment cannot economically be moved: for example, high capacity distribution plant serving a particular customer might not be reusable if that customer switched its service to another facilities-based supplier. Alternatively, in the face of great uncertainty about future demand, a firm is left to take its best guess, place capital accordingly and attempt to set prices to recover its costs. Anything that reduces uncertainty for the selling firm (i.e., a long-term contract for the exchange of a given amount of service over a specified period of time) increases the efficiency with which managers can make decisions about the production process, reducing the firm's production costs and, ultimately, its prices.

The buying firm also benefits from a reduction in uncertainty. The buying firm is acquiring inputs (i.e., telephone services) to its production process and for reasons similar to those above will benefit from the knowledge that services will be available at a known prices for a given number of years. The buyer may have to purchase equipment and install complex wiring whose design depends on the service provided by BellSouth, and its business case for the service is very different if the terms and conditions of BellSouth's service are known in advance for some period of time. Just like the selling firm, the buying firm can more effectively plan its production costs and thus more able to reduce its cost of production and increase its margin on each unit of output it provides to its customers.

Q. IS THE EXTENDED-TERM NATURE OF THE CONTRACT NECESSARY TO

ACHIEVE THESE BENEFITS?

A. Yes, in the example discussed above. Without a known term of service over which BellSouth can be reasonably sure of providing service, there would be no reduction in its risk and thus no associated reduction in its costs or prices. Additionally, reducing customer churn through contracts can reduce sales and marketing costs. Similarly, from the customer's perspective, an extended term contract reduces the risk and associated costs from market changes.

Q. DO LONG-TERM CONTRACTS HINDER THE DEVELOPMENT OF COMPETITION, AS SUGGESTED BY MR. ~~GILLAN~~ Gallagher 16 (AT 9)?

A. No. As discussed above, some buyers prefer having the option of signing an extended-term contract in addition to purchasing services from the tariff. The availability of extended-term contracts simply changes the nature of competition for business telecommunications users, expanding the range of services available to customers to include a class of options that some customers find attractive.

Thus, all competitors—ILECs and ALECs alike—should be free to offer the same mix of spot and extended-term contracts. Going forward, BellSouth has no inherent advantage in marketing extended-term contracts to such customers. Contracts expire and new customers come into the market constantly. Extended-term contracts, by themselves, do not reduce the degree of competitive rivalry in the market; they merely extend that rivalry to include an option that many customers value—volume and term commitments in exchange for lower prices.

Because markets have been opened to competition, business customers do not have

to wait for competition or sacrifice profits. Competitors provide contract services today to such customers. If BellSouth is prevented or restricted from selling extended-term contracts in this market, business customers may not receive the lower prices their demand and cost structures would otherwise warrant, and BellSouth would be unable to serve such customers. In addition, it would be poor public policy to require BellSouth to compete for such customers by selling its tariffed services while competitors are free to write long-term contracts. That type of competition is patently inefficient, and it is ultimately customers who pay to support inefficient competitors through higher prices.

C. Duration and Frequency of Promotional Offers.

Q. MR. GALLAGHER (AT 18-19) RECOMMENDS THAT THE KEY CUSTOMER PROMOTION BE LIMITED TO 90 DAYS AND THAT BELLSOUTH BE ENJOINED FROM REPEATING IT FOR AT LEAST A YEAR. ARE THESE ECONOMICALLY REASONABLE RESTRICTIONS?

A. No. As I stated in my direct testimony (at 17-18), as long as the promotional prices proposed meet the Florida price floor standards, such prices are procompetitive, not anticompetitive, and the more flexibility BellSouth has to propose them, the more vigorous competition will be in Florida and the better off Florida customers.

The same point is recognized in the Florida statutes, which explicitly recognize the importance to a firm of being able to respond to its competitors' offerings:

> Nothing contained in this section shall prevent the local exchange telecommunications company from meeting offerings by any competitive provider of the same, or functionally equivalent, nonbasic services in a specific geographic market or to a specific customer by deaveraging the price of any nonbasic service, packaging nonbasic services together or with basic services, using volume

discounts and term discounts, and offering individual contracts. [Section 364.051(5)(A)]

Mr. Gallagher does not propose that comparable restrictions be imposed on the promotions of ALECs, so each ALEC is free to choose the duration and frequency of its promotional campaigns. If BellSouth is to be free to meet such offerings, it must have the same flexibility to choose the duration and frequency of its promotions. Moreover, even if ALEC promotions were restricted in duration and frequency, the fact that there are many competitors in Florida local exchange markets means that restrictions on the duration and frequency of any firm's promotions would be a serious competitive disadvantage, and if applied widely would eviscerate the competitive process in Florida.

Finally, BellSouth makes promotions that extend beyond 90 days available for resale at the Florida avoided cost discount, so that longer promotions are treated as effective price reductions from the perspective of an ALEC competitor.

D. Competitive Parity and Asymmetric Regulation

Q. MS. KENNEDY OBSERVES (AT 7) THAT "BELLSOUTH PROMOTIONS SERIOUSLY HAMPERED NTC'S ABILITY TO COMPETE IN THE MARKETPLACE." SHE GOES ON TO NOTE THAT NTC'S MARGINS WERE REDUCED IN RESPONSE AND THAT "A NEWLY COMPETITIVE COMPANY IS SEVERELY HAMPERED WHEN IT MUST CUT PROFIT MARGIN TO THE BONE TO COMPETE WITH A MONOPOLY THAT HAS VASTLY GREATER RESOURCES." ARE THESE GOOD ECONOMIC REASONS FOR CURTAILING BELLSOUTH'S USE OF PROMOTIONS?

A. No. On the contrary, as long as BellSouth's prices meet the appropriate Florida price floor standards (discussed above), this sequence of events is precisely what competition is intended to do to benefit Florida customers. There is no provision in the Telecommunications Act of 1996 or the Florida statutes (as I read them as an economist) that endows an entrant with any kind of temporary respite from competition until it can evolve from "a newly competitive company" to "[a]n established company [that] may be able to succeed with slim margins." (Kennedy at 7). History has not been kind to temporary "infant industry" policies that favor new entrants until (some day) they can develop into fully competitive adults: (i) they ossify into permanent policies and (ii) they allow inefficient firms to persist in the market. Regulated competition of this sort is not a competitive process from which customers in Florida are likely to benefit.

Q. MR. GALLAGHER (AT 7-8) ALSO OBSERVES THAT "AT AN ALEC SPECIFIC LEVEL, THE IMPACT OF BELLSOUTH'S DISCOUNTS CAN BE EXTREMELY HARMFUL WHEN AN ALEC LOSES EXISTING CUSTOMERS." HE OBSERVES (CORRECTLY) THAT SUCH PROMOTIONS CAN REDUCE ALEC GROWTH RATES AND DISCOURAGE ALEC INVESTMENT. IS THIS A REASON TO RESTRICT BELLSOUTH PROMOTIONS?

A. No. Losing customers (or not) is the essence of the competitive process, and ALECs cannot be inoculated against such outcomes without making a mockery of the competitive process.

In any event, BellSouth's promotions have not prevented the ALECs from doing quite well in local telecommunications markets in Florida. In 2002, ALECs serve approximately 33 percent of business access lines in BellSouth's territory and, obviously, ILECs in Florida

have lost far more access lines in the urban wire centers where ALECs have concentrated their efforts. Nothing in the overall record of growth in local competition in Florida suggests that recent BellSouth promotions have impeded the ALECs ability to compete, much less brought competition to a halt.

Moreover, Mr. Gallagher gets it right when he points out (at 9), that "the public interest demands that ALECs at least be protected from…anticompetitive conduct." However, public policy also demands that the regulator do no more than that. Provided BellSouth's prices meet the established Florida standards, the competitive process is best served by minimal regulatory intervention. It would be unthinkably disruptive and counterproductive if the regulator in Florida were required to assure that BellSouth marketed equally (whatever that might mean) to all Florida customers eligible for a promotion, or to judge whether a promotion was new or simply a variant of an existing promotion. Firms in unregulated, competitive markets come up with ingenious, inventive ideas to package and price products to attract particular customer groups and encourage them to use more services and spend more money. These promotions make consumers better off, but if competitor complaints and regulatory hearings can be used to prevent or delay their implementation, the competitive process and Florida consumers will suffer.

Q. MR. GALLAGHER (AT 15) PROPOSES THAT BELLSOUTH PROMOTIONS BE SHARPLY RESTRICTED UNTIL ALECS HAVE ACHIEVED "MEANINGFUL MARKET SHARE IN BELLSOUTH TERRITORY." IS THIS AN ECONOMICALLY SOUND PROPOSAL?

A. Quite the contrary. First, by preventing discounts greater than 10 percent off of tariffed

rates, Mr. Gallagher would deny Florida consumers significant price competition. A common characteristic of prices in unregulated, competitive markets—particularly where the technology is characterized by a high proportion of fixed costs—is for list or tariffed prices to remain comparatively high while firms compete on price by offering packages and targeted discounts. This pattern was certainly observed in long distance telecommunications markets in the U.S. where basic prices increased and long distance carriers competed by moving customers to discount packages. If Mr. Gallagher's suggestion were adopted, BellSouth's tariffed prices would become the price umbrella for Florida local exchange markets under which inefficient ALECs could serve profitably (though at high cost) and efficient ALECs could earn supranormal profits. Consumers would suffer.

Second, tying this pricing restriction to loss of market share would distort incentives to compete in Florida. Market shares are supposed to be an *outcome* of the competitive process: do well, satisfy customers, reduce costs and prices, and you will be rewarded by attracting more customers and ultimately higher profits. Penalizing one firm based on its market share confuses these incentives. Moreover, picking a critical market share (say 40 percent) implies that Florida believes such a distribution of the market would be desirable. While unregulated, efficient competition could create a market with many competitors and no firm with a dominant market share and solve many regulatory problems, that fact alone does not mean that an *artificial* process that handicaps one firm until some desired division of the market would also solve regulatory problems or serve the interests of consumers.

In short, specifying a desired outcome of the competitive process in which many ALECs can successfully compete is the very opposite of competition. An unregulated monopoly market would probably be better for consumers than regulated competition under

a market allocation scheme such as Mr. Gallagher proposes.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BY MS. WHITE:

Q And, Doctor Taylor, you did not have any exhibits to your rebuttal testimony, is that correct?

A Correct.

Q Would you please give your summary at this time?

A Sure. Good morning, Madam Chairman, Commissioners. We are here about a promotion. In economics a promotion is just a form of price flexibility. They are often temporary, they are designed typically to gain new customers, to win back customers that have been lost, to retain customers who haven't yet been lost, to sell additional services, and to learn more about the market. BellSouth's Key Customer plan is designed to meet some of these objectives, and it is important to keep in mind that promotions are common in competitive markets, and promotions which lower prices to customers are one of the important benefits of competition.

Promotional offerings, particularly those offering price discounts to specific customers or specific sets of customers are sometimes alleged to be anticompetitive merely because the resulting prices are lower than they otherwise would be. Now, it is one thing for competitors to feel aggrieved by promotional prices that are provably anticompetitive. It is a very different thing, however, to object to such prices simply because competitors find it hard to match them, or to earn the profit margins they had

anticipated in the absence of the promotion.

And economic theory tells you how you distinguish between anticompetitive promotional prices and procompetitive promotional prices, ones that are fair to both competitors and to customers. Fair to competitors and to customers. Well, a price is fair to competitors as long as it is not anticompetitive. And in Florida the statutes tell what you that is. Section 364.051(5) and 364.3381 of the Florida Statutes tell you or provide protections against anticompetitive pricing in the forms of predatory pricing and cross-subsidy through TSLRIC price floors.

A third form of anticompetitive pricing, a price squeeze, is prevented by an imputation price floor that BellSouth should apply in certain circumstances but not here. BellSouth's duty to make its promotional offerings that are greater than 90 days duration available for resale is a sufficient safeguard against anticompetitive pricing including a price squeeze, a fact that the FCC has explicitly recognized.

BellSouth's Key Customer plan satisfies all the price floor requirements and is available for resale at the established discount. Well, that is fair to competitors. Fair to customers, a price is if it doesn't discriminate among customers that are similarly situated. It doesn't unduly discriminate.

Price discrimination occurs in perfectly workably

competitive markets. And it can be efficient and promote social welfare as long as the customer is being charged different prices are in different objective circumstances. You can't fly on an airplane these days without recognizing what price discrimination has done for an industry. There are a lot of people flying now very cheaply and some people flying very expensively, and it has expanded demand and it has made customers much, much better off than they would be if everybody paid the same price.

Customers with similar willingness to pay similar price elasticity to demand for a service or facing similar competitive alternatives in the same geographic market are similarly situated from an economist's point of view for judging whether price discrimination is likely to be procompetitive and proconsumer. For BellSouth's Key Customer plan, similarly situated consumers are those for whom BellSouth faces competition from rivals offering substitute services. Those customers, however, are not similarly situated to BellSouth's other customers who don't have the same set of competitive options.

Now, just like its regularly tariffed services, if BellSouth's Key Customer offering is priced according to these two principles, it ought to be fair both to competitors and to consumers. Lowering the price temporarily to some customers or under certain conditions does no harm to equally or more

efficient competitors if that price doesn't fall below an applicable price floor. Such price reductions are the essence of competition and restrictions on any firm's ability to undertake some forms of competition are likely to result in higher prices and make consumers worse off.

In this proceeding the Commission is being urged to impose additional restrictions on BellSouth's ability to compete through temporary promotions, or targeted price reductions, bundling of services, term and volume discounts. These proposals include price limitations like excessive price floors, nonprice limitations as a redefinition of what it means for customers to be similarly situated, restrictions on the size and terms of volume discounts, absolute limitations on the size of allowable discounts tied to BellSouth's loss of market share, limits on the duration and frequency of BellSouth promotions.

In my view from an economic perspective these restrictions are anticompetitive, if imposed would eviscerate the competitive process in Florida. With respect to constraints on BellSouth's ability to reduce prices, the Commission ought to be always skeptical of anybody, BellSouth or an ALEC who comes before you proposing to prevent customers from reducing prices.

Restricting anyone by an excessive price floor or a limitation on the size of a discount immediately reduces

consumer welfare. It holds prices up, it creates a pricing umbrella which restricts competition, protects inefficient competitors, takes the pressure off of everybody. Florida Statutes clearly express standards for preventing price squeezes and cross-sudsidies and permitting prices that don't fall into that category.

For nonprice restrictions, Florida Statutes emphasize the importance of pricing and product flexibility including geographic and customer deaveraging, contracts packaging, bundling, volume and term discounts as long as the result is not anticompetitive and does not unreasonably discriminate among similarly situated customers. To balance these requirements we can rely on the Florida Statutes and a market-based definition of similarly situated customers.

Finally, it is important to remember that consumers benefit from competition not just because they get to switch to other lower priced or high quality suppliers, but also they receive better services, better packages of services at lower prices from their incumbent supplier even if they don't switch. So the benefits of competition are not measured by how many customers shift to finding service from ALECs, it is what has happened to price and quality in the packages that everyone in the market offers.

That concludes my summary.

MS. WHITE: Doctor Taylor is available for cross.

MR. FEIL: No questions.

CHAIRMAN JABER: Staff.

CROSS EXAMINATION

BY MS. BANKS:

Q Good morning, Doctor Taylor.

A Good morning, Ms. Banks.

Q My name is Felicia Banks and I have just a few questions on behalf of the Commission. In your summary you stated that discounts are usually temporary. If at the expiration of the discount term another similar or identical discount offering is offered, would this still be considered temporary?

A Well, technically sure, in the sense that in the documents that are filed with the Commission there is a time schedule attached to it, so it would expire at the date that it is so stated. If BellSouth wants to lower prices permanently to a group of customers or something, it can do that, as well, it just has to file a slightly different tariff.

Q Okay. I wanted to follow-up on a question that I asked of Professor Pitofsky. Could you just give me what your idea is of predatory pricing?

A Well, I speak from an economist point of view, and it is very close to what Professor Pitofsky said. It is pricing below average variable cost is the antitrust standard. The economic standard is close to that, as well, short run

incremental cost. I guess what I would add to that, though, is that is not dispositive from an economic point of view, but it is a place where if you see it you ought to go look for something else.

There are a lot of reasons why one might price below average variable cost in the expectation, for example, of making money in the long run; that is, giving free service for a month to sign up somebody new is something that banks do all the time. You get a toaster if you move your money to First Federal. And for the first month that doesn't cover the average variable cost. Yet the bank is certainly doing it in order to make money. It is not doing it in a predatory fashion in order to drive other banks out of business.

So I guess I would add that pricing below what appears to be average variable cost is a sign that you ought to look at it carefully, but it by itself is not dispositive. The other element of predatory pricing, as Professor Pitofsky said, is there has to be the ability to recoup the investment in below cost pricing. That is you have to be able to tell a story that says I can drive these guys out of the market and then I can raise my price back up. They can't get in because of barriers to entry, and I will make money on the deal. There has to be that story, as well.

Q Doctor Taylor, I believe you have already alluded to this, but if you could just clarify for me what you would

consider to be the appropriate cost standard to use in the BellSouth Key Customer promotional tariffs? I guess, in other words, what I am getting to is should this Commission consider TELRIC marginal cost or average cost to determine if BellSouth's Key Customer tariffs are anticompetitive?

A Well, if you remember my answer went to incremental cost, which isn't that different from average variable cost, which is what Professor Pitofsky said is the antitrust standard. Not average total cost, but average variable cost. So the fixed costs are out of it. And in my experience in telecommunications we usually look at long-run incremental costs. Not TELRIC. Let's hold TELRIC off for a moment. But at the incremental cost including capacity costs, including capital costs for network which is long-run incremental cost. And that is the standard you would use for asking whether a particular price of a particular element of a service was compensatory or not.

Q Give me one moment, Doctor Taylor. Doctor Taylor, just to follow up on my initial question regarding what you would consider to be temporary in terms of a discount offering, I guess in a typical scenario BellSouth would generally have a tariff offering and before that tariff offering expired they will actually file a subsequent or another tariff offering that would more or less continue the existing tariff. Is that in your view considered to be a temporary as you use it in the

term of discount offerings?

A Yes, I think it is because it has a finite life. That is if nothing else happens on some date it is going to expire. We have to be a little careful. There is a distinction that the FCC makes between temporary less than 90 days and temporary greater than 90 days, or tariffs greater than 90 days; that is, a promotion less than 90 days doesn't have to be resold, but a promotion which extends greater than 90 days does. And in that sense, since BellSouth does -- I mean, 90 days isn't an issue in this case. BellSouth resells, offers to resale Key Customer service, that issue doesn't come up. But in plain English language, I think a tariff with a specific drop dead date I would call temporary.

Q So conceivably BellSouth could have a tariff offering that could continue successively with additional filings that could go up to three years, is that your understanding? Is that a correct understanding of what you consider to be temporary?

A I don't know about the law in Florida, but it meets my definition of temporary. And if you somehow restricted them from doing it, you know, saying if you are going to have a tariff which goes on for three years you have to say so at the beginning and you can't stretch out three tariffs each of a year in length, I think that is a bad restriction on BellSouth's ability to compete. I mean, maybe if they had to

make a tariff available for the next three years at a reduced price they wouldn't want to do it. But they are perfectly happy to do it because they can see for a year out this makes sense and then we will look at the market a year out and see if it makes sense to continue. It is just additional flexibility which, believe me, in a telecommunications market like we have today is really important. You can commit to things in a short time period that you can't commit to if you have to commit forever.

MS. BANKS: Thank you, Doctor Taylor. Staff has nothing further.

CHAIRMAN JABER: Commissioners. Redirect.

MS. WHITE: No redirect. Thank you.

CHAIRMAN JABER: Thank you. Thank you, Doctor Taylor. And exhibits.

MS. WHITE: BellSouth would move Exhibit 29.

CHAIRMAN JABER: Without objection, Exhibit 29 is admitted into the record.

(Exhibit 29 admitted into the record.)

CHAIRMAN JABER: And by my calculation that was the last witness.

Staff, what is the schedule for the rest of the case?

MS. BANKS: Briefs are due April 1st.

CHAIRMAN JABER: On April Fool's Day? We should delay it a day just because. Okay. Briefs are due April 1st.

Staff recommendations?

MS. BANKS: May 8th.

CHAIRMAN JABER: And agenda?

MS. BANKS: May 20th.

CHAIRMAN JABER: Great. Anything else we need to take up this morning?

MS. BANKS: Madam Chair, the only thing is to remind BellSouth about staff's late-filed hearing exhibit.

CHAIRMAN JABER: Due a week from today.

MS. WHITE: And if we can get it in earlier we will sure try to do that.

MS. BANKS: Thank you.

CHAIRMAN JABER: Sounds great. This concludes the hearing. Thank you, parties.

(The hearing concluded at 10:22 a.m.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 27th day of February, 2003.

JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732

EXHIBIT NO. _____

DOCKET NOs.: 020119-TP & 020578-TP

WITNESS: Stip-1

PARTY: STAFF

DESCRIPTION: BellSouth Responses to Staff Interrogatories (Public)

1.	BellSouth Responses to Staff's 1st Set of Interrogatories, Items 1-3	Page 1
2.	BellSouth Responses to Staff's 2nd Set of Interrogatories, Items 4-6	Page 4
3.	BellSouth Responses to Staff's 3rd Set of Interrogatories, Items 7-14	Page 15
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PROFFERING PARTY: STAFF

I.D. #_____

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 1
COMPANY/ WITNESS: BellSouth/F.P.S.C Staff Stip
DATE: 02/19/03

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer promotional tariffs and for Investigation of BellSouth's promotional pricing and marketing practices, by Florida Digital Network, Inc.	Docket No. 020119-TP
	Filed: March 26, 2002

BELLSOUTH TELECOMMUNICATIONS, INC.'S RESPONSES AND OBJECTIONS TO STAFF'S FIRST SET OF INTERROGATORIES (NOS. 1-3) AND FIRST REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 1-4)

BellSouth Telecommunications, Inc., ("BellSouth") pursuant to the Order to Initiate Expedited Discovery Procedure (Order No. PSC-02-0331-PCO-TP), attaches its responses to the Staff of the Florida Public Service Commission's ("Staff") First Set of Interrogatories (Nos. 1-3) and First Request for Production of Documents (Nos.1-4), both dated March 14, 2002.

INTERROGATORIES

1. Page 7 of BellSouth's Response to FDN's Petition states, in part, that " . . . any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program." Since the effective date of BellSouth's 2002 Key Customer tariff, please identify the number of new customers that have signed contracts to participate in this program.

Objection: In light of the inordinate and burdensome amount of time (and the associated expense) that would be involved in separating the 2002 Key Customer participants into the category requested in Interrogatory No. 1, BellSouth respectfully objects to this Interrogatory on the grounds that responding to it would be unduly burdensome and expensive. Without waiving this objection, BellSouth intends to produce, pursuant to the Staff's Subpoena, a

copy of each signed contract with customers pursuant to BellSouth's 2002 Key Customer tariff from January 31, 2002 to March 18, 2002.

Response: BellSouth reiterates its objection to Interrogatory No. 1.

2. Page 7 of BellSouth's Response to FDN's Petition states, in part, that " . . . any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program." Since the effective date of BellSouth's 2002 Key Customer tariff, please identify the number of returning customers that have signed contracts to participate in this program.

Objection: In light of the inordinate and burdensome amount of time (and the associated expense) that would be involved in separating the 2002 Key Customer participants into the category requested in Interrogatory No. 2, BellSouth respectfully objects to this Interrogatory on the grounds that responding to it would be unduly burdensome and expensive. Without waiving this objection, BellSouth intends to produce, pursuant to the Staff's Subpoena, a copy of each signed contract with customers pursuant to BellSouth's 2002 Key Customer tariff from January 31, 2002 to March 18, 2002.

Response: BellSouth reiterates its objection to Interrogatory No. 2.

3. Page 7 of BellSouth's Response to FDN's Petition states, in part, that " . . . any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program." Since the effective date of BellSouth's 2002 Key Customer tariff, please identify the number of existing customers that have signed contracts to participate in this program.

Objection: In light of the inordinate and burdensome amount of time (and the associated expense) that would be involved in separating the 2002 Key

Customer participants into the category requested in Interrogatory No. 3, BellSouth respectfully objects to this Interrogatory on the grounds that responding to it would be unduly burdensome and expensive. Without waiving this objection, BellSouth intends to produce, pursuant to the Staff's Subpoena, a copy of each signed contract with customers pursuant to BellSouth's 2002 Key Customer tariff from January 31, 2002 to March 18, 2002.

Response: BellSouth reiterates its objection to Interrogatory No. 3.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer promotional tariffs and for Investigation of BellSouth's promotional pricing and marketing practices, by Florida Digital Network, Inc.	)	Docket No. 020119-TP
	)	Filed: March 28, 2002

BELLSOUTH TELECOMMUNICATIONS, INC.'S RESPONSES AND OBJECTIONS TO STAFF'S SECOND SET OF INTERROGATORIES (NOS. 4-6) AND SECOND REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 5 & 6)

BellSouth Telecommunications, Inc., ("BellSouth") pursuant to the Order to Initiate Expedited Discovery Procedure (Order No. PSC-02-0331-PCO-TP), attaches its responses to the Staff of the Florida Public Service Commission's ("Staff") Second Set of Interrogatories (Nos. 4-6) and Second Request for Production of Documents (Nos.5 & 6), both dated March 18, 2002.

GENERAL OBJECTIONS

1. BellSouth objects to the interrogatories and requests to the extent they seek to impose an obligation on BellSouth to respond on behalf of subsidiaries, affiliates, or other persons that are not parties to this case on the grounds that such interrogatories and requests are overly broad, unduly burdensome, oppressive, and not permitted by applicable discovery rules.

2. BellSouth objects to the interrogatories and requests to the extent they are intended to apply to matters other than Florida intrastate operations subject to the jurisdiction of the Commission. BellSouth objects to such interrogatories and requests as being irrelevant, overly broad, unduly burdensome, and oppressive.

3. BellSouth objects to each and every interrogatory and request and instruction to the extent that such requests or instruction calls for information that is exempt from discovery by virtue of the attorney-client privilege, work product privilege, or other applicable privilege.

4. BellSouth objects to each and every interrogatory and request insofar as the interrogatories and requests are vague, ambiguous, overly broad, imprecise, or utilizes terms that are subject to multiple interpretations but are not properly defined or explained for purposes of these interrogatories and requests. Any answers provided by BellSouth in response to the interrogatories and requests will be provided subject to, and without waiver of, the foregoing objection.

5. BellSouth objects to each and every interrogatory and request insofar as it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this action. BellSouth will attempt to note in its responses each instance where this objection applies.

6. BellSouth objects to providing information to the extent that such information is already in the public record before the Commission.

7. BellSouth objects to Staff's discovery requests, instructions and definitions, insofar as they seek to impose obligations on BellSouth that exceed the requirements of the Florida Rules of Civil Procedure or Florida Law.

8. BellSouth objects to each and every interrogatory and request, insofar as any of them are unduly burdensome, expensive, oppressive, or excessively time consuming as written.

9. BellSouth is a large corporation with employees located in many different locations in Florida and in other states. In the course of its business, BellSouth creates countless documents that are not subject to Commission or FCC retention of records requirements. These documents are kept in numerous locations that are frequently moved from site to site as employees change jobs or as the business is reorganized. Therefore, it is possible that not every document has been identified in response to these requests. BellSouth will conduct a search of those files that are reasonably expected to contain the requested information. To the extent that the requests purport to require more, BellSouth objects on the grounds that compliance would impose an undue burden or expense.

INTERROGATORIES

BellSouth Telecommunications, Inc.
Florida Public Service Commission
Docket No. 020119-TP
Staff's 2nd Set of Interrogatories
March 18, 2002
Item No. 4a

REQUEST: On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers." In BellSouth's Response, BellSouth states that "..any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program."

a) What type of marketing (newspapers, television, radio, mailings, bill stuffers, telemarketing, or other) of the Key Customer Program is being offered to business customers in the designated wire centers?

RESPONSE: In Florida, since January 31, 2002, BellSouth has utilized Direct Mail, Letter/On-premise letter, Print, and Radio advertising to market the Key Customer Program.

RESPONSE PROVIDED BY: Kristina Carter
Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers." In BellSouth's Response, BellSouth states that "..any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program."

b) Which business customers are targeted in the marketing of the Key Customer Program?

RESPONSE: BellSouth targets new and existing business customers that meet the eligibility requirements in the marketing of the Key Customer Program.

RESPONSE PROVIDED BY: Brent Mlott
Director
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers." In BellSouth's Response, BellSouth states that "..any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program."

c) Are existing BellSouth customers contacted regarding the Key Customer promotion? If not, how would they find out about it?

RESPONSE: Yes.

RESPONSE PROVIDED BY: Brent Mlott
Director
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers." In BellSouth's Response, BellSouth states that "..any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program."

d) Which BellSouth office handles marketing of the Key Customer Program?

RESPONSE: All Sales channels handle marketing of the Key Customer Program, which includes the following:

- Inbound Small Business Telemarketing Center (SBTC)
- Outbound Telemarketing
- Outbound Mid-Market
- Telesales, Account Management Center (AMC)

RESPONSE PROVIDED BY: Brent Mlott
Director
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers." In BellSouth's Response, BellSouth states that "..any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program."

e) Does BellSouth have a SME on the Key Customer Program? If so, who?

RESPONSE: Yes, Carlos Garcia

OBJECTION: BellSouth objects to this portion of the Interrogatory pursuant to the attorney-client privilege and work-product doctrine.

REQUEST: On page 6, paragraph 16, of FDN's petition, FDN alleges that BellSouth targets market customers that intend to leave BellSouth. The petition goes on to state "The ALECs have experienced instances where BellSouth contacts customers about promotions when the customer has initiated account activity with BellSouth necessary to initiate a carrier change (e.g., changing or correcting a customer service record (CSR), as well as at times suspiciously coincident to the CLEC's submitting a CSR request or local service request (LSR) to BellSouth."

a) When a customer initiates account activity which may lead to losing that customer to an ALEC, does BellSouth immediately contact that customer to attempt to retain the customer with a promotion? If not, at what point in time does BellSouth attempt to retain or win back this customer?

RESPONSE: No, in Florida BellSouth waits three to seven weeks after a disconnect order completes before contacting a customer.

RESPONSE PROVIDED BY: Tamra Schoech
Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: On page 6, paragraph 16, of FDN's petition, FDN alleges that BellSouth targets market customers that intend to leave BellSouth. The petition goes on to state "The ALECs have experienced instances where BellSouth contacts customers about promotions when the customer has initiated account activity with BellSouth necessary to initiate a carrier change (e.g., changing or correcting a customer service record (CSR), as well as at times suspiciously coincident to the CLEC's submitting a CSR request or local service request (LSR) to BellSouth."

b) Have regulatory authorities in other states in BellSouth's territory placed any time restrictions on when BellSouth may contact former or soon-to-be-former customers about its promotional programs?

RESPONSE: Yes. The following waiting period after disconnection applies before attempting to reacquire a customer:

- Georgia and Louisiana — 7 Days
- South Carolina — 10 Days
- Alabama, Florida, Kentucky, Mississippi, North Carolina, and Tennessee — 0 Days

RESPONSE PROVIDED BY: Brent Mlott
Director
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: The 2002 Key Customer Program promotion offers a 100% discount on rotary service for a contract period of 36 months, and no connection charges. Does BellSouth believe this 100% discount, with no connection charges is allowable given the language in Section 364.08, Florida statutes regarding free service? If so, why?

RESPONSE: Yes, because the promotion as a whole covers cost. Please see the confidential cost study produced in Staff's 1st Request for Production of Documents, Docket No. 020119-TP, Item No. 4. Additionally, rotary service (hunting) is not a stand-alone service and must be purchased with another service.

RESPONSE PROVIDED BY: Brent Mlott
Director
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: In answer to Item 4c of Staff's Second Set of Interrogatories, dated March 18, 2002, BellSouth stated that existing BellSouth customers are contacted regarding the Key Customer Program Promotion.

Are all existing customers located in the "hot wire centers" notified of the Key Customer Program Promotion? If not, how does BellSouth determine which business customers are targeted for promotion?

RESPONSE: BellSouth's tariff filing provides notice of the Key Customer Program Promotion to all Florida customers. While BellSouth cannot state with certainty that it contacts all of its existing customers who are potentially eligible for the Promotion, it is BellSouth's intention and desire to contact as many of such customers as possible. Toward that end, BellSouth extensively markets the Promotion to potentially-eligible customers, including existing BellSouth customers. In addition to the methods identified in BellSouth's response to Staff's Request for Production No. 5, BellSouth informs existing customers of the Promotion through outbound calling and direct mail campaigns. Potentially eligible customers calling into BellSouth's inbound centers are also notified of the Program.

RESPONSE PROVIDED BY: Amy Britt
Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: In answer to Item 4e of Staff's second set of Interrogatories, dated March 18, 2000, BellSouth identified Carlos Garcia as the SME for the Key Customer Program.

What is the business address and phone number for Mr. Garcia?

RESPONSE: Carlos Garcia
600 NW 79th Avenue
Miami, Florida 33126
305-260-8065

Any contact with Mr. Garcia should be made through counsel for BellSouth.

REQUEST: In answer to Request No. 5 of Staff's Second Request for Production of Documents Interrogatories, dated March 18, 2002, BellSouth provided samples of the Key Customer Program marketing. In the footnotes to many of the flyers, it stated that the Key Customer Program is "Available to new and existing BellSouth Small Business customers-in-specific area of GA and FL-without current volume, term, or other contracts."

Which existing BellSouth Small Business customers would not have current volume, term, or other contracts?

RESPONSE: Many existing BellSouth Small Business Services customers purchase all of their BellSouth services at tariffed rates on a month-to-month basis. These customers would not have current volume, term, or other contracts.

RESPONSE PROVIDED BY: Amy Britt
Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: Pursuant to the BellSouth tariff (T-020035), " Customers with Analog Private Line services are not eligible for this promotion."

Please describe and identify by Uniform Service Order Code (USOC) each "Analog Private Line service."

RESPONSE: BellSouth objects to this Interrogatory to the extent that it suggests that any given USOC constitutes a service. Many USOCs are associated with features or component parts of an overall service. For instance, S5DBD (Dual Tone Multifrequency pulsing option on DID) is not a service in and of itself – it is a feature that is used in conjunction with DID lines. Accordingly, many services have multiple USOCs associated with them. BellSouth further objects to identifying and describing each and every Uniform Service Order Code ("USOC") that is or could be associated with any given analog private line service on the grounds that doing so would be unduly burdensome. Without waiving that objection, however, BellSouth responds that generally, analog private line services are point to point or multipoint circuits for the exclusive use of a customer. Analog private line services are comprised of one or more of the following USOCs: 1RSD3, 1RSD9, 1SE6Q, 1SE6X, 1SE6Y, 3LBBS, P1JAX, SAU, SL5 and several USOCs that begin with P2J.

REQUEST: For the customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3, how many customers, if any, subscribe to one or more of the services identified in response to Interrogatory 10?

RESPONSE: BellSouth incorporates its objections to Interrogatory No. 11 herein by reference. Without waiving those objections, BellSouth responds that no more than 77 of the several thousand customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3 subscribe to services that involve one or more USOCs that are associated with analog private line services. BellSouth is in the process of reviewing the records of each of these customers to determine whether they do, in fact, have analog private line service at a location that is receiving discounts under the 2002 Key Customer Promotion. To the extent that this is the case, BellSouth will contact the customer, explain that BellSouth mistakenly enrolled a location that has analog private line service in the 2002 Key Customer Promotion, and give the customer the option of either removing the analog private line service at such location or terminating its Key Customer contract without termination charges.

REQUEST: If the response to Interrogatory 11 is greater than zero, please provide a detailed listing by type, quantity, and USOC of all services provided to each such customer.

RESPONSE: BellSouth objects to this Interrogatory on the grounds that complying with it would be unduly burdensome. The process of developing a response to Item No. 11 was, in and of itself, a difficult and time-consuming process. In order to provide the information requested for each of the 77 customers referenced in response to Item No. 11, BellSouth would have to write a computer query that would search the individual records of each of those customers and extract every USOC (and the units of each USOC provided) for each customer. In addition to the cost and time associated with writing that query, it would take approximately two days for that query to run and generate results. Once the results are obtained, it would take additional time and expense to organize that data into usable formats. Alternatively, BellSouth would have to perform a manual search of each and every one of the 77 customer's records to extract the requested information. This process would be even more burdensome than the process just described.

REQUEST: For the purposes of this Interrogatory, certain BellSouth services will be identified by USOC code and description.

Excluding those customers identified in response to Interrogatory 12, how many of the customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3 subscribe one or more of the following services?

USOC	DESCRIPTION OF SERVICE
DS1FN	ISDN Conference Drop Hold and Transfer
TTT	Long Distance trunks arranged for connection to company's toll switchboard
1MB	Business Message Rate Line
1RSD9	IntraLATA Private Line Service, SynchroNet Service, Digital Local Channel
1RSD3	IntraLATA Private Line Service, SynchroNet Service, Digital Local Service
FP115	Broadband Exchange Line Customers Premise to Wire Center at 1.536 Mpbs
1PQWU	MegaLink/LightGate, analog trunk feature activation at central office
1MBCL	Business Message Rate Line
3LBBS	IntraLATA Private Line Service, Interoffice Channel, Voice Grade-fixed
P1JAX	IntraLATA Private Line Service, Sub-Voice Grade Local Channel
EXMNX	Digital ESSX Service, Wire Center Lines, up to 2 ½ miles per Line
M1M52	5ESS Feature Group 2
1LDPZ	MegaLink Local Channel, First ½ Mile
1LHGV	Foreign Central Office mileage-Fixed
1L9FX	Foreign Exchange Mileage-Fixed
1D91X	FX Local Channel-Primary Channel

RESPONSE: (Continued)

USOC	DESCRIPTION OF SERVICE
M4LFH	Station Links Equipped with Caller ID Flat Rate
EXMOX	Main Station Line, distance sensitive
SL5	IntraLATA Private Line Service, Automatic ringdown signaling arrangement
M4LFA	Station Link Flat Rate
P2JLX	IntraLATA Private Line Service, Voice Grade Local Channel
TM3	PBX Service, outward message rate trunk, additional
1SE6Y	Pvt line-local channel tie line service, type 2110
SAU	IntraLATA Private Line Service-Type B signaling arrangement
1SE6Q	Pvt line-local channel tie line service, type 2110
1SE6X	Pvt line-local channel tie line service, type 2110
TM5	PBX Service, combination message rate trunk, additional
CENAA	Standard Features per Station Line, each
P2JUX	IntraLATA Private Line Service, Voice Grade Local Channel
P2JHX	IntraLATA Private Line Service, Voice Grade Local Channel
P2JNX	IntraLATA Private Line Service, Voice Grade Local Channel
P2JMX	IntraLATA Private Line Service, Voice Grade Local Channel
P2JQX	IntraLATA Private Line Service, Voice Grade Local Channel
S5DBD	Dual Tone Multifrequency pulsing option on DID
SBLFX	Back-Up Line
1LHB4	Mileage-Foreign Exchange service, distance sensitive

RESPONSE: BellSouth objects to this Interrogatory to the extent that it suggests that any given USOC constitutes a service. Many

USOCs are associated with features or component parts of an overall service. For instance, S5DBD (Dual Tone Multifrequency pulsing option on DID) is not a service in and of itself – it is a feature that is used in conjunction with DID lines. Accordingly, many services have multiple USOCs associated with them. Without waiving this objection, BellSouth responds that excluding those customers identified in response to Interrogatory 12, no more than 198 of the thousands of customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3 subscribe to services that involve one or more of the USOCs identified in this request.

REQUEST: If the response to Interrogatory 13 is greater than zero, please provide a detailed listing by type, quantity, and USOC of all services provided to each such customer.

RESPONSE: BellSouth objects to this Interrogatory on the grounds that complying with it would be unduly burdensome. The process of developing a response to Item No. 13 was, in and of itself, a difficult and time-consuming process. In order to provide the information requested for each of the 198 customers reference in response to Item No. 11, BellSouth would have to write a computer query that would search the individual records of each of those customers and extract every USOC (and the units of each USOC provided) for each customer. In addition to the cost and time associated with writing that query, it would take approximately two days for that query to run and generate results. Once the results are obtained, it would take additional time and expense to organize that data into usable formats. Alternatively, BellSouth would have to perform a manual search of each and every one of the 198 customer's records to extract the requested information. This process would be even more burdensome that the process just described.

Without waiving this objection, BellSouth provides the following response.

The following USOCs identified above can be associated with analog private line service: 1RSD9, 1RSD3, 3LBBS, P1JAX, SL5, P2JLX, 1SE6Y, SAU, 1SE6Q, 1SE6X, P2JUX, P2JHX, P2JNX, P2JMX, and P2JQX.

USOC DS1FN identified above is one of several USOCs that can be associated with ISDN service. Attachment A to this response demonstrates that in the typical configuration for ISDN service in which this USOC is involved, ISDN service

Response: (Continued)

produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

USOC TTT is the USOC that is associated with long distance trunks arranged for connection to company's toll switchboard. The SBSFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 mistakenly includes the wrong cost for this USOC. Attachment B to this response, which includes the correct cost for this USOC, demonstrates that long distance trunks arranged for connection to company's toll switchboard produce a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

USOCs 1MB and 1MBCL identified above are two of several USOCs that can be associated with measured rate service. Attachment C to this response demonstrates that in the typical configuration for measured rate service in which these USOCs are involved, measured rate service produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

USOC FP115 identified above is one of several USOCs that can be associated with Frame Relay service. Attachment D to this response demonstrates that in the typical configuration for Frame Relay service in which this USOC is involved, Frame Relay service produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

Response: (Continued)

USOCs 1PQWU and 1LDPZ identified above are two of several USOCs that can be associated with Megalink service. Attachment E to this response demonstrates that in the typical configuration for Megalink service in which the 1PQWU USOC is involved, Megalink service produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied. The MLINKFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 demonstrates that in the typical configuration for measured rate service in which the 1LDPZ USOC is involved, Megalink service produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

USOCs EXMNX and EXMOX identified above are two of several USOCs that are associated with ESSX service. The ESSEXFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 demonstrates that even after the discounts available under the 2002 Key Customer Promotion are applied, ESSX service produces a positive margin.

USOC M1M52 and M4LFA identified above are two of several USOCs that are associated with Multiserv service. The MSERVFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 demonstrates that even after the discounts available under the 2002 Key Customer Promotion are applied, Multiserv service produces a positive margin.

Response: (Continued)

USOCs 1LHGV, 1L9FX, 1D91X, and 1LHB4 identified above are four of several USOCs that are associated with Foreign Exchange Service. The FEXCFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 demonstrates that even after the discounts available under the 2002 Key Customer Promotion are applied, Foreign Exchange Service produces a positive margin.

USOCs M4LFH, CENNA, and M4LFA identified above are three of several USOCs that are associated with Centrex service. Attachment F to this response demonstrates that in the typical configuration for CENTREX service in which the M4LFH USOC is involved, CENTREX service produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied. The CENTREXFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 demonstrates that in the typical configuration for CENTRIX service in which the CENNA and M4LFA USOCs are involved, CENTREX service produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

USOCs TM3, S5DBD, and TM5 identified above are two of several USOCs that are associated with PBX service. The PBXFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 demonstrates that in the typical configuration for PBX service in which the CENNA and M4LFA USOCs are involved, PBX service produces a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

Response: (Continued)

USOC SBLFX identified above is one of the USOCs that is associated with backup lines. The BACKUPFL page of the cost information that BellSouth submitted in response to Staff's 1st Request for Production of Documents, Item No. 4 demonstrates that in the typical configuration for a backup line in which the SBLFX USOC is involved, backup lines produce a positive margin even after the discounts available under the 2002 Key Customer Promotion are applied.

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REQUEST: For the customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3, how many customers, if any, subscribe to one or more of the services identified in response to Interrogatory 10?

RESPONSE: BellSouth incorporates its objections to Interrogatory No. 11 herein by reference. Without waiving those objections, BellSouth responds that no more than 77 of the several thousand customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3 subscribe to services that involve one or more USOCs that are associated with analog private line service. BellSouth is in the process of reviewing the records of each of these customers to determine whether they do, in fact, have analog private line service at a location that is receiving discounts under the 2002 Key Customer Promotion. To the extent that this is the case, BellSouth will contact the customer, explain that BellSouth mistakenly enrolled a location that has analog private line service in the 2002 Key Customer Promotion, and give the customer the option of either removing the analog private line service at such location or terminating its Key Customer contract without termination charges.

SUPPLEMENTAL[1] RESPONSE:

BellSouth recently completed the review process referenced in its original response, and that process revealed that of the several thousand customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3, a total of

[1] This supplemental response does not address Interrogatory 15, which Staff served on BellSouth on or about May 10, 2002. Interrogatory 15 asks, in pertinent part, "[f]rom March 29, 2002 through April 30, 2002, or the latest date for which data is available, how many customers, if any, have been enrolled in the 2002 Key Customer Program that subscribe to one or more of the USOCs identified in your response to Staff's Third Set of Interrogatories No. 10?" BellSouth will respond to Interrogatory 15, as well as the other discovery requests Staff served on or about May 10, 2002, at a later date in accordance with the *Order to Initiate Expedited Discovery Procedure* that was entered in this docket.

three (3) customer accounts[2] have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion. The customers associated with these three accounts were BellSouth customers at the time they enrolled in the 2002 Key Customer Promotion.

I. BELLSOUTH HAS IDENTIFED EIGHT (8) USOCS THAT DEFINITIVELY INDICATE ANALOG PRIVATE LINE SERVICE

BellSouth's Response to Staff's 3rd Set of Interrogatories, Item No. 10, identifies the USOCs that BellSouth initially identified as USOCs that can be associated with Analog Private Line Service. During the review process referenced in that original response, BellSouth determined the following facts regarding these USOCs.

A. BellSouth mistakenly identified three USOCs as potentially being associated with Analog Private Line Service when, in fact, they are not associated with Analog Private Line Service.

During the review process, BellSouth determined that in its Response to Staff's 3rd Set of Interrogatories, Item No. 10, BellSouth mistakenly identified three USOCs (1RSD3, 1RSD9, and P2JP1) as potentially being associated with Analog Private Line Service when, in fact, these USOCs are *not* associated with Analog Private Line Service.

1RSD3, 1RSD9: These USOCs are associated with Syncrhonet, which is a *digital* private line service and not an *Analog Private Line Service*. These USOCs, therefore, simply are not associated with Analog Private Line Service.

P2JP1: As indicated in BellSouth's Response to Staff's 3rd Set of Interrogatories, Item No. 10, several USOCs that begin with P2J can be associated with Analog Private Line Service. USOC P2JP1, however, is not one of those USOCs. It is associated with Megalink service and not Analog Private Line Service.

The 77 figure set forth in BellSouth's original response to this Interrogatory was based, in part, on the erroneous assumption that these USOCs are associated with Analog Private Line Service.

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[2] Any given customer can have one or more accounts. In this instance, each of the three affected customer accounts is associated with a different customer. Accordingly, a total of three customers have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion.

B. Seven (7) USOCs that can be associated with Analog Private Line Service can also be associated with other services and, therefore, an account with one of these seven USOCs does not necessarily have Analog Private Line Service.

Seven of the USOCs identified in BellSouth's Response to Staff's 3rd Set of Interrogatories, Item No. 10, can be associated with Analog Private Line Service. These seven USOCs, however, also can be associated with other services that have nothing to do with Analog Private Line Service. Thus, the presence of one of these seven USOCs on a record does not definitively indicate the presence of Analog Private Line Service.

1SE6Q, 1SE6X, 1SE6Y: These USOCs indicate an Off Premise Extension service. As such, they can apply to various services, only one of which is Analog Private Line Service.

3LBBS: This USOC indicates a mileage-based service. As such, this USOC can apply to various services, only one of which is Analog Private Line Service.

SAU, SL5: These USOCs indicate signaling. As such, they can apply to various services, only one of which is Analog Private Line Service.

The 77 figure set forth in BellSouth's original response to this Interrogatory includes all customers enrolled in the 2002 Key Customer Program that have one or more of these USOCs, regardless of whether these USOCs are associated with Analog Private Line Service or some other services.

C. Eight (8) USOCs definitively indicate the presence of Analog Private Line Service.

There are eight (8) USOCs that definitively indicate the presence of Analog Private Line Service: P1JAX, P2JHX, P2JLX, P2JMX, P2JNX, P2JQX, P2JUX, AND P2JWX. If any of these USOCs appear on a customer's records, that customer is receiving Analog Private Line Service. If one of these USOCs does not appear on a customer's records, that customer is not receiving Analog Private Line Service.

II. BELLSOUTH HAS DETERMINED THAT THREE (3) CUSTOMERS HAVE ANALOG PRIVATE LINE SERVICE AT LOCATIONS THAT ARE RECEIVING 2002 KEY CUSTOMER DISCOUNTS

In the review process referenced in the original response to this Interrogatory, BellSouth identified all customer locations that were enrolled in the 2002 Key Customer Promotion. BellSouth then identified each of these customer locations that was associated with one or more of the eight USOCs that definitively indicate the presence of Analog Private Line Service.

Once that group of customer locations was identified, BellSouth identified each customer account that is associated with each of the customer locations in that group. BellSouth personnel then manually reviewed electronic records associated with each such customer account in order to identify which of these customer accounts both: (1) had one of the eight USOCs that definitively indicate the presence of Analog Private Line Service; and (2) was receiving 2002 Key Customer discounts.

This process revealed that three (3) customers were receiving 2002 Key Customer discounts on accounts that contain Analog Private Line Service.

III. BELLSOUTH IS REITERATING THE TERMS OF THE 2002 KEY CUSTOMER PROMOTION TO ITS SALES PERSONNEL

BellSouth is contacting the three salespersons who were involved in these incidents and reiterating to them that the 2002 Key Customer discounts cannot be applied to customer accounts that have Analog Private Line Service and that future mistakes could lead to disciplinary action. BellSouth also has orally reiterated this message to its sales force, and it is in the process of developing a written reiteration that will be distributed throughout its sales force.

IV. BELLSOUTH IS IN THE PROCESS OF CONTACTING THE THREE AFFECTED CUSTOMERS TO ADDRESS THIS SITUATION.

BellSouth is designating appropriate individuals to contact the three affected customers, explain that BellSouth mistakenly enrolled a location that has Analog Private Line Service in the 2002 Key Customer Promotion, and give each of the three customers the option of either removing the Analog Private Line Service at such

location or terminating its 2002 Key Customer contract without termination charges. BellSouth intends to inform these customers that if they have not informed BellSouth of which of these options they intend to elect within 10 business days, BellSouth will terminate the customer's 2002 Key Customer contract at that location with no termination charges. After these contacts are made by telephone, BellSouth intends to confirm this information in a letter to each customer.

V. EFFECT ON PRIOR DISCOVERY RESPONSES

To the extent that any of the information set forth in any of BellSouth's prior responses to discovery requests in this docket is inconsistent with this supplemental response, that information is superseded by and replaced with the information set forth in this supplemental response.

PCDOCS 447210

REQUEST: In relevant part, BellSouth's response to Staff Interrogatory No. 11, states that "no more than 77 of the several thousand customers identified in BellSouth's Response to Staff's First Request for Production of Documents Items 1-3 subscribe to services that involve one or more USOCs that are associated with analog private line services. BellSouth is in the process of reviewing the records of each of these customers to determine whether they do, in fact, have analog private line service at the location that is receiving discounts under the 2002 Key Customer Promotion."

RESPONSE: As set forth in BellSouth's Supplemental Response to Interrogatory No. 11, a total of three (3) customer accounts have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion based on data that was available through March 18, 2002.

Data available as of May 10, 2002 indicates that a total of eight (8) customer accounts[1] have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion. This includes the three (3) customer accounts that were reflected in BellSouth's Supplemental Response to Interrogatory No. 11 plus five (5) additional accounts for the time frame set forth in Staff Interrogatory 15. The customers associated with these eight accounts were BellSouth customers at the time they enrolled in the 2002 Key Customer Promotion.

BellSouth is contacting the salespersons who were involved in these incidents and reiterating to them that the 2002 Key Customer discounts cannot be applied to customer accounts that have Analog Private Line Service and that future mistakes could lead to disciplinary action. BellSouth also has orally reiterated this message to its sales force, and it is in the process of developing a written reiteration that will be distributed throughout its sales force.

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[1] Any given customer can have one or more accounts. In this instance, each of the eight affected customer accounts is associated with a different customer. Accordingly, the most recently available data indicates that a total of eight customers have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion.

BellSouth also is designating appropriate individuals to contact the eight affected customers, explain that BellSouth mistakenly enrolled a location that has Analog Private Line Service in the 2002 Key Customer Promotion, and give each of the eight customers the option of either removing the Analog Private Line Service at such location or terminating its 2002 Key Customer contract without termination charges. BellSouth intends to inform these customers that if they have not informed BellSouth of which of these options they intend to elect within 10 business days, BellSouth will terminate the customer's 2002 Key Customer contract at that location with no termination charges. After these contacts are made by telephone, BellSouth intends to confirm this information in a letter to each customer.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth's Promotional Pricing and Marketing Practices by Florida Digital Network, Inc.	)	Docket Nos. 020119-TP
In re: Petition for expedited review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by Florida Competitive Carriers Association	)	020578-TP
	)	Filed: October 15, 2002

RESPONSES OF BELLSOUTH TELECOMMUNICATIONS, INC. TO FLORIDA PUBLIC SERVICE COMMISSION STAFF'S *FIFTH SET OF INTERROGATORIES (NOS. 16-37)* AND FOURTH REQUEST FOR PRODUCTION OF DOCUMENTS (NO. 9)

BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to Rule 28-106.206, Florida Administrative Code, Rules 1.340 and 1.280, and the Florida Rules of Civil Procedure, hereby files the following Responses to Florida Public Service Commission Staff's Fifth Set of Interrogatories (Nos. 16-37) and Fourth Request for Production of Documents (No. 9) dated September 17, 2002. Each of the following responses is subject to the General and Specific Objections BellSouth filed on September 27, 2002.

REQUEST: What are the benefits, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to the customer?

RESPONSE: Among the benefits a customer receives from a term contract under the January or June Key Customer offering are the following: throughout the term, the customer will pay less than the standard tariffed rates for the Key-eligible services it uses; a term relationship provides BellSouth a better opportunity to understand and respond to the customer's business needs; and a term relationship provides the customer a better opportunity to gain insight into new BellSouth technologies and solutions that can benefit the customer.

RESPONSE PROVIDED BY:

Brent Mlott
Director/SBS Marketing
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

John Ruscilli
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

REQUEST: What are the benefits, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to BellSouth?

RESPONSE: Among the benefits a customer receives from a term contract under the January or June Key Customer offering are the following: BellSouth is able to establish, maintain, or re-establish a customer relationship with small business customers that otherwise may have, or already have accepted one of the numerous competitive offerings that ALECs are making available in the hot wire centers; a term relationship provides BellSouth a better opportunity to understand and respond to the customer's business needs; and a term relationship provides the customer a better opportunity to gain insight into new BellSouth technologies and solutions that can benefit the customers.

RESPONSE PROVIDED BY:

Brent Mlott
Director/SBS Marketing
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

John Ruscilli
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

REQUEST: What are the detrimental effects, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to the customer?

RESPONSE: BellSouth is unaware of any detrimental effects of a term contract under the January or June Key Customer offering to the customer. Throughout the term, the customer will pay less than the standard tariffed rates for the Key-eligible services it uses. Additionally, the customer can obtain services from an ALEC without incurring termination charges under the January or June Key Customer offerings so long as the customer does not entirely terminate its Key contract. Finally, even if a customer terminates a January or June Key Customer contract, the applicable termination charges are significantly lower than the tariffed termination charges of many Florida ALECs.

RESPONSE PROVIDED BY:

Brent Mlott
Director/SBS Marketing
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

John Ruscilli
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

REQUEST: What are the detrimental effects, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to BellSouth?

RESPONSE: BellSouth is unaware of any detrimental effects of a term contract under the January and June Key Customer offerings to BellSouth. While BellSouth obviously receives less revenue under the January of June Key Customer offerings than would receive for the same services at the standard tariffed rates, it is still covering all relevant cost. The fact that BellSouth receives less revenue under these offerings than it receives when Key-eligible services are sold at standard tariff rates is simply the natural effect of the fact that ALECs are vigorously competing for small business customers in the wire centers in which the January and June Key Customer offerings are available.

RESPONSE PROVIDED BY:

Brent Mlott
Director/SBS Marketing
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

John Ruscilli
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

REQUEST: If successive like-kind promotional offerings are offered to a customer, does that promotion in essence become a permanent discount for the customer? (For example, a customer signs a 36-month Key Customer contract. Upon expiration of that contract, another 36-month like-kind contract is signed.)

RESPONSE: No. When the term of the promotional contract expires, the customer can evaluate all of the competitive alternatives that are available at that time and decide which one of those competitive alternatives to accept. If the customer accepts one of the numerous ALEC offerings that are available at that time, it cannot be said that the promotion has "in essence become a permanent discount for the customer." Moreover, in addition to hindering carriers' ability to compete, restrictions on what might be considered "successive like-kind promotional offerings" would deprive customers of additional choices for lower prices. If a customer believes that a "successive like-kind promotion" is better than any other offering that is available at the time, the customer should not be deprived of the ability to sign up for that "successive like-kind promotional offering."

RESPONSE PROVIDED BY: John Ruscilli
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

REQUEST: Are 18, 24, and 36 month promotional contracts anti-competitive? Explain why, or why not.

RESPONSE: No. In fact, contracts that offer progressively more favorable rates in exchange for progressively longer term commitments are commonplace in competitive markets. To cite but one example, a customer who buys a magazine from a newsstand typically pays more for that particular issue than a customer with a one-year subscription pays for the same issue. A customer with a two-year subscription pays even less for that issue.

Additionally, BellSouth's long-term promotions such as the January and June Key Customer offerings are available to ALECs for resale at the wholesale discount in compliance with the FCC's *Local Competition Order*. ALECs, therefore, have the ability to compete for customers that subscribe to long-term promotions like the January and June Key Customer offerings by using their own offering or by reselling BellSouth's offerings. Additionally, the January and June Key Customer contracts are *not* exclusive dealing arrangements that require a customer to purchase all of its telecommunications services from BellSouth. Instead, the customer can obtain services from an ALEC without incurring termination charges under the January or June Key Customer offerings so long as the customer does not entirely terminate its Key Customer contract. Finally, even if a customer terminates a January or June Key Customer contract, the applicable termination charges are significantly lower than the tariffed termination charges of many Florida ALECs.

RESPONSE PROVIDED BY: *John Ruscilli*
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

REQUEST: Is BellSouth aware of any competitor promotional contracts? If so, please list the name of the competitor, the durations of the promotional contracts, and the associated discounts of these contracts.

RESPONSE: Please see attached documents.

RESPONSE PROVIDED BY: Mary Rose Sirianni
Manager
150 S Monroe Street
Tallahassee, FL 32301

ATTACHMENT

5. PROMOTIONAL OFFERINGS

5.1 PROMOTIONS

The Company may offer services at a reduced rate, free of charge, or offer incentives including gift certificates and coupons for promotional market research or rate experimentation purposes. Such offerings will be for a limited duration.

Material on this Sheet originally appeared on Price List No. 1, Sheet 40.

SECTION 14 - PROMOTIONAL OFFERINGS, (Cont'd)

14.4 Special Rates For The Handicapped

14.4.1 Directory Assistance

There shall be no charge for up to fifty (50) calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing Price List rates for every call in excess of fifty (50) within a billing cycle.

14.4.2 Hearing and Speech Impaired Persons

Intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls.

14.5 Actel LinkNet Promotion

N

Actel will make the following promotion available to customers served from wire centers where Actel is co-located and who sign up for Actel LinkNet, under the 1-year term agreement only, September 22, 2000 and December 28, 2000. A minimum of three voice channels and a minimum of 2 data channels (128Kbps up to a maximum of 512Kbps Internet data bandwidth) are required for eligibility; however, Customer must not exceed a maximum of 12 voice/data channels combined to receive this promotion.

For those customers who meet the eligibility requirements, a 50% discount will be applied to the monthly recurring charges for all voice channels and data channels purchased under this promotion, as well as a 100% discount to the monthly recurring charges for the Channel Bank-CPE. In addition, Actel will credit the customer for 100% of the installation charge associated with this product. All other monthly recurring and/or installation charges (i.e., Network Access Loop, Integrated or Optional Service Features, and DID Service) as specified in Section 6.5 remain unchanged and will be assessed per the tariff.

N

SECTION 14 - PROMOTIONAL OFFERINGS, (Cont'd)

14.6 LinkNet Free Month Promotion

N

Actel will make the following promotion available to customers served from wire centers where Actel is co-located and who sign up for new service on the Actel LinkNet product between November 15, 2000 and February 15, 2001.

A minimum of 2 data channels (128Kbps of Internet data bandwidth) is required for eligibility. Customers who meet eligibility requirements may choose one of the following promotional offering options:

Term Contract	Promotional Offer
One Year	First Full Month Free
Two Year	First Full Month Free Plus 13th Month Free
Three Year	First Full Month Free Plus 13th Month Free Plus 25th Month Free

Monthly recurring, CPE, feature and/or installation charges for the Actel LinkNet product, outside of promotional months listed above, remain unchanged and will be assessed per the tariff. This offer may not be combined with, nor is it valid in conjunction with, any other promotional offering.

N

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.1 *Promotional Offerings: The Company, from time to time, may make* promotional offerings of its services which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made.

4.2 Local Service Exchange Install Waiver Promotion- Tampa

Beginning January 14, 1997 and ending September 30, 1998, the Company will offer the following promotion to all new Local Exchange Service Customers who order service during the promotional period. All Installation charges listed below will be waived for the Customer's first year of service: T

Account Set-up
Account Changes (including Moves, Changes, Additions and Billing Record Changes)
Line Connection Charges (Local Line, Local Trunk-Basic, Local Trunk-DID, and 2 Way Direct)
Direct Inward Dialing (DID)/2 Way Direct Installation Telephone Number Charges
DID/2 Way Direct Non-Recurring Installation Charges
Vanity Number Non-Recurring Charges
Additional Listing Non-Recurring Charge
Non-Listed Number Non-Recurring Charge
Non-Published Number Non-Recurring Charge
Local ISDN/PRI Non-Recurring Charges for Service Configuration
1, 2, and 3, Optional Features and B Channel Service
Selective Call Screening Non-Recurring Charge

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.2.1 Local Conversion Promotion - Tampa

Beginning April 22, 1997 and ending August 31, 1998, This promotion is available to digital trunk customers that enroll. The benefit of this promotion are not available to customers who subscribe to networld/CI One Services, or the Preferred calling plan offered by MCI Telecommunication Corporation. Eligible customers will receive a credit of $80 on each new trunk, DID Trunk/ 2 Way Direct Trunk, or ISDN-PRI Trunk. The credit is not to exceed $7,500 per location and it will be applied on the customer's second month's invoice. If the customer discontinues service prior to the twelfth month of service, they will be billed and required to pay the credits received from this promotion. This promotion is not eligible in conjunction with any other promotion except for the Customer Assurance Promotion and the Local Service Exchange Install Waiver Promotion.

4.2.2 Local Service Exchange Install Waiver Promotion -Boca Raton, Ft. Lauderdale, Miami, Orlando, Winter Park

Beginning March 20, 1998 and ending September 30, 1998, the Company will offer the following promotion to all new Local Exchange Service Customers who order service during the promotional period. All installation charges listed below for digital trunks will be waived for the Customer's first year of service: T

Account Setup
Account Changes (including Moves, Changes, Additions and Billing Record Changes)
Line Connection Charges (Local Trunk-Basic, Local Trunk-DID, Local Trunk-2 Way Direct)
DID/2 Way Direct Installation Telephone Number Charges
DID/2 Way Direct Non-Recurring Installation Charges
Vanity Number Non-Recurring Charge
Additional Listing Non-Recurring Charge
Non-Listed Number Non-Recurring Charge
Non-Published Number Non-Recurring Charge
Local ISDN/PRI Non-Recurring Charges for Service Configuration
1, 2, and 3, Optional Features and B Channel Service
Selective Call Screening Non-Recurring Charge

Julie L. Davis
Manager, Rates and Tariffs
MCImetro Access Transmission Services, Inc.
780 Johnson Ferry Road, Suite 700, Atlanta, GA 30342

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.3 Local Test Drive Promotion

Beginning October 30, 1996 and ending April 30, 1997, MCI Metro will offer the following promotion to new local exchange customers who are existing T-1 digital access customers of an MCI Metro-designated company and allow their local exchange telephone service's Local Access Channels to connect to its existing T-1 digital access circuits.

Eligible customers will receive a credit, not to exceed $5,000, equal to the following amounts, based on the number, type and location of new exchange telephone service Local Access Channels ordered by the customer under this promotion, as follows:

	Local Access Channels					
	Local Line	Local Trunk Basic	Local Trunk DID/2 Way Direct	Local Trunk DID(per 20)	Local Trunk DID(per 100)	T
Orlando/ Miami	$45.00	$55.00	$70.00	$ 3.60 R	$000.00	I
Tampa	$35.00	$50.00	$50.00	$90.00	$110.00	

The credit will be applied to the customer's first monthly invoice following enrollment in this promotion.

Customers enrolled in this promotion offering are not eligible to receive the benefits of any other promotional offering except the New Customer Promotion.

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.4 Customer Assurance Promotion

Beginning February 15, 1997 through June 30, 1998, MCImetro will offer the following benefits to all new and existing, facilities-based MCImetro business customers. During the customer's first 6 months of service, if the customer is dissatisfied for any reason MCImetro will provide the customer a credit equal to the customer's non-recurring charges, monthly recurring charges and usage charges (excluding Directory Assistance and Operator Assisted Surcharges). If the customer signed a term plan and elects to return to their previous carrier during the first six months of service, the customer can cancel the term without liability. The customer is only eligible to receive up to two credits. The customer may not receive more than $5,000 per location per credit. T

4.5 MCImetro Local Services Investor Promotion - Miami

Beginning November 26, 1996 and ending November 29, 1996, MCImetro will offer the following promotion to new customers of non-resold exchange service that agree to become customers of MCImetro Local Service when local exchange service becomes Service Available in the customer's local calling area. Customers enrolled in this promotion are eligible to receive the benefits described below.

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Miami (Cont.)

Enrolled customers who designate an annual volume commitment will receive the following credits in each month following the customer's enrollment in this promotion and the date when MCImetro's non-resold exchange service becomes available in the customer's exchange service area, based on the customer's term of service and annual volume commitment. Annual volume commitments are available in the following amounts: $6,000, $12,000, $24,000, $36,000, $48,000, $60,000, $84,000, $96,000, $120,000, $180,000, $240,000, $300,000, $360,000, $420,000, or $480,000. The customer's annual volume commitment will be calculated on the followoing charges: recurring Local Trunk - Basic charges, recurring Local Trunk - DID charges, recurring Local Trunk - Digital Interface charges, recurring Local Trunk - 2 Way Direct, DID number charges, and usage charges. N N

Annual Volume Commitment	Term of Service One Year	Two Years	Three Years
$ 6,000	$ 50	$ 75	$ 100
12,000	100	150	200
24,000	200	300	400
36,000	300	450	600
48,000	400	600	800
60,000	500	750	1,000
84,000	700	1,050	1,400
96,000	800	1,200	1,600
120,000	1,000	1,500	2,000
180,000	1,500	2,250	3,000
240,000	2,000	3,000	4,000
300,000	2,500	3,750	5,000
360,000	3,000	4,500	6,000
420,000	3,500	5,250	7,000
480,000	4,000	6,000	8,000

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Miami (Cont.)

Enrolled customers who do not designate an annual volume commitment will receive credits based on the customer's location and term commitment. The customer's credit amount will be based on the number of Local Access Channels (Local Lines, Local Trunks - Basic, Local Trunks - DID, and/or Local Trunks - 2 Way Direct) and DID Number Charges ordered by the customer and on the exchange service area in which the customer orders service multiplied by 10% for customer committing to a one-year term 15% for a two-year term, and 20% for a three-year term.

	Credit Per Local Access Channel				
Exchange Service Area	Local Line	Local Trunk Basic	Local Trunk DID/2Way Direct	DID No. Charge (per 20)	T
Miami, FL	$45.00	$55.00	$70.00	$3.80	I

Customers enrolled in either option will receive one credit for each month from the customer's enrollment date in this promotion and the date when the non-resold exchange service becomes available in the customer's exchange service area with a limit of 12 such credits. Customers whose service is billed on a local service-only invoice, will receive a coupon for their credit which they must remit with their invoice in order to receive the invoice credit. This coupon will be valid for 12 months beginning with the customer's local service start date, All other customers will receive an invoice credit once to be applied to the customer's invoice within 60-days from the commencement of customer's exchange service. Credit balances will carry over to invoices in subsequent months until depleted. The term of service will commence when the customer's service is installed.

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Miami (Cont.)

The term will commence no earlier than the first full bulling month in which MCImetro Local Services are available in the customer's market. The customer's Annual Volume Commitment will be based upon the following Eligible Volume charges: recurring Local Line charges, recurring Local Trunk - Basic charges, recurring Local Trunk - DID charges, recurring Local Trunk - Digital Interface charges, recurring Local Trunk - 2 Way Direct, usage charges, EUCL charges, and monthly recurring DID number charges. The customer will be required at the time of enrollment in this promotions to enroll for service. N

The customer will receive a credit for the following charges: Account Set-up, Account Changes (including Moves, Changes, Additions and Billing Record Changes), Line Connection Charges (Local Line, Local Trunk - Basic and Local Trunk - DID), Line Restoral Charges, DID Number Installation and Number charges, Vanity Number Installation, Voice Mail Installation, Call Assistant Installation, and Channelization Connection.

The customer will receive monthly discounts based on their commitment term. The customer will receive the following discounts on recurring Local Line charges, recurring Local Trunk - Basic charges, recurring Local Trunk - DID charges, recurring Local Trunk - Digital Interface charges, usage charges, EUCL charges, and monthly recurring DID number charges. These discounts will be in lieu of all other discounts and promotions, excluding installation waivers and discounts offered as part of this promotion.

Term Commitment	Discount
1 year	10%
2 years	15%
3 years	20%

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Miami (Cont.) N

Lastly, the customer will have the following charges waived in the last month of each term year: Monthly recurring line charges, monthly recurring trunk charges, line usage charges, trunk usage charges, EUCL charges, and monthly recurring DID number charges. The credit will be based on the 12th, 24th, and 36th month of service and will be applied to the 13th, 25th, and 37th month's invoice.

Additionally, for customers who are committed to a 2-year or 3-year term plan, after one year of local exchange service, MCI will waive applicable install charges for any new lines or trunks ordered by the customer.

An area will become Service Available when the service has become commercially available, when MCImetro has received all regulatory approvals and when all required price lists have been filed.

If the customer selected an Annual Volume Commitment and if, at the end of any year of the term, a customer has not met the annual volume commitment, the customer must pay the difference between its actual volume and its Annual Volume Commitment.

If the customer discontinues all of its Local Services furnished under this promotion prior to the expiration of the committed term the customer will be billed and required to pay an early termination charge. The early termination charge for customers that selected an Annual Volume Commitment will equal the current year's underutilization charges plus a percentage of the annual volume commitment for each year of the term remaining unfulfilled based ont he chart below. For customers who have not chosen an Annual Volume Commitment the early termination charge will equal the customer's highest billed charges during the term multiplied by the number of months that are remaining in the term. N

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Miami (Cont.) N

Months of Service	Length of Term Commitment 1 Year	2 Years	3 Years
0 - 6	100%	100%	100%
7 - 9	50%	100%	100%
10 - 12	10%	100%	100%
13 - 15		50%	100%
16 - 18		25%	100%
19 - 21		25%	50%
22 - 24		10%	50%
25 - 27			50%
28 - 33			25%
34 - 36			10%

Any customer who cancels its Investor Term Plan prior to its expiration will be required to repay any promotional credit that it received contingent upon enrolling in this promotion, in addition, to other applicable early termination charges noted above.

4.6 MCImetro Local Services Investor Promotion - Tampa

Beginning November 26, 1996 and ending December 26, 1996, MCImetro will offer the following promotion to new customers of non-resold exchange service that agree to become customers of MCImetro Local Service when local exchange service becomes Service Avaialble in the customer's local calling area. Customers enrolled in this promotion are eligible to receive the benefits described below. N

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Tampa (Cont.)

Enrolled customers who designate an annual volume commitment will receive the following credits in each month following the customer's enrollment in this promotion and the date when MCImetro's non-resold exchange service becomes available in the customer's exchange service area, based on the customer's term of service and annual volume commitment. Annual volume commitments are available in the following amounts: $6,000, $12,000, $24,000, $36,000, $48,000, $60,000, $84,000, $96,000, $120,000, $180,000, $240,000, $300,000, $360,000, $420,000, or $480,000. The customer's annual volume commitment will be calculated on the followoing charges: recurring Local Trunk - Basic charges, recurring Local Trunk - DID charges, recurring Local Trunk - Digital Interface charges, recurring Local Trunk - 2 Way Direct, DID number charges, and usage charges. N N

Annual Volume Commitment	Term of Service One Year	Two Years	Three Years
$ 6,000	$ 50	$ 75	$ 100
12,000	100	150	200
24,000	200	300	400
36,000	300	450	600
48,000	400	600	800
60,000	500	750	1,000
84,000	700	1,050	1,400
96,000	800	1,200	1,600
120,000	1,000	1,500	2,000
180,000	1,500	2,250	3,000
240,000	2,000	3,000	4,000
300,000	2,500	3,750	5,000
360,000	3,000	4,500	6,000
420,000	3,500	5,250	7,000
480,000	4,000	6,000	8,000

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Tampa (Cont.)

Enrolled customers who do not designate an annual volume commitment will receive credits based on the customer's location and term commitment. the customer's credit amount will be based on the number of Local Access Channels (Local Lines, Local Trunks - Basic, Local Trunks - DID, and/or Local Trunk - 2 Way Direct) and DID Number Charges ordered by the customer and on the exchange service area in which the customer orders service multiplied by 10% for customer committing to a one-year term 15% for a two-year term, and 20% for a three-year term.

	Credit Per Local Access Channel				
Exchange Service Area	Local Line	Local Trunk Basic	Local Trunk DID/2 Way Direct	DID No. Charge (per 20)	
Tampa, FL	$35.00	$65.00	$60.00	$3.80	R

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Customers enrolled in either option will receive one credit for each month from the customer's enrollment date in this promotion and the date when the non-resold exchange service becomes available in the customer's exchange service area with a limit of 12 such credits. Customers whose service is billed on a local service-only invoice, will receive a coupon for their credit which they must remit with their invoice in order to receive the invoice credit. This coupon will be valid for 12 months beginning with the customer's local service start date, All other customers will receive an invoice credit once to be applied to the customer's invoice within 60-days from the commencement of customer's exchange service. Credit balances will carry over to invoices in subsequent months until depleted. The term of service will commence when the customer's service is installed.

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Tampa (Cont.)

The term will commence no earlier than the first full bulling month in which MCImetro Local Services are available in the customer's market. The customer's Annual Volume Commitment will be based upon the following Eligible Volume charges: recurring Local Line charges, recurring Local Trunk - Basic charges, recurring Local Trunk - DID charges, recurring Local Trunk - Digital Interface charges, recurring Local Trunk - 2 Way Direct, usage charges, EUCL charges, and monthly recurring DID number charges. The customer will be required at the time of enrollment in this promotions to enroll for service. N

The customer will receive a credit for the following charges: Account Set-up, Account Changes (including Moves, Changes, Additions and Billing Record Changes), Line Connection Charges (Local Line, Local Trunk - Basic and Local Trunk - DID), Line Restoral Charges, DID Number Installation and Number charges, Vanity Number Installation, Voice Mail Installation, Call Assistant Installation, and Channelization Connection.

The customer will receive monthly discounts based on their commitment term. The customer will receive the following discounts on recurring Local Line charges, recurring Local Trunk - Basic charges, recurring Local Trunk - DID charges, recurring Local Trunk - Digital Interface charges, recurring Local Trunk - 2 Way Direct, usage charges, EUCL charges, and monthly recurring DID number charges. These discounts will be in lieu of all other discounts and promotions, excluding installation waivers and discounts offered as part of this promotion. N N

Term Commitment	Discount
1 year	10%
2 years	15%
3 years	20%

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Tampa (Cont.) N

Lastly, the customer will have the following charges waived in the last month of each term year: Monthly recurring line charges, monthly recurring trunk charges, line usage charges, trunk usage charges, EUCL charges, and monthly recurring DID number charges. The credit will be based on the 12th, 24th, and 36th month of service and will be applied to the 13th, 25th, and 37th month's invoice.

Additionally, for customers who are committed to a 2-year or 3-year term plan, after one year of local exchange service, MCI will waive applicable install charges for any new lines or trunks ordered by the customer.

An area will become Service Available when the service has become commercially available, when MCImetro has received all regulatory approvals and when all required price lists have been filed.

If the customer selected an Annual Volume Commitment and if, at the end of any year of the term, a customer has not met the annual volume commitment, the customer must pay the difference between its actual volume and its Annual Volume Commitment.

If the customer discontinues all of its Local Services furnished under this promotion prior to the expiration of the committed term the customer will be billed and required to pay an early termination charge. The early termination charge for customers that selected an Annual Volume Commitment will equal the current year's underutilization charges plus a percentage of the annual volume commitment for each year of the term remaining unfulfilled based ont he chart below. For customers who have not chosen an Annual Volume Commitment the early termination charge will equal the customer's highest billed charges during the term multiplied by the number of months that are remaining in the term. N

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.5 MCImetro Local Services Investor Promotion - Tampa (Cont.)

Months of Service	Length of Term Commitment 1 Year	2 Years	3 Years
0 - 6	100%	100%	100%
7 - 9	50%	100%	100%
10 - 12	10%	100%	100%
13 - 15		50%	100%
16 - 18		25%	100%
19 - 21		25%	50%
22 - 24		10%	50%
25 - 27			50%
28 - 33			25%
34 - 36			10%

Any customer who cancels its Investor Term Plan prior to its expiration will be required to repay any promotional credit that it received contingent upon enrolling in this promotion, in addition, to other applicable early termination charges noted above.

4.6 ILNP Promotion

Beginning December 25, 1996 and ending March 31, 1998, MCImetro will waive the Interim Local Number Portability via Remote Call Forwarding Monthly Recurring Charge for Local Lines, Local Trunks - Basic, Local Trunks - DID, and Local Trunks - 2 Way Direct. This promotion is limited to one number per line/per trunk, or one number per DID Trunk. T

4. Promotional Offerings

4.7 MCImetro Local Services Investor Promotion - Boca Raton

Beginning August 23, 1997 and ending on the date when MCI provided local exchange service becomes "Service Available", as defined herein, MCImetro will offer the following promotion to new customers of non-resold exchange service that agree to become customers of MCI Local Service when non-resold local exchange service becomes Service Available in the customer's local calling area. Customers enrolled in this promotion are eligible to receive the benefits described below.

An area will become Service Available when MCI Local Service has become commercially available, when MCImetro has received all regulatory approvals and when all required tariffs have been filed.

Enrolled customers who designate an annual volume commitment will receive a credit for each month between the customer's enrollment date in this promotion and the date the service becomes Service Available, with a limit of 12 such credits, based on the amount below that corresponds with the customer's selected term of service and annual volume commitment.

	Term of Service		
Annual Volume Commitment	One Year	Two Year	Three Year
$ 6,000	$ 50	$ 75	$ 100
12,000	100	150	200
24,000	200	300	400
36,000	300	450	600
48,000	400	600	800
60,000	500	750	1,000
84,000	700	1,050	1,400
96,000	800	1,200	1,600
120,000	1,000	1,500	2,000
180,000	1,500	2,250	3,000
240,000	2,000	3,000	4,000
300,000	2,500	3,750	5,000
360,000	3,000	4,500	5,000
420,000	3,500	5,000	5,000
480,000	4,000	5,000	5,000

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4. Promotional Offerings

4.7 MCImetro Local Services Investor Promotion - Boca Raton (Cont.)

Annual volume commitments are available in the following amounts: $6,000, $12,000, $24,000, $36,000, $48,000, $60,000, $84,000, $96,000, $120,000, $180,000, $240,000, $300,00, $360,000, $420,000, or $480,000. The customer's annual volume commitment will be calculated on the following charges during the term of service: recurring Local Line charges, recurring Local Trunk- Basic charges, recurring Local Trunk-DID charges, recurring Local Trunk-2 Way Direct charges, recurring Local Trunk-Digital Interface charges, recurring PRI charges, DID/2 Way Direct number charges, and usage charges (collectively, "Investor Local Service Charges").

Enrolled customers who do not designate an annual volume commitment will receive a credit for each month between the customer's enrollment date in this promotion and the date the service becomes Service Available, with a limit of 12 such credits NOT TO EXCEED $5,000 PER MONTH PER LOCATION, based on the corresponding amounts below, and the number of Local Access Channels (Local Lines, Local Trunks-Basic, and/or Local Trunks-DID/2 Way Direct), ISDN/PRI for customers who order an entire T-1 for ISDN/PRI and DID/2 Way Direct Number Charges (per 20 number block) ordered by the customer and on the exchange service area in which the customer orders service, multiplied by 10% for customers committing to a one-year term, 15% for a two-year term, and 20% for a three-year term.

Credit Per Local Access Channel/DID/2 Way Direct Number Block

Exchange Service Area	Local Line	Local Trunk-Basic	Local Trunk-DID/2 Way Direct	DID/2 Way Direct Number Charge (per block of 20)	PRI per Trunk
CITY	$30.00	$40.00	$50.00	$18.00	$60.50

Customers will receive a one-time invoice credit to be applied to the customer's invoice within 60-days from the commencement of customer's exchange service. Any credit balances will carry over to invoices for subsequent months until depleted.

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.7 MCImetro Local Services Investor Promotion - Boca Raton (Cont.) N

The term will commence no earlier than the first full billing month in which MCI Local Service is Service Available in the customer's local calling area.

The customer will receive monthly discounts on its Investor Local Service Charges based on its term commitment. These discounts will be in lieu of all other discounts and promotions, with the exception of the National Satisfaction Guarantee for MCI Local Business Service promotion (Customer Assurance Promotion).

Term Commitment	Discount
1 Year	10%
2 Year	15%
3 Year	20%

The customer will receive up to 3 credits, each credit equal to the customer's Investor Local Service Charges incurred in the last month of the applicable term year. Each credit will be based on the 12th, 24th, or 36th month of service, respectively, and will be applied to the following month's invoice.

Additionally, if the customer selected a 2-year or 3-year term, the customer will receive a credit for the following charges incurred during the first year of the term: Account Set-up, Account Changes (including Moves, Changes, Additions and Billing Record Changes), Line Connection Charges (Local Line, Local Trunk-Basic and Local Trunk-DID), Line Restoral Charges, DID Numbers Installation and 2 Way Direct Number Installation, Vanity Number Installation, Voice Mail Installation, Call Assistant Installation, non-recurring PRI charges, and Channelization Connection. The credit will be applied after completion of the first year of the term. N

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.7 MCImetro Local Services Investor Promotion - Boca Raton (Cont.)

If the customer selected an Annual Volume Commitment and if, at the end of any year of the term, the customer has not met the annual volume commitment, the customer must pay an underutilization charge equal to the difference between its actual volume and its Annual Volume Commitment.

If the customer discontinues all of its Local Service furnished under this promotion prior to the expiration of the committed term, the customer will be billed and required to pay an early termination charge. The early termination charge for customers that selected an Annual Volume Commitment will equal the current year's underutilization charges, plus the Annual Volume Commitment for each remaining 12 month period remaining in the term (or pro-rated portion thereof for any partial 12 month period). For customers who have not chosen an Annual Volume Commitment, the early termination charge will equal the customer's highest monthly billed charges during the term, multiplied by the number of months that are remaining in the term.

In addition, any customer that cancels its enrollment in the Investor Promotion prior to its expiration will be required to repay any promotional credits that it received contingent upon enrollment in this promotion. N

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.8 Digital Trunk Promotion

Beginning September 1, 1997 and ending January 31, 1998, MCImetro will offer the following promotion to new and existing facilities-based MCImetro customers who enroll in this promotion and who purchase digital trunks in blocks of 24. I

Eligible customers will receive a monthly credit per trunk for digital trunks during the term of the promotion as follows:

Miami/Orlando	Credit Per Trunk
Local Trunk - Basic (Digital) (Unlimited Option)	$15.00
Local Trunk - DID (Digital)	$15.00

Tampa	Credit Per Trunk
Local Trunk - Basic (Digital) (Unlimited Option)	$ 8.00
Local Trunk - DID (Digital)	$ 8.00

Customers must retain the original block of 24 digital trunks enrolled under this promotion in order to receive the monthly credits. Customers who disconnect trunks from the enrolled block of 24 trunks will no longer receive the credits in this promotion.

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.9 Install Waiver Promotion

Beginning April 5, 2000 and ending September 30, 2002, the Company will offer the following promotion to all new business facilities based customers who convert existing local exchange service from another local exchange carrier to MCImetro Local Services. To receive the benefits of this promotion, customers must commit, at the time of converting to MCImetro Local Service, to at least a one year term commitment under the Local On-Net Term Plan or the On-Net Term Plan discount program. Eligible customers will have the installation charges listed below waived for the length of their committed term: T

Account Setup
Account Changes (including Moves, Changes, Additions, and Billing Record Changes)
Line Connection Charges (Local Line, Local Trunk-Basic, Local Trunk DID, Local Trunk-2 Way Direct)
Direct Inward Dialing (DID)/2 Way Direct Installation for Blocks of DID/2 Way Direct Numbers
Vanity Number Non-Recurring Charge
Directory Listings Non-Recurring Charges
Non-Recurring Charges for Local ISDN PRI T-1 Installation and Local ISDN PRI Optional Features
Selective Call Screening Non-Recurring Charge
Non-Recurring Charges for Optional Features

Customers who terminate their term plan prior to the expiration of the committed term will no longer receive the benefits of this promotion. New lines, trunks, or new locations added after the initial service install are not eligible for the installation waiver for the committed term. Additional services converted from another local exchange carrier after the initial service install will be eligible for the install waiver for the committed term. Customers who receive service under a Special Customer Arrangement (SCA) are eligible to receive the benefits of this promotion.

4.10 DID/2 Way Direct Promotion - Tampa

Beginning April 5, 2000 and ending June 30, 2002, MCImetro will offer the following promotion to new and existing customers located in the Tampa areas who order Local Trunk-DID or Local Trunk-2 Way Direct service during the term of this promotion. To be eligible to enroll in this promotion, customers must enroll in an On-Net Term Plan Agreement or be currently enrolled in a NetworkMCI One Term Plan Agreement at the time of ordering Local Trunk-DID or Local Trunk-2 Way Direct service. Existing On-Net or NetworkMCI One customers who currently subscribe to MCImetro Local Service are not eligible to participate in this promotion.

Enrolled customers will be charged the following monthly recurring charge for blocks of DID/2 Way Direct numbers in lieu of the standard tariff rates set forth in Section 3.1.3.2.3.2 for DID/2 Way Direct number charges.

	Monthly Charge
Per Block of 20 DID/2 Way Direct Numbers	$8.00
Per Block of 100 DID/2 Way Direct Number	$20.00

Customers will receive the promotional rate for the length of the commitment term for those Local Trunk-DID/2 Way Direct number blocks ordered prior to the expiration of the promotion. If the customer terminates the term plan prior to completion of its term commitment, the customer will no longer be eligible for the benefits of this promotion. Other promotional discounts or term/volume discounts for which the customer may be eligible will apply to the promotional rate. Customers who receive service under a Special Customer Arrangement (SCA) are eligible to receive the benefits of this promotion.

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4. Promotional Offerings

4.11 Lit Building Promotion

Beginning April 5, 2000 and ending September 30, 2000, the Company will offer the following promotion to new customers of local service who, at time of promotion enrollment (i) enroll in at least a one-year, $100 per month term/volume commitment under the On-Net Term Plan or Local On-Net Term Plan discount programs and (ii) are located and provisioned in a building connected via Company-owned fiber to the Company's network (Lit Building).
Eligible customers enrolled in this promotion will receive a credit applied to each invoice month specified in the schedule below based on the customer's selected length of term commitment:

Term Commitment	Invoice Month
1 Year	13th, 14th and 15th month
2 Year	13th, 14th, 15th, 25th, 26th and 27th month
3 Year	13th, 14th, 15th, 25th, 26th, 27th, 37th and 38th month
4 Year	13th, 14th, 15th, 25th, 26th, 27th, 37th, 38th, 49th, and 50th month
5 Year	13th, 14th, 15th, 25th, 26th, 27th, 37th, 38th, 49th, 50th, 61st and 62nd month

For Flat Rate Option customers each credit will be equal to the customer's monthly recurring Local Line, Local Trunk-Basic, Local Trunk-DID/2 Way Direct, Local Trunk-DID/2 Way Direct Number Charges and Local Trunk ISDN PRI charges for Lit Building locations as defined in this promotion (collectively, "Local Service Charges"), after discounts, based on the month of service prior to each invoice month specified in the schedule above. For Measured Option customers each credit will be equal to the Local Service Charges , after discounts, based on the month of service prior to each invoice month specified in the schedule above. Measured Option customers will receive a additional credit for usage incurred calculated based on the average local usage for the 3 months of service prior to each invoice month as specified in the schedule above.

Lit Building Local Line customers will also receive a monthly credit equal to the monthly recurring charges for Optional Features (excluding Selective Call Screening, Call Trace and Calling Number Delivery).

Term commitment credits provided under this promotion will not be calculated upon: Directory Assistance charges; operator service charges; and Optional Feature monthly charges. Customers discontinuing local service or terminating their term plan prior to the expiration of the committed term will no longer receive the benefits of this promotion. Only lines and trunks ordered within 60 days of the customer's term plan enrollment signature date are eligible for the benefits of this promotion. The benefits of this promotion are not eligible to customers who receive service under a Special Customer Arrangement (SCA).

4.12 Digital Dividend Promotion T

Beginning April 5, 2000 and ending September 30, 2002 the Company will offer the following promotion to new and existing customers who purchase new digital Local Trunk-Basic, digital Local Trunk-DID/2 Way Direct or digital Local ISDN PRI trunks.

Eligibility: To be eligible to enroll in this promotion, customers must satisfy the following conditions at the time of promotion enrollment:

subscribe to an On-Net Term Plan which equals or exceeds one year. Existing customers who are enrolled in an existing On-Net Term Plan, must subscribe to a new On-Net Term Plan following the terms and conditions set forth in the On-Net Term Plan for renewals; and

order installation of new digital Local Trunk-Basic, digital Local Trunk-DID/2 Way Direct or digital Local ISDN PRI trunks terminating to a PBX.

Benefits: Eligible customers enrolled in this promotion will receive a credit per location applied to each invoice month specified in the schedule below based on the customer's selected length of term commitment:

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4. Promotional Offerings

4.12 Digital Dividend Promotion (Cont'd)

Term Commitment	Invoice Month
1 Year	12th and 13th month
2 Year	12th, 13th, 24th and 25th month
3 Year	12th, 13th, 24th, 25th, 36th and 37th month
4 Year	12th, 13th, 24th, 25th, 36th and 37th month
5 Year	12th, 13th, 24th, 25th, 36th and 37th month

Each credit will be equal to the customer's monthly recurring Local Trunk-Basic, Local Trunk-DID/2 Way Direct, Local Trunk-DID/2 Way Direct Number Charges and Local Trunk ISDN PRI charges for trunks ordered within 60 days after the customer's term plan enrollment signature date, after discounts, based on the month of service prior to each invoice month specified in the schedule above. Measured Option customers will receive an additional credit for usage incurred based on the average local usage for the 3 months of service prior to each invoice month as specified in the schedule above.

Credits provided under this promotion will not be calculated upon: Directory Assistance charges; operator service charges; and Optional Feature monthly charges. Customers discontinuing local service or terminating their term plan prior to the expiration of the committed term will no longer receive the benefits of this promotion. Customer locations enrolled in the Lit Building Promotion or the Digital Discovery Promotion are not eligible to receive the benefits of this promotion. The benefits of this promotion are not eligible to customers who receive service under a Special Customer Arrangement (SCA).

4.13 Digital Discovery Promotion

Beginning April 5, 2000 and ending September 30, 2002 the Company will offer the following promotion to new and existing customers who order new digital Local Trunk-Basic or digital Local Trunk-DID/2 Way Direct trunks. T

Eligibility: To be eligible to enroll in this promotion, customers must satisfy the following conditions.

Upon enrollment in this promotion:

Customers must subscribe to an On-Net Term Plan with a term and volume commitment that equals or exceeds one year, $1,000 per month. Existing customers enrolled in an existing On-Net Term Plan, must subscribe to a new On-Net Term Plan following the terms and conditions set forth in the On-Net Term Plan for renewals.

Benefits: Eligible customers enrolled in this promotion will receive the following one-time credit per facility to offset the cost the customer incurs to purchase and install T-1 digital PBX cards, channel banks and CSUs. The credit will be based on the term and volume commitment that the customer selects and will be applied to the first full month's invoice.

	Term Commitment/Credit				
Volume Commitment	1 Year	2 Year	3 Year	4 Year	5 Year
1,000 /month	$1,000	$1,750	$2,500	$2,500	$2,500
2,000/month	$1,000	$1,750	$2,500	$2,500	$2,500
3,000/month	$1,250	$2,500	$3,500	$3,500	$3,500
4,000/month	$1,250	$2,500	$3,500	$3,500	$3,500
5,000/month and above	$1,750	$3,500	$4,500	$4,500	$4,500

To receive credit, customers must prove to the Company's reasonable satisfaction that it acquired T-1 digital PBX cards, channel banks or CSUs within 90 days after the customer's term plan enrollment signature date. Customers disconnecting service prior to the expiration of the term commitment will be billed and required to repay the credit received under this promotion. Customer locations enrolled in the Lit Building Promotion or the Digital Dividend Promotion are not eligible to receive the benefits of this promotion. The benefits of this promotion are not eligible to customers who receive service under a Special Customer Arrangement (SCA).

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.14 Local ISDN-PRI Promotion

Beginning April 5, 2000 and ending September 30, 2000, the Company will offer the following promotion to new and existing customers who order new Local ISDN-PRI service during the term of this promotion. To be eligible to enroll in this promotion new customers, and existing customers who are not existing subscribers to an On-Net Term Plan or Local On-Net Term Plan (Term Plan), must subscribe to a new Term Plan agreement at the time of promotion enrollment. Existing customers who subscribed to a Term Plan prior to promotion enrollment will remain on their existing Term Plan unless the customer enrolls in a new Term Plan pursuant to the terms and conditions set forth in the Term Plan agreement.

Enrolled customers will be charged a monthly recurring charge of $840.00 per T-1 of Local ISDN-PRI in lieu of the standard tariffed monthly recurring Local ISDN-PRI T-1 Flat Rate Option charge and the PRI data only usage credit as set forth in Sections 3.1.6, 3.1.7 and 3.1.8. Customers will receive the promotional rate for the length of the Term Plan commitment term for each new Local ISDN-PRI T-1 ordered prior to the expiration of this promotion. If the customer terminates the Term Plan prior to completion of its term commitment, the customer will no longer be eligible for the benefits of this promotion. Other promotional discounts or term/volume discounts for which the customer may be eligible to receive will apply to the promotional rate.

Customers who receive service under a Special Customer Arrangement (SCA) are eligible to receive the benefits of this promotion. Customers enrolled in this promotion are not eligible to receive the benefits of the Digital Discovery Promotion, Digital Dividend Promotion or the Lit Building Promotion. Customers are not eligible to receive the benefits of this promotion for any Local ISDN-PRI service that a customer terminates, then reinstalls, during the customer's Term Plan term of service following enrollment in this promotion. Existing customers who have existing Local ISDN-PRI service are not eligible to receive the benefits of this promotion for new Local ISDN-PRI service ordered at a location in the same service area.

4.15 FX Service Promotion

Beginning July 7, 2000 and ending October 31, 2001, the Company will offer the following promotion to new customers of FX Service for Local ISDN-PRI. Eligible customers will receive a monthly credit equal to $65.00 per trunk per T-1 of Local ISDN-PRI applied to the monthly recurring digital per trunk charge for FX Service. In addition, the monthly recurring FX charge will be waived. The benefits of this promotion will apply for the duration of the promotion. T

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.16 Local All Inclusive T-1 Promotion

Beginning March 1, 2001, and ending December 31, 2001, the Company will offer the following promotion to (a) new customers who order a new T-1 of digital Flat Rate Option Local Trunk-Basic, Local Trunk-DID, Local Trunk-2 Way Direct and/or Local ISDN-PRI service (Promotional Trunks); and (b) existing customers who order a new T-1 of Promotional Trunks at the time of promotion enrollment and who do not currently have the Company's Local Service in that respective Metropolitan Statistic Area (MSA). T

To be eligible for this promotion, new customers, and existing customers who are not existing subscribers to an On-Net Term Plan or Local On-Net Term Plan (Term Plan), must subscribe to a new Term Plan at the time of promotion enrollment. Existing customers whose existing Term Plan is due to expire at the time of promotion enrollment are eligible to receive the benefits of this promotion for new and existing T-1s of digital Flat Rate Option Local Trunk-Basic, Local Trunk-DID, Local Trunk-2 Way Direct and/or Local ISDN-PRI service provided that existing customers subscribe to a new Term Plan pursuant to the renewal eligibility terms and conditions set forth in the Term Plan Agreement.

Enrolled customers will be charged the following monthly recurring charge per T-1 based on the customer's term of service.

	Term Commitment/Promotional Rate	
	1 Year	2, 3, 4 or 5 Year
Boca Raton/Orlando/Miami:		
Digital Local Trunk-Basic, DID, or 2 Way Direct (Flat Rate Option)	$486.24	$426.24
Digital ISDN-PRI (Flat Rate Option)	$519.84	$459.84
Orlando (Sprint)-Winter Park:		
Digital Local Trunk-Basic, DID, or 2 Way Direct (Flat Rate Option)	$448.80	$494.88
Digital ISDN-PRI (Flat Rate Option)	$388.80	$434.88
Tampa:		
Digital Local Trunk-Basic, DID, or 2 Way Direct (Flat Rate Option)	$456.72	$396.72
Digital ISDN-PRI (Flat Rate Option)	$491.28	$431.28

The Promotional Rate is in lieu of the monthly recurring digital local trunk Flat Rate Option charge for Local Trunk-Basic, Local Trunk-DID, Local Trunk-2 Way Direct, and Local ISDN-PRI T-1 and Term Plan discounts. Customers will receive the promotional rate for the length of the commitment term.

Promotional Trunks must be ordered by December 31, 2001 and installed by March 31, 2002. If the customer terminates the term plan prior to completion of its term commitment, the customer will no longer be eligible for the benefits of this promotion. Customers enrolled in this promotion are not eligible to receive the benefits of any other promotion or discounts except for the Install Waiver Promotion. Customers who receive service under a Special Customer Arrangement (SCA) are eligible to receive the benefits of this promotion except that SCA benefits will not apply to the promotional rate. Availability of this promotion is subject to provisioning capabilities. T

LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.17 Local All Inclusive T-1 Promotion II

Beginning March 1, 2001, and ending December 31, 2001, the Company will offer the following promotion to (a) new customers who order a new T-1 of digital Flat Rate Option Local Trunk-Basic, Local Trunk-DID, Local Trunk-2 Way Direct and/or Local ISDN-PRI service (Promotional Trunks); and (b) existing customers who order a new T-1 of Promotional Trunks at the time of promotion enrollment and who do not currently have the Company's Local Service in that respective Metropolitan Statistic Area (MSA). T

To be eligible for this promotion, new customers, and existing customers who are not existing subscribers to an On-Net Term Plan or Local On-Net Term Plan (Term Plan), must subscribe to a new Term Plan at the time of promotion enrollment. Existing customers whose existing Term Plan is due to expire at the time of promotion enrollment are eligible to receive the benefits of this promotion for new and existing T-1s of digital Flat Rate Option Local Trunk-Basic, Local Trunk-DID, Local Trunk-2 Way Direct and/or Local ISDN-PRI service provided that existing customers subscribe to a new Term Plan pursuant to the renewal eligibility terms and conditions set forth in the Term Plan Agreement.

Enrolled customers will be charged the following monthly recurring charge T-1:

	Monthly Charge
Boca Raton/Orlando/Miami:	
Digital Local Trunk-Basic, and DID/2 Way Direct	$686.24
ISDN-PRI rate	$719.84
Orlando (Sprint)-Winter Park:	
Digital Local Trunk-Basic, and DID/2 Way Direct	$648.80
ISDN-PRI rate	$694.88
Tampa:	
Digital Local Trunk-Basic, and DID/2 Way Direct	$656.72
ISDN-PRI rate	$691.28

The Promotional Rate is in lieu of the monthly recurring digital local trunk Flat Rate Option charge for Local Trunk-Basic, Local Trunk-DID, Local Trunk-2 Way Direct, and Local ISDN-PRI T-1. Customers will receive the promotional rate for the length of the commitment term.

Promotional Trunks must be ordered by December 31, 2001 and installed by March 31, 2002. If the customer terminates the term plan prior to completion of its term commitment, the customer will no longer be eligible for the benefits of this promotion. Customers enrolled in this promotion are not eligible to receive the benefits of any other promotion except for the Install Waiver Promotion. Customers who receive service under a Special Customer Arrangement (SCA) are eligible to receive the benefits of this promotion. Availability of this promotion is subject to the Company's provisioning capabilities. T

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.18 T-up the Internet Promotion

Beginning March 1, 2001 and ending September 30, 2002 the Company will offer the following promotion to new and existing facilities-based business customers. T

Eligibility: To be eligible for this promotion, customers must satisfy the following conditions at the time of promotion enrollment:

Customers must order installation of at least one new channelized digital T-1 circuit of which 18 channels must be used by the customer for digital Local Trunk-Basic, digital Local Trunk-DID, and/or digital Local Trunk-2 Way Direct service provided by the Company and up to 6 channels must be used by the customer for Internet channels of 384K bandwidth. (Promotional Circuit)

New customers and existing customers not already on a term commitment must commit to a term of service for at least one year. Existing customers with a remaining term of service that equals or exceeds one year will remain on their existing term commitment. Existing customers with a remaining term of service less than one year must sign a new term commitment for at least one year.

Other Requirements: Each Promotional Circuit must be installed on or before December 31, 2002. T

Benefits: In each monthly period of a customer's term of service, enrolled customers will be charged a monthly recurring charge of $950.00 per Promotional Circuit. (Promotional Rate)

Other Conditions:

Customers enrolled in this promotion are not eligible to receive the benefits of any other promotion or discounts including term plan discounts except for the Install Waiver Promotion.

Customers utilizing less local and Internet channels than the configuration defined as a Promotional Circuit, the customer will be charged the Promotion Rate based on the Promotional Circuit configuration.

The Promotional Rate does not include taxes, surcharges, directory assistance, operator services blocks of DID numbers or Optional Features.

Customers who discontinue service under this promotion before the expiration of the first year of the committed term of service will be billed and required to pay an early termination charge in an amount equal to the Promotional Rate multiplied by each monthly billing period remaining in the unfulfilled term of service. Customers who discontinue service under this promotion after the first year of the committed term will be billed and required to pay an early termination charge in an amount equal to 50 percent of the Promotional Rate multiplied by each monthly billing period remaining in the unfulfilled term of service.

Customers are not eligible to receive the benefits of this promotion for any Promotion Circuit that a customer terminates, then reinstalls, service during the customer's term of service following enrollment in this promotion.

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.19 Local PRI Subscription Savings Promotion I

Beginning August 20, 2001 and ending September 30, 2001, the Company will offer the following promotion to (a) new facilities based business customers who order a new T-1 of Local ISDN-PRI service Flat Rate Option (Promotional Service); and (b) existing facilities based business customers who order a new T-1 of Promotional Service at the time of promotion enrollment.

Eligibility:
To be eligible for this promotion, new customers, and existing customers who are not existing subscribers to an On-Net Term Plan or Local On-Net Term Plan (Term Plan), must subscribe to a new Term Plan at the time of promotion enrollment. Existing customers whose existing Term Plan is due to expire at the time of promotion enrollment are eligible to receive the benefits of this promotion for new Promotional Service provided that the existing customer subscribes to a new Term Plan pursuant to the renewal eligibility terms and conditions set forth in the Term Plan Agreement.

Promotional Service must be installed by December 31, 2001.

Enrolled customers will be charged an annual non-refundable charge of $2,000.00 for each Promotional Service, due the first month of each contract year term.

Benefits:
Enrolled customers will receive the following reduced monthly recurring charge for a T-1 of Local ISDN-PRI service Flat Rate Option for the length of the customer's term of commitment (Promotional Rate).

Boca Raton	$204.84
Miami/Ft. Lauderdale/Orlando	$419.84
Winter Park	$388.64
Tampa	$176.28

The Promotional Rate is in lieu of the monthly recurring Local ISDN-PRI T-1 Flat Rate Option charge and any other discounts, promotions or Term Plan discounts (except for the Install Waiver Promotion). Availability of this promotion is subject to the Company's provisioning capabilities.

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.20 Local PRI Subscription Savings Promotion II

Beginning August 20, 2001 and ending September 30, 2001, the Company will offer the following promotion to (a) new facilities based business customers who order a new T-1 of Local ISDN-PRI service Flat Rate Option (Promotional Service); and (b) existing facilities based business customers who order a new T-1 of Promotional Service at the time of promotion enrollment.

Eligibility:
To be eligible for this promotion, new customers, and existing customers who are not existing subscribers to an On-Net Term Plan or Local On-Net Term Plan (Term Plan), must subscribe to a new Term Plan at the time of promotion enrollment. Existing customers whose existing Term Plan is due to expire at the time of promotion enrollment are eligible to receive the benefits of this promotion for new Promotional Service provided that the existing customer subscribes to a new Term Plan pursuant to the renewal eligibility terms and conditions set forth in the Term Plan Agreement.

Promotional Service must be installed by December 31, 2001.

Enrolled customers will be charged an annual non-refundable charge of $2,000.00 for each Promotional Service, due the first month of each contract year term.

Benefits:
Enrolled customers will receive the following reduced monthly recurring charge for a T-1 of Local ISDN-PRI service Flat Rate Option for the length of the customer's term of commitment (Promotional Rate):

Boca Raton	$319.84
Miami/Ft. Lauderdale/Orlando	$594.84
Winter Park	$563.64
Tampa	$291.28

The Promotional Rate is in lieu of the monthly recurring Local ISDN-PRI T-1 Flat Rate Option charge.

Other Conditions:
Customers enrolled in this promotion are not eligible to receive the benefits of any other promotional offer for Promotional Service except for the Install Waiver Promotion. Availability of this promotion is subject to the Company's provisioning capabilities.

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.21 Local Satisfaction Guarantee Promotion

Beginning August 20, 2001 and ending September 30, 2002, the Company will offer the following promotion to (a) new facilities Based business customers who at time of promotion enrollment order new Local Line, digital Local Trunk-Basic, digital Local Trunk-DID, digital Local Trunk-2 Way Direct and/or Local ISDN-PRI service (Promotional Trunks); and (b) existing facilities based business customers who order new Promotional Trunks at time of promotion enrollment. T
To be eligible for this promotion customers must subscribe to a new term plan with at least a one-year commitment.

Benefit: During the customer's first 90 days of service after installation, if the customer is dissatisfied for any reason with the Company's local service, the customer can cancel service under this promotion without liability.

Promotional Trunks must be installed by December 31, 2002. Customers enrolled in this promotion are not eligible to receive the benefits of the Local PRI Subscription Savings Promotions I or II. T

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.22 Local Nationwide One Promotion

Beginning April 1, 2002 and ending September 30, 2002, the Company will offer the following promotion to (a) new facilities based business customers who order a new T-1 of Digital Local Trunk-Basic, Digital Local Trunk-DID, Digital Local Trunk-2 Way Direct and/or Local ISDN-PRI service (Promotional Service); and (b) existing facilities-based business customers who order a new T-1 of Promotional Service. T

Eligibility: To be eligible for this promotion:

new and existing customers who are not existing subscribers to an On-Net Term Plan or Local On-Net Term Plan (Term Plan), must subscribe to a new Term Plan at the time of promotion enrollment. Existing customers whose existing Term Plan is due to expire at the time of promotion enrollment are eligible to receive the benefits of this promotion for new Promotional Service provided that the existing customer subscribes to a new Term Plan pursuant to the renewal eligibility terms and conditions set forth in the Term Plan Agreement;

Benefits: Enrolled Customers may select a metered plan or flat rate plan. The following monthly recurring charge (Promotional Charge) per T-1 will apply for the length of the customers term commitment based on the plan selected:

	Monthly Recurring Charge (Per T-1)
Local Trunk-Basic, Local Trunk-DID and Local Trunk-2 Way	
Metered Plan:	
Boca Raton	$181.24
Miami/Ft. Lauderdale	$181.24
Orlando	$181.24
Winter Park	$137.56
Tampa	$151.72
Flat Plan:	
Boca Raton	$536.24
Miami/Ft. Lauderdale	$536.24
Orlando	$536.24
Winter Park	$492.56
Tampa	$506.72
Local ISDN-PRI	
Metered Plan:	
Boca Raton	$214.84
Miami/Ft. Lauderdale	$214.84
Orlando	$214.84
Winter Park	$183.64
Tampa	$186.28
Flat Plan:	
Boca Raton	$569.84
Miami/Ft. Lauderdale	$569.84
Orlando	$569.84
Winter Park	$538.64
Tampa	$541.28

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.22 Local Nationwide One Promotion (Cont.)

Customers selecting the Metered Plan will receive the following promotional monthly usage rates:

1st Minute	Each Additional Minute
$0.0158	$0.0095

The Promotional Charge is in lieu of the standard tariffed monthly recurring charges (except for DID number charges and Local ISDN-PRI feature package charges) for Promotional Service, usage charges, and any other local promotions (except for Install Waiver Promotion and Local Satisfaction Guarantee Promotion).

Other Conditions: Customers selecting the Flat Plan are subject to the Flat with Cap-Trunks minute limit and usage charges as specified in Section 3.1.4.4. Existing customers are not eligible to receive the Promotional Charge for new Promotional Service added to a location where the customer already has existing local service. Customers enrolled in the Metered Plan who have more than 70% of their traffic carried via inbound local and have an average off-hook time per call of more than ten minutes are not eligible to receive the benefits of this promotion. Existing customers enrolled in the Local All Inclusive T-1 Promotion I are not eligible to receive the benefits of this promotion for new Promotional Service. T

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.23 Local Express Promotion T

Beginning April 1, 2002 and ending September 30, 2002, the Company will offer the following promotion to new and existing facilities-based business customers who order a new T-1 of Digital Local Trunk-Basic, Digital Local Trunk-DID, Digital Local Trunk-2 Way Direct and/or Local ISDN-PRI service (Promotional Service).

Eligibility: To be eligible for this promotion:

new and existing customers who are not existing subscribers to an On-Net Term Plan or Local On-Net Term Plan (Term Plan), must subscribe to a new Term Plan at the time of promotion enrollment. Existing customers whose existing Term Plan is due to expire at the time of promotion enrollment are eligible to receive the benefits of this promotion for new Promotional Service provided that the existing customer subscribes to a new Term Plan pursuant to the renewal eligibility terms and conditions set forth in the Term Plan Agreement;

customers must receive interstate long distance service under Special Customer Arrangement (SCA) Guide Type 1 as described in the WorldCom's "Service and Publication and Price Guide" located on the Company's website at www.worldcom.com.

Benefits: Enrolled Customers may select a Flat Plan or Metered Plan. The following monthly recurring charge (Promotional Charge) will apply for the length of the customers term commitment based on the plan selected and term of service:

	Monthly Recurring Charge	
Local Trunk-Basic, DID, 2 Way Direct:	1 Year	2 Years
Flat Plan:		
Boca Raton	$498.24	$456.24
Miami/Ft. Lauderdale	$498.24	$456.24
Orlando	$496.24	$456.24
Winter Park	$452.56	$412.56
Tampa	$466.72	$426.72
Jacksonville	$498.24	$456.24
Metered Plan:		
Boca Raton	$158.99	$136.74
Miami/Ft. Lauderdale	$158.99	$136.74
Orlando	$158.99	$136.74
Winter Park	$115.31	$93.06
Tampa	$129.47	$107.22
Jacksonville	$158.99	$136.74

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LOCAL EXCHANGE SERVICE

4. Promotional Offerings

4.23 Local Express Promotion (Cont.)

Local ISDN/PRI:

	1 Year	2 Years
Flat Plan:		
Boca Raton	$529.84	$489.84
Miami/Ft. Lauderdale	$529.84	$489.84
Orlando	$529.84	$489.84
Winter Park	$498.64	$458.64
Tampa	$501.26	$461.26
Jacksonville	$529.84	$489.84
Metered Plan:		
Boca Raton	$192.59	$170.34
Miami/Ft. Lauderdale	$192.59	$170.34
Orlando	$192.59	$170.34
Winter Park	$161.39	$139.14
Tampa	$164.03	$141.78
Jacksonville	$192.59	$170.34

N N

Customers selecting the Metered Plan will receive the following promotional monthly usage rates based on term of service:

1 Year

1st Minute	Each Additional Minute
$0.0150	$0.0090

2 Years

1st Minute	Each Additional Minute
$0.0142	$0.0086

The Promotional Charge is in lieu of the standard tariffed monthly recurring charges (except for DID number charges and Local ISDN-PRI feature package charges) for Promotional Service, usage charges, discounts (including term plan discounts) and any other local promotions (except for Install Waiver Promotion and Local Satisfaction Guarantee Promotion).

Other Conditions: Existing customers are not eligible to receive the Promotional Charge for new Promotional Service added to a location where the customer already has existing local service. Customers are not eligible to receive discounts (including term plan discounts) or any other promotional offerings except for the Local Installation Waiver Promotion and Local Satisfaction Guarantee Promotion.

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256K up to 10 Mps. Service is provided only to tenants in BBO-wired partner buildings.

Rates

Speed	NRC	Monthly Recurring
256K	$750	$595
384K	$750	$695
512K	$750	$850
768K	$750	$995
1.5M	$750	$1295
3.0M	$750	$2499
6.0M	$750	$3995
10.0M	$750	$5995

*NOTE: Additional NRC charges apply for Internet Office based on the number of seats (*i.e.* devices) being wired. Variable charge per seat is $120.

3.4. PROMOTIONAL OFFERINGS

The Company may offer existing services on a promotional basis, subject to Commission approval, that provides special rates, terms, or conditions of service. Promotional offerings are limited to a maximum of six months at which time the promotional offering must be either withdrawn or made available on a permanent basis. All promotions, regardless of whether services are given away for free, are subject to Commission approval.

Competitive Response Promotion

From time to time, BBOC may offer a new subscriber of service discounts (up to 100%) off the Customer's total usage charges. Such discounts may have variable terms of applicability and expiration dates. These discounts may apply to monthly recurring port charges, access loop charges, installation charges, and other non-recurring fees.

SECTION 6 - SPECIAL PROMOTIONS

6.0 Special Promotions

From time to time ACI may offer special promotions to its subscribers with specific starting and ending dates. The company may also offer special promotions offered by LECs whose service is being resold by the company.

6.1 The following Special Promotions are offered:

6.1.1 Bellsouth's 2001 Key Customer Program for business customers from wire centers in competitive situations, as set forth in the BellSouth General Subscriber Service Tariff, Section A.2.10.2A, available through 06/25/02. ACI will apply the following discounts to the total billed revenue (TBR) of the subscribers which discounts are dependent upon the length of contract and the TBR: N T

Contract Period	TBR 100.00 - 149.99	TBR 150.00 - 999.99	TBR 150.00 - 999.99
18 months	6%	10%	12%
36 months	10%	13%	16%

N N

In the event Subscriber discontinues business local service with ACI prior to expiration of the term, Subscriber shall pay to ACI the amount of discounted charges for its local services that the Subscriber had received as a result of Subscriber's participation in the Program. Subscriber is responsible for repayment of all discounts received associated with this program. In addition to the reimbursement of the discounts, tariffed termination liability charges for individual services will be applied, if applicable.

15.0 - PROMOTIONAL OFFERINGS

15.1 Special Promotions

The Carrier may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new subscribers or to increase subscriber awareness of a particular price list offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Carrier's price list as an addendum to the Carrier's price lists.

15.1.1 Bundle Up Local Promotion

The Bundle Up Promotion is available to new and existing Customers of Business Telecom, Inc. who do not currently have any local service provided by BTI. Based on the term agreement signed by the Customer, the Customer can receive up to 5 months of local line charges free. Promotion enrollment period ends July 31, 2002. (T)

Qualifications:	Customers who sign a term agreement with Business Telecom, Inc. for T-1, UNE, UNE-T and UNE-P local service. Local resell Customers are not eligible for this promotion.
Optional Length of Term:	1 Year, 2 Year or 3 Year Term
Local Line Charges:	
1 Year Term Agreement	6th Month Free
2 Year Term Agreement	6th, 13th and 24th Month Free
3 Year Term Agreement	6th, 13th, 24th, 30th and 36th Month Free

(M) – Material that originally appeared on this Page now appears on Page 110.

15.0 - PROMOTIONAL OFFERINGS, (CONT'D.)

(N)

15.1 Special Promotions, (Cont'd.)

15.1.2 Fast Forward Promotion

The Fast Forward Promotion is available new business customers in the State of Florida, who elect to choose Business Telecom, Inc. as their local service provider. Customers who select Business Telecom, Inc., will receive free installation and receive free months of local line charges based on the term agreement signed.

Qualifications	New business customers who select BTI as provider for their T-1, UNE, UNE-T and UNE-P local service. Local resell Customers are not eligible for this promotion.
Installation Charge	Waived
Optional Length of Term:	1 Year, 2 Year or 3 Year Term
Local Line Charges:	
1 Year Term Agreement	6th Month Free
2 Year Term Agreement	6th, 13th and 24th Month Free
3 Year Term Agreement	6th, 13th, 24th, 30th and 36th Month Free

(N)

(N)

SECTION 5 – SPECIAL PROMOTIONS
(CONTINUED)

5.1 "ANNIVERSARY PROMOTION"

5.1.1 Effective Term

5.1.1.A Beginning Date: April 20, 2001
5.1.1.B Ending Date: July 20, 2001

5.1.2 Applicability

BroadRiver is offering up to three (3) months free service ("Promotion") to eligible new and existing Customers purchasing or upgrading Services between April 20, 2001 and July 20, 2001 (the "Promotion Period"). This promotion applies to any eligible Customer who signs up for new Service or upgrades its existing Service during the Promotion Period. For purposes of this Promotion: (i) an eligible "Customer" is a current or new subscriber to any BroadRiver bundled Service package; and (ii) "Service" shall be those services provided by BroadRiver as evidenced by a fully executed BroadRiver Customer Services Order Agreement ("CSA"). Defined terms shall have the same meaning as in the CSA unless otherwise defined herein.

5.1.3 For New Customers

During the Promotion Period all new Customers will receive up to three (3) free months of Service when they subscribe to any BroadRiver bundled Service packaged during the Promotion Period. For the 13th, 25th and 37th months of uninterrupted Service from the original in-service date, as evidenced by the BroadRiver Customer records, the Customer will receive a credit on their invoice for the monthly recurring price of Customer's then current level of Service. The credit is only for the single monthly recurring price of the package for the immediately preceding month and does not include any services not included in the package, including without limitation taxes, fees, Optional Services and long distance charges in excess of plan amount), and all federal, state and local taxes and fees paid or payable under the CSA.

(N)

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SECTION 5 – SPECIAL PROMOTIONS (N)
(CONTINUED)

5.1.4 For Existing Customers

During the Promotion Period all existing Customers will receive up to three (3) free months of Service when they sign a new CSA which upgrades to a BroadRiver packaged Service with a greater monthly recurring charge than their current package and for a term of equal or greater length then the current remaining term under their existing CSA. Termination Charges will be waived for Customers upgrading Service under this Promotion. For the 13th, 25th and 37th months of uninterrupted Service from the in-service date of the upgrade, as evidenced by the BroadRiver Customer records, the Customer will receive a credit on their invoice for the monthly recurring price of Customer's then current level of Service. The credit is only for the single monthly recurring price of the package for the immediately preceding month and does not include any services not included in the package, including without limitation taxes, nonrecurring charges, and/or long distance charges over and above the amount provided in the package.

5.1.5 Additional Promotion Terms and Conditions

1. The offer cannot be used in conjunction with any other BroadRiver promotion.
2. The in-service date may not exceed sixty (60) days from the date of the execution of the qualifying CSA.
3. Customer must remain in good standing in order to receive the applicable credit.
4. Customer may not receive more than 1 months credit during any twelve month period and may not receive more than a total of 3 months worth of credit as part of this Promotion.
5. This Promotion may not be used by existing Customers who do not upgrade Services during the Promotion Period.
6. Customer is not eligible for a credit if they discontinue their BroadRiver Service prior to the month the credit is applied.
7. Customer shall remain liable for the payment of all installation fees, charges in excess of or not included in the BroadRiver Standard Bundled Service (e.g., non-recurring fees, Optional Services and long distance charges in excess of plan amount), (N)

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SECTION 5 – SPECIAL PROMOTIONS
(CONTINUED) (N)

and all federal, state and local taxes and fees paid or payable under the CSA.

8. The promotional credit will only be in the form of a credit to the customer's monthly bill, and not in the form of a cash credit.
9. This promotion is subject to regulatory approval and is void where prohibited.
10. BroadRiver reserves the right, at our discretion, to update or revise this Promotion without further notice, except as may be required by applicable regulations.
11. Additional terms and conditions apply to Service. (N)

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SECTION 5 – SPECIAL PROMOTIONS (N)
(CONTINUED)

5.2 "FIFTY PERCENT OFF INSTALLATION PROMOTION"

5.2.1 Effective Term

5.2.1.A Beginning Date: April 20, 2001
5.2.1.B Ending Date: July 20, 2001

5.2.2 Applicability

BroadRiver is offering the following discount on installation fees ("Promotion") to eligible Customers purchasing Services between April 20, 2001, and July 20, 2001 (the "Promotion Period"). This promotion applies to any eligible Customer who signs up for Service during the Promotion Period. For purposes of this Promotion: (i) an eligible "Customer" is one who has not subscribed to any BroadRiver service during the previous two (2) year period prior to subscribing to new BroadRiver Service and who replaces their existing DSL service with any of the BroadRiver bundled "intelligent broadband" high speed Internet access and voice products; (ii) "Service" shall be those services provided by BroadRiver as evidenced by a fully executed BroadRiver Customer Services Order Agreement ("CSA"). Defined terms shall have the same meaning as in the CSA unless otherwise defined herein.

5.2.3 Promotion

BroadRiver will offer new customers that replace their current DSL service with any of the BroadRiver bundled "intelligent broadband" high speed Internet access and voice products a 50% reduction off of the current price of installation when they subscribe to new Service for a term of 12 months or more.

If Customer discontinues BroadRiver service prior to the completion of the initial 12 month term, Customer shall be required to pay termination penalties as defined in the CSA, plus the remaining installation fee that is waived by this promotion. (N)

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SECTION 5 – SPECIAL PROMOTIONS (N)
(CONTINUED)

In order to be eligible for this promotion, Customer must provide a copy of their most current DSL invoice at time of ordering Service.

5.2.4 Additional Promotion Terms and Conditions

1. Customer shall remain liable for the payment of all remaining installation fees, charges in excess of or not included in the BroadRiver Standard Bundled Service (e.g., non-recurring fees, Optional Services and long distance charges in excess of plan amount), and all federal, state and local taxes and fees paid or payable under the CSA.
2. The promotional credit will only be in the form of a credit to the customer's monthly bill, and not in the form of a cash credit.
3. This promotion is subject to regulatory approval and is void where prohibited.
4. BroadRiver reserves the right, at our discretion, to update or revise this Promotion without further notice, except as may be required by applicable regulation.
5. Additional terms and conditions apply to Service. (N)

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SECTION 5 – SPECIAL PROMOTIONS
(CONTINUED)

5.3 "INSTALLATION WAIVER PROMOTION"

5.3.1 *Effective Term*

5.3.1.A	Beginning Date:	April 20, 2001
5.3.1.B	Ending Date:	July 20, 2001 (T)

5.3.2 Applicability

BroadRiver is offering the following waiver on installation fees ("Promotion") to eligible Customers purchasing Services between April 20, 2001, and June 20, 2001 (the "Promotion Period"). This Promotion applies to any eligible Customer who signs up for new Service during the Promotion Period. For purposes of this Promotion: (i) an eligible "Customer" is one who has not subscribed to any BroadRiver service during the previous two (2) year period prior to subscribing to new BroadRiver Service for a term of twenty-four (24) months or greater; (ii) "Service" shall be those services provided by BroadRiver as evidenced by a fully executed BroadRiver Customer Services Order Agreement ("CSA"). Defined terms shall have the same meaning as in the CSA unless otherwise defined herein. (T)

5.3.3 Promotion

BroadRiver will waive the installation fees for all new Customers that subscribe to any of the BroadRiver bundled "intelligent broadband" high speed Internet access and voice products for a term of 24 months or more.

If Customer discontinues BroadRiver Service prior to the completion of the initial 24 month term, Customer shall be required to pay termination penalties as defined in the CSA, plus the installation fee that is waived by this promotion.

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(N)

SECTION 5 – SPECIAL PROMOTIONS
(CONTINUED)

5.3.4 Additional Promotion Terms and Conditions

1. The offer can be used in conjunction with any other BroadRiver promotion.
2. Customer shall remain liable for the payment of all charges in excess of or not included in the BroadRiver Standard Bundled Service (e.g., non-recurring fees, Optional Services and long distance charges in excess of plan amount), and all federal, state and local taxes and fees paid or payable under the CSA.
3. The promotional credit will only be in the form of a credit to the customer's monthly bill, and not in the form of a cash credit.
4. This promotion is subject to regulatory approval and is void where prohibited.
5. BroadRiver reserves the right, at our discretion, to withdraw, update or revise this Promotion without further notice, except as may be required by applicable regulations.
6. Additional terms and conditions apply to Service.

(N)

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(N)

SECTION 5 – SPECIAL PROMOTIONS
(CONTINUED)

5.4 "6TH MONTH FREE PROMOTION"

5.4.1 Effective Term

5.4.1.A Beginning Date: June 25, 2001
5.4.1.B Ending Date: September 22, 2001

5.4.2 Applicability

BroadRiver is offering a free month of service ("Promotion") to eligible Customers purchasing Services between June 25 and September 22, 2001 (the "Promotion Period"). This Promotion applies to any eligible Customer who signs up for new Service during the Promotion Period. For purposes of this Promotion: (i) an eligible "Customer" is one who has not subscribed to any BroadRiver service during the previous two (2) year period prior to subscribing to new BroadRiver packaged Service for a term of twelve (12) months or greater; and (ii) "Service" shall be those services provided by BroadRiver as evidenced by a fully executed BroadRiver Customer Services Order Agreement ("CSA"). Defined terms shall have the same meaning as in the CSA unless otherwise defined herein.

5.4.3 Promotion

During the Promotion Period all new Customers will receive a free month of Service when they subscribe to any BroadRiver packaged Service during the Promotion Period for a period of one (1) year or more. Customers in good standing will receive a credit on their sixth monthly invoice for the monthly recurring price of Customer's then current level of Service. The credit is only for the single monthly recurring price of the package for the immediately preceding month and does not include any services not included in the package, including without limitation taxes, nonrecurring charges, and/or long distance charges over and above the amount provided in the package.

(N)

Michael J. Huebner, Director – Regulatory Affairs
BroadRiver Communication Corporation
13000 Deerfield Parkway, Suite 210
Alpharetta, Georgia 30004

SECTION 5 – SPECIAL PROMOTIONS
(CONTINUED)

(N)

If Customer discontinues BroadRiver Service prior to the completion of the initial term, Customer shall be required to pay termination penalties as defined in the CSA, plus the monthly fees credited by this promotion.

5.4.4 Additional Promotion Terms and Conditions

1. The offer cannot be used in conjunction with any other BroadRiver promotion.
2. The in-service date may not exceed sixty (60) days from the date of the execution of the qualifying CSA.
3. This Promotion is not available to existing Customers.
4. Customer must remain in good standing in order to receive the applicable credit.
5. Customer may not receive more than 1 months credit during any twelve month period.
6. Customer is not eligible for a credit if they discontinue their BroadRiver Service prior to the month the credit is applied.
7. Customer shall remain liable for the payment of all installation fees, charges in excess of or not included in the BroadRiver Standard Bundled Service (e.g., non-recurring fees, Optional Services and long distance charges in excess of plan amount), and all federal, state and local taxes and fees paid or payable under the CSA.
8. The promotional credit will only be in the form of a credit to the customer's monthly bill, and not in the form of a cash credit.
9. This promotion is subject to regulatory approval and is void where prohibited.
10. BroadRiver reserves the right, at our discretion, to withdraw, update or revise this Promotion without further notice, except as may be required by applicable regulations.
11. Additional terms and conditions apply to Service.

(N)

Michael J. Huebner, Director – Regulatory Affairs
BroadRiver Communication Corporation
13000 Deerfield Parkway, Suite 210
Alpharetta, Georgia 30004

3.0 DESCRIPTION OF SERVICES (Continued)

3.3 Emergency Services (Enhanced 911) (Continued)

The Company will be obligated to provide facilities to route calls from the end users to the proper Public Safety Answering Point. The Company recognizes the authority of the E-911 customer to establish service specifications and grant final approval or denial of service configurations offered by the Company.

3.4 Promotional Offerings

The Company may, from time to time, submit promotional offerings with the Commission for approval, which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made.

3.4.1 One-Time Activation Fee Promotion

Beginning March 29, 2002 and ending October 1, 2002, Choctaw offers the One-Time Activation Fee Promotion. The One-Time Activation fee for all new customers will be decreased from $65.00 to $39.95.

3.4.2 New Customer Promotion (N)

Beginning June 1, 2002, Choctaw will offer the following promotions to new customers Only:

Local Voice Line with Call Waiting	$49.95 per month
Conversion:	$29.95
Data Line (no features)	$49.95 per month
Call Waiting, Call Forwarding, Three Way Calling	$ 5.00 each/per month
Caller ID	$10.00

(N)

3.5 Customer Service

Telephone inquiries may be directed to the Company at 1-800-597-4130. Written inquiries may be directed to the Company at:

8700 South Gessner
Houston, Texas 77074

SECTION 3 - BASIC SERVICE DESCRIPTIONS AND RATES

Promotion I - Free service for three months

Customers purchasing their 9th line within the first three months from sign on date, CWI will credit the first three months monthly recurring charge for the 9th line. (R) (R)

Promotion II - Save $75 toward installation of Digital Trunk Lines (I)

New local customers purchasing Digital Trunk Lines will receive a $75.00 credit to use toward the $150.00 initial installation charge. (I)

Promotion III - $100.00 off Direct Inward Dial Installation

Customers purchasing Digital Trunnk Lines Services are eligible to receive $100.00 off the price of Direct Inward Dial installation charges. (T)

3.6 SPECIAL PRICING ARRANGEMENTS – INDIVIDUAL CASE BASIS (ICB)

In lieu of the rates otherwise set forth in this Price List, rates and charges, including installation, special construction, and recurring charges, may be established at negotiated rates, on an Individual Case Basis (ICB), taking into account such factors as the nature of the facilities and services, the costs of construction and operation, the volume of traffic commitment, and the length of service commitment by the Customer, as long as the rates and charges are not less than Carrier's costs of providing the service. Such arrangements shall be considered Special Pricing Arrangement, the terms of which will be set forth in individual contracts or Customer Term Agreements. Special Pricing Arrangement rates or charges will be made available to similarly-situated Customers on comparable terms and conditions. Upon reasonable request, Carrier will make the terms of these contracts available to the Commission and its staff for review on a confidential and proprietary basis.

3.7 PROMOTIONS

Carrier may, from time to time, engage in promotional offerings or trials, designed to attract new Customers, to stimulate Customer usage, to test potential new services, and/or to increase existing Customer awareness of Carrier services. These offerings may be limited to certain services, dates, times of day and/or locations determined by Carrier.

BASIC SERVICE PROMOTION BEGINNING AUGUST 30, 2002

N

Prepaid Home Phone Service: $21.99 plus installation of $40.00 to establish service. The customer then pays $41.99 plus taxes for Basic Monthly Service. Basic monthly service includes unlimited local calls plus the following features free: Call Waiting, Caller ID, Unpublished number and Call Forwarding.

Discount coupons allow customer to save $20 on the 1st, 3rd and 6th month's service. The customer is not required to submit the coupon with their bill. Billing will automatically deduct $20 on the 1st, 3rd, and 6th invoices. This offer is only available in selected Bell South markets.

LOCAL EXCHANGE SERVICE

SECTION 4 - RATES (continued)

Business Rate Schedule (continued)

4.1.17 Select 100 Rates (N)

Local service will be provided at 20% off the Infinity single line business rate as well as certain optional features as described in Section 3.28 of this tariff. * A monthly recurring fee of $5.95 will apply, however, this fee can be waived if the customer subscribes to on-line billing currently offered through ITC^DeltaCom's free eBillMaster billing service.

* Select 100 and/or certain optional features may not be available in all areas. Customers can contact one of ITC^DeltaCom's customer service representatives at 1-800-239-3000 to find out where this service is available in their area. (N)

LOCAL EXCHANGE SERVICE

SECTION 4 - RATES (continued)

Business Rate Schedule (continued)

4.1.17.1 Select 100 Feature Package Rates (D)

RATE
$13.75

Calling Features
Call Forward Busy Line
Call Forward Don't Answer
Call Forward Don't Answer Ring Control
Call Forward Variable
Call Waiting
Speed Calling 8
Speed Calling 30
Three Way Calling
Message Waiting Indicator – Audible
Message Waiting Indicator – Visual
Call Return
Call Block
Call Tracing*
Repeat Dialing
Call Selector
Preferred Call forwarding
RightRing I
RightRing II
Remote Access Call Forwarding
Three Way Calling with Transfer
Signature Number Delivery
Enhanced Signature w/ Call Management w/ Anonymous Call Rejection (ACR)
Enhanced Signature w/ ACR and Call Forwarding Don't Answer

* All calling features are subject to availability in the serving central office.

SECTION 4 - RATES (continued)

Business Rate Schedule (continued)

4.1.17.1 Select 100 Feature Package Rates (T)

Calling Features Continued
Enhanced Signature with ACR
Signature Name and Number Delivery with ACR
Signature Name and Number Delivery – Multiline Hunt Group
Surrogate Client Number
Star 98 Access
Hunting

(N)

- All calling features are subject to availability in the serving central office.

4.1.17.2 Select 100 Expanded Calling Service

RATE	
$10.00	(N)

(N)

SECTION 3 - BASIC SERVICE DESCRIPTION AND RATES, CONT'D.

3.14 Discount Plans

3.14.1 Volume Plan

Customers who utilize monthly recurring local exchange services of the Company in excess of $10 per month are eligible for the discount plans noted below. The discount percentage applies to the Customer's entire monthly recurring local exchange bill.

Monthly Recurring Local Exchange Service	Discount %
$10.01 - $7,000.00	Up to 10%
Over $7,000	Up to 11%

3.14.2 Term Plans

The Company offers a discount to Customers that agree to use the Company's local exchange and/or interexchange (long distance - "LD") services for 12, 24, 36 or 60 months. The term discount applies in addition to the volume discount noted above. If the Customer does not honor their term commitment then they will owe the non-discounted rates of the Company's service offerings for the entire term that they have been a Customer of the Company.

	Percentage Discount	
Customers that Commit to:	Local Exchange	Long Distance
- 12 months - local exchange service only	0.5%	0.0%
- 12 months - local exchange and LD service	0.5%	0.5%
- 24 months - local exchange service only	0.5%	0.0%
- 24 months - local exchange and LD service	0.5%	1.5%
- 36 months - local exchange and LD service	1.0%	2.5%
- 60 months - local exchange and LD service	1.5%	3.5%

3.2 Payment of Calls

3.2.1 Interest charges of 1 1/2% per month will be assessed on all unpaid balances more than thirty days old.

3.2.2 Twenty-five dollars ($25.00) will be assessed for checks returned for insufficient funds.

3.2.3 The monthly fee for Call Wait will be waived if a customer pays by either credit card or ACH (Automated Clearing House)

3.3 Promotions (N)

3.3.1 Beginning January 1, 2000 and ending February 1, 2000, Intetech will waive the $15.00 processing fee when a residential Intetech switch customer adds any local feature. No contract is required and a customer can cancel at anytime without penalty.

3.3.2 Beginning March 1, 2000 and ending April 1, 2000, residential Intetech switch customers can change their long distance carrier to Intetech and the PIC change fee will be waived. If the customer is not satisfied with the service within the first 30 days, Intetech will switch them back to their previous carrier for free.

3.3.3 Beginning May 1, 2000 and ending June 1, 2000, residential Intetech switch customers can add Voicemail, ID Call or Call Wait, and the first month's feature fee will be waived.

3.3.4 Beginning October 1, 2000 and ending November 1, 2000, residential Intetech switch customers that add two features to their local service will receive the third feature for free. (N)

Issued: October 29, 1999 Effective: NOV 0 2 1999

By:

G. Scott Brodey
President, CEO
Intetech, L.C.
7077 Bonneval Road, Suite 600
Jacksonville, FL 32216

3.4 Promotions

3.4.1 Beginning November 1, 2000 and ending December 31, 2001, Intetech will waive $20.00 of the installation fee, making the install fee only $10.00 when the customer orders the "Value Plus Package".

3.4.1.A Beginning February 15, 2001 and ending August 1, 2001, Intetech will waive the full install fee of $30.00 to current Melrose residents, not currently using Intetech for Local phone service when they sign up for the Value Plus Package.

3.4.2 Advanced On-Line Ordering-Beginning May 1, 2001 (N)
and ending June 30, 2001. Melrose Residents only, sign up on line for local phone service by June 30, 2001 and get installation charge waived. (N)

(D)

(D)

SECTION 3 - BASIC SERVICE DESCRIPTIONS AND RATES

3.1 SERVICE OFFERINGS

3.1.1	RESIDENTIAL LINE, per month	$ 49.00
3.1.2	CONNECTION CHARGE (Initial)	$ 40.00*

* This Connection Charge of forty dollars [$40.00] will be reduced to twenty dollars [$20.00] if this $20.00 is paid in full and accompanies the initial payment for the first month's standard Residential Line charge, also paid in full one [1] month in advance at the time the customer subscribes to the services of the Company; and, this Connection Charge will be reduced to zero dollars [$0.00] if the standard Residential Line charge is paid in full for two [2] months in advance at the time the customer subscribes to the services of the Company.

Issued By: _____
Jon Shastid, Secretary
JTC Communications, Inc.
513 S. 5th Street
Louisville, KY 40202

HARBOR CONSULTING GROUP INC.
REGULATORY CONSULTANTS

4312 92ND AVENUE NORTHWEST
GIG HARBOR, WASHINGTON 98335

STACEY A. KLINZMAN
TELEPHONE: 253.265.3910
FACSIMILE: 253.265.3912
EMAIL: SKLINZMAN@HARBOR-GROUP.COM

RECEIVED
00 FEB -1 AM 9:30
MAIL ROOM

February 3, 2000

Via Overnight Delivery
Mr. Tom Williams
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0872

RE: Network Plus Inc. ("the Company") "Loco for Local" Promotional Offering

Dear Mr. Williams:

In accordance with the Forida Public Service Commission's ("the Commission") regulations and those contained in the Company's Price List No. 1, paragraph 3.12, page 107, the Company intends to make a local service promotional offering as described below.

The promotional program will commence upon approval by the Commission and will conclude on March 31, 2000. Network Plus, Inc. customers that sign up for the Company's local service between February 3, 2000 and March 31, 2000 will receive credit on their January, 2001 invoices for all local usage charges and local usage fees incurred by the customer from December 1, 2000 through December, 31, 2000. This offer does not include taxes, surcharges, federal and state fees, other non-usage recurring charges, or recurring charges not related to local products.

It is the Company's understanding that the offer is effective one business day after the Commission's receipt of this notice. If you have any questions regarding this matter, please contact me as soon as possible. Please acknowledge receipt of this notification by date stamping the enclosed copy of this letter and returning it to us in the self-addressed, stamped envelope provided for this purpose.

Very truly yours,

Harbor Consulting Group Inc.

Stacey A. Klinzman
Senior Consultant

CC: John Farley, Network Plus, Inc.
Lisa Korner, Network Plus, Inc.

CMU
FEB 0 4 2000
RECEIVED

HARBOR CONSULTING GROUP, INC.
REGULATORY CONSULTANTS
4312 92ND AVENUE NORTHWEST
GIG HARBOR, WASHINGTON 98335

STACEY A. KLINZMAN

TELEPHONE: 253.265.3910
FACSIMILE: 253.265.3912
EMAIL: SKLINZMAN@HARBOR-GROUP.COM

RECEIVED
FLORIDA PUBLIC SERVICE COMMISSION
00 MAR 23 AM 9:29
MAIL ROOM

March 22, 2000

Via Overnight Delivery
Mr. Tom Williams
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0872

RE: Network Plus Inc. ("the Company") "Spring Fling" Promotional Offering

Dear Mr. Williams:

In accordance with the Florida Public Service Commission's ("the Commission") regulations and those contained in the Company's Price List No. 1, paragraph 3.12, page 107, the Company intends to make a local service promotional offering as described below.

The promotional program will commence upon approval by the Commission and will conclude on April 30, 2000. Network Plus, Inc. customers who sign up for the Company's Bundled Community Plus Calling Plan between April 1, 2000 and April 30, 2000 will receive a credit on their August, 2000 telephone bills for the Community Plus Calling Plan's Business Line/Trunk, Command T-1 or Command PRI T-1 monthly recurring charges. This offer does not include installation, features such as voice mail or call forwarding, taxes, surcharges and federal and state fees.

It is the Company's understanding that the offer is effective one business day after the Commission's receipt of this notice. If you have any questions regarding this matter, please contact me as soon as possible. Please acknowledge receipt of this notification by date stamping the enclosed copy of this letter and returning it to us in the self-addressed, stamped envelope provided for this purpose.

Very truly yours,

Harbor Consulting Group Inc.

Stacey A. Klinzman
Regulatory Consultant

CC: John Farley, Network Plus, Inc.
Lisa Korner, Network Plus, Inc.

2000 MAR 23 AM 10:26

SECTION 3 -- BASIC SERVICE DESCRIPTION AND RATES (Continued)

3.16 Promotional Offering 1

For all customers who sign up for Network's prepaid local service offering during this promotional period, the one-time activation charge will be as follows:

1. BellSouth Region - $14.95
2. Sprint Region - $29.95
3. GTE Region - $39.95

The promotional period will commence on December 6, 1999 and will continue through September 30, 2001. At the conclusion of the promotional period any new customers who sign up for Network's prepaid local service offering will be charged the standard one-time activation charge contained in Section 3.13.1 of this tariff. (T)

3.16.1 Promotional Offering 2

All customers in the Destin, Ft. Walton, and Tallahassee areas who sign up for Network's prepaid local service offering during the period of this promotion will have the one-time activation charge listed in Section 3.13.1 or Section 3.16 of this tariff waived. Activation charges for features will continue to apply and are not waived during this promotion. Promotional Offering 2 begins on February 12, 2000 in Destin and Ft. Walton and on March 9, 2000 in Tallahassee. The promotion ends on August 23, 2000 in the Tallahassee market area and on September 30, 2001 in the Destin/Ft. Walton market areas. (T)

3.16.2 Promotional Offering 3

Customers subscribing to Network Telephone's prepaid local service in certain market areas will receive discounts as listed below. This promotion expires on September 30, 2001. (T)

Tallahassee - Customers will receive a $20 discount off the first month's recurring charge for service listed in Section 3.13.1 of this tariff, and a $19.95 discount off the activation fee listed in Section 3.16 of this tariff.

Ft. Walton - Customers will receive a $10 discount off the first month's recurring charge for service listed in Section 3.13.1 of this tariff.

LOCAL EXCHANGE SERVICES
Section 4 - MISCELLANEOUS SERVICE DESCRIPTIONS AND RATES

4.10 Temporary Promotional Programs

The Company may establish temporary promotional programs wherein it may waive or reduce non-recurring or recurring charges, to introduce present or potential Customers to a service not previously received by the Customers. In accordance with Florida regulations, all such promotions will be submitted to the Commission for approval and incorporated into the Company's Price List.

A) Access Line Promotion

N

The Access Line Promotion will provide one month free service for each year of a customer's term agreement. This promotion is applicable to the following services: ClearXpress Business Lines and Trunks, ClearStar Business Lines and Trunks, CearValue Bundles (Lines Only), ClearXpress PRI (Voice Applications Only) and KMC BRI (Voice Applications Only). This Promotion will run from October 1, 2001 until December 31, 2001

N

SECTION 3 - BASIC LOCAL EXCHANGE SERVICE

3.25 NOS TOTAL CHOICE FOR BUSINESS PACKAGE

3.25.1 General (Cont'd)

E. A foreign listing and an additional listing are each available to subscribers of these packages. All of the rules, regulations and limitations specified in this Tariff apply to the respective listings requested as part of this service.

F. Rotary service is also available for subscribers to the Total Choice for Business 3-line packages and larger. The maximum number of lines in rotary allowed is one less than the number of lines in the package (e.g. for a 7-line package, a maximum of six lines in rotary is allowed). All of the rules, regulations and limitations specified for rotary service are provided in 3.6 preceding.

3.25.2 Total Choice For Business Package

A. Package Service

1. Business Flat Rate Service

	Monthly Rate	USOC
(a) Each 1-line package	$52.00	COMP1
(b) Each 2-line package	94.00	COMP2
(c) Each 3-line package	142.00	COMPH
(d) Each 4-line package	177.00	COMPF
(e) Each 5-line package	218.00	COMF5
(f) Each 6-line package	242.00	COMF6
(g) Each 7-line package	275.00	COMF7
(h)Each 8-line package	308.00	COMF8
(i) Each 9-line package	341.00	COMF9

SECTION 3 - BASIC LOCAL EXCHANGE SERVICE

3.25 NOS TOTAL CHOICE FOR BUSINESS PACKAGE

3.25.2 Total Choice For Business Package (Cont'd)

A. Package Service (Cont'd)

2. Total Choice for Business Package Option 1 which includes NOS Business Extra service Calling Plan 1

(a) Each 1-line package	87.00	COM11
(b) Each 2-line package	159.00	COM12
(c) Each 3-line package	237.00	COM1H
(d) Each 4-line package	305.00	COM14
(e) Each 5-line package	371.00	COM15
(f) Each 6-line package	440.00	COM16
(g) Each 7-line package	508.00	COM17
(h) Each 8-line package	575.00	COM18
(i) Each 9-line package	644.00	COM19

3. Total Choice for Business Package Option 2 which includes NOS Business Extra service Calling Plan 2

(a) Each 1-line package	57.00	COM21
(b) Each 2-line package	99.00	COM22
(c) Each 3-line package	147.00	COM2H
(d) Each 4-line package	182.00	COM24
(e) Each 5-line package	214.00	COM25
(f) Each 6-line package	247.00	COM26
(g) Each 7-line package	280.00	COM27
(h) Each 8-line package	313.00	COM28
(i) Each 9-line package	346.00	COM29

SECTION 3 - BASIC LOCAL EXCHANGE SERVICE

3.25 NOS TOTAL CHOICE FOR BUSINESS PACKAGE

3.25.3 Service Charges

A. The service order charges specified in this Tariff are applicable for the installations of new lines at the subscriber's premises. These charges are not applicable for existing customers who wish to move from an existing line to a Total Choice for Business package.

3.25.4 Term Plan

A. The Total Choice For Business package Term Plan is available for all business customers who subscribe to Total Choice For Business packages.

B. The Total Choice For Business package Term Plan offers discounts off rates shown in 3.25.2 of this Tariff.

C. A termination liability will be assessed to subscribers who terminate the service prior to the expiration of the term commitment. The amount to be assessed will be equal to the amount of the discounted charges that the Subscriber had received as a result of the Subscriber's participation in the Program.

D. The Total Choice For Business package Term Plan discounts are available as follows:

Discount	Term
5%	24 Months
8%	36 Months

SECTION 4 – PROMOTIONAL AND SPECIAL SERVICE OFFERINGS

4.2 Customer 6th, 10th, and 14th Invoice Advantage Plan

Customers who qualify as a new customer or as either a "save" or a "winback" and who meet the eligibility requirements set forth below will receive a credit on their 6th, 10th, and 14th invoices as provided following.

4.2.1 For each five and immediately succeeding four and next immediately succeeding four additional invoices of consecutive uninterrupted service (total of 13 consecutive invoices) a credit shall be calculated equal to the lower of either (i) the average of the customer's monthly charges, excluding calling card charges, fees, taxes, surcharges, assessments, and similar charges ("eligible charges"), for the consecutive five month period preceding customer's 6th invoice, for the consecutive nine-month period preceding customer's 10th invoice, and for the consecutive thirteen month period preceding customer's 14th invoice; or (ii) a credit which equals the eligible charges on the invoice in which the credit is applied.

4.2.2 Eligibility. To be eligible for the 6th, 10th, and 14th invoice free bonuses, each customer must:

- have initiated service;
- have current usage which exceeds the established minimum monthly usage levels for the applicable service;
- have no record of nonpayment in any of the preceding consecutive month qualifying periods (5, 9, and 13 months) of service;
- have received first five, nine, and then thirteen additional consecutive and uninterrupted invoices over the preceding thirteen-month period;
- have selected the 6th, 10th, and 14th invoice free bonus incentives prior to the first day in the period of service covered by customer's fifth invoice; and
- pay all charges rendered in customer's fifth and related ninth and thirteenth invoice in excess of the amount of the applicable credits as calculated under 4.2.1, preceding.

SECTION 4 – PROMOTIONAL AND SPECIAL SERVICE OFFERINGS

4.3 Customer 6th, 9th, 13th, 19th, 22nd, and 26th Invoice Advantage Plan

Customers who qualify as a new customer or as either a "save" or a "winback" and who meet the eligibility requirements set forth below will receive a credit on their 6th, 9th, 13th, 19th, 22nd, and 26th invoices as provided following.

4.3.1 For each five, and the immediately succeeding three, and next immediately succeeding four, and next immediately succeeding six, and next immediately succeeding three, and next immediately succeeding four additional invoices of consecutive uninterrupted service (total of 25 consecutive invoices) a credit shall be calculated equal to the lower of either (i) the average of the customer's monthly charges, excluding calling card charges, fees, taxes, surcharges, assessments, and similar charges ("eligible charges") for the consecutive five month period preceding customer's 6th invoice; for the consecutive eight-month period preceding customer's 9th invoice; for the consecutive twelve-month period preceding customer's 13th invoice; for the consecutive eighteen-month period preceding customer's 19th invoice; for the consecutive twenty-one-month period preceding customer's 22nd invoice; and for the consecutive twenty-five month period preceding customer's 26th invoice; or (ii) a credit which equals the eligible charges on the invoice in which the credit is applied.

Issued by: Glenn Stockton, II, Tariff Administrator
NOS Communications, Inc.
4380 Boulder Highway
Las Vegas, NV 89121

SECTION 4 – PROMOTIONAL AND SPECIAL SERVICE OFFERINGS

4.3 Customer 6th, 9th, 13th, 19th, 22nd, and 26th Invoice Advantage Plan (Cont'd)

4.3.2 Eligibility. To be eligible for the 6th, 9th, 13th, 19th, 22nd, and 26th invoice free bonuses, each customer must:

- have initiated service;
- have current usage which exceeds the established minimum monthly usage levels for the applicable service;
- have no 90-day or older outstanding unpaid balance, and no 60-day or older outstanding unpaid balance equal to or greater than $50.00;
- have received first five, eight, twelve, eighteen, twenty-one, and then twenty-five additional consecutive and uninterrupted invoices over the preceding twenty-five month period;
- have selected the 6th, 9th, 13th, 19th, 22nd, and 26th invoice free bonus incentives prior to the first day in the period of service covered by customer's fifth invoice; and
- pay all charges rendered in customer's fifth and related eighth, twelfth, eighteenth, twenty-first, and twenty-fifth invoice in excess of the amount of the applicable credits as calculated under 4.3.1, preceding.
- contact Company's Customer Care Department to confirm eligibility and to activate the Promotion. A customer must contact Customer Care prior to the last day in the period of service covered by customer's fifth invoice in order to receive all six invoice credits. A customer who meets and continues to meet all other Eligibility requirements except that it does not contact Customer Care to activate the promotion until a date subsequent to the last day in the period of service covered by customer's fifth invoice, will receive all credits on specified invoices (9th, 13th, 19th, 22nd, and 26th) generated by Company after the required contact with Customer Care is made, but will not retroactively receive a credit for any specified invoice already generated by Company.

Example: A customer that meets all other eligibility requirements, except that it does not contact Customer Care prior to the last day in the period of service covered by customer's fifth invoice to activate the promotion, calls Customer Care to activate the promotion two weeks later. The customer will receive credits calculated according to Section 4.3.1 preceding for the 9th, 13th, 19th, 22nd, and 26th invoices; the customer will not retroactively receive the 6th invoice credit to which it would otherwise have been entitled.

Issued by: Glenn Stockton, II, Tariff Administrator
NOS Communications, Inc.
4380 Boulder Highway
Las Vegas, NV 89121

SECTION 4 – PROMOTIONAL AND SPECIAL SERVICE OFFERINGS

4.4 **Bonus Incentives.** Based on the scope of the competitive offer received by an eligible Customer, each such Customer shall be entitled to one of the following bonuses that most nearly equals the value of that competitive offer.

A. **6th Invoice Free Bonus Incentive.** Customers who qualify as either a "save" or a "winback" and who meet the eligibility requirements set forth in Section 4.4.A.2. will receive a credit on their 6th invoice as provided following.

1. For each five months of consecutive uninterrupted service, a credit shall be calculated equal to the lower of either (i) the average of the customer's monthly charges, excluding fees, taxes, surcharges, assessments, and similar charges ("eligible charges") for the preceding consecutive five month period; or (ii) a credit which equals the eligible charges on the invoice in which the credit is applied.

2. **Eligibility.** To be eligible for a 6th month credit, each Customer must:

(a) have initiated service under a facilities-based local exchange offering;
(b) have current usage which exceeds the established minimum monthly interstate usage levels for the applicable facilities-based local exchange offering as specified by Company to customer;
(c) have no record of nonpayment in any of the preceding consecutive twelve month period of service;
(d) have received five consecutive and uninterrupted invoices over the preceding five month period;
(e) have selected the 6th invoice credit prior to the first day in the period of service covered by customer's sixth invoice; and
(f) pay all charges rendered in customer's sixth invoice in excess of the amount of the applicable credit as calculated under Section 4.4.A.1, preceding.

Issued by: Glenn Stockton, II, Tariff Administrator
NOS Communications, Inc.
4380 Boulder Highway
Las Vegas, NV 89121

SECTION 4 – PROMOTIONAL AND SPECIAL SERVICE OFFERINGS

4.4 Bonus Incentives (Cont'd)

B. 9th Invoice Free Bonus Incentive

Customers who qualify as either a "save" or a "winback" and who meet the eligibility requirements set forth in Section 4.4.B.2 will receive a credit on their 9th invoice as provided following.

1. For each eight months of consecutive uninterrupted service, a credit shall be calculated equal to the lower of either (i) the average of the customer's monthly charges, excluding fees, taxes, surcharges, assessments, and similar charges ("eligible charges") for the preceding consecutive eight month period; or (ii) a credit which equals the eligible charges on the invoice in which the credit is applied.

2. **Eligibility.** To be eligible for a 9th month credit, each customer must:

   (a) have initiated service under a facilities-based local exchange offering;
   (b) have current usage which exceeds the established minimum monthly interstate usage levels for the applicable facilities-based local exchange offering as specified by Company to customer;
   (c) have no record of nonpayment in any of the preceding consecutive twelve month period of service;
   (d) have received eight consecutive and uninterrupted invoices over the preceding eight month period;
   (e) have selected the 9th invoice credit prior to the first day in the period of service covered by customer's ninth invoice; and
   (f) pay all charges rendered in customer's ninth invoice in excess of the amount of the applicable credit as calculated under Section 4.4.B.1, preceding.

SECTION 4 – PROMOTIONAL AND SPECIAL SERVICE OFFERINGS

4.4 Bonus Incentives (Cont'd)

C. 13th Invoice Free Bonus Incentive

Customers who qualify as either a "save" or a "winback" and who meet the eligibility requirements set forth in Section 4.4.C.2 will receive a credit on their 13th invoice as provided following.

1. For each twelve months of consecutive uninterrupted service, a credit shall be calculated equal to the lower of either (i) the average of the customer's monthly charges, excluding fees, taxes, surcharges, assessments, and similar charges ("eligible charges") for the preceding consecutive twelve month period; or (ii) a credit which equals the eligible charges on the invoice in which the credit is applied.

2. Eligibility. To be eligible for a 13th month credit, each customer must:

   (a) have initiated service under a facilities-based local exchange offering;
   (b) have current usage which exceeds the established minimum monthly interstate usage levels for the applicable facilities-based local exchange offering as specified by Company to customer;
   (c) have no record of nonpayment in any of the preceding consecutive twelve month period of service;
   (d) have received twelve consecutive and uninterrupted invoices over the preceding twelve month period;
   (e) have selected the 13th invoice credit prior to the first day in the period of service covered by customer's thirteenth invoice; and
   (f) pay all charges rendered in customer's thirteenth invoice in excess of the amount of the applicable credit as calculated under Section 4.4.C.1, preceding.

Issued by: Glenn Stockton, II, Tariff Administrator
NOS Communications, Inc.
4380 Boulder Highway
Las Vegas, NV 89121

Special Promotions

The company will, from time to time, offer special promotions to its customers waiving certain charges. These promotions will be approved by the FPSC with specific starting and ending dates.

TriVergent Communications, Inc. will be offering the following promotion:

1) All new customers signing up for the Jacksonville and South Florida Broadband Business Package from January 16, 2001 and April 27, 2001 will have their installation charge waived.

2) "Free Month" Promotion All new business customers who sign up for service will receive one month free. See promotion description attached. The promotion will end April 15, 2001.

3) New business customers and existing customers that sign up for the Broadband service prior to April 15, 2001 will receive the following promotion for the duration of their contract:

   Sign up or up current service to 320K in bandwidth and receive 640K
   Sign up or up current service to 640K in bandwidth and receive 1meg

4) All new customers signing up for Complete Voice or Private Line Voice Only installation fees will be waived until June 15, 2001.

   This Promotion is being extended until September 14, 2001. (W)

5) CompleteVoice Promotion:

   Existing CompleteVoice customers who order two new single business lines can order a Select Feature Package at no additional cost. The nonrecurring charge associated with Select Feature Package will be waived and the monthly recurring charge will be waived for the life of the contract. Customers can receive more than one free Select Feature Package, depending on the number of lines ordered. This offer can be combined with other existing promotions. Offer ends July 13, 2001.

6) All new customers and existing customers who add an ISDN PRI line on or before September 14, 2001 will have their installation charge waived. (N)

   This promotion maybe combined with other promotion and is applicable to ISDN PRI installation. (N)

Special Promotions (Continued)

6) Service Rebate Voucher Promotion:

New customers and existing customers signing new term contracts between May 18, 2001 and July 12, 2001 will receive credit vouchers which can be redeemed in designated months. Customers signing 2 year contracts will receive two vouchers, each valued at $300.00, and redeemable in the 6th and 18th month of the contract. Customers signing 3-year contracts will receive three vouchers, each valued at $500, and redeemable in the 6th, 18th and 30th months of the contract. Vouchers will be mailed to customers approximately 60 to 90 days after the contract is signed. The vouchers will be applied to the customer's monthly recurring charges. To be eligible, customers must order a minimum of 10 lines or trunks and Nuvox Internet service. Customer must remit the original voucher received from NuVox. This offer is not transferable. This offer can be combined with other NuVox promotions noted below only through May 29, 2001.

7) Free Line Promotion:

New customers who order 7 flat-rated Single Business Lines and Nuvox Internet service (per location) between May 18, 2001 and July 12, 2001 will receive one additional line free. Nonrecurring charges will be waived and the monthly recurring charges will be waived for the life of the contract for the free line. Customers are responsible for calling feature charges, End User Common Line charges, taxes and other surcharges or services on the free line(s). Customers can receive more than one free line by ordering additional lines in 7 line increments. This offer can be combined with other noted NuVox promotions only through May 29, 2001.

8) DID Promotion:

New T-1 PBX Service customers who order service between May 18, 2001 and July 12, 2001 can receive special DID service rates for the life of their contracts, as follows: 1 year contract - $75.00 per month per T-1; 2 year contract - $50.00 per month per T-1; 3 year contract - $20.00 per month per T-1. Nonrecurring and DID number charges are not included. This offer can be combined with other NuVox promotions above only through May 29, 2001.

BY: Hamilton Russell, III
NuVox Communications, Inc.
301 North Main St., Suite 500
Greenville SC 29601
(864) 271-6335

Special Promotions (Continued)

9) Customers signing new service contracts between July 17 and September 14, 2001 will receive a "free month" of service credit for each year of the applicable contract term. Customers will receive their free month after they have fulfilled their initial contract term, in the following manner:

- Customers signing a one-year contract receive the 13th month free.
- Customers signing a two-year contract receive the 13th and 25th months free.
- Customers signing a three-year contract receive the 13th, 25th, and 37th months free.

To qualify, the contract must include NuVox local service, long distance service on all lines, Internet service, and two other services. Customers can choose among Direct Inward Dialing, Select Feature Package and a variety of nonregulated NuVox services for their two additional services. Customers must keep all services for the entire contract term to receive the free month.

The dollar amount of the free service credit will be based on the monthly recurring charges associated with the quantities of eligible services ordered by the customer on or before September 14 2001. Eligible services include regulated voice services (Single Business Lines, ISDN-PRI, PBX Trunk, T-1, and Broadband Business Package) and Internet. Ancillary services (long distance, calling card, calling features), taxes/surcharges, and equipment/installation are not subject to the promotion and are not included in the free month calculation. Only one "free month" promotion can apply per account. This promotion may be combined with other promotions. Customers must remit the original certificate provided by the Company to receive their free month's service. In order to receive the free month, the Customer's account must be in good standing (i.e., no past due balances of more that 30 days) at the time it is otherwise eligible to obtain its free month's service. Current customers, including those adding incremental products, are not eligible for this promotion.

10) Voice Only Product Installation Charge Wavier (T)

New Customers and existing customers adding new service will have any installation charges waived. This promotion includes the following products: ISDN PRI and Full Voice T-1.

This promotion will be in effect until February 15, 2002 and is available where facilities allow. (T)

Promotions Continued:

11) Full Voice T-1 Value Plan: NuVox Communications Inc. will waive all monthly recurring charges and non-recurring charges for the features below for any new customer or customer who renews their contract to include the Full Voice T-1 Value Plan. The customers who sign up on or before June 14, 2002 will retain the rate for the duration of their contact.

This promotion may be used in conjunction with other promotions.

Features available at no charge are listed as follows:

• Call Blocking • Anonymous Call Rejection • Preferred Call Forwarding • Call Holding • Call Forwarding Don't Answer • Selective Call Screening • Call Return • Call Forwarding Universal • Speed Calling • Caller ID Deluxe • Call Forwarding Remote Activation • Voice Mail Easy Access • Repeat Dialing • Caller ID / Calling Number Delivery • Three-Way Calling • Caller ID / Dialable Number Delivery • Call Waiting • Calling Name Delivery / Blocking • Calling Number / Delivery Blocking

12) 2nd Quarter Promotions (N)

A) New Customers and existing customers adding new service will have any installation charges waived if customer purchases long distance and an ancillary service of at least $24.95 per month.

B) New Customers and existing customers adding new service will have any installation charges waived if customer purchases internet service as well as an ancillary service of at least $24.95 per month.

C) New Customers and existing customers adding new service will have any installation charges waived if customer purchases 24 or more voice channels.

*Customer must have at least five lines to qualify.
*Ancillary services are selected from a specific list.

This promotion will be in effect until August 31, 2002 and is available where facilities allow. (N)

Promotions Continued:

13) Bandwidth Promo

Promotion Period: May 20, 2002 – August 31, 2002, new customers only.

Customer purchases at least $24.95 in ancillary services or pay full installation charges for voice services purchased. (Concurring promo waving installation allowed if ancillary services are purchased.) Customer will receive a higher bandwidth speed at the price of the speed below it.

1.Double The Internet for these speeds only:
•128K double to 256K
•192K increases to 320K
•256K doubles to 512K
•320K doubles to 640K
•384K doubles to 768K
•512K doubles to 1024K
•640K increases to 1024K

Ancillary services are selected from a specific list.
This promotion is available where facilities allow.

14) Fill The "T" Promotion

Existing customers can obtain additional voice lines for the remaining portion of their contract at the following rate:

$15.00 per line per month / No installation fee
$ 7.50 per line per month / Installation $5.00 per line
$ 1.00 per line per month / Installation of $15.00 per line

This promotion will expire on June 15, 2002.

Customers must be:
Currently on Nuvox's service
A Business Customer
Service provisioned on a Nuvox facility via T-1
T-1 serving the customer has channel availability
Number of lines ordered cannot exceed current T-1 capacity.

SECTION 3 – INTRASTATE LOCAL EXCHANGE RATES AND CHARGES

3.9 Market Trial Service Program

Any new or new conversion residential customer in the state who subscribes to the Company's local, local toll, and long distance service, and to one of the Optional Convenience Packages offered by the Company, will receive a billing credit equal to one month's charge for the Optional Convenience Package selected. The Optional Convenience Packages included under this promotion are the Simple One, the Standard One, and the All-In-One, described elsewhere in this Tariff. Retention requirements and early termination fees described elsewhere in this Tariff apply to this temporary offer. This promotional offering is made to new or conversion customers placing orders for the Company's services between April 2, 2001 and June 30, 2001. All new or new conversion orders must be completed not later than July 31, 2001 to qualify for the billing credit.

SECTION 3 - BASIC SERVICE DESCRIPTIONS AND RATES, (Cont'd.)

(N)

3.10 Local Borders

Local Borders provides the Customer with a telephonic communications channel, which can be used to place or receive one call at a time. Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines to the public switched network. Trunks are provided for the connection of Customer-provided wiring and PBX or PBX-like equipment to the public switched network, and are subject to availability of facilities.

Local Borders allows for non-usage-sensitive local calling within the exchange and extended local service area. Local Borders is available to Customers in urban and suburban areas as defined by Verizon. It is available on a month-to-month basis or with a signed 1 or 2-year term agreement. Additional discounts are available to Customers who subscribe to OneStar for their interstate long distance service and/or their dial-up internet service. Local Borders is non-discountable.

1. **Local Borders - 1 Product**

Local Borders – 1 Product is available to Customers who subscribe to OneStar for their local service only.

Monthly Recurring Charge	
Month-to-Month	$33.00
1 Year term agreement	$32.25
2 Year term agreement	$32.50

2. **Local Borders - 2 Products**

Local Borders – 2 Products is available to Customers who subscribe to OneStar for their local service along with interstate long distance or dial-up internet service.

Monthly Recurring Charge	
Month-to-Month	$32.25
1 year Term agreement	$31.50
2 year Term Agreement	$30.75

3. **Local Borders - 3 Products**

Local Borders – 3 Products is available to Customers who subscribe to OneStar for their local service along with interstate long distance and dial-up internet service.

Monthly Recurring Charge	
Month-to-Month	$31.50
1 year Term agreement	$30.75
2 year Term Agreement	$30.00

(N)

SECTION 3 - BASIC SERVICE DESCRIPTIONS AND RATES. (Cont'd.) (N)

3.11 Budget Feature Group Packages

Budget feature group packages are available to customers who subscribe to OneStar for UNEP provisioned local service. Customers can choose from the list of features to create a package of two or four features or choose a package containing all features. Budget packages are non-discountable. The features available are:

Call Forwarding
Call Forwarding Busy
Call Forwarding Does Not Answer
Call Waiting
Speed Dialing – 8 Code
Three-Way Calling

Budget Package Pick 2 – pick two Budget feature group package features for $2.95 per month.

Budget Package Pick 4 – pick four Budget feature group package features for $4.95 per month.

Budget Complete Package – includes all six Budget feature group package features for $6.95 per month.

(N)

SECTION 3 - BASIC SERVICE DESCRIPTIONS AND RATES, (Cont'd.)

(N)

3.12 Performance Feature Group Packages

Performance feature group packages are available to customers who subscribe to OneStar for UNEP provisioned local service. Customers can choose from the list of features to create a package of two, four, or six features or choose a package containing all features. Performance packages are non-discountable. The features available are:

Call Forwarding
Call Forwarding Busy
Call Forwarding Does Not Answer
Call Waiting
Speed Dialing – 8 Numbers
Speed Dialing – 30 Numbers
Three-Way Calling
Distinctive Ring - Service Pkg. 1
Distinctive Ring - Service Pkg. 2
Call Return
Repeat Dialing
Caller ID
Caller ID w/Name
Call Waiting ID
Call Waiting ID w/Name

Performance Package Pick 2 – pick two Performance feature group package features for $4.95 per month.

Performance Package Pick 4 – pick four Performance feature group package features for $6.95 per month.

Performance Package Pick 6 – pick four Performance feature group package features for $9.95 per month.

Performance Complete Package – includes all six Performance feature group package features for $14.95 per month.

(N)

SECTION 5 – PROMOTIONAL OFFERINGS

5.1. Promotional Offerings

The company, from time to time, may make promotional offerings of its services, which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made.

5.1.1. Promotional Rate – PREFERRED RESIDENTIAL II (includes call waiting)

Set up fee $69.99 (includes first month of service)

5.1.2. Promotional Rate – PREFERRED RESIDENTIAL III (does not include call waiting)

Set up fee $69.99 (includes first month of service)

5.1.3. Promotional Rate – PREFERRED RESIDENTIAL IV (includes call waiting, call forwarding, and caller identification for those customers who convert local telephone service from a competitor provider of local telephone service to be provided for a ninety (90) day period) N

MRC $49.99 (for two, thirty-day periods only) N
Set up fee $49.99 (includes first month of service) N

9. Promotional Offerings:

The Company, from time to time, may make promotional offerings of its services which may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made. Promotions will be filed with the Florida Public Service Commission for approval on one day's notice.

9.1 Contract Renewal Promotion (T)

9.1.1 The Contract Renewal Promotion will be offered from September 1, 2001 through December 31, 2001 to existing XO Customers who meet the following qualifications and agree to the terms and conditions below. An existing Customer is defined as a customer who currently receives XO services. Customer must also currently be billed in advance and agree to renew an existing voice service contract for a term equal to or greater than the current contract commitment up to three years to be eligible for this promotion. Customer renewing a current XO contract for one, two or three year(s) will receive one free month of service for each year commitment. The free month of service is defined as the current Monthly Recurring Charge (MRC), up to $7,500, and will appear as a credit on the customer's bill. Customers with MRCs in excess of $7,500 will be responsible for the payment of the differential between the actual MRC and $7,500. Credits will be applied in the 12th, 24th, and 36th months of the new contract term for one, two and three year terms. The Promotion includes the XOptions and Integrated Access service products. (T)

9.1.2 The free month(s) of service credit does not include usage, sales, gross receipts, excise, or other local, state and federal taxes, charges, user fees, or surcharges. This promotion may not be combined with another promotion. Should the Customer terminate service prior to the end of the term commitment, Customer is responsible for the total amount of the free month(s) of service credit(s), and the value of the of the MRC's remaining in the term contract.

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9. Promotional Offerings (Cont'd)

(N)

9.2 Save A Bundle Promotion

9.2.1 Existing or new XO Customers who order any one of the Xoption Service Offerings Number 1-13, or XO Standalone Integrated Access from **April 1, 2001 through June 30, 2001** and agree to the terms and conditions below, are eligible for the Save A Bundle Promotion. Existing customer is defined as a voice only or data only customer who is upgrading to one of the XOption Offerings or Standalone Integrated Access. New customer is defined as someone who has not subscribed to these services for one year prior to this promotion. Multiple Service Discount customers are not eligible for this promotion. Under the Save A Bundle promotion, Customer who agree to one, two or three year term commitment when ordering XOption No. 1-13 or Standalone Integrated Access will receive one free month of service for each year commitment plus free installation. For those customers ordering XOptions, the free month(s) of service is equal to the tariffed Monthly Recurring Charge (MRC) and does not include any minutes of use exceeding the amount offered in XOptions No. 1-13 service offerings. Additional minutes of use will be billed at the current tariffed rates. For those Customers ordering Standalone Integrated Access, the free month(s) of service is equal to the tariffed MRC and does not include local usage. Local usage will be billed at the current tariffed rates. The free month(s) of service does not include sales, use, gross receipts, excise, or other local, state and federal taxes, charges, user fees, or surcharges.

9.2.2 All customers signing term agreements under this promotion will receive free installation for these services and the first month's MRC free. In addition, customers signing two year agreements will receive the thirteenth month's MRC free and customers signing three year agreements will receive the thirteenth and twenty-fifth months' MRC free.

9.2.3 Should Customer terminate service prior to the end of the term commitment, Customer is responsible for the amount of the free month(s) of service granted, the monthly recurring charges times the number of months remaining in the term contract, and the cost of the previously waived installation.

(N)

(D)

Material previously appearing on this page has been deleted.

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9. Promotional Offerings (Cont'd)

(N)

9.3 On-Net Xoption or Integrated Access Bonus Promotion

9.3.1 Existing or new On-Net XO Customers who order XOption #5, #6, #7, #10, #11, #13, or XO stand alone Integrated Access from April 1, 2001 through June 30, 2001 and agree to the terms and conditions below, are eligible for the On-Net Bonus Promotion. Existing customer is defined as a voice only or data only customer who is upgrading to XOption #5, #6, #7, #10, #11, #13, or Standalone Integrated Access. On-Net Customer is defined as a location where the Customer service location is provided entirely by XO over its own fiber or wireless facilities. New customer is defined as someone who has not subscribed to these services for one year prior to this promotion. Under the On-Net Bonus promotion, Customers who agree to one, two or three year term commitment when ordering XOption #5, #6, #7, #10, #11, #13 or Standalone Integrated Access will receive two free months of service for each year of commitment plus free installation. For those customers ordering XOptions, the free month(s) of service is equal to the tariffed Monthly Recurring Charge (MRC) and does not include any minutes of use exceeding the amount offered in XOptions #5, #6, #7, #10, #11, #13 service offerings. Additional minutes of use will be billed at the current tariffed rates. For those Customers ordering Standalone Integrated Access, the free month(s) of service is equal to the tariffed MRC and does not include local usage. Local usage will be billed at the current tariffed rates. Free month(s) of service does not include sales, use, gross receipts, excise, or other local, state and federal taxes, charges, user fees, or surcharges.

9.3.2 All customers signing term agreements under this promotion will receive free installation for these services and the first and second month's MRC free. In addition, customers signing two year agreements will receive the thirteenth and fourteenth month's MRC free and customers signing three year agreements will receive the thirteenth, fourteenth, twenty-fifth and twenty-sixth months' MRC free.

9.3.3 Should Customer terminate service prior to the end of the term commitment, Customer is responsible for the amount of free month(s) of service granted, the monthly recurring charges times the number of months remaining in the term contract, and the cost of the previously waived installation.

(N)
(D)

Material previously appearing on this page has been deleted.

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9. Promotional Offerings (Cont'd)

(N)
(T)

9.4 American Express Card Holder Promotion

Effective **May 1, 2001 through November 1, 2001** all American Express Corporate Card members who become new Company customers, defined as anyone who has not purchased Company services for at least one (1) year prior to receiving services under this promotion, by purchasing an XOption bundle (see Section 3.13 of this tariff) will be entitled to one (1) month of free service and free installation. This promotion grants eligible customers free one-time initial installation of the XOptions Bundle customer has subscribed to, up to $1,800 in value. If customer's initial installation costs for the XOptions Business Product exceed the $1,800 allowed in this promotion, customer will be billed for the difference between actual installation costs and $1,800. The free month of service also included in this promotion applies only to the basic Monthly Recurring Charges (MRC). The free month will be applied to the first month of customer's contract.

(N)

(D)

The American Express Promotion previously on this page has been replaced with this new promotion.

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9. Promotional Offerings (Cont'd)

9.5 Competitive Dedicated Long Distance 5% Discount (T)

From time to time, Company may offer a new subscriber of Dedicated Long Distance a 5% discount off the Customer's per minute rate in addition to any discount to which Customer would be eligible. This additional discount offer may be made in response to an offer made by another telecommunications company where the Customer can demonstrate to Company's satisfaction that the Customer intends to accept such offer as an inducement to subscribe to or remain subscribed to such other telecommunication provider's service. This discount will be applicable for the entire term of the Customer's agreement. This promotion will expire on June 30, 2001, unless sooner extended, canceled or withdrawn.

(D)

American Express Promotion on this page has been deleted.

(M)

On-Net Promotion has been moved to page 94.

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(M)

(M)

Material previously appearing on this page has been moved to page 92.

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9. Promotional Offerings (Cont'd)

9.7 DTI Card Promotion

New and existing customers of XO who purchase a Channelized T1, ISDN PRI, XOption #12, and XOption or #13 from XO from **April 1, 2001 through June 30, 2001** and buy a digital trunk interface (DTI) card because of the service purchase, will receive a credit from XO up to $1,500. The customer must sign at least a one-year agreement. Up to a $1,000 credit applies to a one-year contract and up to a $,1500 credit applies for a two-year contract or longer.

The credit will appear on the next billing cycle after the customer provides XO with a copy of the invoice. The credit is limited to the actual cost of the DTI card (hardware). The service charge to program and install the card is excluded. For example, if the cost of the DTI card cost is $1200, a qualifying customer would receive a $1,000 credit for a one-year contract and a $1,200 credit for a two-year contract or longer.

The customer must provide XO with a copy of the invoice from their phone vendor for the DTI card. The invoice must show that the customer bought the DTI card in conjunction with the purchase of the T1/PRI service from XO. The vendor must invoice the customer and the customer must pay the vendor. XO will not pay the vendor directly.

This promotion can not be combined with any other promotion.

(M) (N) (N) (M)

Material previously appearing on this page has been moved to page 79.

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9. Promotional Offerings (Cont'd)

(D)

9.8 On-Net Promotion

~~(T)(M)~~

XO is offering the following "On Net" Promotion to new customers purchasing service on or before June 29, 2001: Any new customer initiating service under a term contract shall receive a ten percent discount off the monthly recurring service charge for the life of the term of the contract. This offer is available for new customers and services only, and is only available to customers in buildings that are either "on-net," or directly connected to XO's fiber network, or are scheduled to be placed "on-net" within a reasonable time, as determined by XO.

This offer does not apply to Digital Subscriber Line services, to nonrecurring charges, to usage charges such as long distance, or to surcharges, taxes and fees. Term contract for service required, subject to terms and conditions as set forth in Customer's Service Order and Agreement. This offer may not be combined with other promotions or offers, and said discount may not be applied to service at existing XO service locations.

(M)

Material appearing on this page has been moved from page 91.

Material previously appearing on this page has been moved to page 80.

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9. Promotional Offerings (Cont'd)

(C)

9.9 Keeping the Momentum Promotion

9.9.1 New Customers, defined as Customers who have not received Company service for at least one year prior to receiving service under this promotion, **existing customers who add additional service locations**, who sign one, two or three year terms for Company's Integrated Access, ISDN PRI or any XOption product or one or more T-1 lines for local service on or before **June 30, 2002** will receive free installation and one free month of service for each year of their term. The free month will be the 13th, 25th and 37th months of Customer's contract. (T)

9.9.2 Free installation is for standard installations only. The free month is defined as the applicable monthly recurring charge (MRC) for the product chosen by the new Customer. This promotion does not apply to Multiple Service Discount Customers.

9.10 Contract Renewal Promotion (N)

9.10.1 Company Customers whose service is provided on a month to month contract, or whose current contract is within thirty (30) days of expiration, and who execute a new one, two, three or five year term contract for all voice products, excluding voice features, that have a monthly recurring charge component on or before March 31, 2002 will receive one free month of service for each year of their term. The free month(s) will appear on the Customer's invoice in the 12th, 24th, 36th, 48th and 60th months of Customer's contract, depending on contract length.

9.10.2 The free month is defined as the applicable monthly recurring charge(s) (MRC) for standard priced voice product(s), excluding voice features, chosen by the Customer. No free month credit shall exceed $7,500.00. If customer's MRC(s) exceeds $7,500, Customer will be charged the difference between the actual MRC(s) and $7,500 in the free month(s). Credits for monthly recurring charges do not include usage, taxes, user fees, or surcharges. This promotion cannot be combined with other promotions.

9.10.3 If Customer's Company service is terminated prior to the end of Customer's term commitment, the Customer will be liable for all credits applied to Customer's account pursuant to this promotion. All other terms and conditions of Company's services shall apply.

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9. Promotional Offerings (Cont'd)

(N)

9.11 XOptions Promotion

9.11.1 New XOption Customers and existing XOption Customers may be eligible for the following promotional rates on selected XOptions packages. New XOption Customers are defined as Customers who have not received XOption service for at least one year prior to receiving service under this promotion and who sign one, two or three year contracts for the XOption service. Existing XOptions customers are customers who currently receive XOptions service and who are current in their payment of Company services. Existing customers must sign new term contracts that are equal to or greater than the term remaining in the current contract. All contracts under this promotion must be signed on or before April 30, 2002. The promotional rates are valid for XOptions # 5, 6, 10, 11, 13 and 15 and apply for the entire contract term. All other Terms and Conditions of the XOptions products apply.

XOption #5 – Monthly Recurring Charges: (Miami/ Orlando/ Tampa)
A = 1495.00/ 1500.00/ 1500.00
B = 1645.00/ 1650.00/ 1650.00
C = 1795.00/ 1800.00/ 1800.00

XOption #6 – Monthly Recurring Charges:
A = 1710.00/ 1710.00/ 1710.00
B = 1810.00/ 1810.00/ 1810.00
C = 1960.00/ 1960.00/ 1960.00

XOption #10 – Non – Recurring Charge, per user = 98.00
Monthly Recurring Charges, per user:
A = 98.00/ 98.00/ 98.00
B = 108.00/108.00/ 108.00
C = 118.00/ 118.00/ 118.00

XOption #11 – Non – Recurring Charge, per user = 33.00
Monthly Recurring Charges, per user:
A = 33.00/ 33.00/ 33.00
B = 36.00/ 36.00/ 36.00
C = 40.00/ 40.00/ 40.00

XOption #13 – Monthly Recurring Charges:
A = 2175.00/ 2175.00/ 2175.00
B = 2925.00/ 2925.00/ 2925.00
C = 2925.00/ 2925.00/ 2925.00

XOption #15 – Monthly Recurring Charges:
A = 2035.00/ 2225.00/ 2090.00
B = 2785.00/ 2975.00/ 2840.00
C = 4035.00/ 4225.00/ 4090.00

9.11.2 This promotion may not be combined with other promotions or with the Multiple Service Discount. This promotion will expire on April 30, 2002, unless sooner modified or withdrawn.

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9.11.3 .1XO On Net 2Q Promotion

9.11.3.2 Description of Promotion: Promotional discounts apply to Company services listed below when Customer is located in an On-Net building. Monthly recurring charges (MRC's) are waived based on service ordered and term commitment. Discounts do not apply to usage. For the purpose of this Promotion "On-net" is defined as any location or premise where Company Service is provided exclusively over Company facilities. Product descriptions may be found in Section 3 of this Tariff.

1) Dedicated Long Distance:
MRC's will be waived for the 4th and 12th month. (N)
Installation charges waived
Regardless of Term commitment a maximum of two months MRC's will be waived.

2) Commercial Private Line*:
MRC's will be waived for the 4th and 12th month.
Installation charges waived
* Applies only to MRC's for on-net loops, MRC's for off-net loop still applies.

3) XOptions*:
MRC's will be waived as follows:
1 Year Term: 4th & 12th month will be waived
2 Year Term: 4th, 12th, 16th & 24th month will be waived
3 Year Term: 4th, 12th, 16th, 24th, 28th & 36th month will be waived
Installation charges waived
*Applies to XOption Bundles 5, 6, 7, 10, 11, 13, 15 & 16. MRC waiver does not include minutes of use exceeding the package amount in each option. Overage usage beyond those minutes included in the package will be billed at the current XOptions usage rate, as outlined in Section 3.10 of this tariff

4) Switched T-1* (Channelized DS1, SuperTrunk or Digital Switched Service):
MRC's will be waived as follows:
1 Year Term: 4th & 12th month will be waived
2 Year Term: 4th, 12th 16th & 24th month will be waived
3 Year Term: 4th, 12th, 16th, 24th, 28th & 36th month will be waived
Installation charges waived

5) ISDN PRI Two-Way:
MRC's will be waived as follows:
1 Year Term: 4th & 12th month will be waived
2 Year Term: 4th, 12th 16th & 24th month will be waived
3 Year Term: 4th, 12th, 16th, 24th, 28th & 36th month will be waived
Installation charges waived

6) Business Lines & Trunks:
MRC's will be waived as follows:
1 Year Term: 4th & 12th month will be waived
2 Year Term: 4th, 12th, 16th & 24th month will be waived
3 Year Term: 4th, 12th, 16th, 24th, 28th & 36th month will be waived
Installation charges may be waived if Business Lines or Trunks are purchased in conjunction with other Company Voice or Data services. The purchase of Business Line or Trunk features does not qualify the Customer for waiver of installation charges.

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9.11.3.3. Eligibility & Restrictions: Available to new customers, defined as anyone who has not purchased a Company service within the previous one (1) year and existing Customers that add a service location. Customers receiving ICB pricing are excluded from this Promotion. If, for any reason Customer's Service is terminated prior to the end of Customer's term commitment, the Customer will be liable for and required to pay Company for all MRC's and applicable charges associated with installation of Customer's Company services. (N)

The waiver of MRC's an/or Installation charges under this Promotion does not include Taxes or Surcharges.

The XO On Net 2Q Promotion cannot be combined with any other Company Promotion.

9.11.3.4 Length of Promotion: Promotion is effective June 1, 2002 through August 31, 2002.

ISSUED: May 2, 2002

EFFECTIVE: June 1, 2002

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9.12 Go with XO 1 Promotion

9.12.1 New Company Customers, defined as Customers who have not received Company service for at least one year prior to receiving service under this promotion, who subscribe to Company service on or before September 30, 2002 may be eligible to receive one free month of service or a waiver of Company's Early Termination Charge if service is discontinued within six months of installation.

9.12.2 To be eligible for this promotion, New Company Customers must sign a two year contract for one of the following products: Integrated Access at speeds of 256k and greater; Dedicated Internet Access; XOptions with a Dedicated Internet Access component; ISDN PRI; switched T1; or local lines and trunks. All products with a DSL component and XOptions M – Satellite Office Solutions are ineligible for this promotion. New Company Customers choosing local lines and trunks must purchase a minimum of ten (10) local lines. New Company Customers must be located in an area where the Company is collocated in the ILEC wire center serving the Customer to be eligible for this promotion. Other New Company Customers may be eligible for this promotion depending upon their service configuration. All customers may also be required to meet minimum revenue commitments.

9.12.3 The free month is defined as the applicable monthly recurring charge (MRC) for the product(s) chosen by the New Company Customer. Credits for monthly recurring charges do not include usage, taxes, user fees, or surcharges. The free month will be for the 13th month of Customer's contract and, because Company bills in advance for recurring charges, will appear as an automatic credit on the Customer's account in the Customer's 12th billing cycle. If service is discontinued after six months of receiving service, regular Company Early Termination Charges will apply. This promotion does not apply to Multiple Service Discount Customers, may not be combined with any other promotion except the Go with XO Integrated Access Promotion and will be available until September 30, 2002, unless sooner canceled, withdrawn or modified.

9.13 Go with XO 2 Promotion

9.13.1 New Company Customers, defined as Customers who have not received Company service for at least one year prior to receiving service under this promotion, who sign one, two or three year terms for Company's products listed below on or before September 30, 2002 may be eligible to receive one free month of service for each year of their term.

9.13.2 To be eligible for this promotion, New Company Customers must sign a one, two or three year term for one of the following products: Integrated Access at speeds of 256k and greater; Dedicated Internet Access; XOptions with a Dedicated Internet Access component; ISDN PRI; switched T1; or local lines and trunks. All products with a DSL component and XOptions M – Satellite Office Solutions are ineligible for this promotion. New Company Customers choosing local lines and trunks must purchase a minimum of ten (10) local lines. New Company Customers must be located in an area where the Company is collocated in the ILEC wire center serving the Customer to be eligible for this promotion. Other New Company Customers may be eligible for this promotion depending upon their service configuration. All customers may also be required to meet minimum revenue commitments.

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9.13.3 The free month(s) will be the 13th, 25th and 37th months of Customer's contract and, because Company bills in advance for recurring charges, will appear as an automatic credit on the Customer's account in the Customer's 12th, 24th and 36th billing cycles. The free month is defined as the applicable monthly recurring charge (MRC) for the product(s) chosen by the New Company Customer. The free month(s) will appear as an automatic credit on the Customer's account. Credits do not include usage, taxes, user fees, or surcharges. This promotion does not apply to Multiple Service Discount Customers, may not be combined with any other promotion except the Go with XO Integrated Access Promotion and will be available until September 30, 2002, unless sooner canceled, withdrawn or modified. In cases where the free month is outside of the Customer's contract term, all contract terms and conditions apply.

9.14 Go with XO 3 Promotion

9.14.1 New Company Customers, defined as Customers who have not received Company service for at least one year prior to receiving service under this promotion, who sign two or three year terms for Company's products listed below on or before September 30, 2002 may be eligible to receive two free months of service for each year of their term.

9.14.2 To be eligible for this promotion, New Company Customers must sign a two or three year term for one of the following products: Integrated Access at speeds of 256k and greater; Dedicated Internet Access; XOptions with a Dedicated Internet Access component; ISDN PRI; switched T1; or local lines and trunks. All products with a DSL component and XOptions M – Satellite Office Solutions are ineligible for this promotion. New Company Customers choosing local lines and trunks must purchase a minimum of ten (10) local lines. New Company Customers must be located in an area where the Company is collocated in the ILEC wire center serving the Customer to be eligible for this promotion. All customers are also required to meet minimum revenue commitments.

9.14.3 The free months will be the 7th, 13th, 19th, 25th, 31st, and 37th months of Customer's contract and, because Company bills in advance for recurring charges, will appear as automatic credits on the Customer's account in the Customer's 6th, 12th, 18th, 24th, 31st and 36th billing cycles. The free month is defined as the applicable monthly recurring charge (MRC) for the product(s) chosen by the New Company Customer. The free month(s) will appear as an automatic credit on the Customer's account. Credits for monthly recurring charges do not include usage, taxes, user fees, or surcharges. This promotion may not be combined with any other promotion except the Go with XO Integrated Access Promotion and will be available until September 30, 2002, unless sooner canceled, withdrawn or modified. In cases where the free month is outside of the Customer's contract term, all contract terms and conditions apply.

9.15 Go with XO Upsell Promotion

9.15.1 This promotion is offered to Existing Company Voice Customers, defined as Customers who currently subscribe to Company voice services only. Existing Voice Customers who sign one, two or three year terms for one of the following Company services: Integrated Access, Dedicated Internet Access – T1 or below, or XOptions with a Dedicated Internet Access component on or before September 30, 2002 may be eligible to receive one free month of service for each year of their term. All products with a DSL component and XOptions M – Satellite Office Solutions are ineligible for this promotion.

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9.15.2 To be eligible for this promotion, the Existing Voice Customers must also meet the following obligations. The Existing Voice Customers must subscribe to voice services under current contracts in good standing and have contracts that are not due to expire within sixty days. All Existing Voice Customers located in an area where the Company is collocated in the ILEC wire center serving the Customer are eligible for this promotion. Other Existing Voice Customers may be eligible for this promotion depending upon their service configuration. All customers may also be required to meet minimum revenue commitments.

9.15.3 The Existing Voice Customers must sign a new contract for the service chosen under this promotion. For Customers signing new contracts for Integrated Access or XOptions, the new contract must be the greater of a one year term or a term equal to or greater length than the Customer's current contract. This restriction does not apply to Customers signing new contracts for Dedicated Internet Access. The Monthly Recurring Charge (MRC) of the new contract, or of the new contract combined with the existing contract if it remains in effect, must be at least $300 greater than the MRC of the existing contract.

9.15.4 The free month(s) will be the 13th, 25th, and 37th month(s) of Customer's contract. The free month is defined as the applicable monthly recurring charge (MRC) only for the new product chosen by the Existing Voice Customer. The free month(s) will appear as an automatic credit on the Customer's account. Credits do not include usage, taxes, user fees, or surcharges. This promotion does not apply to Multiple Service Discount Customers. This promotion may not be combined with any other promotion except the Go with XO Integrated Access Promotion and will be available until September 30, 2002, unless sooner canceled, withdrawn or modified. In cases where the free month is outside of the Customer's contract term, all contract terms and conditions apply.

9.16 Go with XO Renewal Promotion

9.16.1 Company Customers whose service is provided on a month to month contract, or whose current contract is within thirty (30) days of expiration, and who execute a new one year term on or before September 30, 2002 may be eligible to receive one free month of service or a waiver of Company's Early Termination Charge if service is discontinued within six months after service begins under the renewed contract.

9.16.2 To be eligible for this promotion, Customers must be located in an area where the Company is collocated in the ILEC wire center serving the Customer. Other Customers may be eligible for this promotion depending upon their service configuration. All customers may also be required to meet minimum revenue commitments.

9.16.3 The free month will be the 7th month of Customer's renewed contract and, because Company bills in advance for recurring charges, will appear as an automatic credit on the Customer's account in the Customer's 6th billing cycle. The free month is defined as the applicable monthly recurring charge (MRC) for standard priced voice product(s), excluding voice features, chosen by the Customer. In no case shall the free month credit exceed $7,500.00. The free month will appear as an automatic credit on the Customer's account. Credits do not include usage, taxes, user fees, or surcharges. If service is discontinued after six months of receiving service under the renewed contract, regular Company Early Termination Charges will apply

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9.16.4 This promotion may not be combined with any other promotion except the Go with XO Integrated Access Promotion and will be available until September 30, 2002, unless sooner *canceled, withdrawn or modified.*

9.17 Go with XO Integrated Access Promotion

9.17.1 New or Existing Company Customers, defined as Customers who have not received Company service for at least one year prior to receiving service under this promotion and Customers who currently subscribe to Company voice services respectively, who sign up for Company's Integrated Access product on or before September 30, 2002 may be eligible to receive a reduced requirement for local exchange lines or channels.

9.17.2 To be eligible for this promotion, New and Existing Customers must purchase a minimum of six (6) local exchange lines or channels and reach a minimum total of fourteen (14) voice and data channels combined and, at a minimum, enter a one (1) year service order agreement. All other terms and conditions of Company's Integrated Access product, listed in **Section 3.1.11 of this Tariff**, apply. To be eligible for this promotion, Customers must be located in an area where the Company is collocated in the ILEC wire center serving the Customer. Other Customers may be eligible for this promotion depending upon their service configuration. All customers may also be required to meet minimum revenue commitments.

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10. XO Prepaid Card Service

Prepaid Cards allow customers to acquire cards that are used to originate outbound direct dial calls. Prepaid cards are available in various dollar denominations as set forth below. To use the card, callers must dial an access number. When the call is acknowledged, the caller then enters the PIN. At this point, the caller is notified of the dollar value remaining on the card. The caller then enters the telephone number to be called.

XO's Prepaid Card service is available twenty-four hours a day, seven days a week from Dual Tone Multi Frequency phones. The number of available XO Prepaid Cards is subject to technical limitations. Such cards will be offered to Customers on a first come, first served basis.

XO will offer consumers the ability to purchase its prepaid cards in various dollar denominations and under various options. Each prepaid card will remain active until such time as the charges (as set forth below) equal the dollar value of the prepaid card purchased by the end-use or until the card expires (as set forth below). Where the dollar value left on an XO Prepaid Card is less than the cost of making a call, the card will be retired and the unused balance forfeited.

(T)
(T)(N)
(N)
(M)

Option 1 Cards will expire the sooner of five years from the date of activation or one year from the date of first use unless recharged and then one year from the date of last recharge.

Option 2 & 3 Cards will expire five (5) years from the date of or six months from the date of first use unless recharged, or six months from the date of last recharge, if any.

Material previously appearing on this page has been moved to page 95.1

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3. Service Descriptions (Cont'd)

3.13 X OPTION Service Offering (Cont'd)

3.13.17 Standard Feature Package: (T)

All XOption options include the following standard features at no additional charge.

Voicemail w/Message Waiting
Call Forwarding
3 Way Calling
Speed Dial
Abbreviated Dialing
Call Hold
Call Pickup
Call Transfer
Hunting

3.13.18 Term Discounts: (T)

XOption customers who choose one of the following term commitments that is greater than one year will receive a discount. The discount is applied to the XOption Monthly Recurring charge, and the local exchange and domestic long distance usage above the bundled minutes of use included in each XOption. The discount will not be offered with any other discounts. The term discounts are as follows:

2 Years = 5% Discount
3 Years = 10% Discount

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3. Service Descriptions (Cont'd)

3.14 XO Multiple Service Discount #1

XO Multiple Service #1 is available to current or new XO Business Customers meeting the criteria listed below. Customer will receive a 10% discount off the combined total amount of the Monthly Recurring and Local Usage charges for their XO local exchange service, **local calling features,** and XO DSL or Dedicated Internet Access service. Sales, use, gross receipts, excise, access or other local, state and federal taxes, charges, user fees, or surcharges are not included. Service is subject to the availability of facilities and offered only where technically feasible. This 10% discount is applied in addition to any term discount offered on the individual service components listed below. **The following are not eligible with the Multiple Service Discount: XOption Offerings; Integrated Access Offering; other promotions; Individual Case Basis (ICB) contracts, or any off tariff pricing.** To be eligible, Customer must meet the following criteria: (T)

3.14.1 Customer must subscribe to XO local exchange service ("Voice Service"). **The** Local Exchange Voice service **requirement is a minimum of 48 lines or trunks (or 2 T-1 equivalents), but no more then 144 lines or trunks (or 6 T-1 equivalents);** (T)

3.14.2 Customer must subscribe to a XO DSL or XO Dedicated Internet Access service ("Data Service");

3.14.3 New XO Customers must commit to a term of service for the XO Voice Service and Data Service for a minimum one (1) year term commitment. Existing XO Customers must commit to a term of service for Data Service that is equal to or greater than the amount of time remaining in Customer's term commitment for the Voice Service listed in 1 above, but in no case shall the commitment be less than one (1) year;

3.14.4 All Voice and Data Services must be provided the same customer location;

3.14.5 Current Customers' XO account must be current as of the date of Installation and no outstanding balance past due; and

If, for any reason, Customer's service is terminated prior to the end of Customer's term commitment, the Customer will be liable for all discounted amounts provided under this Service Discount Plan.

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3. Service Descriptions (Cont'd)

3.15 XO Multiple Service Discount #2

(T)

XO Multiple Service is available to current or new XO Business Customers meeting the criteria listed below. Customer will receive a 15% discount off the combined total amount of the Monthly Recurring and Usage charges for their XO local exchange, **local calling features**, IntraLATA, InterLATA, 800 toll service, **calling card, Shared Web Hosting** and DSL or Dedicated Internet Access Service. Sales, use, gross receipts, excise, access or other local, state and federal taxes, charges, user fees, or surcharges are not included. Service is subject to the availability of facilities and offered only where technically feasible. This 15% discount is applied in addition to any term discount offered on the individual service components listed below. **The following are not eligible with the Multiple *Service Discount:* *XOption Offering; Integrated* Access Offering; XO Dedicated Long Distance; other promotions; Individual Case Basis (ICB) contracts or any off tariff pricing.** To be eligible, Customers must meet the following criteria:

3.15.1. Customers must subscribe to XO local exchange, long distance and calling card services ("Voice Service"). **The** Local Exchange Voice service **requirement is a minimum 48 lines or trunks (or 2 T-1 equivalents) but no more than 144 lines or trunks (or 6 T-1 equivalents).**

3.15.2. Customers must subscribe to XO DSL or Dedicated Internet Access service, and XO **Shared** Web Hosting service ("Data Service"). **Does not apply to *Dedicated Web Hosting;***

(T)

3.15.3 New XO Customers must commit to a term of service for the XO Voice Service and Data Service for minimum one (1) year term commitment. Existing XO Customers must commit to a term of service for Data Service that is equal to or greater than the amount of time remaining in Customer's term commitment for the XO Voice Service listed in 1 above, but in no case shall the commitment be less than one (1) year;

3.15.4 Current Customers' XO account must be current as of the date of Installation and no outstanding balance past due; and

If, for any reason, Customer's service is terminated prior to the end of Customer's term commitment, the Customer will be liable for all discounted amounts provided under this Service Discount Plan.

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SECTION 8 - PROMOTIONAL OFFERINGS

8.1 Special Promotions

The Carrier may from time to time engage in special promotional trial service offerings of limited duration designed to attract new subscribers or to increase subscriber awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Carrier's tariff.

8.1.1 In order to attract new subscribers, this Promotional Offering provides service at 10% below the basic monthly recurring and usage charge rates as specified in this tariff. This discount does not apply to nonrecurring charges.

8.2 Discounts

The Company may, from time to time as reflected in its tariffs, offer discounts based on monthly volume or, when appropriate, "monthly revenue commitment" and/or "time of day".

SPECIAL ARRANGEMENTS

11.3 Temporary Promotional Programs

11.3.1 e·spire Local Service Plus Advantage (T)

e·spire LOCAL SERVICE PLUS Advantage is a promotional offer, which is available to new and existing customers receiving e·spire LOCAL SERVICE PLUS and/or e·spire LOCAL ISDN. . This promotional offer was previously offered from June 3, 1999 until September 1, 1999. e·spire will like to reintroduce e·spire LOCAL SERVICE PLUS Advantage. The promotional offer is scheduled to run from November 22, 1999 through as January 31, 1999, as defined below. (T)

e·spire LOCAL SERVICE PLUS Advantage is designed to incent prospects and existing customers to purchase e.spire Long Distance, while receiving credits for Local Service*. The higher the long distance net revenue, the higher the monthly credits for Local Service*. (T)

*Includes e.spire LOCAL SERVICE PLUS, LOCAL ISDN CEU (ONLY), base component, DID Trunk Termination and DID Blocks. Initial Install Waiver Program will be honored on NRC costs. Excludes all optional features, line coding, EUCL, additional service fees, surcharges and taxes. (T)

New and Existing Customer's will receive Local Service credits on up to 4 e.spire LOCAL SERVICE PLUS / LOCAL ISDN Commercial End User T-1's, DID Trunk Termination and DID Blocks. The Local Service credits are based on the sliding scale net Long Distance (Interstate . Intralata, Intrastate, International, Toll Free & Calling Card) usage per month, for the length of the LOCAL SERVICE PLUS/LOCAL ISDN Commercial End User Agreement. (T)

Net Monthly Long Distance Revenue	Maximum Local Services Charges Waived	
$2,500.00 - $4,999.99	1 LOCAL SERVICE PLUS	(T)
$5,000.00 - $7,499.99	1 LOCAL SERVICE PLUS and 50% off 1 additional LOCAL SERVICE PLUS	|
$7,500.00 - $9,999.99	2 LOCAL SERVICE PLUS, and 50% off 1 additional LOCAL SERVICE PLUS	|
$10,000.00 - $12,499.99	3 LOCAL SERVICE PLUS and 50% off 1 additional LOCAL SERVICE PLUS	|
$12,500.00 or more	4 LOCAL SERVICE PLUS and 50% off 1 additional LOCAL SERVICE PLUS	(T)

Existing e.spire LOCAL SERVICE PLUS /LOCAL ISDN CEU customers must renew at equal to or greater than the length of their existing contract with a LOCAL SERVICE PLUS Advantage Addendum. Existing customers who increase or decrease the number of LOCAL SERVICE PLUS's must have their account promotion updated. (T) (T)

All other terms and conditions, of e·spire's existing e·spire LOCAL SERVICE PLUS and e·spire LOCAL ISDN agreements, not expressly modified by a e·spire LOCAL SERVICE PLUS Advantage Addendum, remain unchanged and in full force and effect. (T) (T)

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SPECIAL ARRANGEMENTS

11.3 Temporary Promotional Programs (Cont'd)

11.3.2 Xpresslink Voice Services Promotion

Xpresslink Voice Services Promotion is a promotional offer available to new customers signing term agreements for Local Service Plus and/or Local ISDN Commercial End User products. This promotional offer is available from November 15, 2000 until December 31, 2000, as defined below: (T)

Customers signing a 1year Term Local Service Plus or Local ISDN Commercial End User agreement will receive one-month credit for its monthly recurring Term Plan charge not including taxes, surcharges/usage. This credit will be applied to the customer's 5th month invoice. (T)

Customers signing a 2 year Term Local Service Plus and Local ISDN Commercial End User agreement will received one-month credit for its monthly recurring Term Plan charge not including taxes, surcharges/usage. This credit will be applied to the customer's 1st month invoice. (T)

Customers signing a 3 year Term Local Service Plus and or Local ISDN Commercial End User agreement will receive two months credit for its monthly recurring Term Plan charge not including taxes, surcharges/usage. This credit will be applied to the customer's 1st month and 13th month invoices. (T)

All other terms and conditions of e·spire's existing e·spire LOCAL SERVICE PLUS and e·spire LOCAL ISDN Commercial End User agreement, not expressly modified in the Xpresslink Voice Services Promotion, remain unchanged and in full force and effect. (T) (T)

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SPECIAL ARRANGEMENTS

11.3 Temporary Promotional Programs (Cont'd)

11.3.3 Integrated Service Promotion

The Integrated Service Promotion is a promotional offer which is available to new and/or old LOCAL SERVICE PLUS or LOCAL ISDN CEU customers upgrading to integrated services with dedicated internet service transmitted with bandwidth equal to or less than 768 KBPS on the same facility. This promotional offer is available from October 13, 2000 until December 31, 2000, as defined below: (T)

Customers must have ACSI long distance on all WTN's associated with the integrated access facility. Customers may purchase the router from ACSI or provide their own router.

Customers that order integrated internet, with a minimum speed of 128 KBPS, will receive a fixed monthly recurring credit of $395.00. This credit will be applied to the customer's monthly invoice. If a customer chooses to upgrade their access speed greater than 128 KBPS, they must pay the difference in price for the Internet Port. Additionally, a customer may chose to receive a Primary Domain Name Server (DNS) and incur no installation charge with an extra monthly credit of $50.00. If DNS is not selected, the customer will only receive the $395.00 credit.

Restrictions

- CPE Router rental is not available.
- The monthly credit will be terminated on all term plans if the customer's long distance converts away from ACSI long distance.

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SPECIAL ARRANGEMENTS

11.3 Temporary Promotional Programs (Cont'd)

11.3.4 PBX T1 Card Upgrade Promotion

The PBX T1 Card Upgrade Promotion is a promotional offer which is available to new and/or old Local Service Plus customers that sign a new one, two or three year term agreement. This promotional offer is available from February 7, 2001 until March 31, 2001, as defined below: (T)

The customer shall be responsible for selecting a PBX card vendor and arranging for the purchase and installation of the upgraded card. A copy of the PBX card purchase receipt must be submitted to e-spire, prior to the third billing cycle, in order to receive the applicable one-time credit. Upon receipt, the applicable one-time credit will be applied to the customer's 1st month billing cycle as indicated below:

SERVICE	CARD TYPE	1 YEAR TERM CREDIT – ONE TIME CREDIT	2 YEAR TERM CREDIT – ONE TIME CREDIT	3 YEAR TERM CREDIT – ONE TIME CREDIT
Local Service Plus	1	$500	$1500	$3000

(T)

Customers who do not provide a bill of sale to e-spire prior to the third billing cycle will not be eligible to receive the one-time credit and the PBX T1 Card Promotion will be removed from the customer's account in the third month.

The T1 card eliminates the need for a channel bank. The customer upgrading with the T1 card must posses telephone sets compatible with digital telephone systems. The customer shall be responsible for the maintenance of the PBX T1.

Customers that terminate their contract at any point during the term agreement will be required to reimburse e-spire with the full credited amount provided under this promotion in addition to the contracted early termination penalties. All early termination penalties will be applied to the customer's final invoice.

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SPECIAL ARRANGEMENTS

11.3 Temporary Promotional Programs (Cont'd)

11.3.5 PBX PRI Card Upgrade Promotion

The PBX PRI Card Upgrade Promotion is a promotional offer which is available to new and/or old Local ISDN CEU customers in Jacksonville, West Palm Beach, Tampa/St. Petersburg, and Clearwater that sign a new one, two or three year term agreement. This promotional offer is available from February 7, 2001 until March 31, 2001, as defined below: (T)

The customer shall be responsible for selecting a PBX card vendor and arranging for the purchase and installation of the upgraded card. A copy of the PBX card purchase receipt must be submitted to e·spire, prior to the third billing cycle, in order to receive the applicable one-time credit. Upon receipt, the applicable one-time credit will be applied to the customer's 1st month billing cycle as indicated below:

SERVICE	CARD TYPE	1 YEAR TERM CREDIT – ONE TIME CREDIT	2 YEAR TERM CREDIT – ONE TIME CREDIT	3 YEAR TERM CREDIT – ONE TIME CREDIT
Local ISDN CEU	PRI	$500	$1500	$3000

(T)

Customers who do not provide a bill of sale to e·spire prior to the third billing cycle will not be eligible to receive the one-time credit and the PBX PRI Card Promotion will be removed from the customer's account in the third month.

The PRI card is only available for PBX equipment capable of ISDN functionality. The customer upgrading with the T1 card must posses telephone sets compatible with digital telephone systems. The customer shall be responsible for the maintenance of the PBX PRI card.

Customers that terminate their contract at any point during the term agreement will be required to reimburse e·spire with the full credited amount provided under this promotion in addition to the contracted early termination penalties. All early termination penalties will be applied to the customer's final invoice.

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INBOUND DIRECT LOCAL EXCHANGE SERVICE

12.1 Description

Inbound Direct Local Exchange Service ("Inbound Direct") provides basic local exchange customers with a single, voice grade analog channel which can be used to receive one call at a time only. All outbound calls will be blocked at the switch level. Inbound Direct may not be used for outbound service or to serve as a customer's primary service line. A minimum order of 10 lines must be purchased.

The Inbound Direct product will be configured provisioned and priced with the hunting feature included. The hunt feature automatically forwards incoming calls to available lines according to a preprogrammed sequence. With the Inbound Direct line, the lines will be placed in a circular hunt group so all lines will be hunted. Each line, including the last line, will include hunting.

Inbound Direct service applications may include remote database access, data transmission/reception, and inbound customer service. Basic exchange lines are provided with Inbound Direct to connect to customer provided modem or other data communication device for connection to the public switched telephone network.

Pricing

Inbound Direct[††] (Inbound only line + hunting)	**Recurring per line, per month**	**Non-Recurring**
Jacksonville	$28.00	$84.00
Miami, Ft. Lauderdale, West Palm Beach	$28.00	$84.00
Tampa/St. Petersburg, Clearwater	$21.75	$ 0.00

12.2.1 On-Network Pricing Discount

For customers with facilities residing on the ACSI network, except for R-1 and B-1 customers, discounts of 5% to 25% may be available, on an individual case basis.

†† Effective with this tariff filing, the above products have been grandfathered. Only customers currently receiving these products will continue to receive them. All new customers will receive the applicable products under e·spire LOCAL SERVICE, e·spire LOCAL SERVICE PLUS and e·spire LOCAL ISDN services at the rate levels outlined under e·spire Local Service, e·spire LOCAL SERVICE PLUS and e·spire LOCAL ISDN or other applicable services. (T) | (T)

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OPTIONAL LOCAL EXCHANGE SERVICES

13.1 Customer Term Agreement

13.2 Description

ACSI Customer Term Agreement (CTA) allows Customer to receive discounts on ACSI products and services for local exchange or local toll (Local Services). These discounts will be applied to the following products and services:

- **Business Exchange Service**
- **Analog PBX Trunk**
  - DID
  - DOD
  - Combination
- **Digital PBX Trunk**
  - Digital Access Facility
  - DID
  - DOD
  - Combination
- **ISDN**
  - PRI Access Facility
  - ISDN B Channel

The published monthly recurring rates are set forth in Section 5 of this Tariff. Customers that sign up for service for a one (1) year term will receive a three percent (3%) discount from the published monthly recurring rates. Customers that sign up for service for a two (2) year term will receive a seven percent (7%) discount from the published monthly recurring rates. Customers that sign up for service for a three year term will receive a eleven percent (11%) discount from the published monthly recurring rates. The three preceding term options are subject to the termination liability charges set forth in Section 13.3.

13.3 Termination Fees

A termination liability charge will be applicable for service rate elements provided under a term payment plan, as described in Section 13.2 of this Tariff, that are disconnected prior to the end of the chosen service period. The termination liability charge is equal to the difference between ACSI tariffed rates and the Term Plan rates. If at least six months remain under the Initial Term of the Term Plan, an additional cancellation fee of $500.00 will be added to the early termination charges. The Customer shall be obligated to pay such fees within thirty (30) days of early termination of this Term Plan.

OPTIONAL LOCAL EXCHANGE SERVICES

13.4 e-spire Local Service Plus (T)

e-spire LOCAL SERVICE PLUS is offering a total package product offering of Local services with optional Long Distance, Toll Free and custom calling features. This product is only available to local end user service customers originating on e-spire facilities off its Jacksonville, Miami, and Tampa, Florida switches. e-spire Local Service Plus is available under One, Two or Three Year Term Agreements. Each commitment level is available at the Monthly Recurring and Non-recurring rates as specified below. (T) (T)

e-spire LOCAL SERVICE PLUS Pricing: (T)

Length of Contract	Monthly	Non-recurring
One Year	$800.00	$1,250.00
Two Year	$775.00	$1,000.00
Three Year	$725.00	$ 750.00

13.4.1 Line Component:

e-spire Local Service Plus service monthly fee includes Business Exchange Lines, Analog PBX Trunks and Digital PBX Trunks. Customers may select a combination of the line components of up to 24 potential lines per T-1. Additionally, the following Standard Custom Calling Features are included in the monthly fee: (T)

Hunting	Call Forwarding
Call Waiting	Call Forwarding Busy
3 Way Calling	Call Forwarding Busy No Answer
Speed Dial 8	Call Forwarding Variable

Additional charges will apply for the following components:

DID Termination Charges:	Monthly
DID Trunk Termination	$10.00

DID Number:	Monthly
1st Block of 20 DID numbers	$ 5.00
DID each additional block of 20 up to 500 numbers	$ 2.50
DID 500 + each additional block of 100 numbers	$50.00

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OPTIONAL LOCAL EXCHANGE SERVICES

13.4 e·spire Local Service Plus (Cont'd) (T)

13.4.1 Line Component (cont'd):

Optional Custom Calling Features:	Monthly	Non-Recurring*
Custom Calling Features		$10.00
Anonymous Call Rejection	$ 2.50	
Automatic Call Back	$ 2.50	
Automatic Recall	$ 2.50	
**Automatic Call Back (per Occurrence	$ 0.75	
**Automatic Recall (per Occurrence)	$ 0.75	
Call Block	$ 2.50	
Call Hold	$ 2.50	
Call Pick Up	$ 2.50	
Call Transfer	$ 2.50	
Caller ID w/Name & Number	$ 7.50	
Caller ID w/Number	$ 5.00	
Code Restriction	$ 2.50	
Distinctive Ringing	$ 2.50	
Remote Activation of Call forward	$ 2.50	
Remote Call Forwarding	$15.00	
Remote Call Forwarding Additional path	$15.00	
Speed Dialing 30	$ 2.50	
ACSI Auto Attendant (per mailbox)	$ 7.95	
(9 or fewer mailboxes)		$50.00
(10 or more mailboxes)		$95.00
ACSI Fax Overflow	$14.95	
ACSI Voice Mail (per mailbox)	$ 6.95	
ACSI Voice Mail Pager Plus	$ 9.95	

*Non-recurring charges waived if features ordered upon initial installation of e.spire LOCAL SERVICE PLUS. (T)
** Per occurrence rate applies when customer opts not to purchase the monthly rate.

Long Distance Service
Fixed Term Discounts apply to all ACSI Tariff Dial One IntraLATA, Intrastate and Interstate rates as noted respectively in the ACSI Florida End-User Price List No. 1 Tariff, the ACSI Florida Interexchange Services Tariff and the ACSI FCC No. 1 Interstate Services Tariff.

One Year	19.29%
Two Year	24.24%
Three Year	29.39%

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OPTIONAL LOCAL EXCHANGE SERVICES

13.4 e·spire Local Service Plus (Cont'd)

13.4.1 Line Component (cont'd):

Toll Free Service
Fixed Term Discounts apply to all ACSI Tariff Dial One rates as noted in the ACSI Florida Interexchange Services Tariff and the ACSI FCC No. 1 Interstate Services Tariff.

One Year	9.19%
Two Year	14.14%
Three Year	19.29%

Ancillary Services

Directory Listings, per listing	Monthly
Single List - White page only	$ 0.00
Non-listed	$ 1.50
Non-published	$ 3.00
Additional listing	$ 2.00
Toll Free Directory Assistance listing	$15.00 (I)

Vanity Number	Monthly
Vanity number, per number	$10.00

Operator Assisted Calling, per occurrence	Monthly (Jacksonville, Miami)	Monthly (Tampa)
Station to Station	$0.75	$1.50
Calling Card	$1.00	$0.75
3rd Number	$1.00	$1.50
Collect Call	$1.00	$1.50
Person to Person	$2.50	$3.50

Directory Assistance Call	Per Call (Jacksonville, Miami)	Per Call (Tampa)
Call Allowance	3 calls	3 calls
Each additional Directory Assistance call	$0.25	$0.40
Call Completion	$0.30	$0.45
Long Distance Directory Assistance	$0.85	$0.85
Long Distance Directory Assistance with call completion	$0.50	$0.50

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OPTIONAL LOCAL EXCHANGE SERVICES

13.4 e·spire Local Service Plus (Cont'd) (T)

13.4.1 Line Component (cont'd):

Ancillary Services (Cont'd)

	Per Request (Jacksonville, Miami)	Per Request (Tampa)
Busy Line Verification		
Verification Request	$0.35	$1.00
Emergency Interrupt Request (in addition to Verification Request)	$0.40	$0.50

Moves/Adds/Changes (MACS)	One Time Non-recurring
Add Additional Lines or Trunks, per order	$ 50.00
Add DID Trunk Termination, per order	$ 50.00
Change to CSR , record purpose, per order	$ 20.00
Add Additional Custom Calling Features, per order	$ 10.00
Add ACSI Auto Attendant	$50.00 (9 or fewer mailboxes) $95.00 (10 or more mailboxes)
Move Service Location, per order	Installation Charges in Sections 10.3 and 10.5 apply
PIC Change, per line	$ 5.00
Reconfiguration Charge, per order without customer premise visit.	$ 50.00
Reconfiguration Charge, per order with customer premise visit.	$250.00

13.4.2 Expiration of Term Agreement

The customer must notify ACSI, in writing, at least 30 days prior to the expiration of services to express their desired services beyond the selected term agreement. In lieu of written notification, the customer services will renew under the existing term agreement, i.e. a two year agreement will renew to an additional two year agreement.

13.4.3 Termination Fees

A termination liability charge will be applicable for service rate elements provided under the e·spir Local Service Plus term payment Plan when service is cancelled prior to the end of the chosen Term Plan. The termination fee is equal to the number of months remaining under the term agreement multiplied by the monthly rate for the Services multiplied by twenty percent. The customer is obligated to pay such charges within thirty (30) days of termination. In the event service is provided via a third party, the customer is responsible for all cost incurred for such early termination with our service provider. (T)

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OPTIONAL LOCAL EXCHANGE SERVICES

13.5 e·spire Local Service (Cont'd) (T)

e.spire LOCAL SERVICE is a total package product offering consisting of Local, Long Distance and Toll Free services with optional custom calling features. This product is only available to local end users service customers originating on ACSI facilities off its Jacksonville, Ft. Lauderdale, Miami and Tampa, Florida switches. e·spire Local Service is available under Month to Month, One Year, Two Year or Three Year Term Agreements. Each commitment level will be charged Monthly Recurring and Non-recurring rates as specified below. (T) (T)

LOCAL SERVICE Rates – Flat Rate Service Ft. Lauderdale and Miami, Fl (T)

Month to Month		Monthly	Non-recurring
Business Exchange Lines	1st line	$26.50	$50.00
Each additional line		$26.50	$15.00
PBX DOD Trunk		$45.00	$50.00
Each additional line		$45.00	$15.00
PBX DID Trunk		$45.00	$50.00
Each additional line		$45.00	$15.00
PBX Combination Trunk		$45.00	$50.00
Each additional line		$45.00	$15.00

LOCAL SERVICE Rates – Flat Rate Service Jacksonville, Fl (T)

Month to Month		Monthly	Non-recurring
Business Exchange Lines	1st line	$26.00	$50.00
Each additional line		$26.00	$15.00
PBX DOD Trunk		$45.00	$50.00
Each additional line		$45.00	$15.00
PBX DID Trunk		$45.00	$50.00
Each additional line		$45.00	$15.00
PBX Combination Trunk		$45.00	$50.00
Each additional line		$45.00	$15.00

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OPTIONAL LOCAL EXCHANGE SERVICES

13.5 e·spire Local Service (Cont'd) (T)

LOCAL SERVICE Rates – Flat Rate Service Tampa, Fl (T)

Month to Month		Monthly	Non-recurring
Business Exchange Lines	1st line	$38.00	$50.00
Each additional line		$38.00	$15.00
PBX DOD Trunk		$49.00	$50.00
Each additional line		$49.00	$15.00
PBX DID Trunk		$49.00	$50.00
Each additional line		$49.00	$15.00
PBX Combination Trunk		$49.00	$50.00
Each additional line		$49.00	$15.00

Jacksonville, Ft. Lauderdale and Miami , Florida

DID Termination Charges:	Monthly
DID Trunk Termination	$15.00

Tampa, Fl

DID Termination Charges:	Monthly
DID Trunk Termination	$5.00

Jacksonville, Ft. Lauderdale, Miami and Tampa, Florida

DID Number:	Monthly
1st Block of 20 DID numbers	$ 5.00
DID each additional block of 20 up to 500 numbers	$ 2.50
DID 500 + each additional block of 100 numbers	$50.00

Jacksonville, Ft. Lauderdale, Miami and Tampa, Florida

Hunting Service:	Monthly	Non-Recurring*
Hunting	$ 5.00	$ 0.00

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OPTIONAL LOCAL EXCHANGE SERVICES

13.5 e·spire Local Service (Cont'd) (T)

13.5.1 Line Component

Customers receiving e·spire Local Service may select Exchange lines and/or Trunks in a combination of their choice. e·spire Local Service offers two discount plans off e·spire Local Service tariffed monthly recurring line/trunk fees. Additional discounts are available when the Customer subscribes to ACSI's Long Distance services for all lines, as noted below. (T) (T)

Fixed Term Line/Trunk Discount

Plan A Discounts: Local switch service customers with out e.spire Long Distance service.

Term Length	Percentage
One Year	4 %
Two Year	5 %
Three Year	7 %

Plan B Discounts: Local switch service customers with e.spire Long Distance service on all line/trunks.

Term Length	Percentage
One Year	8 %
Two Year	10 %
Three Year	12 %

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OPTIONAL LOCAL EXCHANGE SERVICES

13.5 e·spire Local Service (Cont'd) (T)

13.5.1 Line Component (cont'd)

Optional Custom Calling Features:	Monthly	Non-Recurring*
(Jacksonville, Ft. Lauderdale, Miami and Tampa)		
Custom Calling Features		$10.00
Anonymous Call Rejection	$ 3.00	
Automatic Call Back	$ 3.00	
Automatic Recall	$ 3.00	
**Automatic Call Back (per Occurrence	$ 0.75	
**Automatic Recall (per Occurrence)	$ 0.75	
Call Block	$ 3.00	
Call Forwarding	$ 3.00	
Call Forwarding Busy	$ 3.00	
Call Forwarding No Answer	$ 3.00	
Call Forwarding Variable	$ 3.00	
Call Hold	$ 3.00	
Call Pick Up	$ 3.00	
Call Transfer	$ 3.00	
Call Trace	$ 3.00	
Call Waiting	$ 3.00	
Caller ID w/Name & Number	$ 7.50	
Caller ID w/Number	$ 5.00	
Code Restriction	$ 3.00	
Distinctive Ringing	$ 3.00	
Remote Activation of Call forward	$ 3.00	
Remote Call Forwarding	$15.00	
Remote Call Forwarding Additional path	$15.00	
Speed Dial 8	$ 3.00	
Speed Dialing 30	$ 3.00	
3 Way Calling	$ 3.00	
e.spire Auto Attendant (per mailbox)	$ 7.95	
(9 or fewer mailboxes)		$50.00
(10 or more mailboxes)		$95.00
e.spire Fax Overflow	$14.95	
e.spire Voice Mail (per mailbox)	$ 6.95	
e.spire Voice Mail Pager Plus	$ 9.95	

*Non-recurring charges waived if features ordered upon initial installation of e.spire LOCAL SERVICE. (T)
** Per occurrence rate applies when customer opts not to purchase the monthly rate.

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OPTIONAL LOCAL EXCHANGE SERVICES

13.5 e·spire Local Service (Cont'd)

13.5.1 Line Component (cont'd)

Long Distance Service e. spire Tariff Dial One IntraLATA, Intrastate and Interstate rates as noted respectively in the e.spire Florida End-User Services Price List, the e.spire Florida Interexchange Services Tariff and the e.spire FCC No. 1 Interstate Services Tariff.

One Year	12%
Two Year	15%
Three Year	20%

Toll Free Service	Monthly	Non-Recurring
Toll Free Number	$ 5.00	$ 0.00
Toll Free Directory Assistance Listing, per number	$15.00 (I)	$ 0.00

Fixed Term Discounts apply to all e.spire Tariff Dial One rates as noted in the e.spire Florida Interexchange Services Tariff and the e.spire FCC No. 1 Interstate Services Tariff.

One Year	12%
Two Year	15%
Three Year	20%

Ancillary Services

Directory Listings, per listing	Monthly
Single List - White page only	$ 0.00
Non-listed	$ 1.50
Non-published	$ 3.00
Additional listing	$ 2.00
Toll Free Directory Assistance listing	$15.00 (I)

Jacksonville, Ft. Lauderdale, Miami and Tampa, Florida

Vanity Number	Monthly
Vanity number, per number	$10.00

Operator Assisted Calling - Per Occurrence				
	Ft. Lauderdale	Jacksonville	Miami	Tampa
	Monthly			
Station to Station	$1.50	$1.35	$0.90	$1.30
Calling Card	$1.50	$1.35	$0.35	$0.40
3rd Number	$1.50	$1.35	$0.90	$1.30
Collect Call	$1.50	$1.35	$0.90	$0.40
Person to Person	$3.50	$2.70	$2.50	$3.15

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OPTIONAL LOCAL EXCHANGE SERVICES

13.5 e·spire Local Service (Cont'd) (T)

13.5.1 Line Component (cont'd)

Directory Assistance - Per Call				
	Ft. Lauderdale	Jacksonville	Miami	Tampa
Call Allowance	0 call per month	3 call per month	0 call per month	2 call per month
Each additional Directory Assistance call	$0.60	$0.30	$0.25	$0.30
Calling Operator instead of Dialing Direct	$0.30	$0.30	$0.30	$0.30
Long Distance Directory Assistance	$0.85	$0.85	$0.85	$0.85
Long Distance Directory Assistance with call completion	$0.50	$0.50	$0.50	$0.50

Busy Line Verification - Per Request				
	Ft. Lauderdale	Jacksonville	Miami	Tampa
Verification Request	$2.70	$0.95	$1.40	$1.35
Emergency Interrupt Request (in addition to Verification Request)	$5.40	$0.45	$2.15	$2.20

Jacksonville, Ft. Lauderdale, Miami and Tampa, Florida

Moves/Adds/Changes (MACS)	One Time Non-recurring
Add Additional Lines or Trunks, per order	$ 50.00
Add DID Trunk Termination, per order	$ 50.00
Change to CSR , record purpose, per order	$ 20.00
Add Additional Custom Calling Features, per order	$ 10.00
Add E.SPIRE Auto Attendant	$50.00 (9 or fewer mailboxes) $95.00 (10 or more mailboxes)
Move Service Location, per order	Installation Charges in the Colorado End-User Services Price List apply
PIC Change, per line	$ 5.00
Reconfiguration Charge, per order without customer premise visit.	$ 50.00
Reconfiguration Charge, per order with customer premise visit.	$250.00

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13.5 e-spire Local Service (Cont'd) (T)

13.5.2 Expiration of Term Agreement

The customer must notify ACSI, in writing, at least 30 days prior to the expiration of services to express their desired services beyond the selected term agreement. In lieu of written notification, the customer services will renew under the existing term agreement, i.e. a two year agreement will renew to an additional two year agreement.

13.5.3 Termination Fees

A termination liability charge will be applicable for service rate elements provided under the e-spire Local Service term payment Plan when service is cancelled prior to the end of the chosen Term Plan. The termination fee is equal to: 1) the difference the tariffed monthly rates and the billed e-spire Local Service discounted monthly rates multiplied by the number of expired months in the current term agreement, plus 2) the number of months remaining under the term agreement multiplied by the monthly rate for the Services multiplied by twenty (20) percent. The customer is obligated to pay such charges within thirty (30) days of termination. (T)

13.5.4. Competitive Features Program

Competitive Feature Program is an additional LOCAL SERVICE Feature that allows for a credit of the monthly recurring charges for hunting. Competitive Feature Program will be billed as a monthly recurring line credit on the customer invoice. To qualify for the Competitive Features Program, the customer must meet one of the following criteria: (T)

(1) The customer presently has service from a carrier who is not currently charging for Hunting and wants to become an e-spire LOCAL SERVICE customer. or, (T)

(2) The customer has a written proposal for service from one or more competitors that are not going to charge hunting and this customer wants to become an e-spire LOCAL SERVICE customer. (T)

Additionally, the customer must sign a 1, 2 or 3-year term plan. Standard termination penalties, as stated in Section 13.5.3, apply. e-spire Competitive Features Program is NOT available on e-spire LOCAL SERVICE Month-to-Month pricing. (T)

The credits for e-spire's Competitive Features Program – Free Hunting are as follows:

	Monthly Credit
Tampa	$10.00
Miami	$ 5.00
Jacksonville	$ 5.00
Fort Lauderdale	$ 5.00

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OPTIONAL LOCAL EXCHANGE SERVICES

13.5 e·spire Local ISDN (T)

e.spire LOCAL ISDN is a total package product offering consisting of Local services with optional Long Distance service, Toll Free service and custom calling features. This product is only available to local end user customers originating on e.spire facilities off its Ft. Lauderdale, Jacksonville, Miami and Tampa switches. Internet Service Providers (ISP) will receive inbound traffic only. Non-ISP customers will be provisioned for inbound and outbound traffic. The applicable rates for Outbound Calling for Non-ISP customers are specified below. Local ISDN is available under Month-To-Month, One Year, Two Year or Three Year Term Agreements. Each commitment level will be charged Monthly Recurring and Non-recurring rates as specified below. (T) (T)

LOCAL ISDN Rates – Ft. Lauderdale, Jacksonville, Miami and Tampa, FL (T)

	All - Florida Non-recurring	Jacksonville Tampa Monthly	Ft. Lauderdale & Miami Monthly
Month to Month			
ISDN PRI Access Facility, 23B+D Channels	$1,250.00	$ 950.00	$ 850.00
1 Year Term			
ISDN PRI Access Facility, 23 B+D Channels	$1,250.00	$ 800.00	$ 700.00
2 Year Term			
ISDN PRI Access Facility, 23 B+D Channels	$1,000.00	$ 650.00	$ 550.00
3 Year Term			
ISDN PRI Access Facility, 23 B+D Channels	$ 750.00	$ 600.00	$ 500.00

DID Termination Charges:	Monthly
DID Trunk Termination, per Trunk Group	$10.00

DID Number:	Monthly
1st Block of 20 DID numbers	$ 5.00
DID each additional block of 20 up to 500 numbers	$ 2.50
DID 500 + each additional block of 100 numbers	$50.00

Hunting Service:	Monthly	Non-Recurring
Hunting	$ 0.00	$ 0.00

Optional Custom Calling Features:	Monthly	Non-Recurring
Caller ID w/Name & Number	$ 150.00 (I)	$ 0.00
Caller ID w/Number Only (N)	$ 50.00 (N)	$ 0.00 (N)
Call by call	$ 50.00	$ 0.00
Outbound Calling for Non-ISP's	$100.00	$ 0.00

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OPTIONAL LOCAL EXCHANGE SERVICES

13.6 e·spire Local ISDN (Cont'd) (T)

13.6.1 Optional Product Components:

Long Distance Service e. spire Tariff Dial One IntraLATA, Intrastate and Interstate rates as noted respectively in the e.spire Alabama End-User Services Price List, the e.spire Alabama Interexchange Services Tariff and the e.spire FCC No. 1 Interstate Services Tariff.

One Year	19.29%
Two Year	24.24%
Three Year	29.39%

Toll Free Service

	Monthly	Non-Recurring
Toll Free Number	$ 5.00	$ 0.00
Toll Free Directory Assistance Listing. per number	$10.00	$ 0.00

Fixed Term Discounts apply to all e.spire Tariff Dial One rates as noted in the e.spire Alabama Interexchange Services Tariff and the e.spire FCC No. 1 Interstate Services Tariff.

One Year	9.19%
Two Year	14.14%
Three Year	19.29%

Ancillary Services

Directory Listings, per listing	Monthly
Single List - White page only	$ 0.00
Non-listed	$ 1.50
Non-published	$ 3.00
Additional listing	$ 2.00
Toll Free Directory Assistance listing	$10.00

Vanity Number	Monthly
Vanity number, per number	$10.00

Operator Assisted Calling, per occurrence	Monthly
Station to Station	$1.50
Calling Card	$1.50
3rd Number	$1.50
Collect Call	$1.50
Person to Person	$3.50

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OPTIONAL LOCAL EXCHANGE SERVICES

13.6 e·spire Local ISDN (Cont'd) (T)

13.6.1 Optional Product Components (cont'd):

Directory Assistance	Per Call
Call Allowance	0 calls
Each additional Directory Assistance call	$0.60
Call Completion	$0.30
Long Distance Directory Assistance	$0.85
Long Distance Directory Assistance with call completion	$0.50

Busy Line Verification	Per Request
Verification Request	$1.25
Emergency Interrupt Request (in addition to Verification Request)	$1.50

Moves/Adds/Changes (MACS)	One Time Non-recurring
Add DID Trunk Termination, per order	$ 50.00
Change to CSR , record purpose, per order	$ 20.00
Add Additional Custom Calling Features, per order	$ 10.00
Move Service Location, per order	Installation Charges in the Florida End-User Services Price List apply
PIC Change, per line	$ 5.00
Reconfiguration Charge, per order without customer premise visit.	$ 50.00
Reconfiguration Charge, per order with customer premise visit.	$250.00

13.6.2 Expiration of Term Agreement

The customer must notify ACSI, in writing, at least 30 days prior to the expiration of services to express their desired services beyond the selected term agreement. In lieu of written notification, the customer services will renew under the existing term agreement, i.e. a two year agreement will renew to an additional two year agreement.

6.8.4 Termination Fees

A termination liability charge will be applicable for service rate elements provided under the e·spire Local ISDN term payment Plan when service is cancelled prior to the end of the chosen Term Plan. The termination fee is equal to the number of months remaining under the term agreement multiplied by the monthly rate for the Services multiplied by twenty (20) percent. The customer is obligated to pay such charges within thirty (30) days of termination. In the event service is provided via a third party, the customer is responsible for all cost incurred for such early termination with our service provider. (T)

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OPTIONAL LOCAL EXCHANGE SERVICE

13.7 Incoming FX
(Ft. Lauderdale, Jacksonville, Miami, Tampa)

Incoming FX is a foreign exchange service that provides a telephone number out of a foreign central office through the end users local central office. Incoming FX offers customers to receive incoming calls from customers within the LCA included in the foreign exchange's NPA/NXX.

Incoming FX is offered as an optional line coding. Incoming FX will only be made available on DID trunks, Combination trunks, and Combination trunks with DID. Since Incoming FX is not an outbound calling feature, it will not be available on DOD trunks. Incoming FX is available to customers receiving e·spire LOCAL SERVICE PLUS or e·spire LOCAL ISDN. (T)

13.7.1

	Non Recurring	Monthly	
e·spire LOCAL SERVICE PLUS	$ 10.00	$100.00	(T)
e·spire LOCAL ISDN– Non ISP's	$ 10.00	$100.00	|
e·spire LOCAL ISDN– ISP's	$ 10.00	$200.00	(T)

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OPTIONAL LOCAL EXCHANGE SERVICE

13.8 Local Advantage Service (T)

Local Advantage Service Term Plan is available to new and existing customers receiving e·spire LOCAL SERVICE PLUS and/or e·spire LOCAL ISDN Commercial End User (CEU). Local Advantage Service was previously introduced as a promotional offer for e·spire Local Service Plus and e·spire Local ISDN CEU. Local Advantage Service Term Plan is designed to encourage prospects and existing customers to purchase e.spire Long Distance. The long distance usage will generate credits that will be applied to the customer's Local Service*. The higher the long distance net revenue. the higher the monthly credits for Local Service*. (T) | (T)

New and Existing Customer's will receive Local Service monthly credits on up to 4 e.spire LOCAL SERVICE PLUS / LOCAL ISDN Commercial End User T-1's, DID Trunk Termination and DID Blocks. The Local Service monthly credits are based on the sliding scale net Long Distance (Interstate , Intralata, Intrastate, International. Toll Free & Calling Card) usage per month, for the length of the LOCAL SERVICE PLUS/LOCAL ISDN Commercial End User Agreement. (T) (T)

Net Monthly Long Distance Revenue	Maximum Local Services Monthly Charges Waived	
$2,500.00 - $4,999.99	1 LOCAL SERVICE PLUS	(T)
$5,000.00 - $7,499.99	1 LOCAL SERVICE PLUS and 50% off 1add'l LOCAL SERVICE PLUS	|
$7,500.00 - $9,999.99	2 LOCAL SERVICE PLUS and 50% off 1add'l LOCAL SERVICE PLUS	|
$10,000.00 - $12,499.99	3 LOCAL SERVICE PLUS and 50% off 1add'l LOCAL SERVICE PLUS	|
$12,500.00 or more PLUS	4 LOCAL SERVICE PLUS and 50% off 1add'l LOCAL SERVICE	(T)

(T)

Existing e.spire LOCAL SERVICE PLUS /LOCAL ISDN CEU customers must renew at equal to or greater than the length of their existing contract with the attached Local Advantage Addendum. Existing customers who increase or decrease the number of LOCAL SERVICE PLUS's must have their account updated. (T) (T)

* - Includes e.spire LOCAL SERVICE PLUS, LOCAL ISDN CEU (ONLY), base component. DID Trunk Termination and DID Blocks. Initial Install Waiver Program will be honored on NRC costs. Excludes all optional features, line coding, EUCL, additional service fees, surcharges and taxes. (T)

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OPTIONAL LOCAL EXCHANGE SERVICES

13.8 Local Advantage Service (Cont'd)

All other terms and conditions, of e·spire's existing e·spire LOCAL SERVICE PLUS and e·spire LOCAL ISDN CEU agreements, not expressly modified in the customer's Addendum remain unchanged and in full force and effect. (T) (T)

13.8.1 Termination Fees

A termination liability charge will be applicable for service rate elements provided under the Local Advantage Service term payment Plan when service is cancelled prior to the end of the chosen Term Plan. The termination fee is equal to the number of months remaining under the term agreement multiplied by the monthly rate for the corresponding Term agreement. The customer is obligated to pay such charges within thirty (30) days of termination. In the event service is provided via a third party, the customer is responsible for all cost incurred for such early termination with our service provider.

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e·spire Voice Internet Pack

e.spire VOICE INTERNET PACK is a total package product offering consisting of Local, Long Distance and Toll Free services with optional custom calling features and Integrated 256kb Internet. Each pack will receive EZ LD minute of usage allowance. This product is only available to local end user service customers originating on ACSI facilities off itsJacksonville, Miami, and Tampa, Florida switches. e·spire Voice Internet Pack is available under One, Two or Three Year Term Agreements. Each commitment level is available at the Monthly Recurring and Non-recurring rates as specified below.

e·spire Voice Internet Pack Pricing:

Term Discounts

Length of Contract	Monthly %	NRC %
One Year	0 %	0%
Two Year	10 %	100%
Three Year	15 %	100%

Jacksonville, Miami, and Ft.Lauderdale

Voice Internet Pack	Monthly	Non-recurring*	EZ LD Allowance
VIP 4 through 44		$250.00	
VIP 4	$551.00		1000 MOU
VIP 5	$580.00		1250 MOU
VIP 6	$624.00		1500 MOU
VIP 7	$660.00		1750 MOU
VIP 8	$696.00		2000 MOU
VIP 9	$743.00		2250 MOU
VIP 10	$ 780.00		2500 MOU
VIP 11	$ 802.00		2750 MOU
VIP 12	$ 842.00		83000 MOU
VIP 13	$ 871.00		3250 MOU
VIP 14	$ 901.00		3500 MOU
VIP 15	$941.00		3750 MOU
VIP 16	$ 970.00		4000 MOU
VIP 17	$1010.00		4250 MOU
VIP 18	$1050.00		4500 MOU
VIP 19	$1080.00		4750 MOU
VIP 20	$1120.00		5000 MOU
VIP 21	$1150.00		5250 MOU
VIP 22	$1180.00		5500 MOU
VIP 23	$1220.00		5750 MOU

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e·spire Voice Internet Pack

Jacksonville, Miami, and Ft.Lauderdale (cont'd)

Voice Internet Pack	Monthly	Non-recurring*	EZ LD Allowance
VIP 24	$1250.00		6000 MOU
VIP 25	$1280.00		6250 MOU
VIP 26	$1320.00		6500 MOU
VIP 27	$1350.00		6750 MOU
VIP 28	$1380.00		7000 MOU
VIP 29	$1420.00		7250 MOU
VIP 30	$1450.00		7500 MOU
VIP 31	$1495.00		7750 MOU
VIP 32	$1535.00		8000 MOU
VIP 33	$1566.00		8250 MOU
VIP 34	$1596.00		8500 MOU
VIP 35	$1636.00		8750 MOU
VIP 36	$1667.00		9000 MOU
VIP 37	$1697.00		9250 MOU
VIP 38	$1737.00		9500 MOU
VIP 39	$1768.00		9750 MOU
VIP 40	$1826.00		10,000 MOU
VIP 41	$1856.00		10,250 MOU
VIP 42	$1906.00		10,500 MOU
VIP 43	$1947.00		10,750 MOU
VIP 44	$1997.00		11,000 MOU

Tampa

Voice Internet Pack	Monthly	Non-recurring*	EZ LD Allowance
VIP 4 through 44		$250.00	
VIP 4	$551.00		1000 MOU
VIP 5	$580.00		1250 MOU
VIP 6	$614.00		1500 MOU
VIP 7	$660.00		1750 MOU
VIP 8	$696.00		2000 MOU
VIP 9	$733.00		2250 MOU
VIP 10	$ 770.00		2500 MOU
VIP 11	$ 792.00		2750 MOU
VIP 12	$ 822.00		3000 MOU
VIP 13	$ 851.00		3250 MOU
VIP 14	$ 891.00		3500 MOU

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e-spire Voice Internet Pack

Tampa (cont'd) Voice Internet Pack	Monthly	Non-recurring*	EZ LD Allowance
VIP 15	$921.00		3750 MOU
VIP 16	$950.00		4000 MOU
VIP 17	$990.00		4250 MOU
VIP 18	$1020.00		4500 MOU
VIP 19	$1050.00		4750 MOU
VIP 20	$1090.00		5000 MOU
VIP 21	$1120.00		5250 MOU
VIP 22	$1150.00		5500 MOU
VIP 23	$1180.00		5750 MOU
VIP 24	$1210.00		6000 MOU
VIP 25	$1240.00		6250 MOU
VIP 26	$1270.00		6500 MOU
VIP 27	$1310.00		6750 MOU
VIP 28	$1340.00		7000 MOU
VIP 29	$1370.00		7250 MOU
VIP 30	$1400.00		7500 MOU
VIP 31	$1444.00		7750 MOU
VIP 32	$1475.00		8000 MOU
VIP 33	$1505.00		8250 MOU
VIP 34	$1545.00		8500 MOU
VIP 35	$1576.00		8750 MOU
VIP 36	$1606.00		9000 MOU
VIP 37	$1636.00		9250 MOU
VIP 38	$1667.00		9500 MOU
VIP 39	$1697.00		9750 MOU
VIP 40	$1754.00		10,000 MOU
VIP 41	$1785.00		10,250 MOU
VIP 42	$1833.00		10,500 MOU
VIP 43	$1864.00		10,750 MOU
VIP 44	$1914.00		11,000 MOU

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e-spire Voice Internet Pack (Cont'd)

13.9.1 Line Components:

e-spire Voice Internet Pack service monthly fee includes DS1 Access facility with Business Exchange Lines, and Digital PBX Trunks. The customers may select a combination of the line components of up to 24 potential lines per DS1 in accordance with
the VIP plan. Additionally, the following Standard Custom Calling Features are included in the monthly fee:

Hunting	Call Forwarding
Call Waiting	Call Forwarding Busy
3 Way Calling	Call Forwarding No Answer
Speed Dial 8	

e-spire Voice Internet Pack service monthly fee includes PRI Access facility with PRI Trunks. The customers may select a combination of the trunk components of up to 24 potential lines per PRI in accordance with the VIP plan. Additionally, the following Standard Custom Calling Feature are included in the monthly fee:

Hunting

Additional charges will apply for the following components:

DID Termination Charges:	Monthly
DID Trunk Termination, per pack	$50.00

DID Number:	Monthly
1st Block of 20 DID numbers	$ 5.00
DID each additional block of 20 up to 500 numbers	$ 2.50
DID 500 + each additional block of 100 numbers	$50.00

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e·spire Voice Internet Pack (Cont'd)

13.9.1 Line Components (cont'd):

DS1 Optional Custom Calling Features:	Monthly	Non-Recurring*
Custom Calling Features		$10.00
Anonymous Call Rejection	$ 2.50	
Automatic Call Back	$ 2.50	
Automatic Recall	$ 2.50	
Call Block	$ 2.50	
Call Hold	$ 2.50	
Call Transfer	$ 2.50	
Caller ID w/Name & Number	$ 7.50	
Caller ID w/Number	$ 5.00	
Distinctive Ringing	$ 2.50	
Remote Activation of Call forward	$ 2.50	
Remote Call Forwarding	$15.00	
Remote Call Forwarding Additional path	$15.00	
Speed Dialing 30	$ 2.50	
Toll Restriction	$ 2.50	
e.spire Enhanced Voice Messaging (per mailbox)	$ 7.95	
(9 or fewer mailboxes)		$50.00
(10 or more mailboxes)		$95.00
e.spire Fax Overflow	$14.95	
e.spire Voice Mail (per mailbox)	$ 6.95	
e.spire Voice Mail Pager Plus	$ 9.95	

*Non-recurring charges waived if features ordered upon initial installation of e.spire.

PRI Optional Custom Calling Features:	Monthly	Non-Recurring*
Custom Calling Features		$10.00
Call by Call, per pack	$ 50.00	
Caller ID w/ Name & Number, pack	$150.00	
Caller ID w/ Number, pack	$ 50.00	

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e-spire Voice Internet Pack (Cont'd)

13.9.2 Internet Optional Services (cont'd):

Additional charges will apply for the following components:

Internet Optional Services:	Monthly	Non- Recurring*
		See MAC
Internet upgrade to 384 kbps	$ 49.00	
Internet upgrade to 512 kbps	$ 99.00	
Internet upgrade to 640 kbps	$149.00	
Internet upgrade to 768 kbps	$199.00	
News Feed	$ 50.00	
Primary DNS	$ 50.00	

13.9.3 Long Distance Service

e-spire Voice Internet Pack customers will receive the EZ LD rates for all ACSI Tariff Dial One IntraLATA, Intrastate and Interstate rates as noted respectively in the ACSI Florida General Services Tariff, the ACSI Florida Interexchange Services Tariff and the Interstate Long Distance Service Agreement.

International rates will receive the following Fixed Term Discounts for all ACSI Tariff Dial One International rates as noted respectively in the ACSI Florida General Services Tariff, the ACSI Florida Interexchange Services Tariff and the Interstate Long Distance Service Agreement.

One Year	19.29%
Two Year	24.24%
Three Year	29.39%

e-spire Voice Internet Pack customers will receive the EZ LD rates for all ACSI Tariff Dial One IntraLATA, Intrastate and Interstate rates as noted respectively in the ACSI Florida General Services Tariff, the ACSI Florida Interexchange Services Tariff and the Interstate Long Distance Service Agreement.

One Year	12%
Two Year	15%
Three Year	20%

13.9.4 Ancillary Services

Directory Listings, per listing	Monthly
Single List - White page only	$ 0.00
Non-listed	$ 1.50
Non-published	$ 3.00
Additional listing	$ 2.00
Toll Free Directory Assistance listing	$10.00

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e-spire Voice Internet Pack (Cont'd)

13.9.4 Ancillary Services

Vanity Number	Monthly
Vanity number, per number	$10.00

Operator Assisted Calling, per occurrence	Monthly (Jacksonville, Miami)	Monthly (Tampa)
Station to Station	$0.75	$1.50
Calling Card	$1.00	$0.75
3rd Number	$1.00	$1.50
Collect Call	$1.00	$1.50
Person to Person	$2.50	$3.00

Directory Assistance	Per Call (Jacksonville, Miami)	Per Call (Tampa)
Call Allowance	3 calls	3 calls
Each additional Directory Assistance call	$0.25	$0.40
Call Completion	$0.30	$0.45
Long Distance Directory Assistance	$0.85	$0.85
Long Distance Directory Assistance with call completion	$0.50	$0.50

Busy Line Verification	Per Request (Jacksonville, Miami)	Per Request (Tampa)
Verification Request	$0.35	$1.00
Emergency Interrupt Request (in addition to Verification Request)	$0.40	$0.50

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OPTIONAL LOCAL EXCHANGE SERVICES

13.9 e·spire Voice Internet Pack (Cont'd)

13.9.4 Moves/Adds/Changes (MACS)

	One Time Non-recurring
VIP Installation	$250.00, per bundle
Change to Upgrade VIP, without premises visit	$50.00, per bundle
Change to Upgrade VIP, with premises visit	$250.00 per bundle
Change to Upgrade Internet Access speed	$50.00,per ckt
Change to add DID Trunk Termination	$50.00, per order
Change to add Voice feature	$10.00, per order
Change to CSR	$20.00 per order
Change to add PRI feature	$10.00 per order
Change to add Newsfeed	$10.00 per ckt
Change to add Primary DNS	$25.00 per ckt
Change to add Optional Calling Plans (LATAwide, EAS, Corridor...)	$10.00 per ckt
PIC change	$5.00 per WTN
Voice Mail installation	$10.00 per mailbox
Voice Mail Pager Plus installation	$10.00 per mailbox
Fax Overflow installation	$10.00 per mailbox
Enhanced Voice Messaging 9 or less mailboxes	$50.00 per order
Enhanced Voice Messaging 10 or more mailboxes	$95.00 per order

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13.10 Voice Services Term Plan Program

e·spire Voice Services Term Plan Program provides additional savings for customers committing to a long-term relationship with e·spire. This program offers credit for one-month of service at the tarriffed rate to new Local Service Plus and Local ISDN-CEU end users when they contract for a one-year and two year term commitment. End users committing to three year term contracts will receive credit for two-month of service at the tariffed rate. This program is not exclusively limited to customers that commit to one-year term plans, but all term plan offerings. The table below identifies the amount of credit and distribution for each term plan commitment.

Term Commitment	Credit	Credit Distribution*
1 year term commitment	1 month credit	5th month following install
2 year term commitment	1 month credit	1st month following install
3 year term commitment	2 months credit	1st & 13th month following install

* Credits issued for the first month may be split between the first and second months invoice dependent on the date of install.

- e·spire Voice Services Term Plan Program is available to new e·spire Local Service Plus and Local ISDN-CEU end users.
- The terms of this Program will not be applicable for end users that terminate their contracts during the first 90 days of service.
- End Users who terminate their contract at any point during the term plan will be required to reimburse e·spire with the full credited amount under this program in addition to early termination penalties.

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OPTIONAL LOCAL EXCHANGE SERVICES

13.11 EZ LD Service

The EZ LD service is available to new and existing Local Service, Local Service Plus or Local ISDN CEU customers. The EZ LD service allows customers to enjoy a single rate for certain long distance traffic, provided the customer meets certain usage requirements. New Local Service, Local Service Plus or Local ISDN CEU customers must sign a service agreement for at least a 12-month term. However, for current e-spire customers, the term commitment shall be no less than the remaining term of the current Required Product if the remaining term is greater than one (1) year.

If a customer elects to receive the EZ LD service, the new service will be incorporated into the terms of the existing Required Product agreement, such that both services will expire concurrently. Notwithstanding, EZ LD cannot be added unless there is at least one year remaining under the existing agreement or both agreements are extended to provide service for at least a one-year term.

The EZ LD product rate is based on 3 factors:

1. Usage pattern – Customer's intrastate traffic shall not exceed 30% of total EZ LD traffic to qualify for the rates specified below.
2. EZ LD Service term period (1,2,or 3 years)
3. Customer's prior usage level in which their intrastate traffic does not exceed 30% of total EZ LD traffic.

e-spire EZ LD product rate guidelines

Term Period	Previous LD usage		
	Up to $100.00	$101 - $300	over $301
1 year	$0.055	$0.055	$0.049
2 year	$0.055	$0.049	$0.045
3 year	$0.049	$0.045	$0.045

Under the following circumstances, an EZ LD rate can be provided to customers exceeding the 30% intrastate usage limitation:

-- **Intrastate Usage between 30% and 50%.** Customers with intrastate usage between 30% and 50% of total EZ LD usage may be offered an EZ LD rate of $.055.

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OPTIONAL LOCAL EXCHANGE SERVICES

13.11 EZ LD Service (Cont'd)

13.11.1 EZ LD Conditions for service

EZ LD customer's intrastate long distance traffic shall not exceed the percentage of their total EZ LD traffic, as specified above. In the event their traffic exceed the allowed intrastate usage in two billing months in any 12-month period, e-spire reserves the right to re-rate those months intrastate minutes to $.08 per intrastate minute or to charge $0.08 per intrastate minute for the intrastate usage in any additional month, in which the customer's traffic exceed the 50% limit.

13.11.2 Early Termination Penalty

Withstanding anything to the contrary in article 4 of the Agreement, if the customer decide to terminate the EZ LD Service before the end of the term, the customer will be charged an early termination penalty equal to 4 months of average usage. The customer's average usage will be calculated based on the average of the last two full months of usage. In the event the EZ LD agreement is terminated before two full months of service, the average usage will be calculated based on the customer's actual usage to date.

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SECTION 11 – PROMOTIONAL OFFERINGS

11.1 RESIDENTIAL SPRINT ION $50 CREDIT PROMOTION

New Sprint Residential Sprint ION℠ xt⁴, Residential Sprint ION℠ xt², and Residential Sprint ION xt¹ customers may be eligible to receive up to a $50 credit. In order to be eligible for this promotion a customer must: 1) be a current Sprint PCS and residential Sprint long distance customer and 2) subscribe to the promotion by either calling a toll free number referenced in direct mail literature or enrolling online at a web site referenced in direct mail literature. The customer will receive either a $50 credit or a credit equal to the customer's ION monthly recurring charge on the customer's first invoice after subscribing to this promotion. If the customer cancels Sprint service, no promotional benefit will be given to the customer. This promotion is available for enrollment through December 31, 2001, unless sooner changed or canceled by Sprint.

11.2 SPRINT VOICE COMMAND℠ FOR YOUR HOME PROMOTION (N)

New and existing Sprint Voice Command℠ For Your Home customers will be eligible to receive a discounted monthly recurring charge (MRC) of $5.00. The customer will receive the discounted MRC as long as they remain subscribed to Sprint Voice Command℠ For Your Home or until such time as Sprint may cancel the benefits of this promotion. The discount will be applied as a credit to the customer's invoice. This promotion shall remain in effect through October 10, 2002, unless sooner changed or cancelled by Sprint. (N)

SECTION 9.0 - TEMPORARY PROMOTIONAL OFFERINGS

9.1 Special Promotions (N)

The Company will, from time to time, offer special promotions on its Network Services (Section 4),to its customers waiving certain charges. These promotions will be approved by the FPSC with specific starting and ending dates and under no circumstances run for longer than 90 days in any 12 month period. (N)

M - This material also appears under Section 6.0, Rate Schedule for Network Services.

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SECTION 9.0 - TEMPORARY PROMOTIONAL OFFERINGS

9.1 Special Promotions (Cont'd.)

9.1.1 "TCG America" Promotional Program

(D) (N)

Description

From December 24, 1998 through June 30, 1999, new retail end-user Customers subscribing to PrimeXpress, PrimePath, PrimePath NBX, PrimePlex, or Prime NBX services who commit to the minimum requirements specified below are eligible to receive discounts shown below on their local, intraLATA toll, and long distance services obtained from the Company under this program.

Customers' monthly calling usage from eligible services will be combined into a single revenue total, which will then be used to calculate a volume discount that will be applied to the Customer's total eligible TCG America calling revenue. Eligible TCG America usage includes calling usage from TCG America Local, TCG America Toll, and PrimeDistance interLATA outbound long distance services. Discounts are applied retroactively, such that once the next dollar threshold is reached, the higher discount applies to the total eligible usage for that billing period. Discounts are applied as an adjustment to the total charges for eligible TCG America usages charges on the Customer's bill. Charges such as taxes, late payment fees, or other service non-recurring and monthly recurring charges, and usage from non-TCG America services, including operator-assisted services and directory assistance, are not included in the volume discount calculation.

Usage rates for TCG America Local and TCG America Toll are shown below. Intrastate PrimeDistance outbound usage rate may be found in the applicable Company intrastate tariffs. Interstate PrimeDistance outbound usage rates are shown in the Company's FCC No. 2 tariff.

Service must be installed by August 1, 1999. Customers must commit to a one-year term commitment for TCG America Local, TCG America Toll, PrimeDistance long distance, and PrimeDistance II international services. Discounts provided to Customers under the TCG America promotional program will apply in lieu of any discounts available to Customers who purchase these services outside of the TCG America promotional program.

(D) (N)

(D) Material previousl appearing on this page has been deleted.

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.1 "TCG America" Promotional Program (Cont'd.)

(D) (N)

This promotional program is not valid with any other Company promotional program, or in conjunction with services under contract or priced on an Individual Case Basis. If the Customer terminates service before the end of the commitment period, the Customer will be charged any early termination charges applicable to the facilities ordered in conjunction with this promotional program. The Customer will also be charged an early termination charge equal the Customer's average monthly usage multiplied by the number of months remaining on their term plan commitment. The average monthly usage will be calculated by determining the Customer's total eligible usage for the first six months of their term plan and dividing those charges by six. In the event the Customer terminates service in the first six months of their term commitment, the average monthly usage will be calculated by dividing the Customers total eligible usage charges by the number of months the Customer was in service.

Rates:

TCG America Local	$0.0000	
	1st 30 sec.	Each add'l 6 sec.
TCG America Toll	$0.0438	$0.0088

Discounts:

Total Combined Revenue	Discount
$0.00 - $2,000.00	10%
$2,000.01 - $4,000.00	20%
$4,000.01+	25%

(D) (N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.3 "Prime Time Deal" Promotional Program (D) (N)

From February 12, 1999 through April 30, 1999, new retail end-user Customers who install two or more PrimeXpress or Primeplex PRI facilities and commit to the minimum requirements specified below are eligible to receive discounts on the monthly recurring facility charges for these services. Discounts are based on the number of facilities ordered and the term commitment, as shown below. Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to these charges.

This promotion is only valid where Company facilities permit. Service must be installed by June 1, 1999. To be eligible, Customers must sign a minimum term commitment of one year for PrimeXpress or two years for PrimePlex PRI. Facilities for multiple locations must be ordered under a single contract to be eligible for discounts under this promotional contract.

This promotional program is not valid with any other Company promotional program, or in conjunction with services under contract or priced on an Individual Case Basis. Only one "Prime Time Deal" promotion is permitted per Customer location. If the Customer terminates service before the end of the commitment period, the Customer will be responsible for payment of charges waived under this program. The Customer will also be charged early termination charges equal to the facilities charge times the remaining months of the Customers term commitment.

Discounts

	Discount		
Number of Facilities	1 Year	2 Year	3 Year
2 - 4	5%	5%	5%
5+	10%	10%	15%

(D) (N)

Issued: February 11, 1999 Effective: FEB 1 3 1999

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.4 "Mega Success" Promotional Program (N)

From January 9, 1999 though March 31, 1999, new retail end-user customers who order PrimeXpress, Prime NBX, PrimePath NBX, PrimePath, PrimePlex PRI, or Digital Link Prime services and meet the minimum requirements specified below will be eligible to receive a credit equal to the standard installation charges for these services. Customers who commit to a minimum of a one-year term contract will also receive a credit equal to one month's recurring charges for eligible services ordered under this promotional program. Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to the installation or monthly recurring charges. Service Order Charge and non-standard installation charges are not eligible for credit under this promotional program. Credit will be applied to the first month's bill following installation of service.

This promotion is only valid where facilities permit. Service must be installed by May 31, 1999. Customers ordering PrimeNBX or PrimePath NBX services must purchase a minimum of 48 PrimeNBX or 24 PrimePath NBX lines to qualify for this promotional program.

This promotional program is not valid with any other Company promotional program or in conjunction with services under contract or priced on an Individual Case Basis. If the customer terminates service before the end of the commitment period, the Customer will be responsible to pay any charges waived under this program. The customer will also be charged early termination charges equal to the facilities charge times the remaining months of the Customer's term commitment.

(N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.5 T-1 Card Promotional Program (N)

From January 9, 1999 though March 31, 1999, new retail end-user customers who order PrimeXpress, PrimePlex, or Digital Link Prime services will be eligible to receive a credit up to $2,500.00 for each new facility ordered under this promotional program. This credit is provided to reimburse customers for the costs they incur to purchase and install T-1 digital PBX cards required to implement PrimeXpress, PrimePlex, or Digital Link Prime services. This credit may also be used to reimburse customers for costs associated with reprogramming their PBXs when they already have T-1 cards. Credits under this promotional program are not applicable for reimbursement of any governmental fees, surcharges, taxes, or shipping and handling charges associated with the customer's purchase of T-1 cards or PBX reprogramming costs.

Customers are also eligible to receive a credit equal to the installation charges for new PrimeXpress, PrimePlex, or Digital Link Prime services ordered under this program. Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to installation charges.

Customers are required to sign a three-year term commitment. Customers must purchase T-1 digital PBX cards or reprogram their PBXs within 60 days of the signature date of the contract. Customers must also presubscribe to the Company for their local and intraLATA toll calling. All tariffed monthly recurring charges for PrimeXpress, PrimePlex, or Digital Link Prime service apply.

This promotion is only valid where facilities permit. Service must be installed by May 31, 1999.

This promotional program is not valid with any other Company promotional program or in conjunction with services under contract or priced on an Individual Case Basis. If the customer terminates service before the end of the commitment period, the customer will be responsible to repay the credits provided under this program. The customer will also be charged early termination charges equal to the facilities charge times the remaining months of the customer's term commitment. (N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.6 "Spare Capacity" Promotional Program (N)

From January 9, 1999 though April 1, 1999, existing retail end-user customers who order additional PrimeXpress or Digital Link Prime services and meet the minimum requirements specified below will be eligible to receive a credit equal to the standard installation charges for these services. Customers will also receive a credit equal to one month's recurring charges for eligible services ordered under this promotional program. Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to the installation or monthly recurring charges. Service Order Charge and non-standard installation charges are not eligible for credit under this promotional program. Credit will be applied to the first month's bill following installation of service.

This promotion is only valid where facilities permit. Customers must commit to a minimum of a one-year term contract. Service must be installed by May 1, 1999.

This promotional program is not valid with any other Company promotional program or in conjunction with services under contract or priced on an Individual Case Basis. If the Customer terminates service before the end of the commitment period, the Customer will be responsible to pay any charges waived under this program. The customer will also be charged early termination charges equal to the facilities charge times the remaining months of the Customer's term commitment.

(N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.7 "Prime Dedicated Facility Installation" Promotional Program

New retail end-user Customers who sign orders for PrimeXpress, PrimeConnect, PrimePlex PRI, PrimePath, PrimeNBX, PrimePath NBX or Prime Digital Trunk (where available) services between January 21, 2000 and June 30, 2000 and who commit to the minimum requirements specified below are eligible to receive a credit equal to the standard installation charges for the services ordered under this promotional program. (T) (T)

Installation charges related to nonstandard services, special construction, or features are not included in this program. Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to installation charges. Customers are required to sign a term commitment for at least one year between January 21, 2000 and June 30, 2000. Credit will be applied on the first month's bill following installation of the service. Service must be installed by September 30, 2000. (T)

This promotional program is not valid with any other promotional program except the Company's "PBX Re-Programming Credit", or in conjunction with services under contract or priced on an Individual Case Basis. Only Prime Dedicated Facility Installation promotion is permitted per Customer location. If the Customer terminates service before the end of the commitment period, the Customer will be responsible for repayment of any installation charges waived under this program. The Customer will also be charged early termination charges where applicable. (T)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.8 "PBX Re-Programming Credit" Promotional Program

From January 21, 2000 through March 31, 2000, retail end-user customers who order PrimeXpress, PrimePlex, PrimeConnect and Prime Digital Trunk (where available) services, and who commit to the inimum requirements specified below, will be eligible to receive a credit of $500.00. This credit is provided to reimburse customers for costs associated with reprogramming their PBXs for each PrimeXpress, PrimePlex, PrimeConnect and Prime Digital Trunk facility ordered under this program. Credits under this promotional program are not applicable for reimbursement of any governmental fees, surcharges, taxes, or shipping and handling charges associated with the customer's PBX reprogramming costs. (D) (N

Customers are required to sign a one-year term commitment. Customers ordering Prime Digital Trunk service must order a minimum of 12 channels. Customers must also presubscribe to the Company for their local and intraLATA toll calling. All tariffed monthly recurring charges for PrimeXpress, PrimePlex, PrimeConnect or Prime Digital Trunk service apply.

This promotion is only valid where facilities permit. Service must be installed by June 1, 2000

This promotional program is not valid with any other Company promotional program (except where allowed under applicable tariffs) or in conjunction with services under contract. Only one PBX Re-Programming Credit promotion is permitted per Customer location. If the customer terminates service before the end of the commitment period, the customer will be responsible to repay the credits provided under this program. The customer will also be charged early termination charges equal to the facilities charge times the remaining months of the customer's term commitment. (D) (N

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.9 "Welcome to AT&T Local Service" Promotional Program

From November 19, 1999 through March 31, 2000 the Company will offer new retail end-user Customers who order the Company's Business Local Service a credit equal to the Service Order Charge and standard installation charges for these services. Customers will also be credited for any charges incurred for the dispatch of Company technicians to the Customer's location(s) in connection with the initial installation of their service. Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to the credited charges. Credit will be applied to the first full month's bill following installation of service. (T)

This promotion is only valid where facilities permit. Service must be installed no later than June 30, 2000. (T)

This promotional program is not valid with any other Company promotional program or in conjunction with services under contract or priced on an Individual Case Basis. If the Customer terminates service before the end of the commitment period, the Customer will be responsible to pay any of the charges credited under this program. The Customer may also be charged an early termination charge where applicable.

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Section 9.0 - Temporary Promotional Offerings

9.1 Promotional Offerings (Cont'd.)

9.1.10.1 Vendor Credit Promotion

Customers ordering PrimePath, PrimeXpress, PrimePlex, Prime Digital Trunk, PrimeConnect, PrimeNBX or PrimePathNBX service between June 1, 2001 and December 31, 2001, and who commit to the minimum requirements specified below, will receive one of the following credits: (T)

DSO Service - PrimePathCustomers who commit to $500 in combined Local, IntraLATA, and Monthly Recurring Charges over a 12 month period, will receive a one-time $250. Vendor Credit.

DS1 Service - PrimeXpress, PrimePlex, Prime Digital Trunk, PrimeConnect
Customers who commit to $500 in combined Local, IntraLATA, and Monthly Recurring Charges over a 12 month period, will receive a one-time $500. Vendor Credit.

PrimeNBX Customers who order a minimum of 49 lines per location, select TCG as their primary carrier for local and intralata toll calling, and sign a minimum contract of one (1) year, will receive a one-time vendor credit of $500 per qualifying location.

PrimePathNBX Customers who order a minimum of 10 lines per location, select TCG as their primary carrier for local and intralata toll calling, and sign a minimum contract of one (1) year, will receive a one-time vendor credit of $250 per qualifying location.

This promotion is valid for Customers using outside vendors to perform services required to install PrimePath, PrimeXpress, PrimePlex, Prime Digital Trunk, PrimeConnect, PrimeNBX, or PrimePathNBX service. Credit will be applied by the fourth month's bill following installation of the service. No credit checks will be issued. Service must be installed no later than March 31, 2002. (T)

This promotional program applies to new services requiring a Vendor to implement an equipment upgrade, PBX reprogramming, CPE equipment reconnections, or for new locations of existing PrimeNBX or PrimePathNBX customers that meet the minimum ordering requirements. Existing services or current Customers moving service to a new location are not eligible. This promotion is not valid with services under contract or priced on an Individual Case Basis. Only one Vendor Credit promotion is permitted per Customer location, in a 12-month period. Customers are required to submit proof of Vendor charges. Proof of Vendor work must be in the form of a bill or invoice.

Eligibility is contingent upon service availability in customer location.

All Material On This Page Is New

Section 9.0 - Temporary Promotional Offerings

9.1 Promotional Offerings (Cont'd.)

9.1.10.2 Equipment Credit Promotion

Customers ordering new Business Lines and Trunks June 1, 2001 and December 31, 2001, and who commit to the minimum requirements specified below, will receive the following credit: (T

DS1 Service - PrimeXpress, PrimePlex, Prime Digital Trunk & Prime Connect Customers who purchase new DS-1 facilities and commit to a 3-year term contract, will receive a $2,500. Equipment Credit.

This promotion in valid for Customers upgrading equipment or adding DS1 cards in a PBX. Credit will be applied on the first month's bill following installation of the service. Service must be installed no later than March 31, 2002. (T

This promotional program applies to new DS-1 facilities; existing Customers moving facilities to a new location are not eligible. This promotion is not valid with in conjunction with services under contract or priced on an Individual Case Basis. There will be a maximum of 5 credits per location for a maximum of 20 locations.

Eligibility is contingent upon service availability in customer location.

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All Material On This Page Is New

Section 9.0 - Temporary Promotional Offerings

9.1 Promotional Offerings (Cont'd.)

9.1.10.3 Customer Premise Equipment (CPE) Credit Promotion (N)

New Customers purchasing Customer Premise Equipment (CPE) for PrimeNBX or PrimePathNBX, between October 4, 2000 and March 31, 2001, and who commit to the minimum requirements specified below, will receive the following credits as applicable for digital and analog equipment.

Digital Equipment
- $10.00 per digital line for a one year contract
- $20.00 per digital line for a two year contract
- $40.00 per digital line for a three year contract

Analog Equipment
- $ 3.00 per analog line for a one year contract
- $ 6.00 per analog line for a two year contract
- $12.00 per analog line for a three year contract

This promotion is valid to new Customers who were previous Centrex customers of another Local Exchange Carrier and select TCG as their primary carrier for local and intralata toll calling, and commit to a minimum of a one (1) year contract. For PrimePathNBX, a minimum of 10 lines per location must be purchased. For PrimeNBX, a minimum of 49 lines per location must be purchased. Service must be installed no later than June 30, 2001.

Credits will be issued by the customer's fourth invoice in the form of a one time credit based on the number of analog and/or digital PrimeNBX or PrimePathNBX lines on customers' initial order and the length of the customer commitment. No credit checks will be issued. Customers are required to submit proof of purchase of CPE. Proof of purchase must be in the form of a bill or invoice.

This promotional program applies to new PrimeNBX or PrimePathNBX customers that meet the minimum requirements. Existing services or current Customers moving service to a new location are not eligible. This promotion is not valid with services under contract or priced on an Individual Case Basis. Only one CPE Equipment Credit is permitted per Customer location in a 12-month period.

Customers who terminate their service plan prior to the expiration of the selected term period will be billed a fee in addition to termination liability charges. The fee will be equal to the CPE Equipment Credit issued multiplied by 1/12 for a one-year contract, 1/24 for a two-year contract, or 1/36 for a three contract, multiplied by the number of months remaining in the term plan. (N)

Eligibility is contingent upon service availability in customer location.

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All Material On This Page Is New

Section 9.0 - Temporary Promotional Offerings

9.1 Promotional Offerings (Cont'd.)

9.1.10.4 Monthly Recurring Charge Waiver Promotion

Customers ordering PrimePath, PrimeXpress, PrimePlex, Prime Digital Trunk & Prime Connect services between June 1, 2001 and December 31, 2001, and who commit to the minimum requirements specified below, will receive the following credit: (T)

DSO Service - PrimePath Customers who commit to $500 in combined Local, IntraLATA, and Monthly Recurring Charges over a 12-month period, will receive a 1 month Monthly Recurring Charge waiver.

DS1 Service - PrimeXpress, PrimePlex, Prime Digital Trunk & Prime Connect
Customers who commit to $500 in combined Local, IntraLATA, and Monthly Recurring Charges over a 12-month period, will receive a 1 month Monthly Recurring Charge waiver.

This promotion in valid for new Customers ordering PrimePath, PrimeXpress, PrimePlex, Prime Digital Trunk & Prime Connect services. Credit will be applied on the first month's bill following installation of the service. Service must be installed no later than March 31, 2002. (T)

This promotional program applies to new Customers; existing services or current Customers moving service to a new location are not eligible. This promotion is not valid in conjunction with services under contract or priced on an Individual Case Basis. A location cannot receive more than 1 credit in a 12-month period.

Eligibility is contingent upon service availability in customer location.

All Material On This Page Is New

Section 9.0 - Temporary Promotional Offerings

9.1 Promotional Offerings (Cont'd.)

(N)

9.1.10.5 Install and/or Monthly Recurring Charge Waiver Promotion
Customers ordering PrimeNBX or PrimePathNBX services between October 4, 2000 and March 31, 2001, and who commit to the minimum requirements specified below, will be eligible for a waiver of their first month's Monthly Recurring Charge (MRC) and/or free installation. Taxes, FCC charges and any other special charges or surcharges are not included.

This promotion in valid for new Customers, and new locations of existing customers, ordering PrimeNBX or PrimePathNBX service who select TCG for their primary carrier for local and intralata calling and commit to a minimum of a one (1) year contract. . For PrimePathNBX, a minimum of 10 lines per location must be purchased. For PrimeNBX, a minimum of 49 lines per location must be purchased. Credit will be applied on the first month's bill following installation of the service. Service must be installed no later than June 30, 2001. No credit checks will be issued.

This promotional program applies to new Customers, and new locations of existing customers that meet the minimum requirements. This promotion is not valid in conjunction with services under contract or priced on an Individual Case Basis. A location cannot receive more than one MRC credit and/or install waiver in a 12 month period.

Customers who terminate their service plan prior to the expiration of the selected term period will be billed a termination charge equal to the MRC multiplied by the number of months remaining in the term plan.

Eligibility is contingent upon service availability in customer location.

(N)

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9.1 Special Promotions (Cont'd.)

9.1.11 "Get Equipped for Digital PrimeNBX" Promotional Program (N)

New retail end-user Customers who order digital PrimeNBX services between August 25, 1999 and October 31, 1999 and who commit to the minimum requirements specified below will be eligible to receive one of the following credits shown below. A Customer will receive credits for all new PrimeNBX lines, both digital and analog, ordered under this promotional program as long as the Customer orders digital PrimeNBX service as part of their total order.

- Customers who commit to a one-year term plan for new digital PrimeNBX service will received a one-time credit of $10.00 per digital or analog PrimeNBX line.
- Customers who commit to a two-year term plan for new digital PrimeNBX service will received a one-time credit of $20.00 per digital or analog PrimeNBX line.
- Customers who commit to a three-year term plan for new digital PrimeNBX service will received a one-time credit of $40.00 per digital or analog PrimeNBX line.

Customers are responsible for payment of any associated governmental fees, surcharges, or taxes. Credit will be applied on the third month's bill following installation of the service. Total credit issued to Customers will not exceed invoice amount. Service must be installed by December 31, 1999.

This promotional program applies only to new digital PrimeNBX service; existing service or current Customers moving their service to a new location are not eligible to receive credits under this program. This promotion is not valid with any other promotional program or in conjunction with services under contract or priced on an Individual Case Basis. Only one Get Equipped for Digital PrimeNBX promotion is permitted per Customer location.

(N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.12 "On-Net" Promotional Program (D) (N)

From January 21, 2000 through June 30, 2000, new and existing retail end-user customers who order PrimePath, Prime Digital Trunk, PrimeXpress or PrimePlex PRI will receive a credit equal to the standard installation charges for these services. Customers who commit to the minimum requirements specified below will also bee eligible to receive one of the following credits:

- Customers who commit to a one-year term plan will receive a credit equal to one month's recurring charges for eligible services ordered under this promotional program.
- Customers who commit to a two-year term plan will receive a credit equal to two months' recurring charges for eligible services ordered under this promotional program.
- Customers who commit to a three-year term plan will receive a credit equal to three months' recurring charged for eligible services ordered under this promotional program.

Customers are responsible for payment of any associated governmental fees, surcharges or taxes applicable to the installation or monthly recurring charges. Service Order Charge and non-standard installation charges are not eligible for credit under this promotional program. Credit will be applied to the first month's bill following installation of service.

This promotion is only valid where facilities permit. Service must be installed by September 30, 2000.

This promotional program is not valid with any other Company promotional program. If the Customer terminates service before the end of the commitment period, the Customer will be responsible for paying any charges waived under this program. The Customer will also be charged early termination charges equal to the facilities charge times the remaining months of the Customer's term commitment. (D) (N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.13 "Hit The Ground Running" Promotional Program (N)

From September 15, 1999 through December 31, 1999, new retail end-user customers who order PrimeNBX, or PrimePath NBX services, and meet the minimum requirements specified below will be eligible to receive a credit equal to the standard installation and service order charges for these services. Customers who commit to a minimum one-year term contract for PrimeNBX, or Prime Path NBX services, will also receive a credit equal to one month's recurring charges under this promotional program. Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to the installation or monthly recurring charges. Non-standard installation charges are not eligible for credit under this promotional program. Credit will be applied to the first month's bill following installation of service.

This promotion is only valid where facilities permit. Service must be installed by December 31, 1999. Customers ordering PrimeNBX or PrimePath NBX services must purchase a minimum of 48 PrimeNBX or 24 PrimePath NBX lines to qualify for this promotional program.

This promotional program is not valid with any other Company promotional program or in conjunction with services under contract or priced on an Individual Case Basis. If the customer terminates service before the end of the commitment period, the Customer will be responsible for paying any charges waived under this program. The customer will also be charged early termination charges equal to the facilities charge times the remaining months of the Customer's term commitment. (N)

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Section 9.0 - Temporary Promotional Offerings

(N)

9.1 Special Promotions (Cont'd.)

9.1.14 Remote Call Forwarding Promotional Waivers

From November 1, 2001 through April 30, 2002, new and existing end-user retail customers who order Remote Call Forwarding, who meet the requirements specified below, will be eligible to receive the following waivers:

- Customer's Monthly Recurring Charge for the initial number and each additional path will be waived for one month, and Customer's non-recurring charge will be waived.

Customer must subscribe to PrimePath, PrimeXpress or PrimePlex standalone service.

Customer must specify the number of paths to be redirected simultaneously; this number can be between 1 and 48. The Customer is responsible to ensure that their terminating location can handle the Remote Call Forwarding calls.

Customers are responsible for payment of any associated governmental fees, surcharges or taxes applicable to the installation or monthly recurring charges. Waivers will be applied beginning with the first month's bill following installation of service.

This promotion is only valid where facilities permit, and is not available with Integrated Offers. Service must be ordered by April 30, 2002, and installed by May 31, 2002. A location cannot receive more than 1 Monthly Recurring Charge waiver, per location, in a 12 month period.

This promotional program is not valid with any other Company promotional program. If the Customer terminates their existing service before the end of the commitment period, the Customer will be responsible for paying any charges waived under this program

(N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.) (N)

9.1.15 "DS1 Monthly Recurring Charge Waiver"

Customers ordering PrimeXpress or PrimePlex services between January 1, 2002 and December 31, 2002, and who commit to the minimum requirements specified below, will receive the following credit:

DS1 Digital Facilities or DS1 ISDN PRI Service - PrimeXpress or PrimePlex Customers who commit to $500 in combined Local, IntraLATA, and Monthly Recurring Charges, over a 12 month period, will receive a 1 month Monthly Recurring Charge waiver.

This promotion is valid for new or existing Customers subscribing to new DS-1 Digital Facilities or DS-1 ISDN PRI Service. Credit will be applied on the first month's bill following installation of the service. Services must be ordered no later than January 31, 2003, and Service must be installed no later than March 30, 2003.

This promotional program applies to new and existing Customers. This promotion is not valid in conjunction with services under contract or priced on an Individual Case Basis. A location cannot receive more than 1 credit in a 12 month period.

Eligibility is contingent upon service availability in customer location. (N)

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Section 9.0 - Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

(N)

9.1.16 "Vendor Equipment Promotional Program"

Customers ordering PrimeXpress or PrimePlex service between January 1, 2002 and December 31, 2002, and who commit to the minimum requirements specified below, will receive the following credit:

DS1 Service - PrimeXpress, PrimePlex
Customers who commit to a three (3) year term plan for combined Local, IntraLATA, and Monthly Recurring Charges are eligible to receive a one-time $1,000 Vendor Equipment and Service Credit.

This promotion is valid for Customers using outside vendors to perform services or purchasing a DS-1 card required to install PrimeXpress and PrimePlex service. There will be a maximum of 5 credits per location with a maximum of 20 locations. Service must be ordered by January 31, 2003, and Service must be installed no later than March 30, 2003.

This promotional program applies to new services requiring an equipment upgrade or PBX reprogramming; existing services or current Customers moving service to a new location are not eligible. This promotion is not valid with any other promotional program or in conjunction with services under contract or priced on an Individual Case Basis.

(N)

Eligibility is contingent upon service availability in customer location.

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Section 9.0 Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.17 OnNet Type 1 $1,000 Vendor Credit Promotion

Beginning June 1, 2002, and ending December 31, 2002, TCG will offer under this promotion a $1,000 bill credit to new and existing PrimeXpress and PrimePlex customers.

This promotion is valid for Customers using outside vendors to perform services or purchasing a DS-1 card that is required to install PrimeXpress and PrimePlex services.

In order to qualify for this promotion Customers must commit to a three-year term plan for combined Local usage, intraLATA usage and Monthly Recurring Charges per location during a 12-month period after enrollment in this promotion.

Customers will receive only one credit for service performed or DS-1 card purchased.

Customers are responsible for payment of any associated governmental fees, surcharges or taxes applicable to the credited charges.

This promotion is only valid where facilities permit. Service must be installed no later than March 31, 2003.

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Section 9.0 Temporary Promotional Offerings

9.1 Special Promotions (Cont'd.)

9.1.18 OnNet Type 1 Two-Months Monthly Recurring Chrge (MRC) Waiver Promotion

Beginning June 1, 2002, through December 31, 2002, TCG will offer to waive the Monthly Recurring Charge (MRC) for two consecutive billing months to new and existing PrimeXpress or PrimePlex Customers.

In order to qualify for this promotion, Customers must commit to bill a minimum of $500 in combined Local usage, intraLATA usage and Monthly Recurring Charges during a 12-month period after enrollment in this promotion.

The waiver can only be applied for one two-month period per-location. A location cannot receive more than one credit in a 12-month period. Customers ordering this promotion are not eligible for the one-month MRC waiver promotion

Customers are responsible for payment of any associated governmental fees, surcharges, or taxes applicable to the credited charges.

This promotion is only valid where facilities permit. Service must be installed no later than March 31, 2003.

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SECTION 11 - PROMOTIONAL OFFERINGS

11.1 Special Promotions

The Carrier may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new subscribers or to increase subscriber awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Carrier's tariff as an addendum to the Carrier's price lists.

11.2 Discounts

The Company may, from time to time as reflected in the price list, offer discounts based on monthly volume (or, when appropriate, "monthly revenue commitment" and/or "time of day" may also be included in the tariff).

11.3 $10 Credit Card Promotion

(N)

This promotion is offered to new and existing Customers who subscribe one of the Company's local and long distance bundled service offerings under this tariff, and who also choose the option of billing through a major commercial credit card accepted by the Company. The eligible Customer will receive a one-time credit of up to $10.00 (depending upon the sales channel) which will be applied their account to be used against current or future billing.

The eligible Customer who discontinues service or whose service is discontinued by the Company forfeits any remaining unused credits.

This offer is valid through August 20, 2001.

(N)

Section 4 – Special Promotions

4.1 Effective July 1st, 1999 The Mobile Phone Company will waive the access fee from one line from customers who sign a one year contract with MPC. The promotion requires a bundled local home service, long distance and cellular service contract with The Mobile Phone Company.

SECTION 7 – PROMOTIONAL OFFERINGS

7.1 SPECIAL PROMOTIONS

(N)

The Company may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new subscribers or to increase subscriber awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Company's Price List.

(N)

SECTION 7 – PROMOTIONAL OFFERINGS *continued*

7.2 BEST CHOICE PROMOTION

(N)

One of the following two promotional options is available to new and existing Customers through March 30, 2002.

1. Customers who order VersiPak or Integrated Business Line Service and enter into a 24 month term agreement prior to March 30, 2002 will receive the service at the 36-month term rate.

   Or

2. Customers who order Digital Trunk Service, ISDN PRI Two-Way Service or Basic Business Line Service prior to March 30, 2002 will receive the following discounted rate:

   - Sign a contract for a 12 month term and get pricing at the 24 month term rate;
   - Sign a contract for a 24 month term and get pricing at the 36 month term rate; or
   - Sign a contract for a 36 month term and get pricing at the 60 month term rate.

This promotion is valid through March 30, 2002.

(N)

SECTION 7 – PROMOTIONAL OFFERINGS *continued*

7.3 SATISFACTION GUARANTEE PROMOTION

(N)

This promotion is available to new and existing Customers who enter into a new term agreement with the Company of not less than 36 months and where capabilities exist for any of the following services:

Integrated Business Line, VersiPak, ISDN PRI Two-Way, Digital Trunks, Dedicated Internet Access T1, Dedicated Web Hosting, InterLATA Private Line T1 (off-net specifically excluded) or IntraLATA Private Line T1.

If the Customer is not satisfied with the Company's service and notifies the Company in writing within 90 days of inception of the applicable service, the Customer may cancel that service without incurring termination charges. The Company will reimburse the Customer up to $750 per T-1 for the nonrecurring and/or access charges and/or long distance PIC charges the Customer incurred or will incur upon switching to another provider. Termination liability charges will be applied for cancellation of service after the first ninety (90) days of service.

This promotion is available to Customers who entered into a new term agreement as described above from December 1, 2001 through March 30, 2002.

(N)

SECTION 7 – PROMOTIONAL OFFERINGS *continued*

7.4 "Mission Possible" Promotion

(N)

The following "Mission Possible" promotion packages are available to Customers who subscribe to the Company's Integrated Business Line or VersiPak service between April 4 and July 31, 2002. Service must be installed no later than August 30, 2002. Each package can include voice, Internet and toll service. The Customer may mix any combination of voice and Internet channels within each package. Voice channels can include business lines, trunks or any combination thereof. Customers must maintain the product channel minimums and maximums for their particular package throughout the contract term. Customers purchasing a Mission Possible promotion package will receive Combined Caller ID, Call Forwarding, Call Waiting and Hunting services at no extra charge. Additional charges may apply where service is provided on an Off-Net basis.

Flat Service Packages

Package	Term	Number of Channels	Monthly Recurring Charge
Max	36 Months	21 – 24	$875
Mid	36 Months	16 – 20	$775
Mini	36 Months	8 – 15	$580

Measured Rate Service Packages

Package	Term	Number of Channels	Monthly Recurring Charge
Max	36 Months	21 – 24	$820
Mid	36 Months	16 – 20	$720
Mini	36 Months	8 – 15	$520

Message Rate Service Packages

Package	Term	Number of Channels	Monthly Recurring Charge
Max	36 Months	21 – 24	$820
Mid	36 Months	16 – 20	$720
Mini	36 Months	8 – 15	$520

(N)

SECTION 7 – PROMOTIONAL OFFERINGS *continued*

7.5 "Free 4 Thirty"

Qualified new End-User, non-carrier Customers who purchase the Company's services pursuant to a 24-month term agreement will receive a voucher to be used for one month's service. The Customer who purchases services for a term of 36 months will receive a voucher for 1.5 months service. The Customer who purchases services for term of 60 months will receive a voucher for two months service. This offer is subject to the termination liability provisions specified in this tariff. In the event the contract is breached, the voucher is rendered null and void. (N)

The following terms and conditions apply to this offer:

1. This offer is available only to new end-user Customers. Wholesale and carrier Customers are not eligible to participate.

2. This offer is available on a first-come, first-serve basis to the first 150 Customers. The Company reserves the right to limit the number of Customers to which this offer is extended.

3. Contracts must be executed before September 10, 2002.

4. The amount of the voucher will equal the regular monthly recurring charges for the services ordered at the time the contract is executed. Nonrecurring move/change/restore charges, connection charges, measured and/or message usage charges, toll charges, directory assistance charges, Customer-originated trace charges, off-net charges, taxes, surcharges and franchise fees are not included. (N)

SECTION 7 – PROMOTIONAL OFFERINGS *continued*

7.5 "Free 4 Thirty" *continued*

5. The Company will specify the month in which the voucher may be redeemed. (N)

   - For the Customer signing a 24-month contract, the redemption period will be the first month of service.
   - For the Customer signing a 36-month contract, the first voucher must be redeemed and applied to the first month of service. The voucher for the remaining half-month of service must be redeemed and applied to the thirteenth month of the contract.
   - For the Customers signing a 60-month contract, the first voucher must be redeemed and applied to the first month of service. The second voucher must be redeemed and applied to the thirteenth month of service. The Company will specify the redemption dates upon execution of the contract.

6. Termination of the service contract will result in the assessment of term liability charges as specified in this tariff. Termination of the service contract during the redemption period will result in the cancellation of the Customer's voucher(s). To the extent a Customer has already redeemed its voucher(s), the redemption value will be added to the amount of the term liability.

7. The Customer must notify the Company immediately in the event of a lost or stolen voucher. Failure to notify the Company in a timely manner will result in the cancellation of the voucher. Vouchers not redeemed during the specified redemption period will be declared null and void.

8. This is offer may not be used with any other Time Warner Telecom promotion. (N)

SECTION 7 – PROMOTIONAL OFFERINGS *continued*

7.6 "More Than Local" Promotion

(N)

The Company will offer 1+ and Toll Free 8XX toll services at a flat rate of $0.049 per minute for Customers who sign a 12-, 24- or 36-month contract on or before September 30, 2002. The following terms apply:

1. Customers must purchase or currently subscribe to one or more of the following Company services: Digital Trunk; ISDN PRI; Business Line; Integrated Business Line; or VersiPak.

2. This offer is available to new Customers, existing Customers who do not currently subscribe to the Company's toll services and to existing Customers whose current toll services contract is up for renewal.

3. Contract must be executed by close of business September 30, 2002. Service must be installed by October 31, 2002.

4. Offer includes 1+ and Toll Free 8XX Intrastate, Interstate and IntraLATA domestic toll services. Calls from the mainland United States to Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands, international locations (including Canada and Mexico) and Hawaii intra-island calling are excluded.

5. Offer does not apply to Switchless Long Distance, Calling Card or Operator Services/Directory Assistance usage.

6. Offer does not apply to additional Customer locations that are Remote/Switchless in nature.

7. No volume commitment is required.

(N)

5.3 Teligent 30-40-50 Promotion

For those new Business Customers, who sign up for Teligent's local service under the Teligent Discount Pricing Plan, described in Section 3.9 of this tariff, Teligent offers special term discount pricing under the Teligent 30-40-50 Promotion. In order to be eligible to receive the Teligent 30-40-50 Promotion, new Business Customers must sign up for Teligent's local service between April 5, 1999 and September 30, 1999. Additionally, the Teligent 30-40-50 Promotion only applies to those new Business Customers who migrate all Teligent "like" services to Teligent from a dominant incumbent local exchange carrier. (T)

5.3.1 Term Discount Pricing

Eligible new Business Customers will receive term discount pricing for Teligent's local service, under the Local Service Promotion, based on the following term commitments:

A.	1-Year Term	30% discount
B.	2-Year Term	40% discount
C.	3-Year Term	50% discount

5.3.2 Restrictions

A. New Business Customers, who migrate to Teligent from a competitive local exchange carrier, will not be eligible to receive the Local Service Promotion.

B. The Teligent 30-40-50 Promotion is available in conjunction with the Teligent Site Sign-up and Teligent Credit Coupon Promotions only; no other promotional offering may be combined with the Teligent 30-40-50 Promotion.

C. Service must be activated within ninety (90) days after the Business Customer and Teligent sign the customer agreement.

5.4 Teligent Gift Check Promotion

New Teligent Business Customers who sign up for service between March 27, 1999 and September 30, 1999, and who have at least $500 in Teligent monthly recurring charges, are eligible to receive a $500 credit to be used as cash toward their monthly recurring charges. The credit will be issued to the new Business Customer in the form of a Gift Check, and must be redeemed no later than October 15, 1999. New Business Customers who have substantially more than $500 in monthly recurring charges may be eligible to receive additional Gift Checks. In order to redeem the Gift Check, the new Business Customer must fill in their Teligent account number and submit the Gift Check with the remittance page of their invoice along with their payment. (T) (T)

5.5 Teligent Site Sign-Up Credit

5.5.1 Offering – Teligent's provision of service through its own facilities requires the use of microwave transmit/receive equipment that must be located on the rooftop of the Business Customer's premises. Teligent's microwave equipment cannot be installed on the rooftop without the consent of the building owner(s) and/or property manager(s). As an incentive to the Customer for its assistance in obtaining necessary access to install Teligent's facilities, including rooftop space for Teligent=s equipment, Teligent will issue Customer a Site Sign-up Credit.

5.5.2 Amount of Incentive - All Customers are eligible for a $1000 Credit. The amount of the credit shall be increased to one of the following levels when it is determined by Teligent that the customer meets at least one of the factors associated with each credit amount. (T) (T) (C)

$2,500 Credit

1. If the total building square footage is less than 1,500,000 square feet
2. If the number of potential tenants in the building is less than 5.
3. If the number of lines in the building is less than 25.

$5,000 Credit

1. If the total building square footage is equal to or greater than 1,500,000 square feet, but less than 2,000,000 square feet
2. If the number of potential tenants in the building is equal to or greater than 5, but less than 50.
3. If the number of lines in the building is equal to or greater than 25, but less than 250. (C)

$10,000 Credit (N)

1. If the total building square footage is equal to or greater than 2,000,000 square feet
2. If the number of potential tenants in the building is equal to or greater than 50.
   If the number of lines in the building is equal to or greater than 250 (N)

5.5.3 Conditions - In order to receive the Site Sign-up Credit the following conditions must be met: (N)

1. Customer must be the building owner or property manager of the building where Teligent's equipment is located.

2. Customer must be located in the building where Teligent's equipment is located.

3. Customer must cooperate with Teligent in acquiring the necessary access.

4. In order to receive the $2500, $5000 or $10,000 Site Sign-up Credit, Teligent must enter into at least a three (3) year lease with the building owner and/or property manger for the necessary for access.

5. Teligent's equipment must be installed and properly functioning. (N)

(T)

5.5.4 Restrictions

1. Only one Site Sign-up Credit will be issued per building.

2. The Site Sign-up Credit shall not be transferred to another customer, divided or otherwise allocated between multiple customers.

3. A Customer is entitled to only one Site Sign-up Credit for all services it receives. That is, a Customer that receives the Site Sign-up Credit under this tariff cannot also get a Site Sign-up Credit for non-tariffed services (internet) and/or services provided under another state or federal tariff. (T)

(N)

4. The Site Sign-up Credit will be in the form of a one time credit, applied to the Customer's first bill. Any unused credit can be carried forward indefinitely until used. If the Customer discontinues taking Teligent's services before the credit is completely applied, however, the remaining credit is forfeited and will not be refunded to the Customer. (N)

5.6 Reserved for Future Use

5.7 Non-Regulated Promotions Involving Tariffed Services

From time-to-time, Teligent may conduct contests or other promotions such as described in this Section 8.0 which offers Customers of certain Teligent tariffed services certain unregulated, non-tariffed or non-communications related goods or services in connection with the particular contest or promotion. Under no circumstances will such an offering constitute a change in the rates charged to, or received from, the Customer of the Teligent tariffed service offering involved. Such services will continue to be provided to the end-user pursuant to applicable tariffed rates for such service specified herein. Should any offering of this nature involve a temporary change in the rate charged for a tariffed offering, *e.g.*, a monetary rebate, a cash prize, a credit on a subsequent month's bill or any other type of direct monetary consideration tied to usage of the Teligent tariffed offering, Teligent will separately tariff such promotion in accordance with Commission rules.

5.8 Teligent TAS-Mania Promotion (N)

For those new business customers who sign up for Teligent's local service under the Teligent Discount Pricing Plan, described in section 3.9 of this tariff, Teligent offers special term discount pricing and a contract signing bonus under the Teligent TAS-Mania Promotion.

a. 50% Discount

New business customers who sign up for Teligent's local service under the Teligent TAS-Mania Promotion, who sign up for Teligent's local service for a 1-year term, and who migrate all Teligent "like" services to Teligent from an incumbent local exchange carrier, will receive term discount pricing equal to 50% off of their current monthly recurring charge.

b. Bonus

In addition to receiving Teligent's local service at a 50% discount off their current monthly recurring charge, as described above, new business customers who subscribe to an extra month of Teligent local service under the Teligent TAS-Mania Promotion will receive a discount equal to their non-recurring charges and monthly recurring charges. The Bonus discount will be applied to the first thirty (30) days of service. The customer's one-year term agreement will begin on the first day of the second month.

c. Eligibility Requirements

In order to be eligible to receive the Teligent TAS-Mania Promotion, new business customers must sign up for Teligent's local service between July 30, 1999 and September 30, 1999. Additionally, installation must be scheduled to be completed by October 31, 1999. The Teligent TAS-Mania Promotion applies only to those business customers who migrate all Teligent "like" services to Teligent from an incumbent local exchange carrier. (N)

5.9 Teligent Non-Dominant LECs 4Q99 Promotion (N)

Offering –For the period October 27, 1999 through and including December 31, 1999, any current Customer of a non-dominant LEC that purchases Teligent's local services offered pursuant to this tariff will be entitled to the rates contained herein for the length of the term commitment.

Conditions In order to receive the Local Discount Pricing Plan Rates the following conditions must be met:

1. Customer must be located in a building where Teligent provides facilities-based service via its roof-top TAS by December 31, 1999.

2. Customer must be a customer of a Non-Dominant LEC.

3. The Customer must submit a Service Application for bundled service between October 27, 1999 and December 31, 1999.

4. Customer must submit full and complete copies of its most recent invoice for all local exchange and long distance services.

Restrictions The following restrictions apply to the Teligent Bundled Promotion offering:

1. The Teligent Bundled Promotion offering is not available in conjunction with the Site Sign-up Credit and Teligent Gift Check.

Promotional Rates

1. Flat Monthly Recurring Charge – All Business Customers will receive services offered under this Promotion for a Flat Monthly Recurring Charge, excluding taxes, fees, surcharges, Operator/Directory Assistance and 3rd Party Call charges. The Flat Monthly recurring charge will be calculated on a non-discriminatory basis to all similarly situated Business Customers. The Flat Monthly Recurring Charge will be a fixed percentage of the effective access line charge that the Dominant LEC serving the Business Customer's territory charged for all Teligent "Like" products and services, multiplied by the number of Teligent access line products the customer orders.

2. The percentage used to calculate the Fixed Monthly Recurring Charge will vary depending on the term commitment of the Customer:

6 Months	80%
1 Year	70%
2 Years	60%
3 or more Years	50%

(N)

3. Non-Recurring Charges – All non-recurring set-up charges for the established of local service will be waived. (N)

4. Additional Services – Business Customers have the option to purchase additional services during the term of their agreement. The additional services can be purchased at (1) Teligent's standard month-to-month rates, or (2) if the customer elects to commit to the charges for additional services for the remaining months of their agreement and if the additional services purchased are additional quantities of existing service, the customer may add additional services at the promotional rate.

5. Service Disconnect - Business Customers signing up for service under any of the service terms are responsible for paying the Flat Monthly Recurring Charge, including any Additional Services for the duration of their service term. Business Customers who request to discontinue a portion of their service prior to the expiration date of the service term will be responsible for paying the full Flat Monthly Recurring Charge for each month remaining in their term agreement. Should the customer request to disconnect their entire service prior to the expiration of the service term, the customer will be responsible for paying a termination charge equal to the Flat Monthly Recurring Charge times the number of months remaining in their term agreement.

5.10 Teligent New Customer 4Q99 Promotion

Offering– For the period October 27, 1999 through and including December 31, 1999, any new Customer that purchases Teligent's local offered pursuant to this tariff will be entitled to the promotional rates contained herein for the length of the term commitment.

Conditions - In order to receive the Teligent New Customer Bundled Promotion Rates the following conditions must be met:

1. Customer must be located in a building where Teligent provides facilities-based service via its roof-top TAS by December 31, 1999.

2. The Customer must submit a Service Application for bundled service between October 27, 1999 and December 31, 1999.

3. Customer does not currently have local exchange services at its premises.

Restrictions The following restrictions apply to the Teligent Bundled Promotion offering:

1. The Teligent Bundled Promotion offering is not available in conjunction with the Site Sign-up Credit and Teligent Gift Check. (N)

Promotional Rates

(N)

1. Flat Monthly Recurring Charge – All Business Customers will receive services offered under this Promotion for a Flat Monthly Recurring Charge, excluding taxes, fees, surcharges, Operator/Directory Assistance and 3rd Party Call charges. The Flat Monthly recurring charge will be calculated on a non-discriminatory basis to all similarly situated Business Customers. The Flat Monthly Recurring Charge will be a fixed percentage of the effective access line charge that the Dominant LEC serving the Business Customer's territory charged for all Teligent "Like" products and services, multiplied by the number of Teligent access line products the customer orders.

2. The percentage used to calculate the Fixed Monthly Recurring Charge will vary depending on the term commitment of the Customer:

6 Months	80%
1 Year	70%
2 Years	60%
3 or more Years	50%

3. Non-Recurring Charges – All non-recurring set-up charges for the established of local service will be waived.

4. Additional Services – Business Customers have the option to purchase additional services during the term of their agreement. The additional services can be purchased at (1) Teligent's standard month-to-month rates, or (2) if the customer elects to commit to the charges for additional services for the remaining months of their agreement and if the additional services purchased are additional quantities of existing service, the customer may add additional services at the promotional rate.

5. Service Disconnect - Business Customers signing up for service under any of the service terms are responsible for paying the Flat Monthly Recurring Charge, including any Additional Services for the duration of their service term. Business Customers who request to discontinue a portion of their service prior to the expiration date of the service term will be responsible for paying the full Flat Monthly Recurring Charge for each month remaining in their term agreement. Should the customer request to disconnect their entire service prior to the expiration of the service term, the customer will be responsible for paying a termination charge equal to the Flat Monthly Recurring Charge times the number of months remaining in their term agreement.

(N)

5.11 Teligent Existing Customer Extension 4Q99 Promotion (N)

Offering – For the period October 27, 1999 through and including December 31, 1999, any existing Customer of Teligent's local service that extends its term commitment will be entitled to the promotional rates contained herein for the length of the new term commitment.

Conditions In order to receive the Teligent New Customer Bundled Promotion Rates the following conditions must be met:

1. Customer must be located in a building where Teligent provides facilities-based service via its roof-top TAS by December 31, 1999.

2. Customer has to be a current customer of Teligent for local exchange services.

3. The Customer must submit a Service Application for bundled service between October 27, 1999 and December 31, 1999.

Restrictions The following restrictions apply to the Teligent Bundled Promotion offering:

1. The Teligent Bundled Promotion offering is not available in conjunction with the Site Sign-up Credit and Teligent Gift Check.

Promotional Rates

1. Flat Monthly Recurring Charge – All Business Customers will receive services offered under this Promotion for a Flat Monthly Recurring Charge, excluding taxes, fees, surcharges, Operator/Directory Assistance and 3rd Party Call charges. The Flat Monthly recurring charge will be calculated on a non-discriminatory basis to all similarly situated Business Customers. The Flat Monthly Recurring Charge will be a fixed percentage of the effective access line charge that the Dominant LEC serving the Business Customer's territory charged for all Teligent "Like" products and services, multiplied by the number of Teligent access line products the customer orders.

2. The percentage used to calculate the Fixed Monthly Recurring Charge will vary depending on the term commitment of the Customer:

6 Months	80%
1 Year	70%
2 Years	60%
3 or more Years	50%

(N)

(N)

Non-Recurring Charges – All non-recurring set-up charges for the established of local service will be waived.

1. Additional Services – Business Customers have the option to purchase additional services during the term of their agreement. The additional services can be purchased at (1) Teligent's standard month-to-month rates, or (2) if the customer elects to commit to the charges for additional services for the remaining months of their agreement and if the additional services purchased are additional quantities of existing service, the customer may add additional services at the promotional rate.

2. Service Disconnect - Business Customers signing up for service under any of the service terms are responsible for paying the Flat Monthly Recurring Charge, including any Additional Services for the duration of their service term. Business Customers who request to discontinue a portion of their service prior to the expiration date of the service term will be responsible for paying the full Flat Monthly Recurring Charge for each month remaining in their term agreement. Should the customer request to disconnect their entire service prior to the expiration of the service term, the customer will be responsible for paying a termination charge equal to the Flat Monthly Recurring Charge times the number of months remaining in their term agreement.

(N)

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5.12 Teligent 3Q2000 Promotion. (N)

5.12.1. Offering – For the period June 23, 2000 through and including September 30, 2000, a Customer who signs up for Teligent Local Exchange Service will receive a credit equal to one, two, or four times its first month's local exchange service charges. The amount of the credit shall be based on the length of the term that the Customer elects to purchase. For purposes of this promotion, one month of credit will equal 30 calendar days.

5.12.2. Conditions – In order to receive the credit, the following conditions must be met:

5.12.2.A. The Customer must submit a Service Application between June 23, 2000 and October 31, 2000;

5.12.2.B. The Customer must also subscribe to Teligent Long Distance Service; and

5.12.2.C. The Customer cannot be an existing Teligent Local Exchange Service customer.

5.12.3. Restrictions

5.12.3.A. If the Customer cancels services or if the Customer's service is terminated for cause, including nonpayment of charges, before the time the credit is to otherwise be applied, the credit shall be forfeited and will not be refunded to the Customer.

5.12.2.B. If the credit exceeds the Customer's charges otherwise appearing on the bill against which the credit is applied the balance of the credit shall be forfeited and will not be refunded to the Customer.

5.12.3.C. Under no circumstances will the credit be refunded to the Customer.

5.12.4. Amount of Credit – The Customer will receive one, two or four times its first month's charges based on the term of service the Customer elects to purchase:

5.12.4.A. Month-to-Month Term – Customer shall receive a credit equal to one time its first month's local exchange service charges. The credit will be applied to the Customer's 6th bill following initiation of local exchange service.

5.12.4.B. One-Year Term – Customer shall receive a credit equal to two times its first month's local exchange service charges. The credit will be applied in two equal parts, one each on the Customer's 11th and 12th bills following initiation of local exchange service.

5.12.4.C. Two-Year Term – Customer shall receive a credit equal to four times its first month's local exchange service charges. The credit will be applied in four equal parts, one each on the Customer's 11th, 12, 23rd and 24th bills following initiation of local exchange service. (N)

5.13 Teligent 4Q2000 Promotion. (N)

5.13.1. Offering – For the period October 1, 2000 through and including December 31, 2000, Customers who sign up for Teligent Local Exchange and Long Distance Service will receive a credit equal to two, or four times its first month's local exchange service charges. The amount of the credit shall be based on the length of the term and services that the Customer elects to purchase. For purposes of this promotion, one month of credit will equal 30 calendar days.

5.13.2. Conditions – In order to receive the credit, the following conditions must be met:

5.13.2.A. The Customer must submit a Service Application between October 1, 2000 and December 31, 2000; and

5.13.2.B. The Customer cannot be an existing Teligent Local Exchange Service customer.

5.13.3. Restrictions

5.13.3.A. If the Customer cancels services or if the Customer's service is terminated for cause, including nonpayment of charges, before the time the credit is to otherwise be applied, the credit shall be forfeited and will not be refunded to the Customer.

5.13.2.B. If the credit exceeds the Customer's charges otherwise appearing on the bill against which the credit is applied the balance of the credit shall be forfeited and will not be refunded to the Customer.

5.13.3.C. Under no circumstances will the credit be refunded to the Customer.

5.13.4. Amount of Credit – The Customer will receive two to five times its first month's charges based on the term of service the Customer elects to purchase:

5.13.4.A. One-Year Term – If the Customer subscribes to both Teligent's Local Exchange and Long Distance services for one-year terms, the Customer shall receive a credit equal to two times its first month's local exchange service charges. The credit will be applied in two equal parts, one each on the Customer's 11th and 12th bills following initiation of local exchange service. If the Customer subscribes to (a) Teligent's Local Exchange, (b) Teligent's Long Distance, and (c) Teligent's DSL or Dedicated Internet Access services for one-year terms, the Customer shall receive a credit equal to three times its first month's local exchange service charges. The credit will be applied in three equal parts, one each on the Customer's 10th, 11th and 12th bills following initiation of local exchange service. (N)

5.13.4.B. Two-Year Term – If the Customer subscribes to both Teligent's Local Exchange and Long Distance services for two-year terms, the Customer shall receive a credit equal to four times its first month's local exchange service charges. The credit will be applied in four equal parts, one each on the Customer's 11th, 12th, 23rd and 24th bills, following initiation of local exchange service. If the Customer subscribes to (a) Teligent's Local Exchange, (b) Teligent's Long Distance, and (c) Teligent's DSL or Dedicated Internet Access services for two-year terms, the Customer shall receive a credit equal to five times its first month's local exchange service charges. The credit will be applied in five equal parts, one each on the Customer's 10th, 11th, 12th, 23rd and 24th bills, following initiation of local exchange service. (N) (N)

5.14 Teligent 1Q2001 Promotions.

5.14.1. New Local Exchange Service Customer Promotion.

5.14.1.A. Offering – For the period January 16, 2001 through and including March 31, 2001, Customers who sign up for Teligent Local Exchange Service will receive a credit equal to two, or four times its first month's local exchange service charges. The amount of the credit shall be based on the length of the term and services that the Customer elects to purchase. For purposes of this promotion, one month of credit will equal 30 calendar days.

5.14.1.B. Conditions – In order to receive the credit, the following conditions must be met:

5.14.1.B.1. The Customer must submit a Service Application between January 16, 2001 and March 31, 2001; and

5.14.1.B.2. The Customer cannot be an existing Teligent Local Exchange Service customer.

5.14.1.C. Restrictions

5.14.1.C.1. If the Customer cancels services or if the Customer's service is terminated for cause, including nonpayment of charges, before the time the credit is to otherwise be applied, the credit shall be forfeited and will not be refunded to the Customer.

5.14.1.C.2. If the credit exceeds the Customer's charges otherwise appearing on the bill against which the credit is applied the balance of the credit shall be forfeited and will not be refunded to the Customer.

5.14.1.C.3. Under no circumstances will the credit be refunded to the Customer.

5.14.1.D. Amount of Credit – The Customer will receive two to five times its first month's charges based on the term of service the Customer elects to purchase:

5.14.1.D.1. One-Year Term – If the Customer subscribes to both Teligent's Local Exchange and Long Distance services for one-year terms, the Customer shall receive a credit equal to two times its first month's local exchange service charges. The credit will be applied in two equal parts, one each on the Customer's 11th and 12th bills following initiation of local exchange service. If the Customer subscribes to (a) Teligent's Local Exchange, (b) Teligent's Long Distance, and (c) Teligent's DSL or Dedicated Internet Access services for one-year terms, the Customer shall receive a credit equal to three times its first month's local exchange service charges. The credit will be applied in three equal parts, one each on the Customer's 10th, 11th and 12th bills following initiation of local exchange service.

5.14.1.D.2. Two-Year Term – If the Customer subscribes to both Teligent's Local Exchange and Long Distance services for two-year terms, the Customer shall receive a credit equal to four times its first month's local exchange service charges. The credit will be applied in four equal parts, one each on the Customer's 11th, 12th, 23rd and 24th bills, following initiation of local exchange service. If the Customer subscribes to (a) Teligent's Local Exchange, (b) Teligent's Long Distance, and (c) Teligent's DSL or Dedicated Internet Access services for two-year terms, the Customer shall receive a credit equal to five times its first month's local exchange service charges. The credit will be applied in five equal parts, one each on the Customer's 10th, 11th, 12th, 23rd and 24th bills, following initiation of local exchange service.

5.14.2. Promotion For Existing Local Exchange Customers Adding Data Service.

5.14.2.A. Offering – For the period January 16, 2001 through and including March 31, 2001, existing Local Customers who sign up for Teligent's DSL or Dedicated Internet Access Service will receive a credit equal to the Customer's local exchange service charges for the month in which the customer signed up for Teligent's DSL or Dedicated Internet Access Service. For purposes of this promotion, one month of credit will equal 30 calendar days.

5.14.2.B. Conditions – In order to receive the credit, the following conditions must be met:

5.14.2.B.1. The Customer must submit a Service Application for DSL or Dedicated Internet Access Service between January 16, 2001 and March 31, 2001; and

5.14.2.B.2. The Customer cannot be an existing DSL or Dedicated Internet Access Service customer.

5.14.2.C. Restrictions

5.14.2.C.1. If the Customer cancels Local or Data service or if the Customer's Local or Data service is terminated for cause, including nonpayment of charges, before the time the credit is to otherwise be applied, the credit shall be forfeited and will not be refunded to the Customer.

5.14.2.C.2. If the credit exceeds the Customer's charges otherwise appearing on the bill against which the credit is applied the balance of the credit shall be forfeited and will not be refunded to the Customer.

5.14.2.C.3. Under no circumstances will the credit be refunded to the Customer.

5.14.2.D. Amount of Credit – The credit will be applied on the Customer's 10th bill, following initiation of the Customer's DSL or Dedicated Internet Access service.

5.15. Teligent Site Coupon Promotion.

5.15.1. Offering.

For the period February 21, 2001 through and including June 30, 2001, for each calendar month in which service is activated to a new customer by Teligent at the Customer's premises, currently-activated Customers will be given, within 60 days, a $50 coupon that may be used in whole or in part toward the Customer's bill for Local Exchange Service.

5.15.2 Value of Coupon.

5.15.2.A. Coupon may be exercised to receive $50 credit toward the Customer's bill for Local Exchange Service. (T)

5.15.2.B. To the extent that coupon value exceeds the Customer's Local Exchange Service charges for the month's bill to which the coupon is applied, the remainder of the coupon value will be applied to other Teligent services appearing on the Customer's bill, as permitted and described in the any appropriate tariffs for such service. To the extent that coupon value remains after this, the remainder will be carried forward for application to the next month's bill. (T)

5.15.3. Conditions.

5.15.3.A. The Customer must be receiving Local Exchange Service from Teligent at the time of the new customer's service activation. (T)

5.15.3.B. Teligent-owned equipment used to serve multiple customers must already be located at customer's premises for the Customer to be eligible. Information regarding whether such equipment is located on a specific premise may be obtained by contacting the Teligent Business Office. (T)

5.15.3.C. The Customer's premises must be located in either the Jacksonville or Orlando Teligent market. (N) (N)

5.15.4. Restrictions.

5.15.4.A. The Customer may earn a maximum of one coupon per calendar month. (T)

5.15.4.B. The Customer may submit only one coupon per invoice (T)

5.15.4.C. Coupons expire June 30, 2002. (T)

5.15.4.D. Coupons are not transferable. (T)

5.16. Teligent 2Q2001 Promotions. (N)

5.16.1. New Local Exchange Service Customer Promotion.

5.16.1.A. Offering – For the period April 1, 2001 through and including June 30, 2001, Customers who sign up for Teligent Local Exchange Service will receive a credit equal to two, or four times its first month's local exchange service charges. In addition, Customers that sign up for Teligent's DSL or Dedicated Internet Access service will receive an additional credit equal to one month of its credit local exchange service charges. The amount of the credit shall be based on the length of the term and services that the Customer elects to purchase. For purposes of this promotion, one month of credit will equal 30 calendar days.

5.16.1.B. Conditions – In order to receive the credit, the following conditions must be met:

5.16.1.B.1. The Customer must submit a Service Application between April 1, 2001 and June 30, 2001; and

5.16.1.B.2. The Customer cannot be an existing Teligent Local Exchange Service customer.

5.16.1.C. Restrictions

5.16.1.C.1. If the Customer cancels services or if the Customer's service is terminated for cause, including nonpayment of charges, before the time the credit is to otherwise be applied, the credit shall be forfeited and will not be refunded to the Customer.

5.16.1.C.2. If the credit exceeds the Customer's charges otherwise appearing on the bill against which the credit is applied the balance of the credit shall be forfeited and will not be refunded to the Customer.

5.16.1.C.3. Under no circumstances will the credit be refunded to the Customer.

5.16.1.D. Amount of Credit – The Customer will receive two to five times its first month's charges based on the term of service the Customer elects to purchase:

5.16.1.D.1. One-Year Term – If the Customer subscribes to both Teligent's Local Exchange and Long Distance services for one-year terms, the Customer shall receive a credit equal to two times its first month's local exchange service charges. The credit will be applied in two equal parts, one each on the Customer's 11th and 12th bills following initiation of local exchange service. If the Customer subscribes to (a) Teligent's Local Exchange, (b) Teligent's Long Distance, and (c) Teligent's DSL or Dedicated Internet Access services for one-year terms, the Customer shall receive a credit equal to three times its first month's local exchange service charges. The credit will be applied in three equal parts, one each on the Customer's 10th, 11th and 12th bills following initiation of local exchange service. (N)

5.16.1.D.2. Two-Year Term – If the Customer subscribes to both Teligent's Local Exchange and Long Distance services for two-year terms, the Customer shall receive a credit equal to four times its first month's local exchange service charges. The credit will be applied in four equal parts, one each on the Customer's 11th, 12th, 23rd and 24th bills, following initiation of local exchange service. If the Customer subscribes to (a) Teligent's Local Exchange, (b) Teligent's Long Distance, and (c) Teligent's DSL or Dedicated Internet Access services for two-year terms, the Customer shall receive a credit equal to five times its first month's local exchange service charges. The credit will be applied in five equal parts, one each on the Customer's 10th, 11th, 12th, 23rd and 24th bills, following initiation of local exchange service. (N)

5.16.2. Promotion For Existing Local Exchange Customers Adding Data Service.

5.16.2.A. Offering – For the period April 1, 2001 through and including June 30, 2001, existing Local Customers who sign up for Teligent's DSL or Dedicated Internet Access Service will receive a credit equal to the Customer's local exchange service charges for the month in which the customer signed up for Teligent's DSL or Dedicated Internet Access Service. For purposes of this promotion, one month of credit will equal 30 calendar days.

5.16.2.B. Conditions – In order to receive the credit, the following conditions must be met:

5.16.2.B.1. The Customer must submit a Service Application for DSL or Dedicated Internet Access Service between April 1, 2001 and June 30, 2001; and

5.16.2.B.2. The Customer cannot be an existing DSL or Dedicated Internet Access Service customer.

5.16.2.C. Restrictions

5.16.2.C.1. If the Customer cancels Local or Data service or if the Customer's Local or Data service is terminated for cause, including nonpayment of charges, before the time the credit is to otherwise be applied, the credit shall be forfeited and will not be refunded to the Customer.

5.16.2.C.2. If the credit exceeds the Customer's charges otherwise appearing on the bill against which the credit is applied the balance of the credit shall be forfeited and will not be refunded to the Customer.

5.16.2.C.3. Under no circumstances will the credit be refunded to the Customer.

5.16.2.D. Amount of Credit – The credit will be applied on the Customer's 10th bill, following initiation of the Customer's DSL or Dedicated Internet Access service. (N)

5.17. Teligent 2001 PRI Promotion. (N)

5.17.1. Offering.

For the period March 30, 2001 through and including June 30, 2001 Customers signing new one-year or longer agreements to purchase SmartWave PRI service will receive ten months worth of $150 of coupon value per subscribed SmartWave PRI circuit.

5.17.2 Value of Coupon.

5.17.2.A. For each SmartWave PRI circuit to which the Customer newly subscribes with at least a one-year commitment, the Customer will earn $150 of coupon value per month. For example, if the Customer subscribes that that previously did not subscribe to SmartWave PRI service subscribes to four SmartWave PRI circuits, the Customer will earn a $600 coupon. Also, for example, if the Customer previously subscribed to three SmartWave PRI circuits and makes a one-year commitment to subscribe to a fourth SmartWave PRI circuit, the Customer will earn a $150 coupon.

5.17.2.B. The Customer will receive coupons for each of the first ten months of service to which it subscribes.

5.17.3. Conditions.

5.17.3.A. The Customer's premises must be in Teligent's Miami market.

5.17.3.B. The Customer must sign a service agreement of at least one year in length for new or augmented SmartWave PRI Service on or before June 30, 2001 to be eligible.

5.17.3.C. The Customer's premises must have operational Teligent-owned microwave transmit/receive equipment located on the rooftop on or before the date that the Customer signs the agreement. Information regarding whether such equipment is located on a specific premises may be obtained by contacting the Teligent Business Office.

5.17.3.D. The Customer must pre-subscribe to Teligent Long Distance (Interexchange) Service.

5.17.4. Restrictions.

5.17.4.A. The Customer may submit only one coupon per invoice

5.17.4.B. Coupons expire December 31, 2002.

5.17.4.C. Coupons are not transferable.

5.17.4.D. Coupons are applicable only to the Customer's bill for SmartWave PRI service. Coupons must be surrendered immediately if customer cancels the order. (N)

5.9. Teligent 3Q2001 Promotion. (N)

5.9.1. Offering – For the period July 10, 2001 through and including September 30, 2001, current Teligent Local Exchange Customers subscribing to five (5) or fewer business lines may add one additional business line with no non-recurring charges and without recurring charges for the first three (3) months of service.

5.9.2. Conditions – In order to be eligible for this promotion, the Customer must meet the following conditions:

5.9.2.A. The Customer must have been receiving Local Exchange Service on at least one (1) and no more than five (5) business lines as of May 31, 2001;

5.9.2.B. The Customer must be in current compliance with the provisions of this Tariff and any applicable contracts relating to subscription to Teligent's Local Exchange Service;

5.9.2.C. The Customer must agree to add at least one business line (and any desired accompanying features) to its Local Exchange subscription at a price to be based on the applicable tariffed month-to-month rates.

5.9.3. Restrictions

5.9.3.A. This promotion will be terminated with respect to the Customer should the Customer fail to comply with the provisions of this Tariff and any applicable contracts relating to subscription to Teligent's Local Exchange Service at any time after availing itself of this promotion. In such case, billing for the extra line shall commence at standard tariffed rates as of the date of the Customer's infraction. This includes any necessary retroactive billing.

5.9.4. Value of Promotion – For the first 90 days following installation of the service requested pursuant to Section 5.9.2.C, the Customer will receive a credit equal to the tariffed month-to-month rate for one business line and the features that accompanied that business line added to the Customer's subscription at the time that the Customer availed itself of this promotion. (N)

SECTION 6 - CONTRACT SERVICE ARRANGEMENTS AND PROMOTIONS (N)

6.1 Contract Service Arrangements

Carrier will offer Contract Service Arrangements to meet the diverse communications needs of Carrier's Customers. All terms and conditions as specified in this price list will apply unless otherwise specified in the contract between Carrier and Customer.

6.2 Promotions

Total Bill Loyalty Program

Description of Offer: This promotion is offered to customers who sign up for the Total Bill Discount - Business plan and request this promotion. Customer must sign up for one year term agreement to receive discounted per minute rates. The agreement will automatically renew unless Customer notifies Carrier to discontinue this Program.

	Per Minute	
Year 1	Year 2	Year 3
$.14	$.13	$.12

Dates of Offer: 4/15/98 - 7/31/98

Offer Restrictions: Not available with Package 1-A or 1-B. Not available with any other promotions.

High Volume Small Business Promotion

Description of Offer: Customer will receive up to 6,250 minutes of intrastate and interstate calls for a flat monthly recurring charge (MRC) of $750.00. The intrastate portion of this promotion is an add on service to the interstate service. Any intrastate minutes of usage after the initial minutes will be billed the per minute rate shown:

Total Monthly Bill	Per Minute Rate Additional Minutes
$ 751.00 +	.12

Dates of Offer: 4/15/98 - 7/31/98

Offer Restrictions: Available only with the Total Bill Discount. Customer must sign up for a one (1) year term agreement. Number of minutes include domestic direct dialed, inbound, operator handled, and calling card calls. Surcharges do not apply to the total monthly minimum amount. Surcharges will apply to operator handled and calling card calls. (N)

SECTION 6 - CONTRACT SERVICE ARRANGEMENTS AND PROMOTIONS

6.2 Promotions (Continued)

One Month Local Credit

Description of Offer: This promotion offers the first month of local service free to new single line, multi-line and Centrex business customers who subscribe to the Total Bill Discount Package. Credits will be reflected on the customers bill in $10.00 increments, not to exceed $120.00.

Dates of Offer: 5/5/98-12/31/98

Offer Restrictions: Available only to new, single line, multi-line and Centrex business customers who select the Total Bill Discount Package. This offer is not to be used in conjunction with any other promotional offering.

Total Bill Discount Value Unlimited Promotion

Description of Offer: Available to customers who sign up for the Total Bill Discount, subscribe to two (2) or more local exchange lines and presubscribe to Carrier's long distance service.

	Per Minute
Rate - applies 24 hours per day, seven days per week	$.12

Dates of Offer: 6/19/98 - 12/31/98 (T)

Offer Restrictions: If customer discontinues any of the services required to qualify for the Promotion, they will revert back to standard rates. Rates apply to interstate and intrastate calls only. Surcharges will apply to calling card and operator assisted calls. Not available for 1-A, 1-B or List Plan services. Not available with any other promotions

SECTION 6 - CONTRACT SERVICE ARRANGEMENTS AND PROMOTIONS

6.2 Promotions (Continued)

Unlimited Connections Promotion (N)

Description of Offer: Customers subscribing to a one year term service combination package will also receive a discount off monthly recurring and usage charges for services provided by Carrier to Customer under this Tariff, Tariff FCC No. 1, Tariff FCC No. 2, as well as cellular, ECS, paging, Internet services, and voice mail provided by or through Carrier.

Dates of Offer: 8/3/98 - 11/3/98

Offer Restrictions: Excluded from eligibility for the discount calculation are charges on prior bills, bill adjustments and credits, late payment charges, taxes and surcharges, equipment, Non-Recurring Charges (NRCs), and Internet Browser Software. Customers terminating a one year term service combination package prior to expiration of the term will be subject to a lump sum charge of $25.00 times the number of months remaining in the term. Customer must subscribe to both Carrier's interexchange services and Carrier's local service. Business One Party Service, Centrex, ISDN and Private Line customers are eligible for the discounts in this section. Discounts in this section may not be combined with Package 1-A , 1-B or Total Bill Discount.

Monthly Bill Total	Discount
$176.00	10%

(N)

SECTION 6 - CONTRACT SERVICE ARRANGEMENTS AND PROMOTIONS

6.2 Promotions (Continued)

NRC Waiver for Frame Relay and ISDN-Business Service - Bell South Florida (N)

Customers subscribing to Frame Relay in Bell South territory will be eligible for the following promotion, if service is ordered between August 26, 1998 and September 25, 1998. Customer must commit to a two (2) or more year term commitment. Business customers, with monthly billed revenue less than $10,000, will receive a waiver of the NRCs for combined Frame Relay Port and Access and Link Extensions, as applicable. The MRCs for a two (2) year commitment will be assessed at the one (1) year rate. The MRCs for both three (3) and five (5) year commitments will be assessed at the currently tariffed rates. Customer order must be received by Carrier by September 25, 1998. This offer cannot be combined with any other promotion.

Customers subscribing to Basic Office-ISDN Access or Premium Office-ISDN Access in Bell South territory will be eligible for the following promotion if service is ordered between August 26, 1998, and September 25, 1998. Customers must commit to a two (2) or more year term commitment. Business customers, with monthly billed revenue less than $10,000, will receive a waiver of the NRCs for any of the qualifying ISDN packages listed above, and the MRCs will be assessed at the one (1) year rate. Customer order must be received by Carrier by September 25, 1998. This offer cannot be combined with any other promotion.

Upon early termination of either Frame Relay or ISDN-Access service under the above promotions, Customer will be responsible for an early termination liability charge equal to the amount of the NRC waived plus 100% of the remaining months' balance. (N)

SECTION 4 – RATES AND CHARGES (Cont'd)

4.4 Term Discounts

The Customer shall receive a discount off of the monthly recurring charges if the Customer commits to a term of service of 3 to 5 years, as follows: 5% discount off of the monthly recurring charges for Interoffice Local Transport and Direct Local Transport Services for service commitments of 3 years; 15% discount off of the monthly recurring charges for Interoffice Local Transport and Direct Local Transport Services for service commitments of 5 years. In addition, for service commitments of 5 years or greater, the nonrecurring installation charge is waived.

4.5 Special Rates for the Handicapped (This will apply only at such time as dialtone service is offered)

4.5.1 Directory Assistance

There shall be no charge for up to fifty calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing tariff rates for every call in excess of 50 within a billing cycle.

4.5.2 Hearing and Speech Impaired Persons

Intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls.

4.5.3 Telecommunications Relay Service

For intrastate toll calls received from the relay service, the Company will when billing relay calls discount relay service calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

The following Interrogatories refer to proposed Issue No. 3D:

For the purposes of the following Interrogatories, and to avoid confusion between the two BellSouth "Key Customer" tariff filings, the 2002 Key Customer Program filing in Tariff No. T-020035 will be referred to as the January filing, and the 2002 Key Customer Program filing in Tariff No. T-020595 will be referred to as the June filing.

Section 364.051 (5) (a), Florida Statutes states in relevant part "...Nothing contained in this section shall prevent the local exchange telecommunications company from meeting offerings by any competitive provider of the same, or functionally equivalent, nonbasic services in a specific geographic market..."

REQUEST: For purposes of interpreting the above-cited portion of Section 364.051 (5) (a), Florida Statutes, please explain how BellSouth defines a "specific geographic market."

RESPONSE: Subject to and without waiving BellSouth's objections to this Interrogatory, a factor that should be considered in interpreting the term "specific geographic market" is the area(s) in which competitive providers have elected to make their offerings available. ALECs have no requirement to serve all customer in an exchange, and they typically choose to offer services to small business customers in specific areas. ALECs are more active in some wire centers than in others, and the statute clearly supports BellSouth's decision to make the 2002 Key Customer offerings available in the wire centers that are designated in the offerings. This matter will be addressed more fully in the testimony and other evidence BellSouth will submit in this docket.

RESPONSE PROVIDED BY: John Ruscilli
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

REQUEST: Please define "hot wire" center as used in BellSouth's Key Customer Program tariffs.

RESPONSE: The hot wire centers for the January Key Customer offering were the same ones that had been selected in June 2001, plus the inclusion of 5 wire centers that were added in August 2001. The June 2001 wire centers were chosen based on an internal velocity of line loss report by wire center. The Competitive Assessment Managers in each of the outbound sales centers also gave input regarding selection of hot wire centers.

In April or May of 2002, BellSouth ranked each wire center in its nine-state region using a model that includes the level of competitive activity as a key factor. Florida wire centers that were ranked among the top 30% of the wire centers throughout BellSouth's region were designated as "hot" under the June Key Customer offering. Additionally, any wire centers that were designated as "hot" under the January Key Customer offering and that had not yet been 30% penetrated by contracts were also designated as "hot" under the June Key Customer offering.

RESPONSE PROVIDED BY:

Amy Britt
Marketing Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

Michael Tepper
Manager/Metrics and Analysis
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: Please explain the criteria BellSouth uses to classify a wire center as a "hot" wire center in the Key Customer programs.

RESPONSE: Please see BellSouth's Response to Staff's 5th Set of Interrogatories, Item No. 24.

RESPONSE PROVIDED BY:

Amy Britt
Marketing Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

Michael Tepper
Manager/Metrics and Analysis
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: How did BellSouth determine which "hot" wire centers to add/delete in the June filing?

RESPONSE: See BellSouth's response to Staff's 5th Set of Interrogatories, Item No. 24.

RESPONSE PROVIDED BY: MikeTepper
Manager
1057 Lenox Park Blvd.
Atlanta, GA 30319

REQUEST: What offering(s) of which competitor(s) was BellSouth "meeting" in each of the "hot" wire centers for the January and June filings"

RESPONSE: BellSouth objects to the form of this Interrogatory. Without waiving this objection, BellSouth responds that the attached documents, as well as the documents attached to BellSouth's Response to Staff's 5th Set of Interrogatories, Item No. 22, are representative of some of the numerous ALEC offerings in the state of Florida against which BellSouth was and is competing by way of the January and June Key Customer offerings.

RESPONSE PROVIDED BY: Steve Solomon
Manager
13450 W. Sunrise Boulevard
Sunrise, Florida 33323

The following Interrogatories refer to proposed Issue No. 5a:

REQUEST: What waiting periods for winback activities have regulatory agencies in other states placed upon BellSouth once the transition to an ALEC is complete? (update of Interrogatory 5b)

RESPONSE: Georgia and Louisiana have imposed a 7-day waiting period. North Carolina and South Carolina imposed a 10-day waiting period.

RESPONSE PROVIDED BY: Bert Hogeman
Attorney
675 West Peachtree Street
Atlanta, GA 30375

REQUEST: Have other states adopted BellSouth's system-wide 10-day waiting period proposal?

RESPONSE: Only four states in BellSouth's region have adopted any such "waiting period" requirements, and those are described in BellSouth's Response to Staff's 5th Set of Interrogatories, Item No. 28. BellSouth has voluntarily implemented a region-wide policy prohibiting attempts to reacquire the local service of an end user who leaves BellSouth to obtain local service from an ALEC until 10 days after BellSouth has ceased billing that end user as a retail customer.

RESPONSE PROVIDED BY: Bert Hogeman
Attorney
675 West Peachtree Street
Atlanta, GA 30375

REQUEST: Are confirmation letters sent to customers who have requested that their service be switched from BellSouth to a competitive carrier? If so, what is stated in the letter?

RESPONSE: BellSouth complies with all federal, state and local requirements regarding "anti slamming" protections. As such, BellSouth sends "switch acknowledgment" letters to customers who have disconnected BellSouth local service and may have transferred their local service to another carrier. These letters are sent no sooner than ten days after the customer ceases being billed as a BellSouth retail customer. A representative "switch acknowledgment" letter is provided in BellSouth's response to Staff's 4th Request for Production, POD No. 9.

BellSouth fully complies with all federal, state and local requirements concerning the sharing of customer information. A copy of BellSouth's proprietary training with respect to the protection of customer information, including information of BellSouth's wholesale customers, is attached to this response.

RESPONSE PROVIDED BY:

Bert Hogeman
Attorney
675 West Peachtree Street
Atlanta, GA 30375

Mary Nall
Manager
13450 W Sunrise Blvd
Sunrise, FL 33323

The following Interrogatories refer to proposed Issue No. 5b:

REQUEST: Under what conditions does BellSouth share customer information between its wholesale and retail divisions?

RESPONSE: See BellSouth's response to Staff's 5th Set of Interrogatories, Item No. 30.

RESPONSE PROVIDED BY: Bert Hogeman
Attorney
675 West Peachtree Street
Atlanta, GA 30375

REQUEST: Does BellSouth's wholesale division notify the retail division when a customer requests a change of service to an ALEC?

RESPONSE: No. To the contrary, such action would be directly contrary to BellSouth's policies and training concerning the proper use of customer information. See BellSouth's response to Staff's 5th Set of Interrogatories, Item No. 30.

RESPONSE PROVIDED BY: Bert Hogeman
Attorney
675 West Peachtree Street
Atlanta, GA 30375

REQUEST: Pursuant to the cost standard identified in Sections 364.051(5) and 364.3381, Florida Statutes, how should the term "service" be defined? Please include in your response how this definition should be applied in the context of the Commission's consideration in Docket Nos. 020119-TP and 020578-TP.

RESPONSE: Subject to and without waiving BellSouth's objections to this Interrogatory, both section 364.051(5) and section 364.3381 provide that "[t]he cost standard for determining cross-subsidization is whether the total revenue from a nonbasic service is less than the total long-run incremental cost of the service." *See* §§364.3381(2); 364.051(5)(b).[1] BellSouth assumes that it is this cost standard to which this Interrogatory refers. Based on this assumption, the term "service" as used in this standard expressly refers to "a nonbasic service," and the term "nonbasic service" is defined by section 364.02(8) of the Florida Statutes.

RESPONSE PROVIDED BY: Patrick Turner
Attorney
675 West Peachtree Street
Atlanta, GA 30375

[1] Because BellSouth operates under price regulation in the state of Florida, it is Section 364.051(5), and not Section 364.3381, that applies to the services available under the January and June Key Customer offerings.

REQUEST: Pursuant to any other provisions of Section 364, Florida Statutes, should the term "service" be defined in a different manner than as defined in response to Interrogatory 33. Please explain, and include in your response how this definition should be applied in the context of the Commission's consideration in Docket Nos. 020119-TP and 020578-TP.

RESPONSE: Subject to and without waiving BellSouth's objections to this Interrogatory, BellSouth responds that the term "service" appears in many sections of Chapter 364 of the Florida Statutes, and it has different meanings depending on the context in which it appears. In some sections, for example, "service" means "basic local telecommunications service" as that term is defined by Section 364.02(2). As explained in BellSouth's response to Staff's Fifth Set of Interrogatories, Item No. 33, the term "service" in the cost standard identified in Sections 364.051(5) and 364.3381 expressly refers to a "nonbasic service," which is defined by section 364.02(8) of the Florida Statutes.

RESPONSE PROVIDED BY: Patrick Turner
Attorney
675 West Peachtree Street
Atlanta, GA 30375

For the purposes of Interrogatories 35-37, please assume that BellSouth offers four telecommunications products identified as "A," "B," "C," and "D." Products "A," "B," and "C" are uniquely identifiable, and each has a unit cost. Products "A," "B" and "C" can function independently of the other. Product "D" is an offering that combines Products "A." "B" and "C" and provides a discount. Please explain all answers in accordance with BellSouth's stated position in Interrogatories 33 and 34, as though BellSouth offered the hypothetical products named above.

REQUEST: Is Product "D" one "service" or three "services"? (Products "A," "B" and "C") Please explain your answer in accordance with BellSouth's stated position in Interrogatories 33 and 34 as though BellSouth offered the hypothetical products named above.

RESPONSE: Subject to and without waiving BellSouth's objections to this Interrogatory, BellSouth responds that the answer depends on how BellSouth offers product D.

The January and June Key Customer offerings, for instance, allow qualifying customers to purchase any combination of a number of services at standard tariffed rates and then receive a discount off those standard tariffed rates (the January Key Customer offering) or a reward (the June Key Customer offering). If Product D is the January or June Key Customer offering, Product D is not a service but instead, it is more akin to a volume and term discount that is applicable to Key-eligible services.

RESPONSE: (CONT'D)

In contrast, BellSouth's Complete Choice offerings allow customers to purchase specified combinations of services that BellSouth also markets and sells as individual services on an *a la carte* basis. Under the Complete Choice offerings, customers pay less for the combination than they would pay for the same services on an *a la carte* basis. If Product D is a Complete Choice offering, it is a single and indivisible service.

RESPONSE PROVIDED BY:

Bernard Shell
Manager
BellSouth Telecommunications, Inc.
675 West Peachtree Street NE
Atlanta, Georgia 30375

REQUEST: If product "D" is one "service," would the cost of product "D" be the sum of the unit costs for products "A," "B" and "C"? Please explain your answer in accordance with BellSouth's stated position in Interrogatories 33 and 34, as though BellSouth offered the hypothetical products named above.

RESPONSE: Subject to and without waiving BellSouth's objections to this Interrogatory, please refer to BellSouth's Response to Staff's 5th Set of Interrogatories, Item No. 35. To the extent that Product D is a service (i.e. Compete Choice), the cost of product D would not necessarily be the sum of the unit costs for products A, B and C because it may be less expensive to provide products A, B, and C together than the sum of the costs of providing each service on a standalone basis. This can happen when economies of scope exist, such as when shared productive facilities are used to provide products A, B, and C.

RESPONSE PROVIDED BY: Bernard Shell
Manager
BellSouth Telecommunications, Inc.
675 West Peachtree Street NE
Atlanta, Georgia 30375

REQUEST: If the answer to Interrogatory 36 is negative, please explain how the cost for the product "D" would be determined? Please explain your answer in accordance with BellSouth's stated position in Interrogatories 33 and 34, as though BellSouth offered the hypothetical products named above.

RESPONSE: See BellSouth's Response to Staff's 5th Set of Interrogatories, Item No. 36.

RESPONSE PROVIDED BY: Bernard Shell
Manager
BellSouth Telecommunications, Inc.
675 West Peachtree Street NE
Atlanta, Georgia 30375

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth's Promotional Pricing and Marketing Practices by Florida Digital Network, Inc.	)	Docket Nos. 020119-TP
In re: Petition for expedited review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by Florida Competitive Carriers Association	)	020578-TP
	)	Filed: October 21, 2002

RESPONSES OF BELLSOUTH TELECOMMUNICATIONS, INC. TO FLORIDA PUBLIC SERVICE COMMISSION STAFF'S SIXTH SET OF INTERROGATORIES (NOS. 38-46) AND FIFTH REQUEST FOR PRODUCTION OF DOCUMENTS (NO. 10)

BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to Rule 28-106.206, Florida Administrative Code, Rules 1.340 and 1.280, and the Florida Rules of Civil Procedure, hereby files the following Responses to Florida Public Service Commission Staff's Sixth Set of Interrogatories (Nos. 38-46) and Fifth Request for Production of Documents (No. 10) dated October 1, 2002. Each of the following responses is subject to the General and Specific Objections BellSouth filed on October 10, 2002.

Interrogatory 38 refers to Issue 1.

REQUEST: What is the appropriate cost standard to use for determining whether or not a company is engaging in predatory pricing? Please explain your answer.

RESPONSE: Subject to BellSouth's objections to this Interrogatory, under applicable antitrust laws, BellSouth's rates and charges under the January and June Key Customer offerings are conclusively non-predatory if, in the aggregate, the services sold under those offerings are priced above long run incremental cost (LRIC) for those services. Further, even if the prices, in the aggregate, for such services were below LRIC, this fact alone would be insufficient to establish that the prices were predatory. Rather, it is a factor to consider in the analysis. Only when prices are below short-run marginal costs is there a rebuttable presumption that they are predatory. In addition to considering the level of the prices, a finding of predatory pricing also requires proof that the firm has the ability to recoup the losses it incurred in the below-cost pricing through future sustained supra-competitive pricing.

RESPONSE PROVIDED BY: Marc Galonsky
1155 Peachtree Street
Atlanta, GA 30309

Patrick Turner
675 West Peachtree Street
Atlanta, GA 30375

Interrogatory 39 refers to Issue 2.

REQUEST: Please define price discrimination. What benefits, if any, does price discrimination have in the development of your company's strategic pricing plans? Please explain your answer.

RESPONSE: Subject to BellSouth's objections to this Interrogatory, the term "price discrimination" can have different meanings in different contexts. In its broadest sense, the term can mean that different customers pay different prices for the same service. A differential in a price charged to different customers does not, in and of itself, constitute undue price discrimination.

In any event, BellSouth charges similarly situated customers the same rates for the same regulated services and, therefore, does not engage in undue or otherwise inappropriate price discrimination in developing its strategic pricing plans. BellSouth's ability to charge different rates to customers who are not similarly situated benefits both BellSouth and consumers. It allows, among other things, BellSouth to offer volume and term discounts to meet the offerings by any competitive provider of the same, or functionally equivalent, nonbasic services in a specific geographic market or to a specific customer.

RESPONSE PROVIDED BY: John Ruscilli
675 West Peachtree Street
Atlanta, GA 30375

Interrogatory 40 refers to Issue 6.

REQUEST: What impact, if any, will successive discount promotional tariff offerings have on:

a. Customer Choice
b. Future Price Increases
c. Local Phone Competition

RESPONSE: a) "Successive discount promotional tariff offerings" will have a positive impact on customer choice, because: they provide customers with a choice would be unavailable if "successive discount promotional tariff offerings" were prohibited; and competitors will be motivated to develop additional offerings to directly compete with any successive offering.

b) To the extent that the January and June Key Customer offerings may be considered "successive discount promotional tariff offerings," any future price increases for Key-eligible services will result in a Key customer paying more for the Key-eligible services it purchases in the future than it pays for those services today. In that event, however, Key customers still would pay less than the standard tariffed rates for Key-eligible services.

c) "Successive discount promotional tariff offerings" will increase competition in the local phone competition.

RESPONSE PROVIDED BY: John Ruscilli
675 West Peachtree Street
Atlanta, GA 30375

Interrogatories 41-44 refer to Issue 6.

REQUEST: As provided in BellSouth's tariff filing T-020035 (the January filing), the enrollment timeframe for that Key Customer Program expired on June 25, 2002. As of June 25, 2002, how many business customers are enrolled in this offering? Please include in your response a breakdown of this numeric total for each "hot" wire center specified in the tariff filing.

RESPONSE: Please see the proprietary spreadsheet for the number of customer locations ("CLACs") and lines participating in the January and June Key Customer offerings as of 9/13/02. The spreadsheet is broken out by Wire Center, and it covers all Wire Centers in the state of Florida.

This information is considered proprietary and is being provided subject to a Notice of Intent.

RESPONSE PROVIDED BY: Mike Tepper
1057 Lenox Park Blvd.
Atlanta, GA 30309

REQUEST: As of August 31, 2002, or the latest date for which information is available, how many business customers, if any, have cancelled their Key Customer Program contract offered under tariff filing T-020035 (the January filing)? Please include in your response a breakdown of this numeric total for each "hot" wire center specified in the tariff filing.

RESPONSE: Please see the proprietary spreadsheet with the number of customer locations ("CLACs") and lines for customers that had a contract under the January or June Key Customer offering and that completely terminated their service with BellSouth as of 8/31/02. The spreadsheet is broken out by Wire Center, and it covers all Wire Centers in the state of Florida.

This information is considered proprietary and is being provided subject to a Notice of Intent.

RESPONSE PROVIDED BY: Mike Tepper
1057 Lenox Park Blvd.
Atlanta, GA 30309

REQUEST: As of August 31, 2002, or the latest date for which information is available, how many business customers have enrolled in BellSouth's Key Customer Program offered under T-020595 (the June filing)? Please include in your response a breakdown of this numeric total for each "hot" wire center specified in the tariff filing.

RESPONSE: See BellSouth's response Item No. 41.

RESPONSE PROVIDED BY: Mike Tepper
1057 Lenox Park Blvd.
Atlanta, GA 30309

REQUEST: As of August 31, 2002, or the latest date for which information is available, how many business customers, if any, have cancelled their Key Customer Program contract offered under T-020595 (the June filing)? Please include in your response a breakdown for this numeric total for each "hot" wire center specified in the tariff filing.

RESPONSE: See BellSouth's response to Item No. 42.

RESPONSE PROVIDED BY: Mike Tepper
1057 Lenox Park Blvd.
Atlanta, GA 30309

Interrogatories 45 and 46 refer to Issue 3A.

REQUEST: Please list any and all factors that BellSouth utilized or considered when setting the termination liability conditions of T-020035 (the January filing). Please include in your response how these factors should be considered in the context of the Commission's consideration in Docket Nos. 020119-TP and 020578-TP.

RESPONSE: The damages BellSouth will suffer when a customer terminates a January Key Customer contract before its expiration are not readily ascertainable on the date the contract is signed, and the termination liability charges in the January Key Customer offering are not disproportionate to the damages that might reasonably be expected to flow from such termination. As such, the termination liability terms and conditions in the January Key Customer offering comply with Florida law on liquidated damages and, therefore, are lawful and appropriate.

By repaying the discounts received up to the date of termination, for instance, the customer returns benefits that BellSouth would not have provided to the customer had it not signed the contract that it ultimately breached, and BellSouth is placed in the position it would have occupied had it charged the standard tariffed rates for the services it provided to the customer under that contract. Similarly, the $100 charge represents administrative and acquisition costs incurred by BellSouth. It also includes a component for sales incentives that are paid to the different sales organization for each executed contract, which BellSouth does not require the sales organizations to repay in the event the customer terminates.

RESPONSE PROVIDED BY: John Casey
2180 Lake Blvd East
Atlanta, GA 30319

REQUEST: Please list any and all factors that BellSouth utilized or considered when setting termination liability conditions of T-020595 (the June filing). Please include in your response how these factors should be considered in the context of the Commission's consideration in Docket Nos. 020119-TP and 020578-TP.

RESPONSE: The damages BellSouth will suffer when a customer terminates a June Key Customer contract before its expiration are not readily ascertainable on the date the contract is signed, and the termination liability charges in the June Key Customer offering are not disproportionate to the damages that might reasonably be expected to flow from such termination. As such, the termination liability terms and conditions in the June Key Customer offering comply with Florida law on liquidated damages and, therefore, are lawful and appropriate.

The $25 and $40 per month amounts, for example, represent the average minimum amount of margin BellSouth would have received had the customer honored the contract it signed. Additionally, by reimbursing BellSouth for line connection charges that were waived under the contract, the customer returns benefits that BellSouth would not have provided to the customer had it not signed the contract that it ultimately breached.

RESPONSE PROVIDED BY: John Casey
2180 Lake Blvd East
Atlanta, GA 30319

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Florida Digital Network, Inc. for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth Telecommunications, Inc.'s Promotional Pricing and Marketing Practices	)	Docket 020119-TP
and	)	
In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs	)	Docket 020578-TP
	)	Filed: December 4, 2002

BELLSOUTH TELECOMMUNICATIONS, INC.'S RESPONSES TO FLORIDA PUBLIC SERVICE COMMISSION'S SEVENTH SET OF INTERROGATORIES (NOS. 47-50)

BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to Rule 28-106.206, Florida Administrative Code, Rules 1.340 and 1.280, and the Florida Rules of Civil Procedure, hereby files the following Responses to Florida Public Service Commission's ("Staff") Seventh Set of Interrogatories (Nos. 47-50) dated November 14, 2002. These responses are subject to the general and specific objections BellSouth has filed with regard to Staff's Seventh Set of Interrogatories.

For the purposes of interrogatories 47-49, please refer to BellSouth's Supplemental Response to Staff's 3rd set of Interrogatories, Revised Item No. 14, dated October 29, 2002, and also to BellSouth's Response to Staff's 3rd set of Interrogatories, Item No. 13, April 22, 2002.

REQUEST: In part, BellSouth's Response to Staff's 3rd set of Interrogatories, Item No. 13, dated April 22, 2002, states that "no more than 198 of the thousands of customers...subscribe to services that involve one or more of the USOCs identified in this request."

Please provide the exact number of customers, as opposed to the "no more than" response that was provided on April 22, 2002.

RESPONSE: 198

RESPONSE PROVIDED BY: Michael Tepper
Manager/Metrics and Analysis
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: Please identify the exact number of customers represented in BellSouth's Supplemental Response to Staff's 3rd set of Interrogatories, Item No. 14, dated October 29, 2002. Include in your response an explanation of how this number can be obtained from BellSouth's Supplemental Response to Staff's 3rd set of Interrogatories, Item No. 14, dated October 29, 2002.

RESPONSE: 175; this number can be obtained by referring to the far left column labeled "CLAC" (which stands for "customer location account code") on BellSouth's attachment to its supplemental response, and adding each individual CLAC number (for example, an individual CLAC number may be listed multiple times, but would be counted once) which totals 175.

RESPONSE PROVIDED BY: Michael Tepper
Manager/Metrics and Analysis
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

REQUEST: If the quantities identified in response to Interrogatories 47 and 48 differ, please explain the reason for the difference.

RESPONSE: The difference is as follows: 4 CLACs have disconnected service; 1 CLAC was inadvertently omitted from the supplemental response, attached is a proprietary copy of the detailed information for this CLAC; and BellSouth is in the process of investigating the remaining 18 CLACs and will supplement this response upon the completion of its investigation.

RESPONSE PROVIDED BY: Karen Dothard
Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

ATTACHMENT TO ITEM NO. 49

PROPRIETARY

REQUEST: For the purposes of Interrogatory 50, please refer to page 8 of the Direct Testimony of W. Bernard Shell, which describes the spreadsheet data and calculations in Exhibit WBS-2, attached to above-named testimony.

For each of the USOCS shown below, please provide the spreadsheet information for Columns 2 through 9 listed in lines 12 through 20 of the testimony:

A) 9ZR
B) BCR
C) BCD
D) CCOEF
E) CREX4
F) CREX6
G) FPL3L
H) FUJMX
I) FXGTX
J) LNPCX
K) M2P9A
L) M2PN1
M) M4LFA
N) M5KSC
O) MFB
P) NP3
Q) PGJA7

RESPONSE: (Continued)

Attached is a proprietary copy of the information requested. BellSouth has assumed that item C should be BRD and that item I should be FXGTS.

Consistent with the terms and conditions of BellSouth's Key Customer offerings, the total billed charges eligible for discounts excludes certain charges (e.g., taxes, charges billed pursuant to federal or state access service tariffs), which exclusions include the following USOCs: 9ZR, FUJMX, LNPCX and PGJA7.

USOCs FPL3L and FXGTS are not rate elements. They are basic class of service USOCs used for service provisioning purposes. There are no costs or rates associated with these items.

RESPONSE PROVIDED BY: *Bernard Shell*
Manager
675 West Peachtree Street
Atlanta, Georgia 30375

BellSouth Telecommunications, Inc.
FPSC Docket Nos. 020578-TP & 020119-TP
Staff's 7th Set of Interrogatories
November 14, 2002
Item No. 50

ATTACHMENT TO ITEM NO. 50

PROPRIETARY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Florida Digital Network, Inc. for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth Telecommunications, Inc.'s Promotional Pricing and Marketing Practices	)	Docket 020119-TP
and	)	Docket 020578-TP
In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs	)	Filed: December 11, 2002

BELLSOUTH TELECOMMUNICATIONS, INC.'S SUPPLEMENTAL RESPONSE TO FLORIDA PUBLIC SERVICE COMMISSION'S SEVENTH SET OF INTERROGATORIES (NO. 49)

BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to Rule 28-106.206, Florida Administrative Code, Rules 1.340 and 1.280, and the Florida Rules of Civil Procedure, hereby files the following Supplemental Response to Florida Public Service Commission's ("Staff") Seventh Set of Interrogatories (No. 49) dated November 14, 2002. This response is subject to the general and specific objections BellSouth has filed with regard to Staff's Seventh Set of Interrogatories.

REQUEST: If the quantities identified in response to Interrogatories 47 and 48 differ, please explain the reason for the difference.

RESPONSE: The difference is as follows: 4 CLACs have disconnected service and 1 CLAC was inadvertently omitted from the supplemental response, BellSouth's has previously provided a proprietary copy of the detailed information for this CLAC.

The remaining 18 CLACs have been consolidated and the detailed information regarding these CLACs has been provided in response to Staff's Interrogatory 48. This consolidation occurred as follow: BellSouth's systems routinely monitor repetitive database entries. In the event that the two CLACs actually represent one customer (e.g., two CLACs have the same customer location; e.g., Joe's Pizza, 123 Peachtree Street) then BellSouth's systems consolidate these CLACs.

RESPONSE PROVIDED BY:

Karen Dothard
Analyst
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

Michael Tepper
Manager/Metrics and Analysis
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

Somya Chaudhary
Business Performance Analyst
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

For the purposes of the following Interrogatory, please refer to the direct testimony of FCCA witness Danyelle Kennedy.

REQUEST: At page 9, lines 5 and 6, of FCCA witness Danyelle Kennedy's testimony, the witness describes a BellSouth Key Customer advertisement. The cited advertisement, which is attached to witness Danyelle Kennedy testimony and identified as Exhibit DK-1, contains the statement "Hurry! Offer expires April 30, 2002."

Why does the date referenced in the advertisement differ from the tariff expiration date of June 30, 2002? Please explain your answer.

RESPONSE: BellSouth interprets this Interrogatory as referring to the direct mail piece attached to Danyelle Kennedy's testimony as Exhibit DK-4 (Exhibit DK-1 purports to provide an example of costs). The date reflected in Exhibit DK-4 varied from the tariff expiration date to assess the initial market reaction to the June Key customer offering. This assessment was intended to allow BellSouth to better predict the demand for the offer and take the necessary steps to ensure that all orders for service would be fulfilled in a timely manner. At all times, BellSouth offered the June 2002 Key Customer offering (and subsequent Key Customer offerings) to customers consistent with the terms and conditions of its tariff filings, which, for the June 2002 Key Customer offering was available and offered to customers until its expiration date. Moreover, Exhibit DK-4 notes specifically that a customer's election of Key Customer "is subject to and controlled by the provisions of BellSouth's lawfully filed tariffs, including any changes therein as may be made from time to time." Subsequent direct mails pieces were modified to include expiration language consistent with the terms of BellSouth's Key Customer Offerings.

RESPONSE PROVIDED BY: Paula Rockefeller

For the purposes of the following Interrogatory, please refer to the direct testimony of BellSouth witness John Ruscilli.

REQUEST: On page 3, line 23, of Mr. Ruscilli's direct testimony, reference is made to the "competitive necessity doctrine." Please identify what the "competitive necessity doctrine" is.

RESPONSE: The term "competitive necessity doctrine" refers to the criteria used by the FCC to determine whether discriminatory pricing is permissible. The FCC has held that discriminatory pricing based on competitive necessity is permissible only if the carrier meets each of the following criteria:

(1) That those benefiting from the discriminatory pricing have an alternative of satisfying their communications requirements from a substitute source of supply and that they will shift to the substitute source unless the discrimination is maintained;
(2) That the discriminatory rate or preference is just sufficient to retain the business which would otherwise be lost;
(3) That the discrimination benefits the users of the carrier's services who are discriminated against, i.e., charges to other users are lower because of the discriminatory rate than they would be without such rates.

RESPONSE PROVIDED BY: John Ruscilli

For the purposes of the following Interrogatory, please refer to the rebuttal testimony of BellSouth witness William E. Taylor, PhD.

REQUEST: Beginning on page 21, lines 18 & 19, and continuing on to page 22, line 1, Dr Taylor states the following:

"In addition, Mr. Gillian's specific concern applies to winback-type programs, not to the Key Customer promotions that concern us here."

Please explain what Dr. Taylor considers "winback-type" programs, "Key Customer promotions," and what the difference is in the two.

RESPONSE: Dr. Taylor understands that the two programs target different customer groups. New small business customers are generally eligible for winback promotions, while new and existing small business customers who are located in specified wire centers (typically, subject to the most intense competition) are eligible for the Key Customer promotions.

RESPONSE PROVIDED BY: William E. Taylor, Ph.D.

For the purposes of Interrogatories 54-56, please refer to the direct and rebuttal testimonies of FDN witness Michael P. Gallagher.

REQUEST: Page 19, lines 1-6, of FDN witness Michael P. Gallagher's direct testimony states:

"Further, the eligibility distinctions can be troublesome enough for customers that do not qualify, but if contract rollovers were permitted without limitations, a customer with Key Customer discount, for example, could move in year 2 of his contract to a non-Hot Wire Center, among a host of ineligible customers, yet could still keep his discount through contract rollovers for an unreasonable period."

If a BellSouth customer that signed a Key Customer contract were to move out of a hot wire center to a non-hot wire center, is that customer allowed to rollover the contract at expiration even if he is now not in a hot wire center? Please explain your answer.

RESPONSE: If a BellSouth customer is currently enrolled in the Key Customer Program and moves outside the eligible wire center, the existing contract will be honored until expiration. At expiration, if the customer qualifies for a Key Customer Promotion under the applicable terms and conditions in effect at that time, then the customer may enroll in such a promotion. BellSouth does not have an automatic renewal process on the Key Customer Promotion. The customer must qualify and sign a new agreement consistent with the terms of the promotion that is available at that time, if any such promotion exists.

RESPONSE PROVIDED BY: Amy Britt

REQUEST: Beginning on page 20, lines 22-23, and continuing on to page 21, lines 1-3 of FDN witness Michael P. Gallagher's direct testimony, the witness states:

"First, in a discovery response (FDN Interrogatory No. 25), BellSouth stated that, at present, the bills it will send to ALECs reselling existing Key Customer promotions will not reflect the Key Customer discounts; but rather, the ALECs will have to calculate those discounts on their own and then apply to BellSouth for credits."

A) Please explain why BellSouth's system requires ALECs to calculate the Key customer discounts and apply to BellSouth for credits.
B) Please identify what changes would have to be made to BellSouth's systems to automate this procedure, and what costs would be involved.
C) Is there a pending Change Request (CR) in BellSouth's Change Control Process (CCP) to automate this procedure? If so, please identify the applicable CR number or numbers and the present status for each.

RESPONSE: A) BellSouth's systems administer retail promotions at the Earning Telephone Number, (ETN). In contrast, ALEC billing systems are administered at the Billing Telephone Number (BTN). The BTN may involve multiple unrelated end-users, which all may be including in one ALEC BTN. For example, retail customer Joe's Hardware may have an ETN and qualify for the December 2002 Key Customer offering. BellSouth's systems automatically apply the correct discount to the ETN. In contrast, ALEC Joe's Phone may have any number of end user customers, which are all included in one BTN. However, only certain end user customers would be eligible for the December 2002 Key Customer Offering and ALEC Joe's Phone should not receive Key Customer Rewards on its BTN; instead Joe's Phone should only receive Key Customer rewards consistent with the terms and conditions set forth in BellSouth's tariffs. Because of the differences in administering retail promotions as compared to ALEC billing, it is not possible to utilize the existing billing systems to calculate the correct resale rate for ALECs that wish to resell BellSouth's Key Customer offerings. As a result, a manual process is required to calculate an ALEC's resale rate. The application of this

process is fully set forth in BellSouth's response to FDN's First Set of Interrogatories, No. 25.

B. BellSouth has not identified the changes that would be required nor has BellSouth identified the costs that would be incurred to develop a new automated procedure by which ALECs would receive bills with the resale rate applied on an ETN basis.

C. No.

RESPONSE PROVIDED BY: Stanley Mensinger

REQUEST: Page 7, lines 12-15, of FDN witness Michael P. Gallagher's rebuttal testimony states:

"I do not believe that BellSouth has yet made such a showing, because instead of getting rate decreases, BellSouth customers not eligible for BellSouth's promotions have felt the full brunt of rate increases."

51. When BellSouth implements a rate increase, how are customers under the Key Customer contract affected?

52. How are customers not under a Key Customer contract affected?

RESPONSE: Key Customers sign a term election agreement with a discount from tariff rates. This means that when tariff rates increase, the discount is calculated based on the new tariff rates. Key Customers do not lock in specific tariff rates; rather, they receive a set discount off the effective tariff rates.

Customers that are not enrolled in the Key Customer agreement will pay tariff rates.

RESPONSE PROVIDED BY: Amy Britt

CONFIDENTIAL

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP
EXHIBIT NO. 2
COMPANY/
WITNESS: F.P.S.C. Staff Stip/BS. Respons
DATE: 02/14/03

EXHIBIT NO. _____

DOCKET NOs.: 020119-TP & 020578-TP

WITNESS: Stip-3

PARTY: STAFF

DESCRIPTION: BellSouth Responses to Staff's Requests for Production of Documents (Public)

1.	BellSouth Telecommunications, Inc.'s Responses to Staff's 1st Request for Production of Documents, Item 1-4	Page 1
2.	BellSouth Telecommunications, Inc.'s Responses to Staff's 2nd Request for Production of Documents, Item 5-6	Page 66
3.	BellSouth Telecommunications, Inc.'s Responses to Staff's 3rd Request for Production of Documents, Item 7-8	Page 67
4.	BellSouth Telecommunications, Inc.'s Responses to Staff's 4th Request for Production of Documents, Item 9	Page 69
5.	BellSouth Telecommunications, Inc.'s Responses to Staff's 5th Request for Production of Documents, Item 10	Page 72

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP
EXHIBIT NO. 3
COMPANY/ WITNESS: FPSC Staff Stip/BS Responses
DATE: 02/19/03

PROFFERING PARTY: STAFF

I.D. # _____

REQUEST FOR PRODUCTION OF DOCUMENTS

1. Please provide copies of all signed contracts with new customers pursuant to BellSouth's 2002 Key Customer tariff.

Objection: In light of the inordinate and burdensome amount of time (and the associated expense) that would be involved in separating the 2002 Key Customer participants into the category requested in Request for Production of Documents No. 1, BellSouth respectfully objects to this Request on the grounds that responding to it would be unduly burdensome and expensive.

Additionally, Florida Statutes §364.24 provides, in part, that a telecommunications company "shall not intentionally disclose customer account records except as authorized by the customer or as necessary for billing purposes, or required by subpoena, court order, other process of court, or as otherwise allowed by law." In light of this statute, and in an abundance of caution, BellSouth respectfully objects to producing the contracts described in Documents No. 1 in the absence of a "subpoena, court order, or other process of

court . . . ." BellSouth has discussed this concern with the Staff and, as a result of those discussions, the Staff has served BellSouth with a Subpoena requesting these contracts. *See* Attachment A. As explained below, and without waiving this objection, BellSouth intends to produce, pursuant to the Staff's Subpoena, a copy of each signed contract with customers pursuant to BellSouth's 2002 Key Customer tariff from January 31, 2002 to March 18, 2002.

Response: In response to Request for Production of Documents No. 1, and without waiving any objections, BellSouth produces the attached documents pursuant to Staff's Subpoena. However, because the documents contain proprietary information, they are being produced pursuant to a Notice of Intent to Request Specified Confidential Classification.

2. Please provide copies of all signed contracts with returning customers pursuant to BellSouth's 2002 Key Customer tariff.

Objection: In light of the inordinate and burdensome amount of time (and the associated expense) that would be involved in separating the 2002 Key Customer participants into the category requested in Request for Production of Documents No. 2, BellSouth respectfully objects to this Request on the grounds that responding to it would be unduly burdensome and expensive.

Additionally, Florida Statutes §364.24 provides, in part, that a telecommunications company "shall not intentionally disclose customer account records except as authorized by the customer or as necessary for billing purposes, or required by subpoena, court order, other process of court, or as otherwise allowed by law." In light of this statute, and in an abundance of

caution, BellSouth respectfully objects to producing the contracts described in Documents No. 2 in the absence of a "subpoena, court order, or other process of court . . . ." BellSouth has discussed this concern with the Staff and, as a result of those discussions, the Staff has served BellSouth with a Subpoena requesting these contracts. *See* Attachment A. As explained below, and without waiving this objection, BellSouth intends to produce, pursuant to the Staff's Subpoena, a copy of each signed contract with customers pursuant to BellSouth's 2002 Key Customer tariff from January 31, 2002 to March 18, 2002.

Response: In response to Request for Production of Documents No. 2, and without waiving any objections, BellSouth produces the attached documents pursuant to Staff's Subpoena. However, because the documents contain proprietary information, they are being produced pursuant to a Notice of Intent to Request Specified Confidential Classification.

3. Please provide copies of all signed contracts with existing customers pursuant to BellSouth's 2002 Key Customer tariff.

Objection: In light of the inordinate and burdensome amount of time (and the associated expense) that would be involved in separating the 2002 Key Customer participants into the category requested in Request for Production of Documents No. 3, BellSouth respectfully objects to this Request on the grounds that responding to it would be unduly burdensome and expensive.

Additionally, Florida Statutes §364.24 provides, in part, that a telecommunications company "shall not intentionally disclose customer account records except as authorized by the customer or as necessary for billing

purposes, or required by subpoena, court order, other process of court, or as otherwise allowed by law." In light of this statute, and in an abundance of caution, BellSouth respectfully objects to producing the contracts described in Documents No. 3 in the absence of a "subpoena, court order, or other process of court . . . ." BellSouth has discussed this concern with the Staff and, as a result of those discussions, the Staff has served BellSouth with a Subpoena requesting these contracts. *See* Attachment A. As explained below, and without waiving this objection, BellSouth intends to produce, pursuant to the Staff's Subpoena, a copy of each signed contract with customers pursuant to BellSouth's 2002 Key Customer tariff from January 31, 2002 to March 18, 2002.

Response: In response to Request for Production of Documents No. 3, and without waiving any objections, BellSouth produces the attached documents pursuant to Staff's Subpoena. However, because the documents contain proprietary information, they are being produced pursuant to a Notice of Intent to Request Specified Confidential Classification.

4. Page 3 of BellSouth's Response to FDN's Petition states, in part, that " . . . BellSouth representatives met with members of the Staff on January 17, 2002 and responded to staff inquiries regarding, among other things, the cost data supporting the discounts set forth in the filing . . .." Please provide a copy of the document (s) that BellSouth representatives used in the January 17, 2002 meeting.

Response: See the attached documents. Certain portions of these documents contain proprietary information and are being produced pursuant to a Notice of Intent to Request Specified Confidential Classification.

BellSouth Telecommunications, Inc.
Florida Public Service Commission
Docket No. 020119-TP
Staff's 1st Request for Production
of Documents
March 14, 2002
Item 4

ATTACHMENTS

STATE OF FLORIDA

Commissioners:
LILA A. JABER, CHAIRMAN
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADY

DIVISION OF
REGULATORY OVERSIGHT
DANIEL M. HOPPE, DIRECTOR
(850) 413-6480

Public Service Commission

February 7, 2002

Marshall M. Criser III
Vice President - Regulatory Relations
BellSouth Telecommunications, Inc.
150 South Monroe Street, Suite 400
Tallahassee, FL 32301-1556

Re: Authority No. T020035

Dear Sir/Madam:

Enclosed and listed on the attached sheet is your filing made under Commission Authority No. T020035 that became effective 01/31/2002 and will be incorporated in your file with the Florida Public Service Commission.

Any subsequent changes to your tariff should be received by the Commission in accordance with the notice requirements specified in Sections 364.051 and 364.163, Florida Statutes.

Sincerely,

Jacquelyn Gilchrist
Regulatory Analyst Supervisor

JG/tfls

1634

ATTACHMENT
AUTHORITY NUMBER: T020035

SECTION A2

GENERAL SUBSCRIBER SERVICE TARIFF

GENERAL REGULATIONS

13th 34.0.2

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are ***on file with*** the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period Authority
(DELETED)			
(DELETED)			
BellSouth's Service Territory[1]	2002 Key Customer Program -For business customers served from hot wire centers[2]. -Customers with Analog Private Line service are not eligible for this promotion. -Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 18 months $75 - $3,000 10% Monthly TBR - 36 months $75 - $3,000 25% -50% discount will be given on Rotary Service for a contract period of 18 months. -100% discount will be given on Rotary Service for a contract period of 36 months. -Line Connection Charges will be waived during the promotion sign-up period.	01 31 02 to 06 25 02

Note 1: Customer may elect to participate only once during each promotion.

Note 2: The list of hot wire centers that are eligible for this promotion is listed on Page 34.0.2.1. (N)

[*] Registered Service Mark of BellSouth Intellectual Property Corporation

FLORIDA PUBLIC SERVICE COMMISSION

APPROVED

Authority Number T-020035

Docket Number(s) _____

_____

Order Number(s) _____

_____

Effective Date JAN [illegible]

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are *on file with* the Commission: (Cont'd)

Eligible Hot Wire Centers Key Customer 2002		
BCRT BOCA TEECA	HTCHNSON IS MAIN	MIAM W. DADE
BOCA RATON MAIN	JCBH-MAIN	MIAM W. MIAMI
BCRT SANDALFOOT	JCVL-ARLINGTON	MELBOURNE
BROOKSVILLE	JCVL-BEACHWOOD	MILTON RAVINE
BELLE GLADE MAIN	JCVL-FT CAROLINE	MNDR-LORETTO
BUNNEL	JCVL-LAKE FOREST	NDAD ARCH CREEK
BOYNTON BEACH MAIN	JCVL-INTL AIRPORT	NDAD BRENTWOOD
COCOA BEACH	JCVL-NORMANDY	JCVL-CLAY STREET MGO
COCOA-MAIN	JCVL-OCEANWAY	NDAD GOLDEN GLADES
COCOA-MERRITT ISLAND	JCVL-RIVERSIDE	NDAD OLETA
DEBARY DELTONA	JCVL-SAN JOSE	NEW SMYRNA BCH
DEBARY MAIN	JCVL-SAN MARCO	ORLD-AZALEA PARK
DELAND	JCVL-SOUTHPOINT	ORLD-COLONIAL
DLBH KINGS POINT	JCVL-WESCONNETT	ORLD-MAGNOLIA
DELRAY BCH MAIN	JUPITER MAIN	ORLD-PINECASTLE
DEERFIELD BEACH MAIN	KEY WEST MAIN	ORLD-PINEHILLS
DYBH-MAIN	LAKE CITY	ORLD-SAND LAKE
DYBH-ORMND BCH	LAKE MARY	ORPK-MAIN
DYBH-PORT ORANGE	MIAM ALHAMBRA	ORPK-RIDGEWOOD
EGLL-INDN HBR BH	MIAM ALLAPATTAH	OVIEDO
EGLL-BOWE GDNS	MIAM AIRPORT	PERRINE MAIN
FT LAUD MAIN RELIEF	MIAM BAYSHORE	PANAMA CITY BEACH
FTLD CORAL RIDGE	MIAM BISCAYNE	PANAMA CITY MAIN
FTLD CYPRESS	MIAM BEACH	PMBH CORAL SPRINGS
FTLD JACARANDA	MIAM CANAL	PMBH FEDERAL
FTLD OAKLAND	MIAM DADELAND BLVD	PMBH MARGATE
FTLD PLANTATION	MIAM FLAGLER	PMBH TAMARAC
FTLD SAWGRASS	MIAM GRANDE	PNSC-BELMONT
FTLD SUNRISE	MIAM HIALEAH	PNSC-FERRY PASS
FTLD WESTON	MIAM INDIAN CREEK	PNSC WARRNGTON
FERNANDINA BCH	MIAM KEY BISCAYN	PONTE VEDRA BCH
FORT PIERCE MAIN	MIAM METRO	PALM COAST
GULF BREEZE	MIAM NORTH MIAMI	PALATKA
GSVL-MAIN	MIAM NORTHSIDE	PORT ST. LUCIE MAIN
GSVL-NORTHWEST	MIAM OPA LOCKA	PTSL SOUTH PTSL
HLWD HALLANDALE	MIAM PALMETTO	SANFORD-O-WS
HLWD PEMBROKE PINES	MIAM POINCIANA	STAG-MAIN
HLWD WEST HOLLYWOOD	MIAM RED ROAD	STUART MAIN
HOLLYWOOD MAIN	MIAM MIAMI SHORES	TITUSVILLE
HOMESTEAD MAIN	MIAM SILVER OAKS	VERO BEACH MAIN
		WPBH GARDENS
		WPBH GREENACRES
		WPBH HAVERHILL
		WPBH MAIN ANNEX
		WPBH LAKE WORTH
		WPBH RIVIERA BCH
		WPBH RYL PLM BCH
		WWSP-HIGHLAND
		WWSP-SPRING HILL

FLORIDA PUBLIC SERVICE COMMISSION

APPROVED

Authority Number T-020035

Docket Number(s) _____

_____

Order Number(s) _____

_____

Effective Date JAN _____

011

BELLSOUTH

1634

BellSouth Telecommunications, Inc.
Suite 400
150 South Monroe Street
Tallahassee, FL 32301-1556

marshall.criser@bellsouth.com

Marshall M. Criser III
Vice President
Regulatory & External Affairs

850 224 7798
Fax 850 224 5073

January 15, 2002

Mr. Dan Hoppe, Director
Division of Regulatory Oversight
Attn: Tariff Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Hoppe:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following are the affected tariff pages:

General Subscriber Service Tariff
Section A2 – Thirteenth Revised Page 34.0.2

This promotion is an 18 or 36 month offering targeting BellSouth customers in specific Wire Centers. The promotion will begin January 31, 2002 and end June 25, 2002.

Program Eligibility

- Available to new, existing and former BellSouth business customers
- Monthly BST revenue for subscriber's location must be $75 to $3,000
- Subscriber's location must be served out of an eligible wire center.
- Subscriber must sign a 18 or 36 month agreement to receive the discounts

Promotion Elements

- Subscribers, who participate in the promotion and purchase new service during the promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks).
- Subscribers meeting the eligibility requirements will receive the base discount and may be eligible to receive the hunting discount based upon having BellSouth hunting service.
- Base discount: Specified % discount off subscriber's total billed revenue (TBR) from the GSST A and PLS B tariffs.

Monthly TBR	18 Month	36 Month
$75 - $3000	10%	25%
Hunting Discount	50%	100%

- Hunting discount: Subscribers that have hunting service are eligible to receive 50% or 100% off their monthly hunting charges in addition to the base discount depending on selected term.
- *Internet Offer: Customer may choose one of the following offers:

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Product	18 Month	36 Month
DSL	Waiver of fee 1 Month	Waiver of fee 2 Months
Web Hosting Site Builder Plans	Waiver of fee 3 months	Waiver of fee 3 months
Web Hosting Shared Web Hosting Basic Plan – Plan C	Waiver of fee 3 months	Waiver of fee 3 months
Dedicated Internet Access	$30 off monthly credit on BellSouth Internet charges	$40 off monthly credit on BellSouth Internet charges

*Waiver not good on existing service.

- Base customer discount is based on end-user monthly total billed BST charges
  - The total billed revenue consists of all total billed BST charges (recurring, non-recurring and usage) excluding the following unregulated charges:
    - BellSouth Internet Service charges
    - Cingular Wireless
    - taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.
- Participant must be a BST customer at the time of the discount to receive the discount. The discount will appear as a credit in the OC&C section of the subscriber's bill.
- In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and hunting offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section.
- In addition to the reimbursement for the base and hunting discounts, the subscriber will also incur a charge for the waived non-recurring charges (line connection charges) and all other costs directly related to subscriber's premature termination.
- In addition, as provided in the Internet addendum, the customer must also pay back all discounts or credits related to Internet service option.
- Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in a Hot Wire Center and one location meets the revenue requirement.
- Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue may have all locations participate as long as it is billed under the same account and at least one location is located in a Hot Wire Center

Promotion Restrictions

- Customers with aggregate annual billing per state of BellSouth services exceeding $36,000 are not eligible to participate in this tariffed promotion.
- Base and hunting discounts (for hunting service) apply only to BST total billed charges within a state, not across states.
- Customers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion.
- Customers with Analog Private Line are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous local exchange services term contract program.
- Customers currently participating in SBS Small Business Promotion (Hunting Term Promo) may migrate to this promotion without incurring any termination liability from the other program specifications.
- BellSouth reserves the right to terminate this program at any time; provided, however, that subscribers participating in the program will be grandfathered for the term of their agreement.

Wire Center Qualification

- The wire centers were chosen based upon total cumulative lines lost as well as the velocity of losses, based on a three month rolling average and market share.

Acknowledgment, date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser mcs

Regulatory Vice President
Attachments

EXECUTIVE SUMMARY

The purpose of these revisions is to allow BellSouth to offer business customers a Key Customer Promotion from January 31, 2002 to June 25, 2002: This promotion is an 18 or 36 month offering targeting BellSouth customers in specific Wire Centers.

Program Eligibility

- Available to new, existing and former BellSouth business customers
- Monthly BST revenue for subscriber's location must be $75 to $3,000
- Subscriber's location must be served out of an eligible wire center.
- Subscriber must sign a 18 or 36 month agreement to receive the discounts

Promotion Elements

- Subscribers, who participate in the promotion and purchase new service during the promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks).
- Subscribers meeting the eligibility requirements will receive the base discount and may be eligible to receive the hunting discount based upon having BellSouth hunting service.
- Base discount: Specified % discount off subscriber's total billed revenue (TBR) from the GSST A and PLS B tariffs.

Monthly TBR	18 Month	36 Month
$75 - $3000	10%	25%
Hunting Discount	50%	100%

- Hunting discount: Subscribers that have hunting service are eligible to receive 50% or 100% off their monthly hunting charges in addition to the base discount depending on selected term.
- *Internet Offer: Customer may choose one of the following offers:

Product	18 Month	36 Month
DSL	Waiver of fee 1 Month	Waiver of fee 2 Months
Web Hosting Site Builder Plans	Waiver of fee 3 months	Waiver of fee 3 months
Web Hosting Shared Web Hosting Basic Plan – Plan C	Waiver of fee 3 months	Waiver of fee 3 months
Dedicated Internet Access	$30 off monthly credit on BellSouth Internet charges	$40 off monthly credit on BellSouth Internet charges

*Waiver not good on existing service

- Base customer discount is based on end-user monthly total billed BST charges
  - The total billed revenue consists of all total billed BST charges (recurring, non-recurring and usage) excluding the following unregulated charges:
    - BellSouth Internet Service charges
    - Cingular Wireless
    - taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.
- Participant must be a BST customer at the time of the discount to receive the discount. The discount will appear as a credit in the OC&C section of the subscriber's bill.
- In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and hunting offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section.
- In addition to the reimbursement for the base and hunting discounts, the subscriber will also incur a charge for the waived non-recurring charges (line connection charges) and all other costs directly related to subscriber's premature termination.
- In addition, as provided in the Internet addendum, the customer must also pay back all discounts or credits related to Internet service option.
- Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in a Hot Wire Center and one location meets the revenue requirement.
- Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue may have all locations participate as long as it is billed under the same account and at least one location is located in a Hot Wire Center

Promotion Restrictions

- Customers with aggregate annual billing per state of BellSouth services exceeding $36,000 are not eligible to participate in this tariffed promotion.
- Base and hunting discounts (for hunting service) apply only to BST total billed charges within a state, not across states.
- Customers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion.
- Customers with Analog Private Line are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous local exchange services term contract program.
- Customers currently participating in SBS Small Business Promotion (Hunting Term Promo) may migrate to this promotion without incurring any termination liability from the other program specifications.
- BellSouth reserves the right to terminate this program at any time; provided, however, that subscribers participating in the program will be grandfathered for the term of their agreement.

Wire Center Qualification

The wire centers were chosen based upon total cumulative lines lost as well as the velocity of losses, based on a three month rolling average and market share.

PROPOSED TARIFF PAGES

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are *on file with* the Commission: (Cont'd) (T)

Area of Promotion	Service	Charges Waived	Period Authority	
(DELETED)				(D)
(DELETED)				(D)
BellSouth's Service Territory[1]	2002 Key Customer Program -For business customers served from hot wire centers[2]. -Customers with Analog *Private Line service* are not eligible for this promotion. -Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 18 months $75 - $3,000 10% Monthly TBR - 36 months $75 - $3,000 25% -50% discount will be given on Rotary Service for a contract period of 18 months. -100% discount will be given on Rotary Service for a contract period of 36 months. -Line Connection Charges will be waived during the promotion sign-up period.	01/31/02 to 06/25/02	(N)

Note 1: Customer may elect to participate only once during each promotion.

Note 2: The list of hot wire centers that are eligible for this promotion is listed on Page 34.0.2.1. (N)

® Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are *on file with* the Commission: (Cont'd) (T)

Eligible Hot Wire Centers	Key Customer 2002		
BCRT BOCA TEECA	HTCHNSON IS MAIN	MIAM W. DADE	(N)
BOCA RATON MAIN	JCBH-MAIN	MIAM W. MIAMI	(N)
BCRT SANDALFOOT	JCVL-ARLINGTON	MELBOURNE	(N)
BROOKSVILLE	JCVL-BEACHWOOD	MILTON RAVINE	(N)
BELLE GLADE MAIN	JCVL-FT CAROLINE	MNDR-LORETTO	(N)
BUNNEL	JCVL-LAKE FOREST	NDAD ARCH CREEK	(N)
BOYNTON BEACH MAIN	JCVL-INT'L AIRPORT	NDAD BRENTWOOD	(N)
COCOA BEACH	JCVL-NORMANDY	JCVL-CLAY STREET MGO	(N)
COCOA-MAIN	JCVL-OCEANWAY	NDAD GOLDEN GLADES	(N)
COCOA-MERRITT ISLAND	JCVL-RIVERSIDE	NDAD OLETA	(N)
DEBARY DELTONA	JCVL-SAN JOSE	NEW SMYRNA BCH	(N)
DEBARY MAIN	JCVL-SAN MARCO	ORLD-AZALEA PARK	(N)
DELAND	JCVL-SOUTHPOINT	ORLD-COLONIAL	(N)
DLBH KINGS POINT	JCVL-WESCONNETT	ORLD-MAGNOLIA	(N)
DELRAY BCH MAIN	JUPITER MAIN	ORLD-PINECASTLE	(N)
DEERFIELD BEACH MAIN	KEY WEST MAIN	ORLD-PINEHILLS	(N)
DYBH-MAIN	LAKE CITY	ORLD-SAND LAKE	(N)
DYBH-ORMND BCH	LAKE MARY	ORPK-MAIN	(N)
DYBH-PORT ORANGE	MIAM ALHAMBRA	ORPK-RIDGEWOOD	(N)
EGLL-INDN HBR BH	MIAM ALLAPATTAH	OVIEDO	(N)
EGLL-BOWE GDNS	MIAM AIRPORT	PERRINE MAIN	(N)
FT LAUD MAIN RELIEF	MIAM BAYSHORE	PANAMA CITY BEACH	(N)
FTLD CORAL RIDGE	MIAM BISCAYNE	PANAMA CITY MAIN	(N)
FTLD CYPRESS	MIAM BEACH	PMBH CORAL SPRINGS	(N)
FTLD JACARANDA	MIAM CANAL	PMBH FEDERAL	(N)
FTLD OAKLAND	MIAM DADELAND BLVD	PMBH MARGATE	(N)
FTLD PLANTATION	MIAM FLAGLER	PMBH TAMARAC	(N)
FTLD SAWGRASS	MIAM GRANDE	PNSC-BELMONT	(N)
FTLD SUNRISE	MIAM HIALEAH	PNSC-FERRY PASS	(N)
FTLD WESTON	MIAM INDIAN CREEK	PNSC WARRNGTON	(N)
FERNANDINA BCH	MIAM KEY BISCAYN	PONTE VEDRA BCH	(N)
FORT PIERCE MAIN	MIAM METRO	PALM COAST	(N)
GULF BREEZE	MIAM NORTH MIAMI	PALATKA	(N)
GSVL-MAIN	MIAM NORTHSIDE	PORT ST. LUCIE MAIN	(N)
GSVL-NORTHWEST	MIAM OPA LOCKA	PTSL SOUTH PTSL	(N)
HLWD HALLANDALE	MIAM PALMETTO	SANFORD-O-WS	(N)
HLWD PEMBROKE PINES	MIAM POINCIANA	STAG-MAIN	(N)
HLWD WEST HOLLYWOOD	MIAM RED ROAD	STUART MAIN	(N)
HOLLYWOOD MAIN	MIAM MIAMI SHORES	TITUSVILLE	(N)
HOMESTEAD MAIN	MIAM SILVER OAKS	VERO BEACH MAIN	(N)
		WPBH GARDENS	(N)
		WPBH GREENACRES	(N)
		WPBH HAVERHILL	(N)
		WPBH MAIN ANNEX	(N)
		WPBH LAKE WORTH	(N)
		WPBH RIVIERA BCH	(N)
		WPBH RYL PLM BCH	(N)
		WWSP-HIGHLAND	(N)
		WWSP-SPRING HILL	(N)

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are ~~approved by~~ on file with the Commission: (Cont'd) (T)

Area of Promotion	Service	Charges Waived	Period	Authority	
~~BellSouth's Service Territory*~~ ~~From Central Offices where Caller ID features are available.~~ (DELETED)	~~Caller ID Deluxe, Enhanced Caller ID, Enhanced Caller ID with Call Management and Caller ID with Call Management and Call Forwarding~~	~~Nonrecurring charges and one month's recurring charges~~	~~1/22/01 to 12/31/01~~		(D)
~~(DELETED)~~					~~(D)~~
~~BellSouth's Service Territory*~~ (DELETED)	~~2001 Key Customer Program~~ ~~For business customers served from wire centers in competitive situations.~~ ~~Customers with Analog Private Line service are not eligible for this promotion.~~ ~~Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.~~	~~Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill:~~ ~~Monthly TBR—18 months~~ ~~$1,000—$3,000——14%~~ ~~$150—$999.99——10%~~ ~~$100—$149.99——6%~~ ~~Monthly TBR—36 months~~ ~~$1,000—$3,000——18%~~ ~~$150—$999.99——14%~~ ~~$100—$149.99——10%~~ ~~50% discount will be given on Rotary Line service for a contract period of 18 months.~~ ~~75% discount will be given on Rotary Line service for a contract period of 36 months.~~ ~~Line Connection Charges will be waived during the promotion sign-up period.~~	~~06/26/01 —to 06/25/02~~		~~(N)~~ (D)
BellSouth's Service Territory[1]	2002 Key Customer Program -For business customers served from hot wire center[2]. -Customers with Analog Private Line service are not eligible for this promotion. -Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 18 months $75 - $3,000 10% Monthly TBR - 36 months $75 - $3,000 25% -50% discount will be given on Rotary Service for a contract period of 18 months. -100% discount will be given on Rotary Service for a contract period of 36 months.	01/31/02 to 06/25/02		(N)

* Registered Service Mark of BellSouth Intellectual Property Corporation

-Line Connection Charges
will be waived during the
promotion sign-up period.

Note 1: Customer may elect to participate only once during each promotion.

Note 2: The list of hot wire centers that are eligible for this promotion is listed on Page 34.0.2.1 (N)

® Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are ~~approved by~~ on file with the Commission: (Cont'd) (T)

Eligible Hot Wire Centers	Key Customer 2002		
BCRT BOCA TEECA	HTCHNSON IS MAIN	MIAM W. DADE	(N)
BOCA RATON MAIN	JCBH-MAIN	MIAM W. MIAMI	(N)
BCRT SANDALFOOT	JCVL-ARLINGTON	MELBOURNE	(N)
BROOKSVILLE	JCVL-BEACHWOOD	MILTON RAVINE	(N)
BELLE GLADE MAIN	JCVL-FT CAROLINE	MNDR-LORETTO	(N)
BUNNEL	JCVL-LAKE FOREST	NDAD ARCH CREEK	(N)
BOYNTON BEACH MAIN	JCVL-INT'L AIRPORT	NDAD BRENTWOOD	(N)
COCOA BEACH	JCVL-NORMANDY	JCVL-CLAY STREET MGO	(N)
COCOA-MAIN	JCVL-OCEANWAY	NDAD GOLDEN GLADES	(N)
COCOA-MERRITT ISLAND	JCVL-RIVERSIDE	NDAD OLETA	(N)
DEBARY DELTONA	JCVL-SAN JOSE	NEW SMYRNA BCH	(N)
DEBARY MAIN	JCVL-SAN MARCO	ORLD-AZALEA PARK	(N)
DELAND	JCVL-SOUTHPOINT	ORLD-COLONIAL	(N)
DLBH KINGS POINT	JCVL-WESCONNETT	ORLD-MAGNOLIA	(N)
DELRAY BCH MAIN	JUPITER MAIN	ORLD-PINECASTLE	(N)
DEERFIELD BEACH MAIN	KEY WEST MAIN	ORLD-PINEHILLS	(N)
DYBH-MAIN	LAKE CITY	ORLD-SAND LAKE	(N)
DYBH-ORMND BCH	LAKE MARY	ORPK-MAIN	(N)
DYBH-PORT ORANGE	MIAM ALHAMBRA	ORPK-RIDGEWOOD	(N)
EGLL-INDN HBR BH	MIAM ALLAPATTAH	OVIEDO	(N)
EGLL-BOWE GDNS	MIAM AIRPORT	PERRINE MAIN	(N)
FT LAUD MAIN RELIEF	MIAM BAYSHORE	PANAMA CITY BEACH	(N)
FTLD CORAL RIDGE	MIAM BISCAYNE	PANAMA CITY MAIN	(N)
FTLD CYPRESS	MIAM BEACH	PMBH CORAL SPRINGS	(N)
FTLD JACARANDA	MIAM CANAL	PMBH FEDERAL	(N)
FTLD OAKLAND	MIAM DADELAND BLVD	PMBH MARGATE	(N)
FTLD PLANTATION	MIAM FLAGLER	PMBH TAMARAC	(N)
FTLD SAWGRASS	MIAM GRANDE	PNSC-BELMONT	(N)
FTLD SUNRISE	MIAM HIALEAH	PNSC-FERRY PASS	(N)
FTLD WESTON	MIAM INDIAN CREEK	PNSC WARRNGTON	(N)
FERNANDINA BCH	MIAM KEY BISCAYN	PONTE VEDRA BCH	(N)
FORT PIERCE MAIN	MIAM METRO	PALM COAST	(N)
GULF BREEZE	MIAM NORTH MIAMI	PALATKA	(N)
GSVL-MAIN	MIAM NORTHSIDE	PORT ST. LUCIE MAIN	(N)
GSVL-NORTHWEST	MIAM OPA LOCKA	PTSL SOUTH PTSL	(N)
HLWD HALLANDALE	MIAM PALMETTO	SANFORD-O-WS	(N)
HLWD PEMBROKE PINES	MIAM POINCIANA	STAG-MAIN	(N)
HLWD WEST HOLLYWOOD	MIAM RED ROAD	STUART MAIN	(N)
HOLLYWOOD MAIN	MIAM MIAMI SHORES	TITUSVILLE	(N)
HOMESTEAD MAIN	MIAM SILVER OAKS	VERO BEACH MAIN	(N)
		WPBH GARDENS	(N)
		WPBH GREENACRES	(N)
		WPBH HAVERHILL	(N)
		WPBH MAIN ANNEX	(N)
		WPBH LAKE WORTH	(N)
		WPBH RIVIERA BCH	(N)
		WPBH RYL PLM BCH	(N)
		WWSP-HIGHLAND	(N)
		WWSP-SPRING HILL	(N)

1583

BELLSOUTH

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850 224-7798
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Marshall M. Criser III
Regulatory Vice President

June 11, 2001

Mr. Dan Hoppe, Director
Division of Regulatory Oversight
Attn: Tariff Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Hoppe:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following is the affected tariff page:

General Subscriber Service Tariff
Section A2 – Twelfth Revised Page 34.0.2

The purpose of this revision is to offer the following promotion for Small Business customers. This promotion will begin June 26, 2001, and end June 25, 2002. This promotion is available to new and existing BellSouth business customers. The monthly BST revenue for subscriber's location must be between $100 and $3,000. The subscriber's location must be served out of an eligible wire center. The subscriber must sign an 18 or 36 month agreement to receive the discounts listed below. The base discount will be applied to eligible monthly revenue throughout the term of the agreement. An additional discount will be given on hunting service for the term of the agreement. If the customer adds lines, trunks or Network Access Registers (NARs) during the term of the agreement, Line Connection Charges will be waived.

Monthly TBR	18 Month	36 Month
$1,000 - $3,000	14%	18%
$150 - $999.99	10%	14%
$100 - $149.99	6%	10%
Hunting Discount	50%	75%

The base customer discount is based on end-user monthly total billed BST revenue which consists of all total billed BST revenue (recurring, non-recurring and usage) excluding all unregulated charges including: Charges for unregulated services, taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.

Subscribers who have hunting service are eligible to receive 50% or 75% off their monthly hunting charges in addition to the base discount depending on the selected term agreement. Subscriber may currently have or purchase the services during the enrollment period, June 26, 2001, through June 25, 2002, to qualify.

At the end of the subscriber's agreed upon term, subscriber may renew the agreement for another term, under the same terms and conditions. In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and hunting offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section of their bill.

Listed below are restrictions that apply to, and affect participation in, this promotion:

- Subscribers may not have Analog Private Line service.
- Subscribers with multi-locations that are billed to the same telephone number or CLUB billed may have all locations participate as long as one location is in an eligible Wire Center and meets the revenue requirement.
- Subscribers with BellSouth® Centrex, MultiServ® service, ESSX® service, and Digital ESSX® service with Secondary Location Addresses not meeting the per location revenue may have all locations participate as long as they are billed under the same account and at least one location is located in an eligible Wire Center.
- Customers with aggregate annual billing per state of BellSouth services exceeding $36,000 are not eligible to participate in this tariffed promotion.
- Base and hunting discounts (for hunting service) apply only to BST total billed revenue within Kentucky.
- Customers participating in a Volume and Term Agreement Contract Service Agreement are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous Key Customer promotions, SBS Small Business Promotion (Hunting Term Promo), Welcome Back! Winback, Full Circle and/or any future versions of those two programs.
- Customers currently participating in SBS Small Business Promotion (Hunting Term Promo) may migrate to this promotion without incurring any penalty from the other program specifications.

BellSouth reserves the right to terminate this program at any time; provided, however, that subscribers participating in the program will be grandfathered for the term of their agreement.

Acknowledgment, date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser III mes

Regulatory Vice President

Attachments

® BellSouth is a Registered Trademark of BellSouth Intellectual Property Corporation.
® Registered Service Mark of BellSouth Intellectual Property Corporation.

EXECUTIVE SUMMARY

BellSouth proposes the following promotion for Small Business customers. This promotion will begin June 26, 2001, and end June 25, 2002. This promotion is available to new and existing BellSouth business customers. The monthly BST revenue for subscriber's location must be between $100 and $3,000. The subscriber's location must be served out of an eligible wire center. The subscriber must sign an 18 or 36 month agreement to receive the discounts listed below. The base discount will be applied to eligible monthly revenue throughout the term of the agreement. An additional discount will be given on hunting service for the term of the agreement. If the customer adds lines, trunks or Network Access Registers (NARs) during the term of the agreement, Line Connection Charges will be waived.

Monthly TBR	18 Month	36 Month
$1,000 - $3,000	14%	18%
$150 - $999.99	10%	14%
$100 - $149.99	6%	10%
Hunting Discount	50%	75%

The base customer discount is based on end-user monthly total billed BST revenue which consists of all total billed BST revenue (recurring, non-recurring and usage) excluding all unregulated charges including: Charges for unregulated services, taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.

Subscribers who have hunting service are eligible to receive 50% or 75% off their monthly hunting charges in addition to the base discount depending on the selected term agreement. Subscriber may currently have or purchase the services during the enrollment period, June 26, 2001, through June 25, 2002, to qualify.

At the end of the subscriber's agreed upon term, subscriber may renew the agreement for another term, under the same terms and conditions. In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and hunting offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section of their bill.

Listed below are restrictions that apply to, and affect participation in, this promotion:

- Subscribers may not have Analog Private Line service.
- Subscribers with multi-locations that are billed to the same telephone number or CLUB billed may have all locations participate as long as one location is in an eligible Wire Center and meets the revenue requirement.
- Subscribers with BellSouth® Centrex, MultiServ® service, ESSX® service, and Digital ESSX® service with Secondary Location Addresses not meeting the per location revenue may have all locations participate as long as they are billed under the same account and at least one location is located in an eligible Wire Center.
- Customers with aggregate annual billing per state of BellSouth services exceeding $36,000 are not eligible to participate in this tariffed promotion.
- Base and hunting discounts (for hunting service) apply only to BST total billed revenue within Kentucky.
- Customers participating in a Volume and Term Agreement Contract Service Agreement are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous Key Customer promotions, SBS Small Business Promotion (Hunting Term Promo), Welcome Back! Winback, Full Circle and/or any future versions of those two programs.
- Customers currently participating in SBS Small Business Promotion (Hunting Term Promo) may migrate to this promotion without incurring any penalty from the other program specifications.

1) BellSouth reserves the right to terminate this program at any time; provided, however, that subscribers participating in the program will be grandfathered for the term of their agreement.

The services included in the promotions are in the Business Basic and Non-Basic service categories. Revenue from the promotions exceeds cost.

Tariff page attached.

PROPOSED TARIFF PAGES

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory* -From Central Offices where Caller ID features are available.	Caller ID Deluxe, Enhanced Caller ID, Enhanced Caller ID with Call Management and Caller ID with Call Management and Call Forwarding	Nonrecurring charges and one month's recurring charges	1/23/01 to 12/31/01		
(DELETED)					(D)
BellSouth's Service Territory*	2001 Key Customer Program -For business customers served from wire centers in competitive situations. -Customers with Analog Private Line service are not eligible for this promotion. -Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 18 months $1,000 - $3,000 14% $150 - $999.99 10% $100 – $149.99 6% Monthly TBR - 36 months $1,000 - $3,000 18% $150 - $999.99 14% $100 – $149.99 10% -50% discount will be given on Rotary Line service for a contract period of 18 months. -75% discount will be given on Rotary Line service for a contract period of 36 months. -Line Connection Charges will be waived during the promotion sign-up period.	06/26/01 to 06/25/02		(N)

Note 1: Customer may elect to participate only once during each promotion.

* Registered Service Mark of BellSouth Intellectual Property Corporation

LEGISLATIVE FORMAT

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory' -From Central Offices where Caller ID features are available.	Caller ID Deluxe, Enhanced Caller ID, Enhanced Caller ID with Call Management and Caller ID with Call Management and Call Forwarding	Nonrecurring charges and one month's recurring charges	1/23/01 to 12/31/01		(N)
~~(DELETED) BellSouth's Service Territory'~~	~~2000 Key Customer Program -for business customers served from wire centers in competitive situations: -Customers with Analog Private Line service are not eligible for this promotion:~~	~~-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 — 8% $3,000 - $4,499.99 — 7% $1,500 - $2,999.99 — 6% $150 - $1,499.99 — 5% Monthly TBR - 24 months $4,500 - $6,000 — 12% $3,000 - $4,499.99 - 11% $1,500 - $2,999.99 - 10% $150 - $1,499.99 — 9% Monthly TBR - 36 months $4,500 - $6,000 — 16% $3,000 - $4,499.99 - 15% $1,500 - $2,999.99 - 14% $150 - $1,499.99 — 13% -An additional reward of 6% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period: -40% discount will be given on Rotary Line service for a contract period of 12 months: -60% discount will be given on Rotary Line service for a contract period of 24 months: -80% discount will be given on Rotary Line service for a contract period of 36 months:~~	~~02/01/01 — to 06/25/01~~		(D)(C)

® Registered Service Mark of BellSouth Intellectual Property Corporation

BellSouth's Service Territory*	2001 Key Customer Program -For business customers served from wire centers in competitive situations. -Customers with Analog Private Line service are not eligible for this promotion. -Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 18 months $1,000 - $3,000 14% $150 - $999.99 10% $100 – $149.99 6% Monthly TBR - 36 months $1,000 - $3,000 18% $150 - $999.99 14% $100 – $149.99 10% -50% discount will be given on Rotary Line service for a contract period of 18 months. -75% discount will be given on Rotary Line service for a contract period of 36 months. -Line Connection Charges will be waived during the promotion sign-up period.	06/26/01 to 06/25/02	(N)

Note 1: Customer may elect to participate only once during each promotion.

* Registered Service Mark of BellSouth Intellectual Property Corporation

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BELLSOUTH

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Marshall M. Criser III
Regulatory Vice President

February 25, 2000

Mr. Walter D'Haeseleer
Director, Division of Communications
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 270
Tallahassee, Florida 32399-0850

Dear Mr. D'Haeseleer:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following is the affected tariff page:

General Subscriber Service Tariff
Section A2 – Seventh Revised Page 34.0.2

The purpose of this revision is to offer the following promotions for business customers: The first promotion is for Small Business customers ordering additional lines from March 13 through June 10, 2000. Small Business customers in this case are those billing less than $10,000 per month per customer account. Flat Rate lines, Business Plus® lines and Message Rate lines are included in this promotion. The customer will receive a check that will reimburse them for the applicable nonrecurring charges when one to three lines are added. The customer may only receive one check during this promotion. This promotion is available for resale.

The second promotion is a 90-day promotion and is a 12, 24 or 36-month offering targeted to BellSouth customers served from wire centers in competitive situations (meaning those where 1,000 lines or more have been to competition). This promotion will be offered on an outbound and inbound basis, from March 13, 2000 through June 10, 2000, and is available to new and existing BellSouth customers. Monthly BST revenue for the customer location must be $250 to $6,000. The customer's location must served out of an eligible wire center.

The SBS 2000 Key Customer Program will offer a waiver of Line Connection Charges and two separate rewards on the customer's bill. Customers must sign a 12, 24 or 36-month agreement to participate in the program to receive the reward benefits specified. Customers meeting the eligibility requirements may receive the following separate rewards.

1. Customers, who order new service during the 90-day promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional line).
2. Customers meeting the eligibility requirements will receive the base reward and may be eligible to receive the bonus reward based upon having ISDN PRI and/or MegaLink® services with BellSouth Business.

Base reward: Specified % discount below, off their total billed revenue (TBR) from the GGST A and B tariffs.

Monthly TBR	12 Month	24 Month	36 Month
$4,500 - $6,000	8%	12%	16%
$3,000 - $4,499.99	7%	11%	15%
$1,500 - $2,999.99	6%	10%	14%
$250 - $1,499.99	5%	9%	13%

3. Bonus reward: 5% off specified strategic products in addition to the base reward. Products are limited to MegaLink and ISDN PRI. Customer may currently have or order these services during the enrollment period, March 13 through June 10, 2000.

The participant must be a BellSouth (BST) customer at the time of the reward to receive the reward. The reward will appear as a credit in the OC&C section of the customer's bill. At the end of the customer's agreed upon term, customer may renew the agreement for another term, under the same terms and conditions. In the event the customer terminates the contract; the customer must pay back the discounts. This reimbursement is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the customer's final bill as a charge in the OC&C section. This promotion is available for resale.

Acknowledgment, date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser III

Regulatory Vice President

Attachments

EXECUTIVE SUMMARY

The purpose of this revision is to offer the following promotions for business customers: The first promotion is for Small Business customers ordering additional lines from March 13 through June 10, 2000. Small Business customers in this case are those billing less than $10,000 per month per customer account. Flat Rate lines, Business Plus® lines and Message Rate lines are included in this promotion. The customer will receive a check that will reimburse them for the applicable nonrecurring charges when one to three lines are added. The customer may only receive one check during this promotion. This promotion is available for resale.

The second promotion is a 90-day promotion and is a 12, 24 or 36-month offering targeted to BellSouth customers in competitive situations. This promotion will be offered on an outbound and inbound basis, from March 13, 2000 through June 10, 2000, and is available to new and existing BellSouth customers. Monthly BST revenue for the customer location must be $250 to $6,000. The customer's location must served out of an eligible wire center. Eligible wire centers are those where 1,000 or more lines have been lost to competition.

The SBS 2000 Key Customer Program will offer a waiver of Line Connection Charges and two separate rewards on the customer's bill. Customers must sign a 12, 24 or 36-month agreement to participate in the program to receive the reward benefits specified. Customers meeting the eligibility requirements may receive the following separate rewards.

1. Customers, who order new service during the 90-day promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional line).
2. Customers meeting the eligibility requirements will receive the base reward and may be eligible to receive the bonus reward based upon having ISDN PRI and/or MegaLink® services with BellSouth Business.

Base reward: Specified % discount below, off their total billed revenue (TBR) from the GGST A and B tariffs.

Monthly TBR	12 Month	24 Month	36 Month
$4,500 - $6,000	8%	12%	16%
$3,000 - $4,499.99	7%	11%	15%
$1,500 - $2,999.99	6%	10%	14%
$250 - $1,499.99	5%	9%	13%

3. Bonus reward: 5% off specified strategic products in addition to the base reward. Products are limited to MegaLink and ISDN PRI. Customer may currently have or order these services during the enrollment period, March 13 through June 10, 2000.

The participant must be a BellSouth (BST) customer at the time of the reward to receive the reward. The reward will appear as a credit in the OC&C section of the customer's bill. At the end of the customer's agreed upon term, customer may renew the agreement for another term, under the same terms and conditions. In the event the customer terminates the contract; the customer must pay back the discounts. This reimbursement is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the customer's final bill as a charge in the OC&C section. This promotion is available for resale.

Tariff pages attached.

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
~~(DELETED)~~					(D)
~~(DELETED)~~					(D)
BellSouth's Service Territory' -From Central Offices where Caller ID features are available	Caller ID Deluxe, Enhanced Caller ID and Enhanced Caller ID with Call Management (business)	Nonrecurring and one month's recurring charges for customers ordering within 90 days of establishing a new location.	01/01/00 to 12/31/00		(C)
~~(DELETED)~~					(D)
BellSouth's Service Territory'	2000 Key Customer Program -for business customers served from wire centers in competitive situations	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $250 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $250 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $250 - $1,499.99 13% -An additional reward of 5% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period.			(N)
BellSouth's Service Territory' -From Central Offices where Flat Rate, Business Plus® and Message Rate Lines are available for business customers.	Flat Rate, Business Plus® and Message Rate Lines (business only)	Business customers will be reimbursed via a check for Line Connection Charges (First and Additional) on one to three lines added at a customer location where the customer bills less than $10,000 per month per customer account. Limit of one coupon to a customer.	03/13/00 to 06/10/00		(N)

® Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory[1] -From Central Offices where Caller ID features are available	Caller ID Deluxe, Enhanced Caller ID and Enhanced Caller ID with Call Management (business)	Nonrecurring and one month's recurring charges for customers ordering within 90 days of establishing a new location.	01/01/00 to 12/31/00		
BellSouth's Service Territory[1]	2000 Key Customer Program -for business customers served from wire centers in competitive situations	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $250 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $250 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $250 - $1,499.99 13% -An additional reward of 5% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period.			(N)
BellSouth's Service Territory[1] -From Central Offices where Flat Rate, Business Plus® and Message Rate Lines are available for business customers.	Flat Rate, Business Plus® and Message Rate Lines (business only)	Business customers will be reimbursed via a check for Line Connection Charges (First and Additional) on one to three lines added at a customer location where the customer bills less than $10,000 per month per customer account. Limit of one coupon to a customer.	03/13/00 to 06/10/00		(N)

Note 1: Customer may elect to participate only once during each promotion.

® Registered Service Mark of BellSouth Intellectual Property Corporation

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Marshall M. Criser III
Regulatory Vice President

#1506

June 9, 2000

Mr. Dan Hoppe, Director
Division of Regulatory Oversight
Attn: Tariff Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Hoppe:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following is the affected tariff page:

General Subscriber Service Tariff
Section A2 – Eighth Revised 34.0.2
Private Line Services Tariff
Section B2 - Fifth Revised Page 69

The purpose of this revision is to offer the following promotion for business customers: This promotion is scheduled to begin June 26, 2000 and end June 25, 2001. Business customers served from specific wire centers who have monthly total billed BellSouth revenue from $150 to $6,000 and agree to participate in the Key Customer Program for a period of 12, 24 or 36 months will receive a base discount as described below. Business customers with MegaLink® service and/or ISDN PRI enrolled in this Program will receive an additional six percent discount of their total monthly billed revenue. The customers may currently have or subscribe to the services during the enrollment period.

The base customer discount is based on end-user monthly total billed BST revenue.

- The total billed revenue consists of all total billed BST revenue (recurring, non-recurring and usage from the General Subscriber Services Tariff and the Private Line Services Tariff excluding:
  - BellSouth Internet Service charges
  - BellSouth Mobility, BellSouth Mobility DCS charges
  - taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.

Base discounts are as listed below:

Monthly TBR	12 Month	24 Month	36 Month
$4,500 - $6,000	8%	12%	16%
$3,000 - $4,499.99	7%	11%	15%
$1,500 - $2,999.99	6%	10%	14%
$150 - $1,499.99	5%	9%	13%

Subscribers, who participate in the promotion and purchase additional services during the 12-month promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional line), line equivalents and trunks. This waiver does not include ISDN PRI or MegaLink® service. At the end of the subscriber's agreed upon term, subscriber may renew the agreement for another term, under the same terms and conditions. In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and bonus offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section.

Listed below are the restrictions that apply to this promotion:

- Subscribers with aggregate annual billing of BellSouth services exceeding $150,000 are not eligible to participate in this tariffed promotion.
- Base and Bonus discounts apply only to BellSouth total billed revenue within a state, not across states
- Customers participating in a Customer Service Arrangement (CSA) Volume and Term Agreement are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous Key Customer promotions, SBS Small Business Promotion (Hunting Term Promotion) and/or any future versions of those two programs.
- Customers currently participating in a previous version of Key Customer or SBS Small Business Promotion (Hunting Term Promotion) may migrate to this promotion without incurring any penalty from the other program specifications.

Acknowledgment, date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser III

Regulatory Vice President

Attachments

EXECUTIVE SUMMARY

BellSouth proposes the following promotion for Small Business customers: This promotion is scheduled to begin June 26, 2000 and end June 25, 2001. Business customers served from specific wire centers who have monthly total billed BellSouth revenue from $150 to $6,000 and agree to participate in the Key Customer Program for a period of 12, 24 or 36 months will receive a base discount as described below. Business customers with MegaLink® service and/or ISDN PRI enrolled in this Program will receive an additional six percent discount of their total monthly billed revenue. The customers may currently have or subscribe to the services during the enrollment period.

The base customer discount is based on end-user monthly total billed BST revenue.

- The total billed revenue consists of all total billed BST revenue (recurring, non-recurring and usage from the General Subscriber Services Tariff and the Private Line Services Tariff excluding:
    - BellSouth Internet Service charges
    - BellSouth Mobility, BellSouth Mobility DCS charges
    - taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.

Base discounts are as listed below:

Monthly TBR	12 Month	24 Month	36 Month
$4,500 - $6,000	8%	12%	16%
$3,000 - $4,499.99	7%	11%	15%
$1,500 - $2,999.99	6%	10%	14%
$150 - $1,499.99	5%	9%	13%

Subscribers, who participate in the promotion and purchase additional services during the 12-month promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional line), line equivalents and trunks. This waiver does not include ISDN PRI or MegaLink® service. At the end of the subscriber's agreed upon term, subscriber may renew the agreement for another term, under the same terms and conditions. In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and bonus offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section.

Listed below are the restrictions that apply to this promotion:

- Subscribers with aggregate annual billing of BellSouth services exceeding $150,000 are not eligible to participate in this tariffed promotion.
- Base and Bonus discounts apply only to BellSouth total billed revenue within a state, not across states
- Customers participating in a Customer Service Arrangement (CSA) Volume and Term Agreement are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous Key Customer promotions, SBS Small Business Promotion (Hunting Term Promotion) and/or any future versions of those two programs.
- Customers currently participating in a previous version of Key Customer or SBS Small Business Promotion (Hunting Term Promotion) may migrate to this promotion without incurring any penalty from the other program specifications.

The services included in this promotion are in the Business Basic and Non-Basic service categories. Revenue from the promotion exceeds costs.

Tariff pages attached.

® Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where Caller ID features are available	Caller ID Deluxe, Enhanced Caller ID and Enhanced Caller ID with Call Management (business)	Nonrecurring and one month's recurring charges for customers ordering within 90 days of establishing a new location.	01/01/00 to 12/31/00		
BellSouth's Service Territory	2000 Key Customer Program -for business customers served from wire centers in competitive situations	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% ~~$250~~*150* - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% ~~$250~~*150* - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% ~~$250~~*150* - $1,499.99 13% -An additional reward of ~~5~~6% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period.	*06/26/00 to 06/25/00*		(N)(C)
(DELETED) ~~BellSouth's Service Territory® -From Central Offices where Flat Rate, Business Plus® and Message Rate Lines are available for business customers.~~	~~Flat Rate, Business Plus® and Message Rate Lines (business only)~~	~~Business customers will be reimbursed via a check for Line Connection Charges (First and Additional) on one to three lines added at a customer location where the customer bills less than $10,000 per month per customer account. Limit of one coupon to a customer.~~	~~03/13/00 to 06/19/00~~		(D) (T)

Note 1: Customer may elect to participate only once during each promotion.

® Registered Service Mark of BellSouth Intellectual Property Corporation

B2. REGULATIONS

B2.7 Special Promotions (Cont'd)

B2.7.1 Regulations (Cont'd)

A. The Company may offer approved special promotions of new or existing services or products for limited periods as approved by the Public Service Commission. These promotions are a temporary waiver of certain recurring and/or nonrecurring charges as stated in paragraph B2.7.2.A. These promotions will be offered on a completely nondiscriminatory basis with each subscriber in the classification of service and area for which the promotion is offered having an equal opportunity for participation.

B2.7.2 Descriptions

A. The following promotions are approved by the Commission:

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory[1]	2000 Key Customer Program -for business customers served from wire centers in competitive situations	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $150 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $150 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $150 - $1,499.99 13% -An additional reward of 6% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period.	06/26/00 to 06/25/01		(N)
~~(DELETED)~~					~~(D)~~
~~(DELETED)~~					~~(D)~~
(DELETED)					(D)
~~BellSouth's Service Territory~~	~~MegaLink® service (Service under a 24 months or longer contract periods requested by small business customers (defined as any customer with monthly billed revenue less than $10,000).)~~	~~100% Nonrecurring Charges~~	~~1/4/99 to 3/31/99~~		~~(N)~~

[1] Registered Service Mark of BellSouth Intellectual Property Corporation

#1550

BELLSOUTH

BellSouth Telecommunications, Inc
Suite 400
150 South Monroe Street
Tallahassee, Florida 32301-1556

850 224-7798
Fax 850 224-5073

Marshall M. Criser III
Regulatory Vice President

January 8, 2001

Mr. Dan Hoppe, Director
Division of Regulatory Oversight
Attn: Tariff Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Hoppe:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following are the affected tariff pages:

General Subscriber Service Tariff
Section A2 – Eleventh Revised Page 32
Twenty First Revised Page 33
Eleventh Revised Page 34.0.2
Original Page 34.0.3
Private Line Services Tariff
Section B2 - Sixth Revised Page 69

The purpose of this revision is to offer the following promotions: New Customer 2001 offers a Small Business customer who establishes new service, an opportunity to add selected features/services within 90 days of establishing that new location, and receive a waiver of the Secondary Service Charge. Custom Calling services, TouchStar® service and RingMaster® service may be added under the terms of this offer. This promotion begins January 23 and ends December 31, 2001.

New Customer Caller ID 2001 offers a Small Business customer who establishes new service, an opportunity to add Caller ID services within 90 days of establishing that new location, and receive a waiver of the Secondary Service Charge and the first month's recurring charges. Caller ID Deluxe with Anonymous Call Rejection (ACR), Caller ID without ACR, Caller ID Enhanced with ACR, Caller ID with Call Management, and Caller ID with Call Management and Call Forwarding may be added under the terms of this offer. This promotion begins January 23 and ends December 31, 2001.

The Voice Mail Companion Services package for Non-Complete Choice plan customers promotion will be extended through February 28, 2001. This promotion for residence subscribers began November 1, 2000, and was to have ended February 15, 2001. Residence subscribers ordering BellSouth Voice Mail or voice mail provided by another enhanced service provider will receive the Voice Mail Companion Services package free for one month.

The Key Customer 2000 business promotion currently in effect will have an additional discount added for customers with Rotary Line service. A 40% discount on Rotary Line service will be given to customers with a 12-month Key Customer agreement. A 60% discount on Rotary Line service will be given to customers with a 24-month Key Customer agreement. An 80% discount on Rotary Line service will be given to customers with a 36-month Key Customer agreement. Customers with Analog Private Line service will no longer be eligible for the promotion.

Acknowledgment. date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser III mrs

Regulatory Vice President

Attachments

EXECUTIVE SUMMARY

BellSouth proposes the following promotions: New Customer 2001 offers a Small Business customer who establishes new service, an opportunity to add selected features/services within 90 days of establishing that new location, and receive a waiver of the Secondary Service Charge. Custom Calling services, TouchStar® service and RingMaster® service may be added under the terms of this offer. This promotion begins January 23 and ends December 31, 2001.

New Customer Caller ID 2001 offers a Small Business customer who establishes new service, an opportunity to add Caller ID services within 90 days of establishing that new location, and receive a waiver of the Secondary Service Charge and the first month's recurring charges. Caller ID Deluxe with Anonymous Call Rejection (ACR), Caller ID without ACR, Caller ID Enhanced with ACR, Caller ID with Call Management, and Caller ID with Call Management and Call Forwarding may be added under the terms of this offer. This promotion begins January 23 and ends December 31, 2001.

The Voice Mail Companion Services package for Non-Complete Choice plan customers promotion will be extended through February 28, 2001. This promotion for residence subscribers began November 1, 2000, and was to have ended February 15, 2001. Residence subscribers ordering BellSouth Voice Mail or voice mail provided by another enhanced service provider will receive the Voice Mail Companion Services package free for one month.

The Key Customer 2000 business promotion currently in effect will have an additional discount added for customers with Rotary Line service. A 40% discount on Rotary Line service will be given to customers with a 12-month Key Customer agreement. A 60% discount on Rotary Line service will be given to customers with a 24-month Key Customer agreement. An 80% discount on Rotary Line service will be given to customers with a 36-month Key Customer agreement. Customers with Analog Private Line service will no longer be eligible for the promotion.

The services included in the promotions are in the Residence and Business Non-Basic service category. Revenue from the promotions exceeds cost.

Tariff pages attached.

® Registered Trademark of BellSouth Intellectual Property Corporation.

A2. GENERAL REGULATIONS

A2.10 Special Promotions

A2.10.1 Regulations

A. The Company may offer approved special promotions of new or existing services or products for limited periods as approved by the Public Service Commission. These promotions are a temporary waiver of certain recurring, nonrecurring and/or usage charges as stated in paragraph A2.10.2.A. These promotions will be offered on a completely non-discriminatory basis with each subscriber in the classification of service and area for which the promotion is offered having an equal opportunity for participation.

A2.10.2 Descriptions

A. The following promotions are approved by the Commission:

Area of Promotion	Service	Charges Waived	Period	Authority	
(DELETED)					(D)
BellSouth's Service Territory -From Central Offices where Custom Calling Services are available	Custom Calling Services	Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January *23, 2001,* for up to ninety days after installation date of business exchange lines.	*01/23/01* to 12/31/*01*		(C)
(DELETED)					(D)
BellSouth's Service Territory -From Central Offices where TouchStar® Services are available	TouchStar® Services	Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January *23, 2001,* for up to ninety days after installation date of business exchange lines.	*01/23/01* to 12/31/*01*		(C)

Note 1: Customer may elect to participate only once during each promotion.

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A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where RingMaster® Service is available	RingMaster® I, II Service	Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January *23, 2001*, for up to ninety days after installation date of business exchange lines.	01/*23/01* to 12/31/01		(C)
(DELETED)					(D)
BellSouth's Service Territory -From Central Offices where Custom Calling services are available.	Custom Calling services	Nonrecurring charge One month's recurring	01/01/01 to 12/31/01		
BellSouth's Service Territory -From Central Offices where TouchStar® services are available.	TouchStar® services	Nonrecurring charge One month's recurring	01/01/01 to 12/31/01		
BellSouth's Service Territory -From Central Offices where RingMaster® services are available.	RingMaster® services	Nonrecurring charge One month's recurring	01/01/01 to 12/31/01		
BellSouth's Service Territory -From Central Offices where Message Waiting Indication is available.	Message Waiting Indication	Nonrecurring charge One month's recurring	01/01/01 to 12/31/01		
BellSouth's Service Territory -From Central Offices where Voice Mail Companion Services Package is available.	Voice Mail Companion Services Package	One month's recurring	11/16/00 to 02/*28*/01		(C)

Note 1: Customer may elect to participate only once during each promotion

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A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where Caller ID features are available.	Caller ID Deluxe, Enhanced Caller ID, Enhanced Caller ID with Call Management and Caller ID with Call Management and Call Forwarding	Nonrecurring charges and one month's recurring charges	1/23/01 to 12/31/01		(N)
BellSouth's Service Territory'	2000 Key Customer Program -for business customers served from wire centers in competitive situations. ***-Customers with Analog Private Line service are not eligible for this promotion.***	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $150 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $150 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $150 - $1,499.99 13% -An additional reward of 6% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period. ***-40% discount will be given on Rotary Line service for a contract period of 12 months.*** ***-60% discount will be given on Rotary Line service for a contract period of 24 months.*** ***-80% discount will be given on Rotary Line service for a contract period of 36 months.***	***02/01/01*** to ***06/25/01***		(C)

(M)

Note 1: Customer may elect to participate only once during each promotion.

Material previously appearing on this page now appears on page(s) 34.0.3 of this section.

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A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where BellSouth® Centrex service is available.	BellSouth® Centrex service	-Nonrecurring charges for new customers selecting 24 or 36 months contract. -Nonrecurring and one month's recurring charges for new customers selecting 48 months or greater contract. -Three (3) months' recurring charges for Common Equipment for ESSX® and Digital ESSX® converting to BellSouth® Centrex for contracts of a minimum of 36 months.	01/16/01 to 03 31 01		(M)

Note 1: Customer may elect to participate only once during each promotion.

B2. REGULATIONS

B2.7 Special Promotions (Cont'd)

B2.7.1 Regulations (Cont'd)

A. The Company may offer approved special promotions of new or existing services or products for limited periods as approved by the Public Service Commission. These promotions are a temporary waiver of certain recurring and/or nonrecurring charges as stated in paragraph B2.7.2.A. These promotions will be offered on a completely nondiscriminatory basis with each subscriber in the classification of service and area for which the promotion is offered having an equal opportunity for participation.

B2.7.2 Descriptions

A. The following promotions are approved by the Commission:

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory	2000 Key Customer Program -for business customers served from wire centers in competitive situations *-Customers with Analog Private Line service are not eligible for this promotion.*	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $150 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $150 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $150 - $1,499.99 13% -An additional reward of 6% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period. *-40% discount will be given on Rotary Line service for a contract period of 12 months.* *-60% discount will be given on Rotary Line service for a contract period of 24 months.* *-80% discount will be given on Rotary Line service for a contract period of 36 months.*	*02/01/01* to 06/25/01		(C)

® Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions

A2.10.1 Regulations

A. The Company may offer approved special promotions of new or existing services or products for limited periods as approved by the Public Service Commission. These promotions are a temporary waiver of certain recurring, nonrecurring and/or usage charges as stated in paragraph A2.10.2.A. These promotions will be offered on a completely non-discriminatory basis with each subscriber in the classification of service and area for which the promotion is offered having an equal opportunity for participation.

A2.10.2 Descriptions

A. The following promotions are approved by the Commission:

Area of Promotion	Service	Charges Waived	Period	Authority	
~~(DELETED)BellSouth's Service Territory' From Central Offices where Remote Call Forwarding is available~~	~~Remote Call Forwarding~~	~~Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January 1, 2000, for up to ninety days after installation date of business exchange lines.~~	~~01/01/00 to 12/31/00~~		~~(D)(C)~~
BellSouth's Service Territory' -From Central Offices where Custom Calling Services are available	Custom Calling Services	Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January ~~1~~23, 2000~~1~~, for up to ninety days after installation date of business exchange lines.	01.~~01~~-~~00~~23/~~01~~ to 12/31/~~00~~1		(C)
~~(DELETED)BellSouth's Service Territory' From Central Offices where Prestige® Communications Service is available~~	~~Prestige® Communications Service~~	~~Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January 1, 2000, for up to ninety days after installation date of business exchange lines.~~	~~01/01/00 to 12/31/00~~		~~(D)(C)~~
BellSouth's Service Territory' -From Central Offices where TouchStar® Services are available	TouchStar® Services	Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January ~~1~~23, 2000~~1~~, for up to ninety days after installation date of business exchange lines.	01.~~01~~-~~00~~23/~~01~~ to 12/31 ~~00~~1		(C)

Note 1: Customer may elect to participate only once during each promotion.

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A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where RingMaster® Service is available	RingMaster® I, II Service	Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January ~~1~~23, 2000*1*, for up to ninety days after installation date of business exchange lines.	~~01-01-00~~*01/23/01* to 12/31/00*1*		(C)
~~(DELETED)BellSouth's Service Territory -From Central Offices where Rotary Service is available~~	~~Rotary Service~~	~~Service Connection Charges will be waived for customers adding this feature to lines at locations with twenty lines or less, installed after January 1, 2000, for up to ninety days after installation date of business exchange lines.~~	~~01/01/00 to 12/31/00~~		(D)
BellSouth's Service Territory -From Central Offices where Custom Calling services are available.	Custom Calling services	Nonrecurring charge One month's recurring	01/01/01 to 12/31/01		(C)
BellSouth's Service Territory -From Central Offices where TouchStar® services are available.	TouchStar® services	Nonrecurring charge One month's recurring	01 01 01 to 12 31 01		(C)
BellSouth's Service Territory -From Central Offices where RingMaster® services are available.	RingMaster® services	Nonrecurring charge One month's recurring	01/01 01 to 12/31/01		(C)
BellSouth's Service Territory -From Central Offices where Message Waiting Indication is available.	Message Waiting Indication	Nonrecurring charge One month's recurring	01/01/01 to 12 31/01		(C)
BellSouth's Service Territory -From Central Offices where Voice Mail Companion Services Package is available.	Voice Mail Companion Services Package	One month's recurring	11/16/00 to 02/~~15~~*28*/01		(C)

Note 1: Customer may elect to participate only once during each promotion

® Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion ~~(DELETED)~~	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory' -From Central Offices where Caller ID features are available.	Caller ID Deluxe, Enhanced Caller ID, Enhanced Caller ID with Call Management and Caller ID with Call Management and Call Forwarding	Nonrecurring charges and one month's recurring charges	1/23/01 to 12/31/01		(N)
BellSouth's Service Territory'	2000 Key Customer Program -for business customers served from wire centers in competitive situations. *-Customers with Analog Private Line service are not eligible for this promotion.*	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $150 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $150 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $150 - $1,499.99 13% -An additional reward of 6% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period. *-40% discount will be given on Rotary Line service for a contract period of 12 months.* *-60% discount will be given on Rotary Line service for a contract period of 24 months.* *-80% discount will be given on Rotary Line service for a contract period of 36 months.*	~~06/26/00~~*2/01/01* to 06/25/01		(C)

Material previously appearing on this page now appears on page(s) 34.0.3 of this section.

® Registered Service Mark of BellSouth Intellectual Property Corporation

BellSouth's Service Territory -From Central Offices where BellSouth® Centrex service is available.	BellSouth® Centrex service	-Nonrecurring charges for new customers selecting 24 or 36 months contract. -Nonrecurring and one month's recurring charges for new customers selecting 48 months or greater contract. -Three (3) months' recurring charges for Common Equipment for ESSX® and Digital ESSX® converting to BellSouth® Centrex for contracts of a minimum of 36 months.	01/16/01 to 03/31/01	(M)(N)

~~(DELETED)~~ (M)(N)

Note 1: Customer may elect to participate only once during each promotion.

Material previously appearing on this page now appears on page(s) 34.0.3 of this section.

® Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where BellSouth® Centrex service is available.	BellSouth® Centrex service	-Nonrecurring charges for new customers selecting 24 or 36 months contract. -Nonrecurring and one month's recurring charges for new customers selecting 48 months or greater contract. -Three (3) months' recurring charges for Common Equipment for ESSX® and Digital ESSX® converting to BellSouth® Centrex for contracts of a minimum of 36 months.	01/16/01 to 03/31/01		(M)(N)

~~(DELETED)~~ (D)

Note 1: Customer may elect to participate only once during each promotion.

B2. REGULATIONS

B2.7 Special Promotions (Cont'd)

B2.7.1 Regulations (Cont'd)

A. The Company may offer approved special promotions of new or existing services or products for limited periods as approved by the Public Service Commission. These promotions are a temporary waiver of certain recurring and/or nonrecurring charges as stated in paragraph B2.7.2.A. These promotions will be offered on a completely nondiscriminatory basis with each subscriber in the classification of service and area for which the promotion is offered having an equal opportunity for participation.

B2.7.2 Descriptions

A. The following promotions are approved by the Commission:

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory*	2000 Key Customer Program -for business customers served from wire centers in competitive situations. *-Customers with Analog Private Line service are not eligible for this promotion.*	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $150 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $150 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $150 - $1,499.99 13% -An additional reward of 6% will be given on MegaLink* service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period. *-40% discount will be given on Rotary Line service for a contract period of 12 months.* *-60% discount will be given on Rotary Line service for a contract period of 24 months.* *-80% discount will be given on Rotary Line service for a contract period of 36 months.*	~~06/26/00~~*2/01/01* to 06/25/01		(C)(N)
~~(DELETED)~~					(D)

* Registered Service Mark of BellSouth Intellectual Property Corporation

1587

BELLSOUTH

BellSouth Telecommunications, Inc
Suite 400
150 South Monroe Street
Tallahassee, Florida 32301-1556

850 224-7798
Fax 850 224-5073

Marshall M. Criser III
Regulatory Vice President

June 21, 2001

Mr. Dan Hoppe, Director
Division of Regulatory Oversight
Attn: Tariff Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Hoppe:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following is the affected tariff page:

General Subscriber Service Tariff
Section A2 – Second Revised Page 34.0.3

The purpose of this revision is to offer the following promotion for Business customers. Beginning July 6, 2001 through January 5, 2002, the Basic Service Advantage Program will offer up to three separate discounts (depending on the services the customer is using) on the subscriber's bill.

- This program is available to new and existing BellSouth business customers with annual BST account revenue between $35,000 and $150,000.
- Customers must have a minimum of 12 lines per account and have service in the Metropolitan Statistical Areas of Fort Lauderdale, Miami, Jacksonville, Orlando and West Palm Beach.
- Subscribers must sign a 24 or 36-month agreement to participate in the program to receive the discounts specified.
- The discount will appear as a credit in the OC&C section of the subscriber's bill.
- The customer cannot renew their contract when it expires.
- In the event the subscriber terminates the contract, or reduces the number of Flat Rate Lines or Flat Rate Trunks to a level below eighty (80) percent of the number of Lines or Trunks in service at time of enrollment; the subscriber must pay back all the discounts. This reimbursement for the Basic Service Advantage offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section.
- Customers with aggregate annual billing on their account of BellSouth services exceeding $150,000 are not eligible to enroll in this tariff promotion.
- This promotion may not be used concurrently with any other promotions or contracts that affect the services discounted in this promotion, including Volume and Term Agreements, Contract Service Arrangements, Optional Payment Plan for multi-line or Key Customer Promotions.

BellSouth reserves the right to terminate this program at any time; provided, however, that subscribers participating in the program will be grandfathered for the term of their agreement.

Customers' participating in this program will be billed $33.47 per month per Individual Flat Line and $48.23 per Flat Rate Trunk and $5.00 per month per line/trunk for Rotary Line service on a 24-month agreement. Customers' participating in this program will be billed $32.61 per month per Individual Flat Line and $47.00 per Flat Rate Trunk and $0.00 per month per line/trunk for Rotary Line service on a 36-month agreement.

Acknowledgment, date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser III nwc

Regulatory Vice President

Attachments

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority
BellSouth's Service Territory' -From Central Offices where business exchange service is available.	Flat Rate Individual Lines and Trunks, Rotary Line service (business only). For business customers with annual BST account revenue between $35,000 and $150,000. Customers must have a minimum of 12 lines per account and have service in the Metropolitan Statistical Areas of Fort Lauderdale, Miami, Jacksonville, Orlando and West Palm Beach. -This promotion may not be used concurrently with any other promotions or contracts that affect the services discounted in this promotion, including Volume and Term Agreements, Contract Service Arrangements, Optional Payment Plan for multi-line or Key Customer Promotions.	Business subscribers with a 24 month contract will receive the following rates: - Individual Flat Rate Lines at $33.47 per line per month, Flat Rate Trunks at $48.23 per trunk per month and Rotary Line service at $5.00 per line/trunk per month. Business subscribers with a 36 month contract will receive the following rates: - Individual Flat Rate Lines at $32.61 per line per month, Flat Rate Trunks at $47.00 per trunk per month and Rotary Line service at $0.00 per line/trunk per month.	07-06-01 to 01-05-02	
BellSouth's Service Territory' -From Central Offices where business exchange lines are available.	Business Plus® service, flat rate and message lines.	Small business customers billing less than $3,000 per month per account will receive the following when an additional line is added to an existing account and ordered via BellSouth's Small Business web site: -$25 web certificate for one line -$50 web certificate for two lines -$75 web certificate for three lines	05/01/01 to 07/27/01	

Note 1: Customer may elect to participate only once during each promotion.

REQUEST FOR PRODUCTION

REQUEST NO. 5: On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers." In BellSouth's Response, BellSouth states that "..any business customer that is served from a designated wire center and that meets the other eligibility requirements may participate in the program." Please provide samples of each type of marketing (newspapers, television, radio, mailings, bill stuffers, telemarketing, or other) used for the Key Customer Program.

RESPONSE: The following responsive samples are attached:

- Key Customer/Retention Direct Mail
- Key Customer/Retention Print Ad
- Key Customer/Retention-Radio Script
- Reacquisition/Key Customer Direct Mail

REQUEST NO. 6: On page three of BellSouth's response, BellSouth states that "As a result, BellSouth representatives met with members of the Staff on January 17, 2002, and responded to Staff inquiries regarding, among other things, the cost data supporting the discounts set forth and the termination charge provisions of the filing." Please provide the cost data which was presented at the January 17, 2002 meeting with staff.

RESPONSE: Please see the confidential cost study produced in Staff's 1st Request for Production of Documents, Docket No. 020119-TP, Item No. 4.

REQUEST FOR PRODUCTION OF DOCUMENTS

REQUEST NO. 7: In relevant part, BellSouth's response to staff Interrogatory No. 11 states that "no more than 77 of the several thousand customers identified in BellSouth's Response to Staff's First Request for Production of Documents Nos. 1-3 subscribe to services that involve one or more USOCs that are associated with analog private line services. BellSouth is in the process of reviewing the records of each of these customers to determine whether they do, in fact, have analog private line service at the location that is receiving discounts under the 2002 Key Customer Promotion."

Please produce a copy of "the records of each of these customers" that BellSouth is in the process of reviewing.

RESPONSE: BellSouth objects to this Request on the grounds that complying with it would be overly burdensome. As explained in the Supplemental Response to Interrogatory No. 11 that BellSouth filed on May 16, 2002, the review process referenced in this Request revealed that three customer accounts have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion.

Moreover, Florida Statutes §364.24 provides, in part, that a telecommunications company "shall not intentionally disclose customer account records except as authorized by the customer or as necessary for billing purposes, or required by subpoena, court order, other process of court, or as otherwise allowed by law." In light of this statute, and in an abundance of caution, BellSouth respectfully objects to producing any customer records described in this Request in the absence of a "subpoena, court order, or other process of court . . . ."

Without waiving these objections, and in response to a valid subpoena, BellSouth will produce the customer service records associated with the three customer accounts that have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion.

REQUEST NO. 8: If your response to Staff's Fourth Set of Interrogatories No. 15 is greater than zero, please produce a copy of the records for each of these customers. (Cross reference to Staff's Fourth Set of Interrogatories No. 15 is attached herein.)

RESPONSE: Florida Statutes §364.24 provides, in part, that a telecommunications company "shall not intentionally disclose customer account records except as authorized by the customer or as necessary for billing purposes, or required by subpoena, court order, other process of court, or as otherwise allowed by law." In light of this statute, and in an abundance of caution, BellSouth respectfully objects to producing any customer records described in this Request in the absence of a "subpoena, court order, or other process of court . . . ." Without waiving these objections, and in response to a valid subpoena, BellSouth will produce the customer service records associated with any customer accounts that have Analog Private Line Service at a location that is receiving discounts under the 2002 Key Customer Promotion.

The following POD request refers to Proposed Issue No. 5A:

REQUEST: If confirmation letters are sent to customers who have requested that their service be switched from BellSouth to a competitive carrier, please provide a sample copy of that letter.

RESPONSE: Please see attached letter.

ATTACHMENT

POD (9)

BELLSOUTH®

P.O. Box 55288
Atlanta, GA 30308-5288

John A. Sample
123 Any Street
Anytown, ST 12345-6789

Dear Valued BellSouth Customer:

We have received your request to switch your local phone service to another carrier. Because we value you as a customer, we are disappointed that you have selected another provider. However, we have transferred your service, per your request. Your final bill should reflect this change.

If we have received a request to switch your local service that you did not authorize, please notify us immediately so that we can correct the error. You can call us at XXX-XXXX Monday through Saturday from 7 a.m.- 7 p.m. We will be glad to transfer your service back to BellSouth.

We appreciate your business and welcome any opportunity to meet your communications needs in the future.

Best regards,

BellSouth

SAS0XXS

PRODUCTION OF DOCUMENTS

REQUEST NO. 10:

Please provide any and all documents used to support your answer provided in Interrogatory 38.

RESPONSE: BellSouth has no responsive documents.

CONFIDENTIAL

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP
EXHIBIT NO. 4
COMPANY/ F.P.S.C.
WITNESS: Staff Stip/RS Response
DATE: 02/19/03

EXHIBIT NO. _____

DOCKET NOs.: 020119-TP & 020578-TP

WITNESS: Stip-5

PARTY: STAFF

DESCRIPTION: FDN Responses to Staff Interrogatories and Requests for Production of Documents

1.	FDN Responses to Staff's 1st Set of Interrogatories, Items 1-4	Page 1
2.	*FDN Responses to Staff's 2nd Set of Interrogatories*, Items 5-11	Page 4
3.	FDN Responses to Staff's 3rd Set of Interrogatories, Items 12-25	Page 14
4.	FDN Responses to Staff's 4th Set of Interrogatories, Items 26-35	Page 20
5.	FDN Responses to Staff's 5th Set of Interrogatories, Items 36-37	Page 25
6.	FDN Responses to Staff's 1st Request for Production of Documents, Item 1	Page 29
7.	FDN Responses to Staff's 2nd Request for Production of Documents, Items 2-4	Page 30

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP
EXHIBIT NO. 5
COMPANY/ WITNESS: Staff's Stip | F.D.N. Responses
DATE: 02/19/03

PROFFERING PARTY: STAFF

I.D. #_____

1. **Page 6, paragraph 18 of FDN's Petition states that "FDN and other ALECs have suffered, and will continue to suffer irreparable competitive harm if BellSouth's promotional tariffs remain in effect." Please identify the number of FDN customers located within BellSouth's franchised area that have left FDN since the effective date of BellSouth's 2002 Key Customer tariff?**

For purposes of this question, it is assumed that January 31, 2002, is the effective date of the 2002 Key Customer tariff. FDN estimates that approximately 228 customers located in BellSouth's legacy ILEC territory have left FDN service from January 31, 2002, through the end of February 2002.

Answer provided by: Mike Gallagher, CEO, FDN.

2. **For each FDN customer located within BellSouth's franchised area that has left FDN since the effective date of BellSouth's 2002 Key Customer tariff, please provide a listing by type and quantity of all services purchased from FDN at the time the customer left.**

For purposes of this question also it is assumed that January 31, 2002, is the effective date of the 2002 Key Customer tariff. FDN estimates that approximately 228 customers located in BellSouth's legacy ILEC territory have left FDN service from January 31, 2002, through the end of February 2002. These customers purchased some 624 analog voice lines. Most of FDN's customers, approximately 96%, purchase intraLATA and long distance services from FDN in addition to local exchange services. FDN offers other features and services to customers, and approximately 43% of FDN's customers purchase hunting services (multi-line referred to as "rotary" service by BellSouth), 68% purchase a custom calling service (such as call waiting, 3-way calling and call forwarding), and 25% purchase a voice messaging service.

Answer provided by: Mike Gallagher, CEO, FDN.

3. **For the period January 1, 2002 through January 30, 2002, please identify the number of customers purchasing FDN's service for the first time, who are located within BellSouth's franchised area that would have met the criteria in BellSouth's 2002 Key Customer tariff.**

FDN estimates that approximately 796 customers, representing about 3,106 lines, switched to FDN service during the period identified. FDN believes all of these lines are served from the 129 "Hot Wire Centers" identified in the 2002 Key Customer tariff. BellSouth's prior iteration of the 2002 Key Customer tariff referred to "business customers served from wire centers in competitive situations." The tariff documents do not explain how or if these wire centers differ from the "Hot Wire Centers." The "Hot Wire Centers" listed in the BellSouth tariff represent all of the significant urban areas in BellSouth's Florida footprint where a market for business customers exists. The new FDN customers added in January 2002, referenced above, are eligible for the 2002 Key Customer promotion, assuming any other applicable criteria are met.

Answer provided by: Mike Gallagher, CEO, FDN

4. **For the period January 31, 2002 through February 28, 2002, please identify the number of "new" FDN customers located within BellSouth's franchised area that meet the criteria in BellSouth's 2002 Key Customer tariff.**

FDN estimates that approximately 1695 customers, representing about 6,609 lines, switched to FDN service during the period identified. Many of these lines came from failing ALECs to FDN. FDN believes all of these lines are served from the 129 "Hot Wire Centers" identified in the 2002 Key Customer tariff. BellSouth's prior iteration of the 2002 Key Customer tariff referred to "business customers served from wire centers in competitive situations." The tariff documents do not explain how or if these wire centers differ from the "Hot Wire Centers." The "Hot Wire Centers" listed in the BellSouth tariff represent all of the significant urban areas in BellSouth's Florida footprint where a market for business customers exists. The new FDN customers added in February 2002, referenced above, are eligible for the 2002 Key Customer promotion, assuming any other applicable criteria are met.

Answer provided by: Mike Gallagher, CEO, FDN

Interrogatory No. 5. On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers."

a) **Please list specific examples showing that BellSouth's 2002 Key Customer Program is causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers.**

See the affidavit attached as "Exhibit H" to FDN's Petition. As stated in the affidavit and in the Petition: ALECs compete with BellSouth largely on the basis of price, the prices that FDN can offer and still remain viable are about 20% below BellSouth prices, and BellSouth's Key Customer prices undercut FDN's prices. Whenever a dominant market provider or a monopoly, such as BellSouth, offers substantially reduced prices exclusively to its competitors' existing and potential customers, it should be self-evident that such conduct will cause substantial and irreparable harm to the dominant provider's competitors and, by extension, to the consumers of those services. Such conduct is particularly anticompetitive when the reduced prices are coupled with the dominant provider's increasing rates to captive customers, as BellSouth has done.

An entity with controlling market share that moves to destroy competitors through price reductions claims that consumers, not the competitors, benefit from its lower prices; but as competition is weakened, the dominant provider is free to restore higher prices, and that does not benefit consumers. Florida's ALECs have and will continue to lose customers to the BellSouth monopoly because of BellSouth's anticompetitive pricing and marketing practices; and Florida's consumers will inevitably bear the brunt of those BellSouth's practices.

To understand the irreparable harm FDN has alleged, the Commission must understand the impact of losing customers on a small ALEC. Competition in Florida is in a nascent state critical to its future. If BellSouth loses a 100 line customer, that loss does not have an impact on BellSouth because that customer represents an infinitesimal portion of its total business and, assuming the departing customer ports from BellSouth to an ALEC, BellSouth is likely to gain revenue from wholesale services the ALEC requires to serve that customer. By

contrast, when a small ALEC loses a 100-line customer, it has a tremendous impact on the ALEC's bottom line. The retail revenue from that customer is forever lost and is not replaced with any wholesale revenue.

From a modeling perspective, an ALEC like FDN provides service to the community at rates approximately 20% less that BellSouth. The ALEC must pay BellSouth an installation fee of 3 times the monthly charge to the customer in order to move the customer from BellSouth to ALEC services (and that fee represents only part of the ALEC's total acquisition cost). And the ALEC must then pay a continuing monthly fee to BellSouth to provide services. Upon completing a conversion, the ALEC has successfully reduced the consumer's telecommunication costs and increased the BellSouth revenues. However, after acquiring the customer and enhancing BellSouth revenues, BellSouth via the 2002 Key Customer Program descends upon the customer and offers a discount from BellSouth's original rates (a rate which the ALEC reduced by 20%) enticing the customer to rejoin BellSouth. If BellSouth is successful, the ALEC has now lost a customer for which costs have been occurred (and un-recovered) causing great financial harm to the ALEC. The pain (and irony) continues in that BellSouth will bill the ALEC a fee equal to 1.5 times the monthly charge to disconnect the services the ALEC originally purchased from BellSouth.

The ALEC provides a great service to the consuming public by reducing for the customer the rates that BellSouth had been charging, the ALEC enhances BellSouth operations via installation and (ultimately) disconnection charges, along with the continued monthly wholesale charges in the place of BellSouth's customer charges. And yet, for this service, the ALEC is left without revenue or a customer as a result of BellSouth's promotions.

The Commission should also note that the penalty a customer must pay to leave a Key Customer program increases over time since that penalty consists of the aggregate rebates the customer has received from BellSouth. The ALECs' cost of acquiring a customer is significant. Thus, once a customer is lured away from an ALEC, the customer has a financial disincentive from leaving BellSouth – a disincentive that becomes greater with time -- and the ALEC would incur significant and redundant costs to even attempt to lure the customer back. Thus, once a customer signs a promotional contract with BellSouth it is highly unlikely that an ALEC could get the customer back. These factors contribute to the anticompetitive environment BellSouth has fostered with its promotional prices and the irreparable harm FDN and other ALECs suffer.

Not only do ALECs lose existing customers to BellSouth's anticompetitive discounts, but the discounts are promoted to customers who could leave BellSouth for an ALEC, which negatively impacts the total pool of future customers the ALECs can sell to. Investors are being asked to put capital at risk in competitive telecommunications ventures in Florida knowing that the BellSouth monopoly can offer discounted prices at or below its smaller competitors' prices and push the competitors out of the market. Investors look to growth potential, and growth is jeopardized by anticompetitive conduct of a provider like BellSouth. Moreover, the markets can be indifferent if a small telecommunications competitor has experienced growth in the past if that continued growth is jeopardized by a monopolist's promotions, is not what it otherwise would be but for those promotions, and if the growth has come at the expense of other providers that have failed.

Individual cases where FDN has lost a customer or a prospective customer because of BellSouth's promotional pricing and marketing practices may illustrate the type of harm FDN experiences repeatedly and continuously since BellSouth implemented the promotional pricing and marketing complained of in the Petition. However, it is critical for the Commission to bear in mind that BellSouth does not inform FDN that it has offered a customer or potential customer a promotional discount. The customer does not necessarily inform FDN that BellSouth has offered the customer a promotional discount. Occasionally, a customer states that BellSouth offered a promotion. It is reasonable to conclude that the customers who do tell ALECs that BellSouth offered a discount are a small fraction of the total customers to whom BellSouth has offered the discounts. BellSouth knows to whom it has offered discounts and BellSouth knows who has taken the discounts.

Further, irreparable harm, such as alleged by FDN's in its Petition is, by nature, continuous and not readily measured by pecuniary standards or adequately compensated by money damages. FDN has not catalogued customer and potential customer losses to arrive at a dollar amount of loss. FDN has not requested money damages. FDN has requested that the Commission stop BellSouth's promotions pending an investigation. The harm should be self-evident. FDN has and will suffer the same sort of irreparable harm that the Commission found on the face of the pleadings to be sufficient reason to suspend the effectiveness of the promotional tariff in the Arrow Communications v. BellSouth case in 1999.

In the way of anecdotal evidence, FDN notes the following. In the recent case of a partial port for a Jupiter customer, where all lines but a line with BellSouth

ADSL on it were set to port to FDN, the customer reported calling the BellSouth business office on January 7, 2002, and was told that the ADSL line would be disconnected. The customer was then transferred from that representative to Bellsouth's winback group. The winback representative gave the customer a phone number to call in case the ADSL was disconnected. That phone number, 888-201-2056, is the BellSouth Winback Center number. A few days after the first contact, the customer reported that a representative called her from BellSouth's winback center and that individual faxed a discount proposal.

Two customers in Miami reported similar stories in February. The customers called the BellSouth business office to have ADSL moved/removed from the main billing telephone number. In both cases, the customers were offered Key Customer discounts during the call.

A customer in Hollywood who had already signed with FDN called BellSouth on October 2, 2001, to lift the local and PIC freezes on his account. The BellSouth representative requested the customer's tax ID and other information and advised the customer of a $1.34 per line charge to lift the PIC freeze. The BellSouth representative then proceeded to attempt to win the customer back with an offer of a lower rate. After the customer declined, the BellSouth representative said the freeze would be lifted October 4.

FDN's sales force confronts customers who have been offered BellSouth winback discounts on a daily basis. A BellSouth customer in Orlando that an FDN sales representative attempted to sell during a personal visit on Monday, March 25, 2002, reported that he was with another ALEC before switching back to BellSouth. The customer had signed a BellSouth winback deal and had no interest in services from FDN. The same thing happened when an FDN sales representative visited another Orlando business once served by an ALEC in bankruptcy. The customer was direct marketed by BellSouth to sign up for the 2002 Key Customer promotion. The customer was well aware of the penalty provisions of the Key Customer agreement and was unwilling to back out of the deal even though it had just been signed.

Additional anecdotal information may be available on request.

Please see also the answer to Interrogatory No. 10(b).

Answered by: Mike Gallagher, FDN, CEO.

b) Does FDN have a "winback" or promotional program targeted to customers FDN has lost to BellSouth or another ALEC?

No, FDN does not have a "winback" or promotional program for such customers. As stated above, the penalty a customer must pay to leave BellSouth's Key Customer program increases over time because the penalty is the aggregate of rebates the customer has received over time. A customer who signed a 3-year Key Customer deal who wants to depart early would owe BellSouth 25% of the customer's monthly bills plus the hunting charges for every month of service since signing the Bell contract. On the other side of the equation, FDN's cost of acquiring a customer is significant. Thus, once a customer is lured away from FDN, the customer has a tremendous financial disincentive to leave BellSouth – a disincentive that increases over time -- and FDN would incur significant and redundant costs to even attempt to lure the customer back. Accordingly, ALEC winbacks would be very uncommon.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 6. On page 4, paragraph 11 of FDN's petition, FDN states "Upon information and belief, BellSouth does not generally market and promote the Key Customer programs to all eligible business customers." Please furnish the information relied upon to conclude that BellSouth does not generally market and promote the Key Customer programs to all eligible business customers.

The 2002 Key Customer promotion is a winback program. Existing ALEC customers are eligible, and so are all BellSouth customers served from wire centers in competitive situations, so-called "Hot Wire Centers." BellSouth witness Cox admitted on the record during the 271 hearing that BellSouth compiles a list of customers who left BellSouth to target for its winback programs.

That begs the question: Does BellSouth make direct sales contact with all of its own existing business customers served from Hot Wire Centers to offer those customers the 2002 Key Customer discounts?

FDN believes that the answer is that BellSouth does not. Rather, BellSouth, through telemarketing and other direct sales channels, offers promotional discounts just to customers on a list of former BellSouth customers. Further, based on information provided to FDN by a few customers, BellSouth has in the past, for example: (a) offered customers promotional discounts when customers called BellSouth to remove or move ADSL, and (b) offered customers promotional discounts when customers called BellSouth to lift a local service freeze. Even if these cases were rare or isolated, such conduct should be prohibited because it is blatantly anticompetitive for BellSouth to sell promotions to customers who have contacted BellSouth to make arrangements for a carrier change.

Attached hereto as Appendix Int. 6-A is an example of a BellSouth newspaper advertisement which clearly targets customers of "other" providers with "other savings offers" and does not call on all existing BellSouth customers to sign up because BellSouth has "something missing – like reliable service."

Attached hereto as Appendix Int. 6-B is a copy of a recent direct mail advertisement sent to certain customers of an ALEC, inviting those customers to "Come back to BellSouth" and "Save **at least** 25%." It is doubtful BellSouth whether has sent any direct mail ads like this one to all of BellSouth's own promotion-eligible customers.

As stated in the answer to the prior interrogatory, BellSouth knows how, to whom and when it markets its promotions. Therefore, BellSouth can and should identify what its actual practices are. See also answer to Interrogatory No. 5(a).

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 7. On page 4, paragraph 11 of FDN's petition, FDN states "BellSouth targets markets and promotes the Key Customer program only to business customers who have taken some action to initiate a change of carrier from BellSouth to an ALEC." Please provide specific examples where BellSouth has used the Key Customer program to target business customers who have taken some action to initiate a change of carrier from BellSouth to an ALEC.

See answer to Interrogatory No. 5(a) and 6.

Answer provided by: Mike Gallagher, FDN, CEO.

Interrogatory No. 8. On page 5, paragraph 13 of FDN's petition, FDN states "To take advantage of BellSouth's promotional pricing, subscribers must accept a "poison pill" condition that makes it extremely costly for them to later change carriers. Subscribers that sign up to receive promotional discounts, but leave BellSouth service before expiration of the contract term must reimburse BellSouth for all discounts received and pay any applicable termination charges." Does FDN have contracts with its business customers? If so, what is the life of the contracts? Are any incentives tied to the length of FDN's contracts? If so, list the different types of incentives that can be included in FDN's contracts.

It is not valid to compare the contract terms of an ALEC to the contract terms of BellSouth for purposes of this case. BellSouth is the dominant-monopoly provider in its legacy ILEC territory in Florida. BellSouth has 90% plus market share, and it is BellSouth's conduct that is the issue in this case. Not only does BellSouth undercut its competitor's prices on a selective basis, but it is effectively preventing the competitors from ever regaining those customers because the penalty customers must pay BellSouth to leave is substantial, as explained in prior responses.

FDN has agreements with customers ranging from month-to-month arrangements to 3-year terms. Generally, FDN's standard incentive for the customer to accept a longer term is a larger discount. FDN has one rate for month-to-month and one-year agreements and

increasing discounts for longer terms. Basically, there is an additional 2% discount for a two-year term and an additional 5% discount for a three-year term.

Answer provided by: Mike Gallagher, FDN, CEO.

Interrogatory No. 9. On page 6, paragraph 16, of FDN's petition, FDN states that BellSouth targets customers that intend to leave BellSouth. Please provide specific examples of instances where BellSouth has targeted a customer that intended to leave BellSouth.

See answer to Interrogatories 5(a), 6 and 7.

Answer provided by: Mike Gallagher, FDN, CEO.

Interrogatory No. 10. On page 6, paragraph 18, FDN states that "FDN and other ALECs have suffered and will continue to suffer irreparable competitive harm if BellSouth's promotional tariffs remain in effect."

a) Please describe the alleged irreparable harm suffered by FDN, and any damage you believe has been suffered by FDN because of the Key Customer tariffs.

See answer to Interrogatory No. 5 (a) and the Petition.

Answer provided by: Mike Gallagher, FDN, CEO.

b) How many customers has FDN lost due to BellSouth's 2002 promotional tariff?

This question cannot be answered with precision. Over 90% of customers that leave FDN service go back to the ILEC rather than port to an ALEC. Every customer that leaves FDN service to return to BellSouth appears to be eligible for the Key Customer discount because all of those customers are served from Hot Wire Centers. Further, all FDN prospective customers are served from Hot Wire Centers, and may be eligible for BellSouth's 2002 Key Customer promotion. BellSouth will have information regarding every customer who signed on to a Key Customer promotion.

Answer provided by: Mike Gallagher, FDN, CEO.

Interrogatory No. 11. On page 9, paragraph 25, FDN states that "Under BellSouth's Key Customer promotion, the Florida ALECs' ability to compete will evaporate since BellSouth offers exclusively to the competitors' customers rates that are virtually the same as its competitors' rates, and lower than an ALEC reseller's wholesale cost." On page 8 of BellSouth's response, BellSouth states that if an ALEC reseller elected to resell the promotion to one of its own end users, that ALEC reseller would pay BellSouth the tariffed rates for the services ordered, less the discounts provided by the 2002 Key Customer Program, *less* the 16.81% resale discount. An ALEC reseller, therefore, always will pay less under the promotion than a BellSouth end user will pay under the promotion." Do you agree that an ALEC reseller will always pay less under the promotion than a BellSouth end user will pay under the promotion?

Not necessarily, since it is unclear how the resale terms would operate for every service and scenario, including, for example, cases where the early termination penalty is applied. In a theoretical realm for resale, an ALEC reseller pays the ILEC less for the resold services than the customer would pay as a direct customer of the ILEC. However, reselling BellSouth promotions only promotes the pitfalls addressed in the Petition. Resale is a nonviable and unfinanciable business model – the margins do not change if an ALEC is reselling a promotional rate rather than a regular rate. Moreover, forcing ALECs to accept resold promotions as their only way to compete against ILEC anticompetitive pricing will cause ALECs to abandon facilities-based competition in favor of the losing proposition of resale. This simply does not make good policy sense. ALECs should not be bound to the ILECs' rules and beholden to the ILEC's definition of the market.

Further, it stands to reason that if the promotions themselves are unreasonable and discriminatory (or otherwise illegal), the resale of the promotions may be likewise.

Answer provided by: Mike Gallagher, CEO, FDN

FPSC Docket No. 020119 & 020578
FDN Responses to FPSC Staff
Third Set of Interrogatories
October 7, 2002

The following interrogatories refer to proposed Issue No. 3A:

Interrogatory No. 12. What does FDN believe are the benefits, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to the customer?

Assuming a Key Customer tariff of the type currently in effect, assuming that BellSouth's rates do not increase above a certain level during the term of the Key Customer contract, and assuming no new/other fees or charges are imposed (such as early termination charges), a customer with a Key Customer contract may receive a lower total bill for services covered by the tariff than a similarly situated BellSouth customer without a Key Customer contract. As explained in FDN's Petition and its prior discovery responses, however, such potential benefits will not last and may indeed be reversed if BellSouth is permitted to suppress competition through its so-called promotional discounts, since the discounts presage higher prices later.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 13. What does FDN believe are the benefits, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to BellSouth?

See FDN's original Petition and prior discovery responses. If the Commission does nothing to limit and restrict BellSouth's so-called promotional discounts, the Commission effectively abdicates its authority and its obligation to promote competition for telecommunications services and instead permits BellSouth to use its monopoly market power to stagnate competition, to peg competition where and how BellSouth desires.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 14. What does FDN believe are the detrimental effects, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to the customer?

Customers that cannot subscribe to a Key Customer contract (such as BellSouth's residential customers) suffer ill effects from BellSouth's so-called promotion discounts because those customers' rates and bills are higher. Customers that do sign Key Customer contracts are subject to rate increases (since the percentage discount is applied to the total bill) and subject to significant early termination charges which impede the customers' ability to migrate to other providers even if those other providers offer more desirable pricing, products or services. Further, as BellSouth's so-called promotional discounts continue unabated and cause competitors to lose business and to fail, the customer will have fewer or no competitive choices when the customer wishes to leave BellSouth. Further, as noted above, lower bills from BellSouth now presage higher prices later.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 15. What does FDN believe are the detrimental effects, if any, of an 18, 24, or 36 month BellSouth Key Customer Program contract to BellSouth?

The answer to this question may depend on information not yet known or available to FDN.

However, given that BellSouth has continued to offer Key Customer contracts, it would appear at least that BellSouth does not think that there is detrimental effect enough to deter BellSouth from offering Key Customer contracts. As stated in FDN's original Petition and prior discovery responses, BellSouth's so-called promotional discounts permit BellSouth to peg competition where and how it desires. BellSouth's CFO recently boasted that BellSouth has won back 2 of every 3 customers it loses to competitors. Once those customers go back to BellSouth, they are unlikely to return to competitors, at least while under the Key Customer contract. Further, BellSouth has increased rates to captive customers, which can offset any revenue losses from its so-called promotions.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 16. If successive like-kind promotional offerings are offered to a customer, does that promotion in essence become a permanent discount for the customer? (For example, a customer signs a 36-month Key Customer contract. Upon expiration of that contract, another 36-month like-kind contract is signed.)

Yes, successive like-kind promotions may become in essence permanent discounts to the customer. Such would certainly serve to heighten the anticompetitive effect of BellSouth's already anticompetitive conduct.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 17. Are 18, 24, and 36 month promotional contracts anti-competitive? Please explain why, or why not.

Whether such contracts are anticompetitive depends on the context in which they may be offered.

As explained in FDN's original Petition and prior discovery responses, in this case, where BellSouth holds over 90% market share, offers discounts of up to 40% on a discriminatory basis to ALEC and potential ALEC customers, and structures its contracts such that it is extremely difficult for customer to migrate to competitors, while increasing rates to captive customers, there is no question that BellSouth's conduct is anticompetitive.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 18. Does FDN use promotional contracts? If so, please list the durations of the promotional contracts, and the associated discounts of these contracts.

See FDN's answers to Interrogatories 5(b) and 8 from Staff's Second Set.

FDN bases standard pricing for basic local service to business customers on the term of the agreement signed. Standard 1 year term agreement pricing is 5% less than standard month to month pricing, standard 2 year term agreement pricing is 7% less than month to month, and standard 3 year term agreement pricing is 10% less than month to month. FDN does not

consider these promotional offerings, but standard discounts based on length of term. FDN separates markets by LEC serving area (BellSouth, Verizon, Sprint), but does not consider this separation a promotional offering either. An FDN product offered in BellSouth's incumbent territory is a valid offering for the markets FDN serves in BellSouth's incumbent territory, but not necessarily in Verizon territory.

Answered by: Mike Gallagher, FDN, CEO.

The following interrogatories refer to proposed Issue No. 3D:

Interrogatory No. 19. Does FDN target specific markets with promotional offerings? If so, what determines which market is targeted?

See answer to Interrogatory No. 18 above.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 20. Are FDN promotional offerings done on a company-wide basis?

See answer to Interrogatory No. 18 above.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 21. Pursuant to the cost standard identified in Sections 364.051(5) and 364.3381, Florida Statutes, how should the term "service" be defined? Please include in your response how this definition should be applied in the context of the Commission's consideration in Docket Nos. 020119-TP and 020578-TP.

FDN does not anticipate at this time that it will produce a testifying witness to render an expert legal opinion on the question asked in this interrogatory.

The term "service" is not, in and of itself, defined in either of the sections referenced in the question. However, "nonbasic service" is defined in Section 364.02(8), and "basic local telecommunications service" is defined in Section 364.02(2). FDN's position is that any definition of "service" must be consistent with the Legislature's intent, the subsidization standard

the Commission applies in this case should be as stringent as possible to protect competitors from the market power of incumbents, and ILECs like BellSouth should not be permitted to discount a nonbasic service such as hunting so as to constitute impermissible subsidization or to constitute anticompetitive behavior (even if a restrictive subsidization standard is not met).

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 22. Pursuant to any other provisions of Section 364, Florida Statutes, should the term "service" be defined in a different manner than as defined in response to Interrogatory 21. Please explain, and include in your response how this definition should be applied in the context of the Commission's consideration in Docket Nos. 020119-TP and 020578-TP.

See FDN's response to the prior interrogatory question. The terms "service" or "services" appear in Chapter 364 over 100 times. FDN's position is that different sections within the same chapter should generally be read to achieve a consistent whole. One would have to consider the factual context of a specific question and the Legislative intent to address this question with any more certainty.

Answered by: Mike Gallagher, FDN, CEO.

For the purposes of Interrogatories 23-25, please assume that FDN offers four telecommunications products identified as "A", "B", "C", and "D". Products "A", "B" and "C" are uniquely identifiable, and each has a unit cost. Products "A", "B" and "C" can function independently of the other. Product "D" is an offering that combines Products "A", "B" and "C" and provides a discount. Please explain all answers in accordance with FDN's stated position in Interrogatories 21 and 22, as though FDN offered the hypothetical products named above.

Interrogatory No. 23. Is Product "D" one "service" or three "services"? (Products "A", "B" and "C") Please explain your answer in accordance with FDN's stated position in Interrogatories 21 and 22 as though FDN offered the hypothetical products named above.

See FDN's answers to the above two interrogatories. Further, Section 364.051(5) and the pertinent provisions of Section 364.3381, referenced in Interrogatories Nos. 21 and 22, apply

only to ILECs. The premise of the instant question is that FDN offers the services referenced, and FDN is not an ILEC.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 24. If product "D" is one "service", would the cost of product "D" be the sum of the unit costs for products "A", "B" and "C"? Please explain your answer in accordance with FDN's stated position in Interrogatories 21 and 22, as though FDN offered the hypothetical products named above.

See FDN's answer to Interrogatory No. 23.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 25. If the answer to Interrogatory 25 is negative, please explain how the cost for the product "D" would be determined? Please explain your answer in accordance with FDN's stated position in Interrogatories 21 and 22, as though FDN offered the hypothetical products named above.

See FDN's answer to Interrogatory No. 23.

Answered by: Mike Gallagher, FDN, CEO.

FPSC Docket No. 020119 & 020578
FDN Responses to FPSC Staff
Fourth Set of Interrogatories
October 22, 2002

Interrogatories 26-28 refer to Issue 1.

Interrogatory No. 26. What is the appropriate cost standard to use for determining whether or not a company is engaging in predatory pricing? Please explain your answer.

FDN does not anticipate at this time that it will produce a testifying witness to render an expert legal opinion on the definition of "predatory pricing."

Referenced in section 364.3381(3), "predatory pricing" is not defined in chapter 364, Florida Statutes, but appears to be a subset of anticompetitive pricing or behavior. See also FDN's Answer to Staff Interrogatory No. 21. FDN has not otherwise formulated a position on this question at this time.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 27. In FDN's Petition for Formal Proceeding and Protest of Order No. PSC-02-0875-PAA-TP, FDN requests the Commission to bar BellSouth from offering winback discounts until competitors have at least a 40% market share in BellSouth's Florida Territory. Please explain how the 40% was derived.

The referenced Petition for Formal Proceeding mentions 40% just as a simple indicator of diminished market power. FDN acknowledges the Herfindahl-Hirschmann Index as another measure of market power.

The point that the Commission must recognize is that as long as BellSouth continues to have market power, the type of price discounts BellSouth offers to ALEC customers and potential ALEC customers will have an anticompetitive effect. If BellSouth's market power is diminished, the anticompetitive effects of its discounts may be diminished. See also FDN's prefiled testimony.

Other than as may be attached to its prefiled testimony, FDN does not at this time have documents from which a 40% market share figure is derived. FDN may later develop additional

rationale and obtain or develop documents supporting a market power test that FDN may introduce as evidence in this case. At that time, such documentation may be provided to staff.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 28. Please define anti-competitive pricing.

Although not necessarily an exhaustive list, anticompetitive pricing may occur where (1) a carrier with dominant market power has offered discounted prices only to competitors' customers, (2) a dominant provider's discounted prices unfairly undercut the prices the competitors could offer (as may be evidenced by comparing the wholesale prices the dominant provider charges to the competitors), or (3) a dominant provider unfairly decreases prices to customers subject to competition but increases prices to captive customers and/or charges above competitive prices for other services. Depending on the context of a given case, anticompetitive pricing could exist if one or more of the above conditions existed. In this case, all three of these conditions appear to exist.

Answer provided by: Mike Gallagher, FDN, CEO.

Interrogatories 29-32 refer to Issue 2.

Interrogatory No. 29. What is the appropriate economic model that supports the idea that BellSouth's Key Customer promotional discounts are anti-competitive? Please explain your answer.

See FDN's Petition to Investigate filed February 14, 2002, FDN's prefiled testimony, and FDN's previous discovery responses. Please advise if additional information is required.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 30. What is the appropriate Florida Statute(s) that supports the position that BellSouth's Key Customer promotional discounts are anti-competitive? Please explain your answer.

In its prefiled direct testimony, FDN does not offer expert legal opinion on the applicability of specific statutory provisions, but FDN's Petition to Investigate filed February 14, 2002, refers to Sections 364.3381(3); 364.01(4)(a), (c) and (g); 364.051(5), 364.08, 364.09, and 364.10, Florida Statutes See also FDN's prefiled testimony.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 31. Is price discrimination a beneficial strategy for an ALEC? Please explain your answer.

ALEC pricing strategies are not relevant to the subject matter of this case – BellSouth's pricing practices are the focus of this case. Even so, the answer depends on a number of factors not incorporated into the question, such as the definition of discrimination, the degree of the discrimination, the balance of market power where the alleged discrimination takes place, and the ability of the carrier to address the practical effects of discrimination.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 32. What factors prevent your company from responding to or competing with BellSouth's promotional offerings in the Hot Wire Centers identified in the dockets of this proceeding? Please explain your answer.

Please see FDN's responses to Staff's Second Set of Interrogatories (Interrogatory No. 5) and FDN's prefiled testimony.

Answer provided by: Mike Gallagher, FDN, CEO.

Interrogatories 33 and 34 refer to Issues 3A & 3B.

Interrogatory No. 33. Should BellSouth be allowed to offer promotional tariff offerings? If so, what should be the basic conditions or restrictions on the following:

specific discounts allowable.
geographic targeting.
class of customer.
terms and conditions of an offering.

See FDN's prefiled testimony for FDN's proposed position on the above items.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 34. Are BellSouth's Key Customer tariff offerings detrimental to local phone competition in Florida? Please explain your answer.

Yes, for all the reasons stated in FDN's Petition to Investigate, filed February 14, 2002, and its prior discovery responses, and as stated in FDN's prefiled testimony.

To argue, as BellSouth has, that competition is supposed to benefit consumers and not competitors is simple misdirection in this case. Monopolists dating back to the early 1900's surely asserted the same when justifying attempts to price their competitors out of business. The Commission must see that without viable competitors, there simply will be no competitive choices for Florida's consumers. The Commission had a statutory duty to protect the health of the market as a whole, to protect the public interest. The fact of the matter is that BellSouth holds incredible market power in Florida today, and competitors are still in a vulnerable state of infancy. Like milk to a baby, growth is vital to the competitors. Permitting BellSouth to use its market power to unfairly manipulate growth – to slow it, deny it altogether, or to even take away prior gains at will – damages both the inherently strong and weak competitors and is definitely detrimental to local phone competition.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory 35 refers to Issue 3A.

Interrogatory No. 35. What factors do FCCA members utilize or consider when setting the termination liability conditions in end user contracts? Please include in your response how these factors should be considered in the context of the Commission's consideration of the Key Customer Dockets of this proceeding.

This question presupposes that FDN knows how FCCA members formulate termination liability provisions, but FDN does not have direct knowledge of such, nor is FDN currently a member of the FCCA. However, termination liability provisions typically factor in unrecovered costs and anticipated revenues and may be tempered by market-driven incentives.

Answered by: Mike Gallagher, FDN, CEO.

Interrogatory No. 36. At page 7, lines 7-10, of Michael P. Gallagher's direct testimony, he states:

> **"However, if after the ALEC acquires a customer, BellSouth via the 2002 Key Customer Program descends upon the customer and offers a steep 40% discount from BellSouth's original rates, BellSouth may entice the customer to rejoin BellSouth. If BellSouth is successful, the ALEC has now lost a customer for which costs have been incurred (costs largely not recovered), causing significant financial harm to the ALEC. But the pain and irony continue in that BellSouth will bill the ALEC a fee equal to 1.5 times the monthly charge to disconnect the customer's service even though the ALEC submitted no order for and played no part in the disconnection."**

A. Please explain how the 40% discount was arrived at when the maximum allowable discount in the January tariff is 25%.

It is factually inaccurate to say the maximum allowable discount is 25% under the January tariff. As explained during the presentations FDN has made to the Commission, the discount is an effective 40% discount because BellSouth offers 100% off hunting (i.e. free hunting) in addition to 25% off other total billed revenue. Hunting is a $10 per line feature. So, for example, for a typical small business customer with 5 lines, hunting on those lines, and a $30 per line rate, BellSouth would discount what would normally be a $200 bill ((5 x $30) + (5 x $10)) to a roughly $112.50 bill ((5 x $30 x 0.75) + 0). That amounts to more than a 40% discount.

Answered by: Mike Gallagher, FDN, CEO

B. Does FDN include cancellation penalties in its contracts? If so, does it include costs, which have been incurred (costs largely not recovered)? Please explain your answer.

FDN's tariffed early termination liability was provided in response to BellSouth's Interrogatory No. 5/Document Request No. 5. Putting aside the question of how a small company like FDN can or could arrive at a precise calculation of unrecovered costs on a per customer basis, one must consider other issues ALECs like FDN face regarding termination liability. Because of their relative newness in the market place, among other

factors, ALECs cannot set termination liability so high that prospective customers will shy away from the ALEC's services. Realistically, ALECs cannot peg early termination liability at the level of the ALEC's unrecovered costs and ever hope to successfully market their services. Further, the prospect of ALECs actually collecting early termination liability charges from customers who no longer receive ALEC services presents another set of problems. ALECs like FDN experience difficulty in collecting early termination fees, since many departed customers simply ignore the payment obligation, and collections prove to be problematic.

C. Does FDN recoup BellSouth disconnect fees? If so, how?

If the question is asking whether FDN has collected from customers leaving FDN service as a line-item charge the disconnect fee BellSouth has charged FDN, the answer is "No." FDN acknowledges that it may have the right to do so; however, see the answer to the foregoing subpart to this interrogatory regarding the impracticality of doing so. More importantly, however, consider the equities of the situation. BellSouth has wrested the customer away from the ALEC (depriving the ALEC of revenue altogether while BellSouth had enjoyed wholesale revenue when the customer was in ALEC service), and BellSouth then turns around and waives its retail connection charges to that customer under the Key Customer tariff. It is bad enough that BellSouth charges ALECs a disconnect fee for the privilege of taking the ALEC customers away, but to also expect that ALECs would then bill the customer for BellSouth's benefit is simply unfair. BellSouth should absorb any disconnect fee/cost since BellSouth has the benefit of the customer, caused the cost to be incurred, and then even waived its retail connection charges.

D. Please provide a further explanation of the "fee equal to 1.5 times the monthly charge to disconnect the customer's service even though the ALEC submitted no order for and played no part in the disconnection."

Per the Commission's Order No. PSC-01-2051-FOF-TP, issued October 18, 2001, a zone 1, SL-1 VG loop has an monthly recurring charge (MRC) of $12.79 and a disconnect-only fee of $25.62 for first and $6.57 for additional, and a zone 1 SL-2 VG loop has an MRC of $14.50 and a disconnect-only fee of $63.53 for first and $12.01 for additional. Per Commission Order No. PSC-02-1311-FOF-TP, issued September 27, 2002, the Commission changed the zone 1, SL-1 VG loop MRC to $10.69 and the zone 1 SL-2 VG loop MRC to $12.24, but left the disconnect-only fee as is.

FDN generalized in its testimony and acknowledges that whether the disconnect fee will be 1.5 times the MRC in a given case depends on the number and type of loops. For the first line, in all cases, the disconnect fee exceeds 1.5 times the MRC. Further, by way of example, a customer with 3 SL-2 loops under current rates, the disconnect fee is more than 2 times the MRC for those lines ($87.55 versus $37.20). In some situations, the total disconnect fee will be at a level closer to the total MRC.

E. Is the disconnect fee addressed in the current BellSouth-FDN interconnection agreement? If so, please identify the Section and Page references.

FDN does not dispute that there is a nonrecurring disconnect fee it its BellSouth interconnection agreement in the rate schedules included in Attachment 2 (UNEs) to the new interconnection agreement filed in FPSC Docket No. 010098. Nor does FDN dispute that the Commission had approved a nonrecurring disconnect fee. The question in this case, however, is when and whether it is fair for that charge to be absorbed by ALECs. FDN maintains that BellSouth should absorb any disconnect costs, as explained above.

Answered by: Mike Gallagher, FDN, CEO

Interrogatory No. 37. At page 20, lines 2-3, of Michael P. Gallagher's direct testimony, he states:

> **"I believe that any permitted discounts must be narrowly designed to meet the competitors' offerings in specific geographies. Thus, for example, if the Commission permits BellSouth to offer a discount of non-basic services in a geographic area (such as an area served by Hot Wire Center) to meet the specific offering of a competitor, the Commission should not permit the BellSouth discount to apply to different locations of the same business entity regardless of geography (such as areas outside Hot Wire Center locations) unless competitors can also make the same multi-location offer. Even so, other businesses located outside the Hot Wire Centers will claim discrimination."**

A. Does FDN offer additional incentives to potential customers located in BellSouth "Hot Wire Centers" that are not offered to potential customers outside of "Hot Wire Centers"? Please explain your answer.

No. Further, as FDN has pointed out previously, virtually every single LSO in which FDN offers services in the BellSouth Florida footprint is in a BellSouth Hot Wire Center.

The Commission must recognize that BellSouth is preying on the geographic limitations of facilities-based competitors by focusing its Key Customer programs on the Hot Wire Centers where facilities-based carriers like FDN operate, rather than offering the same discounts to all customers within the business class. Facilities-based carriers rely on

significant capital investment to provide services. There is not enough available capital for facilities-based ALECs to blanket the state or even one ILEC's footprint. The facilities-based ALEC's focus is in specific geographic pockets. The Commission cannot expect capital expansion from facilities-based ALECs when, once those carriers set up shop in an LSO, the LSO can be designated as a Hot Wire Center, and that investment not earn as needed or desired because of BellSouth's anticompetitive pricing and conduct. By permitting BellSouth's pricing and conduct, the Commission is defeating, not encouraging, facilities-based competition.

B. Please explain with specificity what would prevent FDN from making "the same multi-location offer" that BellSouth makes.

See the answer to the foregoing subpart.

Answered by: Mike Gallagher, FDN, CEO

Document Request No. 1. On page three of FDN's Petition, FDN states that "Through promotional pricing programs offered exclusively to ALEC business customers and potential ALEC business customers, BellSouth has used, and intends to continue to use, its dominant market status to selectively eliminate its business market competitors, causing substantial and irreparable harm to Florida's ALECs and to Florida's consumers." Please provide evidence demonstrating that the 2002 BellSouth Key Customer Program is offered exclusively to ALEC business customers and potential ALEC business customers.

The evidence requested is the 2002 Key Customer tariff itself, the information FDN has provided in response to staff's second set of interrogatories, and information in the possession of BellSouth. As explained in the interrogatory answers, it is BellSouth that has knowledge as to how, when and where it markets its promotions.

It should also be noted that information in the record of the 271 proceeding may be relevant in terms of where ALECs are providing service in BellSouth's territory and how BellSouth markets to ALEC customers.

Document Request No. 2. Please produce any and all documents that you used to support the answer provided in Interrogatory 26.

See FDN's answer to Interrogatory No. 26.

Answered by: Mike Gallagher, FDN, CEO.

Document Request No. 3. Please produce any and all documents that you used to support the answer provided in Interrogatory 27.

See FDN's answer to Interrogatory No. 27.

Answered by: Mike Gallagher, FDN, CEO.

Document Request No. 4. Please produce any and all documents that you used to support the answer provided in Interrogatory 29.

See FDN's answer to Interrogatory No. 29.

Answered by: Mike Gallagher, FDN, CEO.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation Of BellSouth's Promotional Pricing And Marketing Practices by Florida Digital Network, Inc.	}	Docket No. 020119-TP
In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by the Florida Competitive Carrier's Association	}	Docket No. 020578-TP

EXHIBIT MPG-4

FILED WITH THE DIRECT TESTIMONY OF MICHAEL P. GALLAGHER

FILED ON BEHALF OF

FLORIDA DIGITAL NETWORK, INC.

Rulemaking to Amend R. § 26.226 to Address Winback/Retetion Offers by Chapter 58 Electing Companies
Project #25784

List of Questions

1. As to (c) (2) (B), might the appropriate time period be 7, 10, 15, 60 or some other number of days? Please provide a rationale for such time period.

2. As to (c) (2) (C), might the appropriate discount level instead be 10% or some other level? Please provide a rationale for such level of discount. And might the appropriate time period instead be 30, 90, or some other number of days? Please provide a rationale for such time period.

3. Is (c) (2) (D) administratively practical and enforceable? If not, please propose alternative language that places any appropriate restrictions on retention offers.

Last Updated: 05/06/02

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§26.226. Requirements Applicable to Pricing Flexibility for Chapter 58 Electing Companies.

(a) **Application.** This section applies to any electing company as the term is defined in the Public Utility Regulatory Act (PURA) §58.002. Other sections applicable to an electing company, include, but are not limited to §26.211 of this title (relating to Rate-Setting for Services Subject to Significant Competitive Challenges), §26.224 of this title (relating to Requirements Applicable to Basic Network Services for Chapter 58 Electing Companies), §26.225 of this title (relating to *Requirements Applicable to Nonbasic Services for Chapter 58 Electing Companies*) and §26.227 of this title (relating to Procedures Applicable to Nonbasic Services and Pricing Flexibility for Basic and Nonbasic Services for Chapter 58 Electing Companies).

(b) **Purpose.** The purpose of this section is to establish requirements for Chapter 58 electing incumbent local exchange companies (ILECs) to exercise pricing flexibility.

(c) **Pricing flexibility.** An electing ILEC shall exercise pricing flexibility in accordance with this section and §26.227 of this title.

(1) Pricing flexibility includes:
- (A) *customer specific contracts;*
- (B) packaging of services;
- (C) volume, term, and discount pricing;
- (D) zone density pricing, with a zone to be defined as an exchange; and
- (E) other promotional pricing.

(2) A discount or other form of pricing flexibility for a basic or nonbasic service may not be preferential, prejudicial, discriminatory, predatory or anticompetitive.
- (A) A discount or other form of pricing flexibility for a basic or nonbasic service, including packaging of regulated and unregulated services, is presumed not to be discriminatory if it is made available on a system wide basis.
- (B) A discount or other form of pricing flexibility for a basic or nonbasic service, including packaging of regulated and unregulated services, is presumed to be anti-competitive if the eligibility of such discount is limited to a former customer and the discount is offered to a former customer within 30 days after that customer switches to and is receiving service from a CLEC.
- (C) A discount or other form of pricing flexibility, including packaging of regulated and unregulated services, where eligibility of such discount is limited to a former customer, is presumed to be anti-competitive if such discount or pricing flexibility consists of a discount for more than 25% of the recurring charges exceeding 60 days.
- (D) A discount or other form of pricing flexibility, including packaging of regulated and unregulated services, is presumed to be anti-competitive if the eligibility for such discount is only for a customer who is
  - (i) considering changing some or all of their services to a competitor of the electing ILEC or an affiliate of the electing ILEC; and/or
  - (ii) has been contacted by a competitor of the electing ILEC or by an affiliate of the electing ILEC.

(3) This section does not prohibit a volume discount or other discount based on a reasonable business purpose.

(4) Notwithstanding PURA §58.052(b) or PURA, Chapter 60, Subchapter F, *an electing* company may exercise pricing flexibility for basic network services, including the packaging of basic network services with any other regulated or unregulated service or any service of an affiliate.

(5) An electing company may flexibly price a package that includes a basic network service in any manner provided by paragraph (1) of this subsection.

(6) An electing company may use pricing flexibility for a basic or nonbasic service.

(d) **Pricing standards.** An electing company exercising pricing flexibility shall price its offerings pursuant to this subsection.

(1) The electing ILEC shall set the price of a package of services containing basic network services and nonbasic services at any level at or above the lesser of:
  (A) the sum of the long run incremental costs of any basic network services and nonbasic services contained in the package; or
  (B) the sum of tariffed prices of any basic network services contained in the package and the long run incremental costs of nonbasic services contained in the package.
(2) A price that is set at or above the long run incremental cost of a service is presumed not to be a predatory price.
(3) The price of a package that combines regulated products or services with unregulated products or services shall, in addition to the requirements of paragraph (1) of this subsection, recover the cost to the electing company of acquiring and providing the unregulated products or services. In this section, unregulated products or services are products or services provided by an entity that is unaffiliated with the electing company.
(4) The price of a package that combines regulated products or services with the products or services of an affiliate shall, in addition to the requirements of paragraph (1) of this subsection, recover the cost to the electing company of acquiring and providing the affiliate products or services, which shall be greater than or equal to the cost to the affiliate of acquiring and/or providing the products or services. The cost to the electing company of acquiring or providing the affiliate's products or services shall be valued in a manner consistent with FCC requirements and with paragraph (5) of this subsection. A group of products or services that are jointly marketed by an electing company in conjunction with one or more of its affiliates shall be priced in a manner consistent with FCC requirements, if any, and with paragraph (5) of this subsection.
(5) Consistent with PURA §52.051(1)(C), an electing company shall not use revenues from regulated monopoly services to subsidize services subject to competition.

(e) **Requirements for customer-specific contracts.** Consistent with PURA §58.003, an electing ILEC may enter into customer-specific contracts for certain basic network services and certain nonbasic services as provided in this subsection. Additionally, for services listed in PURA §52.057(a), an electing ILEC may enter into customer-specific contracts pursuant to §26.211 of this title only if such customer-specific contracts are not inconsistent with the requirements of PURA, Chapter 58.
  (1) An electing company serving fewer than five million access lines may offer customer-specific contracts in accordance with this subsection.
    (A) An electing company serving fewer than five million access lines shall not offer customer-specific contracts until it notifies the commission of the company's binding commitment to make the following infrastructure improvements consistent with PURA §58.003(b):
      (i) install Common Channel Signaling 7 capability in each central office; and
      (ii) connect all of the company's serving central offices to their respective local access and transport area (LATA) tandem central offices with optical fiber or equivalent facilities.
    (B) The commitments described by subparagraph (A) of this paragraph do not apply to exchanges of the company sold or transferred before, or for which contracts for sale or transfer are pending on, September 1, 2001. In the case of exchanges for which contracts for sale or transfer are pending as of March 1, 2001, where the purchaser withdrew or defaulted before September 1, 2001, the company shall have one year from the date of withdrawal or default to comply with the commitments.
  (2) An electing company serving more than five million access lines may offer customer specific contracts in accordance with this subsection.
    (A) Unless the other party to the contract is a federal, state, or local governmental entity, an electing company serving more than five million access lines may not offer in an exchange a service, or an appropriate subset of a service, listed in PURA §58.051(a)(1) – (4) or §58.151(1) – (4) in a manner that results in a customer–specific contract until the earlier of:
      (i) September 1, 2003; or

(ii) the date on which the commission finds that at least 40% of the total access lines for that service or appropriate subset of that service in that exchange are served by competitive alternative providers that are not affiliated with the electing company.

(B) Pursuant to subparagraph (A)(ii) of this paragraph, the commission may find that the following subsets of services are served by an alternative provider that is not affiliated with an ILEC serving more than five million access lines:

(i) flat residential rate local exchange telephone service;
(ii) *residential primary* directory listings;
(iii) residential tone dialing service;
(iv) lifeline and tel-assistance service;
(v) service connection for basic residential services;
(vi) flat business rate local exchange telephone service;
(vii) business primary directory listings;
(viii) business tone dialing service;
(ix) service connection for all business services;
(x) direct inward dialing for basic business services; and
(xi) receipt of a directory.

(3) This subsection does not preclude an electing company from offering a customer-specific contract to the extent allowed by PURA as of August 31, 1999.

(4) An electing company may not implement a customer-specific contracting program in such a way as to circumvent prohibitions contained in Chapter 58 and subsection (c)(2) of this section.

Bob Casey

om: Stewart, Roger [roger.stewart@puc.state.tx.us]
nt: Friday, April 19, 2002 7:06 PM
o: 'bcasey@psc.state.fl.us'
Subject: TX PUC Proj 24948 winback investigation - TX PUC ok'd staff propo sal to initiate rulemaking

Hi Bob,
Just a brief update: In an "open meeting" yesterday (Thurs Apr 18), the TX Commissioners gave Staff an informal go-ahead to proceed with a winback rulemaking: to be Project 25784.
(Another note: looks as if the TX rulemaking may focus on discount pricing - such as: no discounts on recurring charges > X% or for more than Y months, no discounts at all in the first 7 or 10 or 30 days, etc. -- rather than on winback activities - such as: no winback marketing efforts within X days after switch, etc.)
Have a good weekend! (Hope you already are by the time of this message!)
Roger

Roger Stewart
Attorney, Legal Division
PUC of Texas
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TR's State NewsWire.....with TRINSIGHT® -- April 15, 2002

STATE REGULATION WATCH
TEXAS -- Staff concludes 'win-back' restrictions are necessary
INDIANA -- URC sets hearings on Ameritech structural-separation plan
ARIZONA -- ACC to hold public meetings on Qwest LD bid
WASHINGTON -- UTC to examine Qwest's provisioning parity
OREGON -- AG files 'slamming,' prepaid service settlements
COLORADO -- Page recommends adopting 'N11' rules
ILLINOIS -- Court: filed-rate doctrine bars lawsuit
NEW YORK -- Court dismisses '976' complaint against Verizon

STATE LEGISLATION
CALIFORNIA -- Committee to mull sharing bill
CALIFORNIA -- Bill adds 'junk faxers' to 'no-call' list

BUSINESS ACTIVITY
ARIZONA -- Report examines Internet voting

PEOPLE ON THE MOVE
CALIFORNIA -- Gov. Davis appoints Superior Court judges

TEXAS -- Staff concludes 'win-back' restrictions are necessary

The Public Utility Commission staff plans to develop a "straw man" rule restricting price-cap-regulated incumbent local exchange carriers' "win-back" and retention promotions. Win-back programs attempt to persuade customers who have switched their local service to a CLEC (competitive local exchange carrier) to return to the incumbent.

The straw man rule could (1) prohibit incumbents from offering win-back promotions for the first 30 days after a customer converts local service to a competitor, (2) restrict the terms and discounts in incumbents' win-back promotions, and (3) restrict incumbents' retention offers, the staff said.

Some win-back and retention promotions "can have anti-competitive impacts," the staff said. The commission should "limit such impacts" until price-cap regulated incumbents "are no longer dominant carriers," the staff said.

The staff said that incumbents' rates for "many vertical features are above super-competitive levels," which is evidence that price-cap-regulated incumbents "continue to possess significant market power."

Last year, a group of competitors asked the PUC to ban price-cap-regulated incumbents' win-back tariffs. (9/7/01 a.m.) The commission denied the competitors' request but held a workshop to investigate the effect of incumbents' win-back and retention activities on competition to decide whether any rule changes were necessary. (Project 24597)

INDIANA -- URC sets hearings on Ameritech structural-separation plan

The Utility Regulatory Commission has scheduled April 15-16 hearings on a proposal to separate SBC Ameritech-Indiana's retail and wholesale operations.

Last year, the Association of Communications Enterprises, AT&T Corp., the Competitive Telecommunications Association, and McLeodUSA Telecommunications Services, Inc., asked the commission to divide Ameritech's operations. (5/11/01 a.m.) AT&T told *TR* that structural separation was necessary to "jump start" competition in the residential local services market. SBC Ameritech controls more than 98% of residential and small business lines and more than 95% of all lines, AT&T said.

ARIZONA -- ACC to hold public meetings on Qwest LD bid

The Corporation Commission is planning to hold public comments sessions on Qwest Corp.'s bid to enter the in-region interLATA (local access and transport area) services market under section 271 of the federal Telecommunications Act of 1996, an ACC staff member told *TR*. The comment sessions will likely take place in May in the state's major population centers, the staff member added.

WASHINGTON -- UTC to examine Qwest's provisioning parity

OPEN MEETING COVER SHEET

MEETING DATE:	April 18, 2002
DATE DELIVERED:	April 12, 2002
AGENDA ITEM NO. :	24
CAPTION:	Project No. 24948 – Investigation of Winback/Retention Offers by Chapter 58 Electing Companies
ACTION REQUESTED:	Discussion and Possible Action on Staff Recommendation

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Public Utility Commission of Texas

Memorandum

TO: Commissioner Brett A. Perlman
Commissioner Rebecca Klein

FROM: Bih-Jau (BJ) Sheu – Telecommunications Division
Randy Klaus – Telecommunications Division
Tina Ghabel – Policy Development Division
Roger Stewart – Legal Division

DATE: April 12, 2002

RE: Agenda Item No. 24, Project No. 24948 – Investigation of Winback/Retention Offers by Chapter 58 Electing Companies

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Summary

Staff proposes that the Commission conclude this investigation with a finding that certain winback/retention promotions by Chapter 58 electing companies can have anti-competitive impacts. Staff thus recommends amending SUBST. R. 26.226 to limit such impacts until such time that Chapter 58 ILECs are no longer dominant carriers. Staff's analysis leading to that recommendation is found below. Attached to this memorandum please find a procedural history and a summary of parties' positions (Attachment A).

Staff Recommendation

Staff again recommends against a blanket prohibition of winback and retention offerings, consistent with Staff's response to the rulemaking petition in Project No. 24597. Such a restriction would undoubtedly deprive customers of one of the intended benefits of competition. Insulating CLECs from that form of price competition would deny customers of price reductions that might otherwise occur when competitors woo each other's customers. Nevertheless, Staff agrees with CLEC commenters that winback/retention offers can be used to selectively target marginally competitive market segments to the detriment of competition, especially in the early stages. The market reality that prices of many vertical features are above super-competitive levels today is

evidence that Chapter 58 ILECs continue to possess significant market power. Staff further recognizes that dominant carriers are able to use narrowly-tailored winback/retention promotions to keep competition sufficiently weak so that prices generally can be maintained or raised above the competitive level without losing so many sales so rapidly that the price increase proves unprofitable and must be rescinded.

Staff also notes that PURA permits Chapter 58 companies pricing flexibility with the following caveat – such pricing flexibility may not be preferential, prejudicial, discriminatory, predatory, or anticompetitive. PURA § 51.004(a). Given current market conditions and the State of Texas policy to "(1) promote diversity of telecommunications providers" and "(2) encourage a fully competitive telecommunications marketplace" (PURA § 51.001; *see also* § 58.001(5)), Staff believes that the intermediate and long-term benefits of encouraging and maintaining market viability and provider choice for customers in general can outweigh certain short-term benefits to certain individual customers. Staff therefore recommends that the Commission direct Staff to initiate a rulemaking amending SUBST. R. 26.226 regarding certain types of promotions until such time that Chapter 58 ILECs are no longer dominant carriers.

Staff envisions that a "straw man" rule language would impose certain time and term/discount restrictions on winback and retention promotions. The "straw man" rule language could include:

- A time restriction on winback promotions (e.g. a Chapter 58 ILEC must wait 30 days after a former customer has switched to a competitor to offer such promotions.)
- A limit on discounts and terms provided in winback promotions.
- Restrictions placed on retention offers.

As mentioned above, provided in attachment A are a procedural history and a summary of parties' positions drawn from the oral and written comments before, at, and after the workshop.

Attachment A

Procedural History

On September 4, 2001, Southwest Competitive Telephone Association, IP Communications Corporation, XO Texas, Inc., Association of Communications Enterprises, Competitive Telecommunications Association, Sage Telecom, Inc., Z-Tel Communications, Inc, and Birch Telecom Of Texas, LLP (Petitioners) filed a petition (assigned to Project No. 24597) to amend P.U.C. SUBST. R. 26.226. Petitioners sought to amend SUBST. R. 26.226 relating to Requirements Applicable to Pricing Flexibility for Chapter 58 Electing Companies by incorporating a blanket prohibition of winback and retention programs to curtail what they believed to be anticompetitive and discriminatory behavior.

On October 12, 2001, Southwestern Bell Telephone Company (SWBT) and Verizon Southwest (Verizon) filed comments opposing that petition. Time Warner Telecom of Texas, L.P., Ionex communications, Inc., KMC Telecom, Inc. and Talk America, Inc. filed comments supporting the petition.

On November 8, 2001, the Commission denied the petition in Project No. 24597 but directed Staff to hold a workshop to further investigate the issues raised by the Petition. In response to Staff questions issued in this project, a number of carriers and trade associations filed comments on November 30, 2001. Staff held a workshop on December 12, 2001. Parties filed post-workshop comments on January 18, 2002. In light of "new" comments from SWBT, Staff invited reply comments, which were filed on March 15, 2002.

Summary of *Parties' Positions:*

(Note: Comments regarding the alleged misuse of customer proprietary network information (CPNI) are omitted intentionally, because Project No. 22490 dealt specifically with that issue and resulted in Subst. R. 26.122(c)(3) regarding the use of CPNI in a retention or winback context)

CLEC commenters:

CLEC commenters contended that marketing practices by incumbent local exchange carriers (ILECs) directing special "winback" and "retention" promotions and practices constitute price discrimination. CLEC commenters opined that ILECs as former monopolists intend to squelch developing competition and withhold the benefits of competition from all but a few customers. CLEC commenters stated that ILECs are able to maintain high rates for a certain group of customers while limiting price reductions to only those customers that have sought competitive choice due to the ILEC's market dominance.

According to CLEC commenters, the foundations for this investigation are the competitive protections in PURA and the continued market dominance of ILECs in Texas. CLEC commenters stated that pricing flexibility is prohibited for Chapter 58 companies if the promotion is preferential, prejudicial, discriminatory, predatory, or anticompetitive, and that the Commission has repeated those restrictions in Subst. Rule 26.226. Furthermore, CLEC commenters urged the Commission to look at the reality of the market today and to recognize the substantial market share and market power enjoyed by the ILECs.

CLEC commenters defined winback and retention offers as ILEC offerings that contain favorable price or contractual terms to a CLEC's customer previously served by the ILEC in order to induce the customer to return to the ILEC. Such inducements are however, not offered to other similarly situated ILEC customers. CLEC commenters claimed that all special pricing promotions as part of winback/retention activities that meet the definition above are anticompetitive and/or discriminatory when offered by an entity with market power.

CLEC commenters emphasized that the Legislature, recognizing that competition remains in the early stages in Texas, tempered the availability of pricing flexibility with a requirement that such pricing flexibility not be exercised in a manner that is preferential, prejudicial, discriminatory, predatory, or anticompetitive.

CLEC commenters stated that, although the magnitude of the problem of winback/retention activities is hard to gauge, ILECs are able to deter entry by

demonstrating their ability to "chill" aggressive entry and expansion through a multitude of promotions to winback or retain their customers. Thus, unchecked anticompetitive behavior will have a chilling affect on the development of competition, even though the number of Texas relevant winback/retention offers may currently be low.

CLEC commenters contended that winback/retention promotions by ILECs with substantial market power are a form of "price discrimination" and will lead to concentration/preservation of market power, especially when offered only to CLEC customers and/or prospective CLEC customers. CLEC commenters averred that restricting offers only to CLEC consumers discriminated against those consumers who have not received service from a CLEC. Furthermore, it is such discrimination that constitutes the exact nature of the anticompetitive affect of the winback/retention promotions. By targeting CLEC customers, ILECs increase their existing market power while at the same time using existing market power to continue to obtain the higher and likely super-competitive rates from the remaining and overwhelming majority of consumers. CLEC commenters urged the Commission to prohibit such market power-driven winback/retention promotions, and to create an environment that will allow market development to discipline prices and force down monopoly rates that the winback/retention offers seek to perpetuate.

CLEC commenters argued that retention offers discriminate between existing customers with competitive choice and existing customers without competitive choices because competition generally develops in pockets, either in market segments or geographic areas. The anticompetitive winback/retention promotions by ILEC may stifle the CLECs' opportunities to expand to new segments and locations, thus delaying the development of competitive choice to new customer locations and classes. As a result, the price discipline that competition would otherwise provide has little chance to materialize. This is especially true of local exchange telephone services, where customer concentration drastically reduces the cost of deploying central office facilities and facilities over the last mile.

CLEC commenters disagreed that restricting winback eligibility to former customers is for a reasonable business purpose. CLEC commenters stated that the

industry is in transition and that former monopolists' use of market power to perpetuate the benefits of that power must be deemed illegitimate and discriminatory.

CLEC commenters opined that for the theory of "functionally availability" to exist, consumers would require perfect information, perfect service conversions, and negligible transaction costs. Moreover, for a winback/retention offer to be "functionally available" to all customers, there must be competitive choice effectively available to every customer of an ILEC. Otherwise, the issue of "functional availability" remains a hypothetical discussion.

CLEC commenters stated that "meeting competition" is not a term of economics but of rhetoric. The economic outcome of a winback/retention promotion is determined by the effect of market power on developing markets and the use of that market power to keep the benefits of competition from developing in a manner that would exist in the absence of market power. Moreover, ILECs have other venues to "meet competition" that are permissible and without resorting to practices that take advantage of their market power. For example, ILECs can offer system wide price reductions on those services that they deem to be under competitive pressure, provided that those reductions do not drop prices below the threshold of predatory pricing. CLEC commenters urged the Commission to encourage broad-based rate reductions and bring the benefits of competition to all customers.

CLEC commenters stated their belief that it is permissible to ban or limit winback/retention offers made by dominant carriers while not likewise banning or limiting such offers made by non-dominant carriers. CLEC commenters stated that the Commission is obligated pursuant to PURA § 58.152 to disallow any attempt to exercise pricing flexibility by dominant carriers that is preferential, prejudicial, discriminatory, predatory, or anticompetitive. Not only did PURA impose no similar statutory requirement for CLECs, but also, because CLECs have no market power, CLECs as "price takers" cannot manipulate the market to obtain inflated rates. The sole benefit for CLECs when initiating a winback offer is to regain the customer. However, with a dominant ILEC, there exists the secondary benefit of distorting the market by obtaining monopoly profits from its broader customer base. It is exactly this secondary benefit that causes the dominant ILEC's promotion to be anticompetitive and discriminatory.

CLEC commenters claimed that no forums other than a rule clarification/modification are available for addressing the oversight of potential market power abuse in the winback/retention activities. CLEC commenters stated that filing a complaint on a case-by-case basis in the tariff review process is extremely limited in the scope of each case and burdensome for an individual competitor to justify. CLEC commenters sought further definition within the Commission's rules to specifically define the anticompetitiveness of such promotional activity. CLEC commenters believe there is no other forum with a similar breadth of application and administrative efficiency to allow competitors to bring this issue before the commission.

CLEC commenters posited that there is no lesser remedy other than a ban of winback/retention promotions that will remove or mitigate the discriminatory or anticompetitive aspects of such offers. No time restriction or price restriction will prevent ILECs from utilizing market power to thwart the development of competition with one hand while perpetuating continued super-competitive rates with the other.

Filing separately from other CLECs, VarTec asserted that the commission should prohibit ILEC winback offers from the time the CLEC places the conversion order up to at least the first 30 days after the customer converts to a competitive provider. VarTec opined that this window of time will allow the competitive provider a more reasonable time to establish the consumer's service and resolve any initial service impairments. Furthermore, this extra time will allow the consumer a more meaningful opportunity to experience having service with a company other than the ILEC, giving them the ability to know the benefits of competition first-hand.

Finally, CLEC commenters suggested that a HHI (Herfindahl-Hirschman Index) of 1000 is evidence of lack of market power. However, said the CLEC commenters, the current HHI is in excess of 8,000, and the threshold HHI for a determination that winback/retention promotional activities are no longer anticompetitive should be 1,000, 2,500, or somewhere in between, but such a determination is not immediately relevant.

Chapter 58 ILECs:

SWBT countered that retention/winback programs are pro-competitive and pro-consumer so long as they are not predatory. SWBT argued that discounts specifically targeting certain customer groups are not unlawfully discriminatory, because those discounts have a "reasonable business purpose" – "meeting competition." SWBT said that CLEC commenters' requested relief would insulate CLECs from normal competitive pressures and would deny CLEC customers the benefits of competition. SWBT contended that the Commission should either disregard the retention/winback offers in other states, because those programs are neither offered in Texas nor governed by Texas law, or the Commission could observe that such offers are being demonstrated throughout the country as a reasoned response to competition. SWBT further stated that competition is significant, and that the Commission should disregard CLEC commenters' inflammatory allegations that local competition is in a fledgling state and that retention/winback offers are an abuse of market power.

SWBT defined a winback offer as "a promotional offer or discount that is available to former customers who voluntarily terminated their service and subscribed to another service provider." [1] SWBT also defined retention offer as "a promotional offer or discount that is available to existing customers who have an offer from another company available to them and are considering switching their service to another company."

SWBT argued that winback/retention activities can be anticompetitive only if they involve predatory pricing. SWBT also contended that winback/retention activities are not unlawfully discriminatory if they (a) do not draw "status-based distinctions among classes of protected entities that are arbitrary with respect to the policies that PURA is meant to advance," (b) are a direct response to competition, or (c) provide discounts that are "functionally available to all similarly situated customers."

SWBT averred that there is no "problem" with winback/retention activities now or in the foreseeable future. According to SWBT, winback and retention programs are fundamental tools for obtaining and retaining customers in a competitive market.

[1] Project 24948, Comments of SWBT in Response to Questions Posed by the Commission's Staff, p.1. November 30, 2001

Moreover, winback and retention activities result in price decreases and service value increases, consistent with the objectives of a competitive market. Customers would be denied the benefit of a competitive market–reduced price if any carrier is barred from making rationally responsive offers such as winback and retention offers.

SWBT claimed that if it is prohibited from making competitive winback or retention offers, then customers considering using or are already using an alternative provider will wrongly view SWBT's unresponsiveness as an indication that SWBT is not interested in providing service to them and/or is unable to viably compete for their business. Eliminating a service provider's ability to offer such competitive options would be contrary to customer expectations about how a competitive market works and harm the competitive market's ability to function as it should.

SWBT maintained that winback/retention promotions do not lead to "concentration of market power." Rather, having to respond to the offer of another competitor is substantial evidence that "market power" does not exist. Furthermore, the existence of winback/retention promotions shows that no provider controls the market price in a way that permits monopoly profits and there is no capacity constrain in the marketplace.

SWBT averred that winback offers do not discriminate between new-but-not former customers and new-but-former customers. The former group lacks experience and a past relationship with SWBT and may not have any experience with CLECs in Texas. In contract, the latter group has had experience with both SWBT and at least one CLEC in Texas. Furthermore, to the extent that this different treatment can be characterized as "discrimination" because SWBT can only "win back" a former customer, then such "discrimination" is reasonable in view of the differences in customers' experiences and relationships with SWBT.

SWBT argued that retention is not discriminatory between existing customers with competitive choice and existing customers without competitive choices because all customers have competitive choice in Texas due to the proliferation of CLECs, satellite providers, wireless providers, and Internet telephony, and with ubiquitous CLEC market coverage available via SWBT's unbundled network element platform.

SWBT claimed that restricting winback eligibility to former customers is legitimate and not discriminatory because it is for a reasonable business purpose. Customers that have switched to another carrier demonstrate a relative lack of brand loyalty and tend to care more about price than about other product attributes such as particular brand names or quality characteristics. It is therefore a common business practice to appeal to their preferences by attempting to attract them via price offers. Other customers tend to care more about other service attributes, and it is a common and reasonable business practice to appeal to different customers on the basis of their different revealed preferences.

SWBT contended that under the federal Robinson-Patman Act, promotional incentives are not discriminatory if they are "functionally available" to all similarly situated customers. SWBT's winback/retention promotions are functionally available to all customers and not unlawfully discriminatory.

SWBT posited that meeting competition is a reasonable business purpose regardless of whether the offeror is a dominant carrier or allegedly has "market power."

SWBT argued that consumers would be left with fewer choices and competition would be inhibited if limitations were placed on dominant carriers only. SWBT claimed that straight-jacketing the allegedly "dominant" carrier might artificially increase CLEC profits and diminish CLECs' incentives to price their services competitively, to the detriment of competition and consumers.

SWBT asserted that no forum is necessary to address winback/retention promotions. Rather, the Commission should be concerned abut "regulatory process abuse" by which one or more competitors tries to convince a regulator to unfairly and unlawfully shackle another competitor, solely for the purpose of minimizing the level of competition to the detriment of consumers and competition. SWBT argued that ILEC winback/retention should not be prohibited or limited; therefore there is no need to consider a trigger for review or termination of any prohibitions or limitation.

SWBT's hired economist Dr. Aron claimed that the appropriate basis to evaluate a winback/retention offer is by its anticipated effects on consumer welfare and economic efficiency. According to her, the remedy sought by CLEC commenters would create a price umbrella to protect the inefficient competitors from price competition to the

detriment of consumers. Dr. Aron also stated that market power is a red herring because it is relevant only in evaluating whether a producer or cartel of producers can increase and maintain its prices above a competitive level without losing so many customers as to make the behavior unprofitable. Dr. Aron further stated that SWBT is not pricing predatorily and does not undercut its rivals' prices. Dr. Aron concluded that there is no public benefit – in the long run or the short run – gained from limiting winback/retention offers.

Additionally, Verizon claimed a rule amendment to prohibit winback/retention would violate the federal Telecom Act of 1996 requirement that consumer safeguards be competitively neutral. Verizon posits that the Texas Legislature has already addressed consumer safeguards in PURA Chapter 60. Verizon also argued that market share is not synonymous with market power and ILECs do not posses market power. Verizon stated that market power is defined as the ability to increase and sustain prices significantly above competitive levels without losing so many customers that the increase in price is unprofitable. Verizon contended that ILEC price reductions through winback and retention offers constitute evidence that ILECs do not possess market power.

ORIGINAL

Florida Digital Network

November 6, 2002

Ms. Blanca Bayó, Director
Division of the Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

via Overnight Mail

Re: Docket No. 020119 – Petition for Expedited Review and Cancellation Of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation Of BellSouth's Promotional Pricing And Marketing Practices by Florida Digital Network, Inc.

Re: Docket No. 020578 – Petition of the Florida Competitive Carriers Association for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs.

Dear Ms. Bayó,

Please find enclosed for filing in the above dockets an original and twenty (20) copies of the substitute for Exhibit No._____(MPG-1). The original Exhibit No._____ (MPG-1) was filed on October 23, 2002, with the pre-filed testimony of Mr. Michael P. Gallagher. The attached substitute exhibits revises and corrects the original exhibit and should replace the original filed October 23, 2002. A copy of this letter and the attachment has been sent to all of the parties and staff.

If you have any questions regarding this letter or the one attached, please call me at 407-835-0460.

MPG1 through MPG-5

Sincerely,

Matthew Feil
Florida Digital Network
General Counsel

AUS
CAE
CMP
COM 5 originals
CTR
ECR
GCL 1
OPC
MMS 1
SEC 1
OTH

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 6
COMPANY/ WITNESS: F.D.N./ Michael Gallagher
DATE: 02/19/03

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407.835.0300 · Fax 407.835.0309 · www.fdn.com

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation Of BellSouth's Promotional Pricing And Marketing Practices by Florida Digital Network, Inc.	}	Docket No. 020119-TP
In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by the Florida Competitive Carrier's Association	}	Docket No. 020578-TP

EXHIBIT MPG-1

FILED WITH THE DIRECT TESTIMONY OF MICHAEL P. GALLAGHER

FILED ON BEHALF OF

FLORIDA DIGITAL NETWORK, INC.

Retail
ALLAPATTAH - MIAMFLAL (RG12) - ZONE 1

BellSouth Tariff-Customer

Business lines x 3 lines	$110.85		
Hunting x 3 lines	$30.00		
Total MRC:	**$140.85**	Per line:	**$46.95**
Total NRC:	**$80.00**		

FDN Tariff-Customer**

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$22.50		
Total MRC:	**$111.18**	Per line:	**$37.06**
Total NRC:	**$150.00**		

BellSouth Key Customer***

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$0.00		
Total MRC:	**$88.68**	Per line:	**$29.56**
Total NRC:	**$0.00**		

*Customer terminates agreement after 30 months. Assumes BellSouth charges $25.00 per line/per month remaining on the contract.

**Customer signs a 36 month commitment with Florida Digital Network.

***Customer signs a 36 month commitment with BellSouth.

Wholesale

ALLAPATTAH - MIAMFLAL (RG12) - ZONE 1

FDN Resale-Standard

Business lines x 3 lines	$92.22		
Hunting x 3 lines	$24.96		
Total MRC:	**$117.17**	Per line:	**$39.06**

FDN Resale-Key Customer*

Business lines x 3 lines	$73.77		
Hunting x 3 lines	$0.00		
Total MRC:	**$73.77**	Per line:	**$24.59**

FDN UNE-P-Zone 1**

Business lines x 3 lines	$56.13		
Hunting x 3 lines	$6.51		
Total MRC:	**$62.64**	Per line:	**$20.88**

*Customer signs a 36 month commitment, FDN is liable for termination liability to BellSouth.

**SL1 Loop. Assumes 380 minutes of outbound local calls on the BellSouth network and 190 minutes of outbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calculated.

**SL1 Loop. Assumes 305 minutes of inbound local calls on the BellSouth network and 152 minutes of inbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calculated.

ALLAPATTAH - MIAMFLAL (RG12) - ZONE 2

FDN UNE-P-Zone 2***

Business lines x 3 lines	$66.15		
Hunting x 3 lines	$6.51		
Total MRC:	**$72.66**	Per line:	**$24.22**

***PSC proposed SL1 Loop. Assumes 380 minutes of outbound local calls on the BellSouth network and 190 minutes of outbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calc

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Retail
HAVERHILL - WPBHFLHH (RG 9) - ZONE 2

BellSouth Tariff-Customer

Business lines x 3 lines	$110.85		
Hunting x 3 lines	$30.00		
Total MRC:	**$140.85**	Per line:	**$46.95**
Total NRC:	**$80.00**		

FDN Tariff-Customer**

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$22.50		
Total MRC:	**$111.18**	Per line:	**$37.06**
Total NRC:	**$150.00**		

BellSouth Key Customer***

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$0.00		
Total MRC:	**$88.68**	Per line:	**$29.56**
Total NRC:	**$0.00**		

*Customer terminates agreement after 30 months.

**Customer signs a 36 month commitment with Florida Digital Network.

***Customer signs a 36 month commitment with BellSouth.

Wholesale

HAVERHILL - WPBHFLHH (RG 9) - ZONE 2

FDN Resale Standard #

Business lines x 3 lines	$92.22		
Hunting x 3 lines	$24.96		
Total MRC:	**$117.17**	Per line:	**$39.06**

FDN Resale Key Customer*

Business lines x 3 lines	$73.77		
Hunting x 3 lines	$0.00		
Total MRC:	**$73.77**	Per line:	**$24.59**

FDN UNE-P Zone 2**

Business lines x 3 lines	$68.64		
Hunting x 3 lines	$6.51		
Total MRC:	**$75.15**	Per line:	**$25.05**

*Customer signs a 36 month commitment, FDN is liable for termination liability to BellSouth.

**SL1 Loop. Assumes 380 minutes of outbound local calls on the BellSouth network and 190 minutes of outbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calculated.

**SL1 Loop. Assumes 305 minutes of inbound local calls on the BellSouth network and 152 minutes of inbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calculated.

HAVERHILL - WPBHFLHH (RG 9) - ZONE 2

FDN UNE-P Zone 2***

Business lines x 3 lines	$66.15		
Hunting x 3 lines	$6.51		
Total MRC:	**$72.66**	Per line:	**$24.22**

***PSC proposed SL1 Loop. Assumes 380 minutes of outbound local calls on the BellSouth network and 190 minutes of outbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calculat

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Retail
PORT ST. LUCIE MAIN - PTSLFLMA (RG6) - ZONE 2

BellSouth Tariff-Customer

Business lines x 3 lines	$98.85		
Hunting x 3 lines	$30.00		
Total MRC:	**$128.85**	Per line:	**$42.95**
Total NRC:	**$80.00**		

FDN Tariff-Customer**

Business lines x 3 lines	$79.08		
Hunting x 3 lines	$22.50		
Total MRC:	**$101.58**	Per line:	**$33.86**
Total NRC:	**$150.00**		

BellSouth Key Customer***

Business lines x 3 lines	$79.08		
Hunting x 3 lines	$0.00		
Total MRC:	**$79.08**	Per line:	**$26.36**
Total NRC:	**$0.00**		

*Customer terminates agreement after 30 months.

**Customer signs a 36 month commitment with Florida Digital Network.

***Customer signs a 36 month commitment with BellSouth.

Wholesale

PORT ST. LUCIE MAIN - PTSLFLMA (RG6) - ZONE 2

FDN Resale Standard

Business lines x 3 lines	$82.23		
Hunting x 3 lines	$24.96		
Total MRC:	**$107.19**	Per line:	**$35.73**

FDN Resale Key Customer*

Business lines x 3 lines	$65.79		
Hunting x 3 lines	$0.00		
Total MRC:	**$65.79**	Per line:	**$21.93**

FDN UNE-P-Zone 2**

Business lines x 3 lines	$68.64		
Hunting x 3 lines	$6.51		
Total MRC:	**$75.15**	Per line:	**$25.05**

*Customer signs a 36 month commitment, FDN is liable for termination liability to BellSouth.

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PORT ST. LUCIE MAIN - PTSLFLMA (RG6) - ZONE 3

FDN UNE-P-Zone 3***

Business lines x 3 lines	$101.46		
Hunting x 3 lines	$6.51		
Total MRC:	**$107.97**	Per line:	**$35.99**

***PSC proposed SL1 Loop. Assumes 380 minutes of outbound local calls on the BellSouth network and 190 minutes of outbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being c

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Retail
MAGNOLIA - ORLDFLMA (RG11) - ZONE 1

BellSouth Tariff-Customer

Business lines x 3 lines	$110.85		
Hunting x 3 lines	$30.00		
Total MRC:	**$140.85**	Per line:	**$46.95**
Total NRC:	**$80.00**		

FDN Tariff-Customer**

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$22.50		
Total MRC:	**$111.18**	Per line:	**$37.06**
Total NRC:	**$150.00**		

BellSouth Key Customer***

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$0.00		
Total MRC:	**$88.68**	Per line:	**$29.56**
Total NRC:	**$0.00**		

*Customer terminates agreement after 30 months. Assumes BellSouth charges $25.00 per line/per month remaining on the contract.

**Customer signs a 36 month commitment with Florida Digital Network.

***Customer signs a 36 month commitment with BellSouth.

Wholesale

MAGNOLIA - ORLDFLMA (RG11) - ZONE 1

FDN Resale-Standard*

Business lines x 3 lines	$92.22		
Hunting x 3 lines	$24.96		
Total MRC:	**$117.17**	Per line:	**$39.06**

FDN Resale-Key Customer*

Business lines x 3 lines	$73.77		
Hunting x 3 lines	$0.00		
Total MRC:	**$73.77**	Per line:	**$24.59**

FDN UNE-P-Zone 1**

Business lines x 3 lines	$56.13		
Hunting x 3 lines	$6.51		
Total MRC:	**$62.64**	Per line:	**$20.88**

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MAGNOLIA - ORLDFLMA (RG11) - ZONE 1

FDN UNE-P-Zone 1**

Business lines x 3 lines	$52.62		
Hunting x 3 lines	$6.51		
Total MRC:	**$59.13**	Per line:	**$19.71**

***PSC proposed SL1 Loop. Assumes 380 minutes of outbound local calls on the BellSouth network and 190 minutes of outbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calcula

***PSC proposed SL1 Loop. Assumes 305 minutes of inbound local calls on the BellSouth network and 152 minutes of inbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calculatec

Retail
TAMARAC - PMBHFLTA (RG12) - ZONE 2

BellSouth Tariff-Customer

Business lines x 3 lines	$110.85		
Hunting x 3 lines	$30.00		
Total MRC:	**$140.85**	Per line:	**$46.95**
Total NRC:	**$80.00**		

FDN Tariff-Customer**

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$22.50		
Total MRC:	**$111.18**	Per line:	**$37.06**
Total NRC:	**$150.00**		

BellSouth Key Customer***

Business lines x 3 lines	$88.68		
Hunting x 3 lines	$0.00		
Total MRC:	**$88.68**	Per line:	**$29.56**
Total NRC:	**$80.00**		

*Customer terminates agreement after 30 months. Assumes BellSouth charges $25.00 per line/per month remaining on the contract.

**Customer signs a 36 month commitment with Florida Digital Network.

***Customer signs a 36 month commitment with BellSouth.

Wholesale

TAMARAC - PMBHFLTA (RG12) - ZONE 2

FDN Resale Standard

Business lines x 3 lines	$92.22		
Hunting x 3 lines	$24.96		
Total MRC:	**$117.17**	Per line:	**$39.06**

FDN Resale Key Customer

Business lines x 3 lines	$73.77		
Hunting x 3 lines	$0.00		
Total MRC:	**$73.77**	Per line:	**$24.59**

**FDN UNE-P Zone 2 **

Business lines x 3 lines	$68.64		
Hunting x 3 lines	$6.51		
Total MRC:	**$75.15**	Per line:	**$25.05**

*Customer signs a 36 month commitment, FDN is liable for termination liability to BellSouth.

**SL1 Loop. Assumes 380 minutes of outbound local calls on the BellSouth network and 190 minutes of outbound local calls via multiple networks. ADUF/ODUF/CABS charges are not being calculated.

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TAMARAC - PMBHFLTA (RG12) - ZONE 1

FDN UNE-P-Zone 1***

Business lines x 3 lines	$52.62		
Hunting x 3 lines	$6.51		
Total MRC:	**$59.13**	Per line:	**$19.71**

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was delivered by e-mail and regular mail to the persons listed below, other than those marked with an (*) who have been sent a copy via overnight mail, this 6 day of November, 2002.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation Of BellSouth's Promotional Pricing And Marketing Practices by Florida Digital Network, Inc.	}	Docket No. 020119-TP
In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by the Florida Competitive Carrier's Association	}	Docket No. 020578-TP

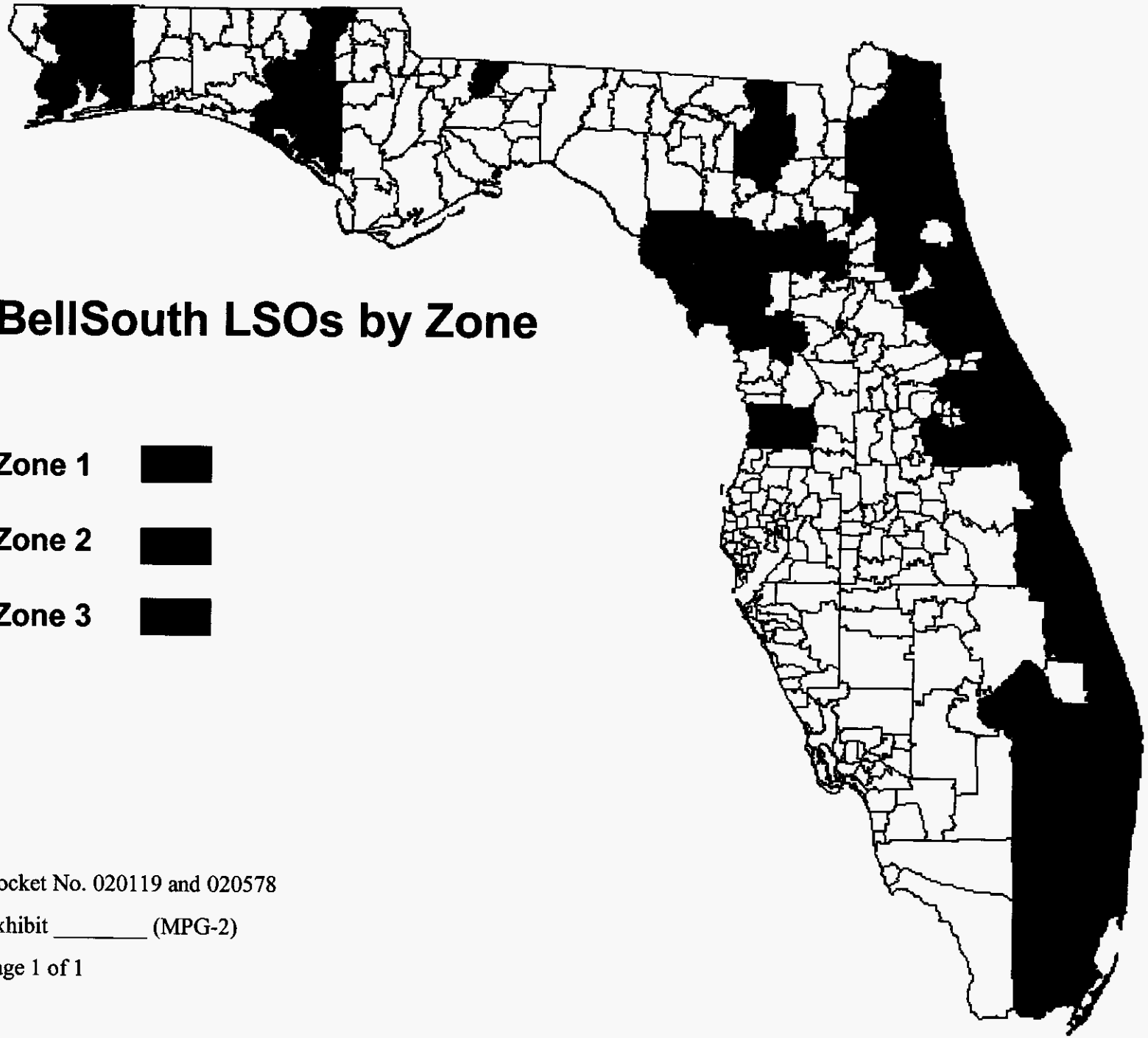
EXHIBIT MPG-2

FILED WITH THE DIRECT TESTIMONY OF MICHAEL P. GALLAGHER

FILED ON BEHALF OF

FLORIDA DIGITAL NETWORK, INC.

BellSouth LSOs by Zone



Docket No. 020119 and 020578

Exhibit _____ (MPG-2)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation Of BellSouth's Promotional Pricing And Marketing Practices by Florida Digital Network, Inc.	}	Docket No. 020119-TP
In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by the Florida Competitive Carrier's Association	}	Docket No. 020578-TP

EXHIBIT MPG-3

FILED WITH THE DIRECT TESTIMONY OF MICHAEL P. GALLAGHER

FILED ON BEHALF OF

FLORIDA DIGITAL NETWORK, INC.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Southwestern Bell Telephone Company's Tariff Filing to Initiate a Business MCA Promotion	)))	**Case No. TT-2002-108** Tariff No. 200200051
In the Matter of Southwestern Bell Telephone Company's Proposed Revisions to PSC Mo. No. 35 (General Exchange Tariff) Regarding CompleteLink	)))	**Case No. TT-2002-130** Tariff No. 200200151

REPORT AND ORDER

Issue Date: December 18, 2001

Effective Date: December 28, 2001

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Southwestern Bell Telephone Company's Tariff Filing to Initiate a Business MCA Promotion	)))	**Case No. TT-2002-108** Tariff No. 200200051
In the Matter of Southwestern Bell Telephone Company's Proposed Revisions to PSC Mo. No. 35 (General Exchange Tariff) Regarding CompleteLink	)))	**Case No. TT-2002-130** Tariff No. 200200151

APPEARANCES

Paul G. Lane, General Counsel
Mimi B. McDonald, Attorney at Law
Southwestern Bell Telephone Company
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For: Southwestern Bell Telephone Company.

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Andereck, Evans, Milne, Peace & Johnson
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Jefferson City, Missouri 65102

For: MoKan Dial, Inc. and Choctaw Telephone Company

Carl J. Lumley, Attorney at Law
Leland B. Curtis, Attorney at Law
Curtis, Oetting, Heinz, Garret & Soule
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Clayton, Missouri 63105

For: NuVox Communications of Missouri, Inc. and
AT&T Communications of the Southwest, Inc.

David J. Stueven, Attorney at Law
IP Communications
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Overland Park, Kansas 66202

For: IP Communications Corporation

Carol Keith, Attorney at Law
16090 Swingley Ridge Road, Suite 500
Chesterfield, Missouri 63006

For: NuVox Communications of Missouri, Inc.

Michael Dandino, Senior Public Counsel
P.O. Box 7800
Jefferson City, Missouri 65102

For: The Office of the Public Counsel and the Public.

Marc D. Poston, Senior Counsel
P.O. Box 360
Jefferson City, Missouri 65102

For: The Staff of the Missouri Public Service Commission.

REGULATORY LAW JUDGE: **Morris L. Woodruff**

REPORT AND ORDER

SUMMARY

Southwestern Bell Telephone Company has submitted a tariff that would implement a discount for its Business MCA service based on the customer's execution of a one-, three- or five-year term agreement. In a separate tariff, Southwestern Bell would establish a CompleteLink service offer that would grant discounts to customers who agreed to term and volume commitments. The Commission suspended both tariffs and now finds that the proposed tariffs would harm competition in the local exchange services market. For that reason, Southwestern Bell's tariffs are rejected.

FINDINGS OF FACT

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact. The Commission in making this decision has considered the positions and arguments of all of the parties. Failure to specifically address a piece of evidence, position or argument of any party does not indicate that the Commission has failed to consider relevant evidence, but indicates rather that the omitted material was not dispositive of this decision.

Procedural History

On August 21, 2001, acting on its own motion, the Commission issued an order in Case Number TT-2002-108 that suspended a tariff filed by Southwestern Bell Telephone Company. Southwestern Bell's tariff would implement a promotion that would discount optional Metropolitan Calling Area (MCA) service rates pursuant to term contracts signed by business customers. In its order suspending Southwestern Bell's tariff, the Commission expressed its concern that the proposal to offer rate discounts in long-term contracts might adversely affect competition. So that it would have sufficient time to study the effect of the proposed tariff, the Commission suspended Southwestern Bell's tariff for a period of 120 days, from August 22 to December 20. On December 13, the Commission issued an order further suspending the tariff until December 31, so that this Report and Order could be given a ten-day effective date.

In its order suspending Southwestern Bell's tariff, the Commission directed its records department to send notice of the tariff suspension to all telecommunications companies certificated to do business in Missouri. The Commission also directed that any proper person or entity desiring to intervene should submit an application to intervene no later than September 10. The Commission received timely applications to intervene from Choctaw

Telephone Company and MoKan Dial, Inc., NuVox Communications of Missouri, Inc., and AT&T Communications of the Southwest, Inc. On September 19, the Commission issued an order granting each of those applications to intervene.

On September 4, NuVox Communications of Missouri, Inc. filed a motion asking the Commission to suspend or reject a tariff filed by Southwestern Bell. NuVox's motion was assigned case number TT-2002-130. The tariff that NuVox asked the Commission to suspend or reject would modify Southwestern Bell's general exchange tariff to introduce what Southwestern Bell calls CompleteLink service.

Southwestern Bell, AT&T, and Staff filed responses to NuVox motion to suspend on September 12. Southwestern Bell opposed the motion to suspend. AT&T and Staff supported the proposed suspension and both filed motions asking the Commission to consolidate case numbers TT-2002-108 and TT-2002-130, as the issues regarding the two tariffs are similar.

On September 20, the Commission issued an order that suspended Southwestern Bell's CompleteLink tariff until January 22, 2002. In the same order, the Commission directed its records department to provide notice of the tariff suspension to all telecommunications companies certificated to do business in Missouri and directed any proper person or entity wishing to intervene to file an application to intervene no later than October 10.

On September 28, the Commission issued an order that consolidated case numbers TT-2002-108 and TT-2002-130. In the same order, the Commission adopted a procedural schedule for the consolidated cases. All parties in either case were made parties in the consolidated case. Subsequently, on October 25, IP Communications Corporation, which had timely applied for intervention in TT-2002-130, was made a party to the consolidated case.

The parties submitted prefiled direct, rebuttal and surrebuttal testimony and the consolidated case proceeded to hearing on November 5 and November 7. Southwestern Bell, Staff, Public

Counsel, and AT&T and NuVox filed initial briefs and proposed findings of fact and conclusions of law on November 21.[1] The same parties filed reply briefs on November 28.

The Two Tariffs

The Commission has suspended two tariffs filed by Southwestern Bell. Under the first tariff, referred to as the Business MCA Promotion,[2] business customers are eligible to receive a discount on each of the optional MCA services that they subscribe to in return for a one-, three-, or five-year term commitment for their local access line and optional MCA services. The tariff provides that customers will receive an eighteen percent discount on a one-year contract, a twenty-two percent discount on a three-year contract, or a twenty-five percent discount on a five-year contract. Southwestern Bell's Business MCA promotion is available to all business customers in the optional MCA areas.

If a Southwestern Bell business customer signs a term commitment under the Business MCA promotion and then disconnects any portion of its contracted service prior to the expiration of the term commitment, that customer will be required to pay an early termination fee. The tariff provides that the early termination fee will be fifty percent of the monthly rate for the service that was disconnected, multiplied by the number of months remaining on the contract.

Southwestern Bell's Business MCA promotion is optional. No customer will be required to enter in to a term commitment. A business customer may choose to purchase MCA service at a standard month-to-month retail price with no term commitment, no term discount, and no risk of imposition of an early termination fee.

The second suspended tariff is referred to as the CompleteLink service offer. CompleteLink is an optional term and volume discount plan by which a business customer receives discounts on the multiple services that a customer purchases from Southwestern Bell. For example, a customer might receive a discount on its local access, local usage, toll usage, toll-free usage and various vertical features that it might purchase, such as call waiting, call forwarding, and other custom calling features. The CompleteLink plan does not require the

customer to purchase any set number of products or services.

Under the CompleteLink plan, a business customer would receive monthly discounts on the products and services it purchases from Southwestern Bell, based on the customer's Minimum Annual Revenue Commitment, referred to as the Customer's MARC. The customer's MARC is the sum total of the customer's annual billed charges, before any discount is applied, for regulated services provided by Southwestern Bell in its five state region, consisting of Missouri, Arkansas, Kansas, Oklahoma, and Texas. The business customer may subscribe to CompleteLink by agreeing to a one-, three-, or five-year service agreement.

The CompleteLink customer that chooses a longer length of service agreement will receive a greater percentage discount. For example, if a customer has a MARC of $12,000 and signs a one-year service agreement, the customer would receive a 6.5 percent discount. If that same customer signs a five-year service agreement, the customer would receive a 9 percent discount. Similarly, a customer with a higher MARC will receive a greater percentage discount. For example, a customer with a $12,000 MARC and a one-year service agreement would receive a 6.5 percent discount, but a customer with a $150,000 MARC and a one-year service agreement would receive a 10 percent discount.

CompleteLink customers who fail to meet their MARC will be billed the difference between their MARC and the annual revenue billed. Customers terminating a CompleteLink service agreement prior to the expiration of the service agreement would be subject to an early termination fee equal to 50 percent of the MARC multiplied by the number of years, or portions of a year, remaining in the customer's service agreement. For example, if a customer has a MARC of $7,000 and agrees to a three-year service agreement, but cancels after two years, the termination charge would be $3,500. The CompleteLink tariff does contain a provision that allows a customer to cancel the agreement within 90 days of execution without incurring an early termination fee.

CompleteLink is available to all business customers, but business customers who have received a written competitive offer, and are considering taking that offer, but decide to stay with Southwestern Bell, will receive an additional four percent discount. That provision is

referred to as a "save" or "retention" provision. A business customer who has left Southwestern Bell and is returning to Southwestern Bell by committing to a CompleteLink agreement will receive an additional eight percent discount. That provision of the tariff is referred to as a "winback" provision.

Competitive Position of Southwestern Bell

Southwestern Bell is an incumbent local exchange carrier (ILEC) as that term is defined in Section 251(h) of the Telecommunications Act of 1996. [3] That means that before the passage of the Telecommunications Act of 1996, Southwestern Bell was a regulated monopoly provider of local exchange service within its exchanges. In other words, before the advent of competition, all local service customers within Southwestern Bell's exchanges were customers of Southwestern Bell.

The Telecommunications Act of 1996 permitted the creation of competitive local exchange carriers (CLECs). CLECs are telecommunications carriers that have decided to go into the exchange of an ILEC to compete to provide local telephone services. Currently there are 66 CLECs competing with Southwestern Bell in its Missouri exchanges. At least one CLEC is operating, and serving customers in each of Southwestern Bell's 160 Missouri exchanges. Furthermore, at least 22 percent of the business market in Southwestern Bell's exchanges is controlled by a CLEC.

Southwestern Bell suggests that the current level of competition in its exchanges justifies its attempts to maintain, or increase its market share using term agreements, and retain and winback provisions, as promotional tools. However, Southwestern Bell is still in a position to dominate its CLEC rivals. While the CLECs collectively may control 22 percent of the business market in Southwestern Bell's exchanges, that 22 percent is spread out among 66 different CLECs. No CLEC has the resources to attempt to duplicate Southwestern Bell's telecommunications network. As a result, CLEC competitors must rely on their ability to utilize

all or a portion of Southwestern Bell's network in order to provide services to their own customers.

Walt Cecil, a regulatory economist for the Staff of the Commission, testified that because of its powerful position in the local telephone market, Southwestern Bell "is in a position to threaten competitors' market shares and continued existence, while the competitors are not yet in a position to threaten SWBT's (Southwestern Bell's) existence in its own exchanges."[4] Mr. Cecil goes on to testify that "SWBT is different than its competitors and therefore should be subject to more stringent regulatory oversights until those differences become less substantial."[5] The Commission agrees with Mr. Cecil's statement. If effective competition in the local telecommunications market is to survive and prosper in Southwestern Bell's exchanges, Southwestern Bell must be subject to heightened regulatory oversight.

Effect of Term Agreements on Competition

Both the Business MCA Promotion and the CompleteLink tariff provide that customers who want to obtain discounted rates must agree to remain as customers of Southwestern Bell for periods of one, three, or five years. The requirement that the customer remain with Southwestern Bell throughout the length of the term agreement is enforced by the requirement that a customer leaving Southwestern Bell before the expiration of its term agreement pay a substantial early termination fee.

There is nothing inherently improper about the imposition of an early termination fee. As Southwestern Bell points out, many tariffs of its competitors - tariffs that have been approved by the Commission - contain similar early termination fees. Similarly, there is no indication that the amount of the fee that would be imposed by Southwestern Bell is unusual or excessive. Again, the early termination fees charged by some of Southwestern Bell's competitors may be higher than those that Southwestern Bell plans to impose. Nevertheless, there can be no doubt that the early termination fees would achieve their desired goal of

providing a strong incentive for a business customer not to switch its service to a competing provider during the term of the service agreement. Any CLEC attempting to persuade a customer to leave Southwestern Bell while subject to a term agreement would not only have to offer a better rate but would also have to find a way to convince the customer to pay a large upfront penalty for leaving Southwestern Bell.

In addressing the possible impact of long-term service agreements, Walt Cecil, witness for the Staff, stated that:

> [i]n general, multi-year contracts artificially reduce the pool of potential CLEC customers and forestall the intended effects of the Act. By reducing the pool of potential customers, CLEC growth plans and investment recovery, essentially the opportunities to grow and to successfully compete are constrained.[6]

Cecil then went on to say that "Long term contracts offer lower prices and are more attractive to end-users. If end-users choose these lower priced, long-term relationships, the competitive environment in the long run is at risk of collapsing."[7] The Commission agrees with and accepts the expert opinion of Mr. Cecil.

Effect of Save and Winback Provisions

In addition to its provisions for term agreements, Southwestern Bell's CompleteLink tariff contains provisions that would give an additional four percent discount to customers who turn down a service offer from a CLEC to stay with Southwestern Bell. Furthermore, the tariff would reward customers who return to Southwestern Bell after having purchased services from a CLEC by giving them an additional eight percent discount. These tariff terms are referred to as "save" and "winback" provisions.

Southwestern Bell's save and winback provisions would have much the same impact on the health of competition in the local service market as would term agreements. But, in addition to the anticompetitive effects resulting from the use of term agreements by a dominant ILEC, save and

winback provisions can cause further damage to the emerging competitive market. Such provisions are targeted directly at the customer base of the CLECs. If Southwestern Bell takes back many of those customers with save and winback provisions, and then locks them up with long-term contracts, CLECs might be left without a customer base to which they can market. Edward J. Cadieux, witness for NuVox Communications of Missouri, Inc., one of the CLECs currently attempting to compete against Southwestern Bell, testified that the combination of term discounts and save and winback provisions might freeze competition at its currently inadequate level. If the CLECs are frozen out of the competitive market, they would then be forced to abandon their attempt to compete in Missouri, leaving only Southwestern Bell as a viable local service provider. Until the CLECs are in a strong enough position to effectively compete with Southwestern Bell, the use of save and winback provisions by Southwestern Bell is anticompetitive.

CONCLUSIONS OF LAW

The Missouri Public Service Commission has reached the following conclusions of law.

Southwestern Bell is a "Telecommunications Company" as that term is defined in Section 386.020(51), RSMo 2000, and is subject to the jurisdiction of the Commission pursuant to Section 386.250(2), RSMo 2000.

Section 392.230.3, RSMo 2000, grants the Commission the authority to determine, after hearing, the propriety of any rate, rental, charge, regulation, or practice filed with the Commission by any telecommunications company. That same section authorizes the Commission to suspend the operation of such rate, rental, charge, regulation, or practice for a period of 120 days, plus an additional six months if the hearing regarding such suspension cannot be concluded within 120 days.

In 1996 the Missouri General Assembly passed legislation aimed at promoting competition in Missouri's telecommunications industry. Section 392.185, RSMo 2000, which establishes the purpose of that legislation, states that:

> The provisions of this chapter shall be construed to: (3) Promote diversity in the supply of telecommunications services and products throughout the state of Missouri; (6) Allow full and fair competition to function as a substitute for regulation when consistent with the protection of ratepayers and otherwise consistent with the public interest."

Therefore, the Public Service Commission has a duty to regulate Missouri's telecommunications industry in such a way as to promote the development of full and fair competition.

> Section 392.200.2, RSMo 2000, provides in pertinent part as follows:
>
> No telecommunications company shall directly or indirectly or by a special rate, rebate, drawback or other device or method charge, demand, collect or receive from any person or corporation a greater or less compensation for any service rendered or to be rendered with respect to telecommunications or in connection therewith, except as authorized in this chapter, than it charges, demands, collects, or receives from any other person or corporation for doing a like and contemporaneous service with respect to telecommunications under the same or substantially the same circumstances and conditions. *Promotional programs for telecommunications services may be offered by telecommunications companies for periods of time so long as the offer is otherwise consistent with the provisions of this chapter and approved by the commission.* ... (emphasis added)

This statute means that the Commission has an obligation to review promotional offers made by telecommunications companies to ensure that those offers are consistent with the provisions of statute, including the obligation to ensure the development and preservation of full and fair competition.

Section 392.200.3, RSMo 2000, provides as follows:

> No telecommunications company shall make or give any undue or unreasonable preference or advantage to any person, corporation or locality, or subject any particular person, corporation or locality to any undue or unreasonable prejudice or disadvantage in any respect whatsoever except that telecommunications messages may be classified into such classes as are just and reasonable, and different rates may be charged for the different classes of messages.

This statute has been interpreted to "forbid discrimination in charges for doing a like or contemporaneous service with respect to communication by telephone under the same or substantially the same circumstances and conditions."[8] Rate differences are permitted only

if there is any "reasonable and fair difference in condition which equitably and logically justifies a different rate." [9]

The Commission has previously found, as a matter of fact, that Southwestern Bell's proposed promotional tariffs will be detrimental to the health and development of competition in Missouri's local exchange market. Those tariffs are therefore unjust and unreasonable. In keeping with the Commission's obligation under Section 393.200, RSMo 2000, the Commission must reject Southwestern Bell's tariffs.

Decision

After applying the facts as it has found them to its conclusions of law, the Commission has reached the following decisions regarding the issues identified by the parties.

1. Should the Missouri Public Service Commission approve Southwestern Bell Telephone Company's Business Metropolitan Calling Area Service Promotion, which would discount Optional Metropolitan Call Area service rates pursuant to term contracts signed by business customers?

2. Should the Missouri Public Service Commission approve Southwestern Bell Telephone Company's CompleteLink Tariff, which contains term commitments and retention and winback provisions?

Southwestern Bell argues that its tariffs should not be rejected for six reasons. The Commission is not persuaded by any of Southwestern Bell's arguments. Southwestern Bell's first argument is that its Business MCA promotion and CompleteLink service offers are optional. In other words, no business customer will be obliged to sign up for these offers. The optional nature of Southwestern Bell's promotional offers would be relevant only if the Commission were concerned about the fairness of these offers as they impact individual customers. The Commission does not doubt that these offers could be of short-term benefit to

individual business customers. Certainly, business customers are sophisticated enough to do the necessary cost-benefit analysis to determine whether they will benefit from the proposed promotions. The Commission's concern is not with protecting the individual business customer. Rather, it is concerned about protecting the viability of the overall market for local exchange telecommunications services.

Indeed the problem may be that these promotions will be such a good deal for individual business customers that Southwestern Bell will be able to claim, and lock up for an extended period, so many customers that its competitors will be weakened, or even driven out of the market entirely. If that happens, competition will have failed and business customers will ultimately lose the benefits of competition.

Southwestern Bell's second argument is that its Business MCA promotion and CompleteLink service offer benefit customers through increased options and lower prices. Again, while the offers will benefit individual customers, at least in the short term, the Commission has found that Southwestern Bell's offers are a threat to the long-term health of the competitive market for local phone service. Ultimately, if the market fails, customers will be left with no choice except Southwestern Bell.

Third, Southwestern Bell argues that its Business MCA promotion and CompleteLink service offers are being made in response to the demands of its customers. Southwestern Bell asserts that its customers want: (a) to receive telecommunications services at lower prices; (b) service offerings that recognize the full volume of services that they are purchasing from SWBT; (c) term commitments that allow them to project the costs of their telecommunications needs; and (d) to purchase Southwestern Bell's CompleteLink service offer, which is available in the four other SBC Southwestern Bell states and the five SBC Ameritech states. The Commission does not doubt that there will be customer demand for the promotional offers that Southwestern Bell would like to make available. All businesses are interested in their bottom line, not necessarily with the health of competition. But the Commission has a duty to look beyond the bottom line. The Commission is obligated to protect the viability of the competitive market in order to protect Missouri's telecommunications customers from the threat of

monopoly power in a future without viable competition in the local telecommunications market.

Southwestern Bell's fourth argument is that it is offering its Business MCA promotion and CompleteLink service offer in response to the competitive market and that its proposed offerings will increase rather than harm competition. Southwestern Bell argues that this Commission and the Federal Communications Commission have recently found that Southwestern Bell has opened its local market in Missouri to competition when they approved Southwestern Bell's application to provide interLATA long distance service in Missouri. Southwestern Bell also points to the fact that ever larger numbers of CLECs are offering competitive services in its exchanges, testimony indicated that approximately 22 percent of the business market is now controlled by CLECs.

While this Commission and the FCC have found that Southwestern Bell satisfied the fourteen-point checklist found in Section 271 of the Telecommunication Act of 1996,[10] that finding only indicates that the local telecommunications market in Missouri is open to competition. It does not mean that the competitive market is mature enough to withstand the pressures that would be placed on it by the promotions proposed by Southwestern Bell. Unless the Commission acts to protect competition, the local exchange market may be open to competition but have no surviving competitors.

Southwestern Bell's fifth argument is that its Business MCA promotion and CompleteLink service offer are consistent with previous decisions of this Commission. Southwestern Bell presented evidence at the hearing of seventeen tariffs offering term discounts by seven of Southwestern Bell's competitors, fourteen tariffs offering volume discounts by eight of Southwestern Bell's competitors, and seventeen tariffs from ten of Southwestern Bell's competitors that contain save or winback provisions. Southwestern Bell also points out that the Commission has previously approved term, volume, save, or winback provisions in other

tariffs that it has submitted.

Southwestern Bell is correct when it contends that the Commission has previously approved, or allowed to go into effect, tariffs that contain provisions similar, or nearly identical to the provisions that it is rejecting in this order. However, the Commission is not bound to comply with its previous decisions. As an administrative agency the Commission is not bound by *stare decisis,* [11] and the failure of the Commission to explain why it is not taking the same position in one case that it took in a previous case is not a basis for overturning the Commission's action. [12] Furthermore, only these two tariffs are currently before the Commission. In finding that these two particular tariffs will harm competition, the Commission is not attempting to establish a rule with application beyond the facts of these cases. If other tariffs are brought to the attention of the Commission, the Commission will deal with those tariffs on their own merits. Similarly, the Commission will examine on their own merits tariffs submitted by CLECs that may contain term or volume discounts, or save or winback provisions.

The Commission makes no binding decision in this report and order beyond its rejection of the two tariffs currently before it. However, the Commission is currently considering another tariff filed by Southwestern Bell, as well as tariffs filed by various CLECs that also contain term agreements. While it does not wish to prejudge those cases, for the guidance of the telecommunications industry, the Commission will set forth its views regarding term agreements. The Commission believes that term agreements exceeding one year in length are an unacceptable threat to the health of competition. Term agreements that do not exceed one year in length may be acceptable.

Finally, Southwestern Bell argues that there is no statutory authority that would allow the Commission to reject its tariffs, or to treat its tariffs differently than those of its competitors. In

its conclusions of law the Commission has found to the contrary. The Commission believes that sound public policy requires that it take the steps necessary to preserve the existence of the competitive market for local exchange telecommunications services.

Based on the evidence, the arguments of the parties, the Commission's Findings of Fact and its Conclusions of Law, the Commission determines that Southwestern Bell's tariff to add a Business MCA promotion and its tariff to introduce its CompleteLink service offer are unjust and unreasonable and should be rejected.

IT IS THEREFORE ORDERED:

1. That the proposed tariff sheet submitted on July 20, 2001, by Southwestern Bell Telephone Company, and assigned Tariff No. 200200051, is rejected. The tariff sheet rejected is:

P.S.C. Mo. – No. 24
Local Exchange Tariff
Original Sheet 1.0302

2. That the proposed tariff sheets submitted on August 23, 2001, by Southwestern Bell Telephone Company, and assigned Tariff No. 200200151, are rejected. The tariff sheets rejected are:

P.S.C. Mo. – No. 35

General Exchange Tariff
Section 54
Original Sheet 1 through Original Sheet 5

3. That this Report and Order shall become effective on December 28, 2001.

BY THE COMMISSION

Dale Hardy Roberts

Secretary/Chief Regulatory Law Judge

(S E A L)

Simmons, Ch., and Lumpe, C., concur;
Gaw, C., concurs, with concurring opinion attached;
Murray, C., dissents, with dissenting opinion attached;
certify compliance with the provisions of
Section 536.080, RSMo 2000.
Forbis, C., not participating.

Dated at Jefferson City, Missouri,
on this 18th day of December, 2001.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Southwestern Bell Telephone Company's Tariff Filing to Initiate a Business MCA Promotion	)))	Case No. TT-2002-108
In the Matter of Southwestern Bell Telephone Company's Proposed Revisions to PSC Mo. No. 35 (General Exchange Tariff) Regarding CompleteLink	)))	Case No. TT-2002-130

CONCURRING OPINION OF COMMISSIONER STEVE GAW

I join in the decision of the majority but write separately to state that I agree that save and winback provisions, when used in conjunction with term agreements exceeding one year in length, are a threat to competition. However, I express no opinion today as to whether save and winback provisions, when not associated with term agreements exceeding one year, should be allowed.

Respectfully submitted,

Steve Gaw, Commissioner

Dated at Jefferson City, Missouri,
on this 18th day of December, 2001.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Southwestern Bell Telephone Company's Tariff Filing to Initiate a Business MCA Promotion	)	**Case No. TT-2002-108** Tariff No. 200200051
In the Matter of Southwestern Bell Telephone Company's Proposed Revisions to PSC Mo. No. 35 (General Exchange Tariff) Regarding CompleteLink	)	**Case No. TT-2002-130** Tariff No. 200200151

DISSENTING OPINION OF COMMISSIONER CONNIE MURRAY

I respectfully disagree with the majority's decision. The Commission has rejected two tariffs filed by Southwestern Bell Telephone Company that would offer reduced rates and other benefits to customers. The Commission indicates that it has taken this step because it fears that the tariffs will threaten competition in the basic local service market.

Without question, Southwestern Bell wants to offer these promotions so that it can improve its position in the competitive basic local service market. That is what competitor's do in a competitive market. It is equally understandable that Southwestern Bell's competitors, including those that appeared in this case, would like to prevent Southwestern Bell from improving its competitive position, while at the same time improving their own position. Again, that is what competitors do in a competitive market. There is, however, no sufficient evidence in the record for the Commission to conclude that it must step into the competitive market to

protect certain competitors by rejecting Southwestern Bell's promotional tariffs.

The types of promotions that Southwestern Bell is attempting to offer are not new. The evidence established numerous instances in which the Commission has approved term agreements, "save" provisions, and "winback" provisions as well as early-termination-fee provisions that are substantially similar to the provisions in the tariffs at issue. Those provisions have been offered by Southwestern Bell, as well as by its competitors. Yet there was no evidence presented that would indicate that these provisions have harmed the state of competition. Instead, the evidence indicates that the market continues to become more competitive.

The number of competitive local exchange carriers competing in that portion of the local market served by Southwestern Bell has increased from 47 in June of 2000, to 66 at the time of the hearing. CLEC's serve customers in every one of Southwestern Bell's exchanges and serve a minimum of 22 percent of the lucrative business market. Far from being stifled, competition in the basic local service market has continued to grow, and there is no reason to believe that the promotions proposed by Southwestern Bell will stifle competition in the future.

When competition was introduced to the basic local service market in 1996 there was an expectation that competition would provide an incentive for incumbent local exchange carriers, such as Southwestern Bell, to improve the service they offer their customers by offering more options and lower prices. Missourians have seen the fruits of that competition through promotional offers such as those that Southwestern Bell has been offering in the state and would like to continue to make available to its customers.

The proposed offers would be available for resale to CLECs at the resale discount. The result would be continued growth of competition with customers of both ILECs and CLECs having more options and lower prices. Furthermore, facilities-based CLECs have been free to offer similar services. If Southwestern Bell's proposed tariff were approved there would be an incentive for CLECs to respond in kind. Competing services are one of the benefits of a

competitive environment which would flow from the Commission's approval of Southwestern Bell's Business MCA promotion and Complete Link service offer.

The majority states that the use of the proposed tariffs by Southwestern Bell would be detrimental to the health and development of competition in Missouri's local exchange market. Yet, there are no findings of fact from the record that support that conclusion. In fact, there is no explanation of why those tariffs "are . . . unjust and unreasonable" in today's market which admittedly is more competitive than the market that existed when similar tariffs were previously found to be just and reasonable. Today's decision unnecessarily denies Missouri consumers many of the benefits of competition.

I respectfully dissent.

Respectfully submitted,

Connie Murray, Commissioner

Dated at Jefferson City, Missouri
on this 18th day of December, 2001

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[1] At their request, Choctaw Telephone Company and MoKan Dial, Inc. were excused from participation in the hearing and have not filed briefs.
[2] MCA is an acronym for Metropolitan Calling Area. The MCA service is available in several of Missouri's larger cities and permits a customer to make discounted calls across exchange boundaries within the metropolitan area.
[3] 47 U.S.C. 251(h).
[4] Cecil Rebuttal, exhibit 6, at 3
[5] Cecil Rebuttal, exhibit 6, at 3
[6] Cecil Rebuttal, exhibit 6, at 5.
[7] Cecil Rebuttal, exhibit 6, at 6.
[8] *State ex rel. DePaul Hospital v. PSC* , 464 S.W.2d 737, 738 (Mo. App. 1970)
[9] *Id.* at 740
[10] 47 U.S.C. 271(c)(2)(B)
[11] *State ex rel. GTE North v. PSC* 835 S.W.2d 356 (Mo. App. W.D. 1992)
[12] id.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation Of BellSouth's Promotional Pricing And Marketing Practices by Florida Digital Network, Inc.	}	Docket No. 020119-TP
In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by the Florida Competitive Carrier's Association	}	Docket No. 020578-TP

EXHIBIT MPG-4

FILED WITH THE DIRECT TESTIMONY OF MICHAEL P. GALLAGHER

FILED ON BEHALF OF

FLORIDA DIGITAL NETWORK, INC.

Rulemaking to Amend R. § 26.226 to Address Winback/Retetion Offers by Chapter 58 Electing Companies
Project #25784

List of Questions

1. As to (c) (2) (B), might the appropriate time period be 7, 10, 15, 60 or some other number of days? Please provide a rationale for such time period.
2. As to (c) (2) (C), might the appropriate discount level instead be 10% or some other level? Please provide a rationale for such level of discount. And might the appropriate time period instead be 30, 90, or some other number of days? Please provide a rationale for such time period.
3. Is (c) (2) (D) administratively practical and enforceable? If not, please propose alternative language that places any appropriate restrictions on retention offers.

Last Updated: 05/06/02

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§26.226. Requirements Applicable to Pricing Flexibility for Chapter 58 Electing Companies.

(a) **Application.** This section applies to any electing company as the term is defined in the Public Utility Regulatory Act (PURA) §58.002. Other sections applicable to an electing company, include, but are not limited to §26.211 of this title (relating to Rate-Setting for Services Subject to Significant Competitive Challenges), §26.224 of this title (relating to Requirements Applicable to Basic Network Services for Chapter 58 Electing Companies), §26.225 of this title (relating to Requirements Applicable to Nonbasic Services for Chapter 58 Electing Companies) and §26.227 of this title (relating to Procedures Applicable to Nonbasic Services and Pricing Flexibility for Basic and Nonbasic Services for Chapter 58 Electing Companies).

(b) **Purpose.** The purpose of this section is to establish requirements for Chapter 58 electing incumbent local exchange companies (ILECs) to exercise pricing flexibility.

(c) **Pricing flexibility.** An electing ILEC shall exercise pricing flexibility in accordance with this section and §26.227 of this title.

(1) Pricing flexibility includes:
   (A) customer specific contracts;
   (B) packaging of services;
   (C) volume, term, and discount pricing;
   (D) zone density pricing, with a zone to be defined as an exchange; and
   (E) other promotional pricing.

(2) A discount or other form of pricing flexibility for a basic or nonbasic service may not be preferential, prejudicial, discriminatory, predatory or anticompetitive.
   (A) A discount or other form of pricing flexibility for a basic or nonbasic service, including packaging of regulated and unregulated services, is presumed not to be discriminatory if it is made available on a system wide basis.
   (B) A discount or other form of pricing flexibility for a basic or nonbasic service, including packaging of regulated and unregulated services, is presumed to be anti-competitive if the eligibility of such discount is limited to a former customer and the discount is offered to a former customer within 30 days after that customer switches to and is receiving service from a CLEC.
   (C) A discount or other form of pricing flexibility, including packaging of regulated and unregulated services, where eligibility of such discount is limited to a former customer, is presumed to be anti-competitive if such discount or pricing flexibility consists of a discount for more than 25% of the recurring charges exceeding 60 days.
   (D) A discount or other form of pricing flexibility, including packaging of regulated and unregulated services, is presumed to be anti-competitive if the eligibility for such discount is only for a customer who is
      (i) considering changing some or all of their services to a competitor of the electing ILEC or an affiliate of the electing ILEC; and/or
      (ii) has been contacted by a competitor of the electing ILEC or by an affiliate of the electing ILEC.

(3) This section does not prohibit a volume discount or other discount based on a reasonable business purpose.

(4) Notwithstanding PURA §58.052(b) or PURA, Chapter 60, Subchapter F, an electing company may exercise pricing flexibility for basic network services, including the packaging of basic network services with any other regulated or unregulated service or any service of an affiliate.

(5) An electing company may flexibly price a package that includes a basic network service in any manner provided by paragraph (1) of this subsection.

(6) An electing company may use pricing flexibility for a basic or nonbasic service.

(d) **Pricing standards.** An electing company exercising pricing flexibility shall price its offerings pursuant to this subsection.

(1) The electing ILEC shall set the price of a package of services containing basic network services and nonbasic services at any level at or above the lesser of:
  (A) the sum of the long run incremental costs of any basic network services and nonbasic services contained in the package; or
  (B) the sum of tariffed prices of any basic network services contained in the package and the long run incremental costs of nonbasic services contained in the package.
(2) A price that is set at or above the long run incremental cost of a service is presumed not to be a predatory price.
(3) The price of a package that combines regulated products or services with unregulated products or services shall, in addition to the requirements of paragraph (1) of this subsection, recover the cost to the electing company of acquiring and providing the unregulated products or services. In this section, unregulated products or services are products or services provided by an entity that is unaffiliated with the electing company.
(4) The price of a package that combines regulated products or services with the products or services of an affiliate shall, in addition to the requirements of paragraph (1) of this subsection, recover the cost to the electing company of acquiring and providing the affiliate products or services, which shall be greater than or equal to the cost to the affiliate of acquiring and/or providing the products or services. The cost to the electing company of acquiring or providing the affiliate's products or services shall be valued in a manner consistent with FCC requirements and with paragraph (5) of this subsection. A group of products or services that are jointly marketed by an electing company in conjunction with one or more of its affiliates shall be priced in a manner consistent with FCC requirements, if any, and with paragraph (5) of this subsection.
(5) Consistent with PURA §52.051(1)(C), an electing company shall not use revenues from regulated monopoly services to subsidize services subject to competition.

(e) **Requirements for customer-specific contracts.** Consistent with PURA §58.003, an electing ILEC may enter into customer-specific contracts for certain basic network services and certain nonbasic services as provided in this subsection. Additionally, for services listed in PURA §52.057(a), an electing ILEC may enter into customer-specific contracts pursuant to §26.211 of this title only if such customer-specific contracts are not inconsistent with the requirements of PURA, Chapter 58.
(1) An electing company serving fewer than five million access lines may offer customer-specific contracts in accordance with this subsection.
  (A) An electing company serving fewer than five million access lines shall not offer customer-specific contracts until it notifies the commission of the company's binding commitment to make the following infrastructure improvements consistent with PURA §58.003(b):
    (i) install Common Channel Signaling 7 capability in each central office; and
    (ii) connect all of the company's serving central offices to their respective local access and transport area (LATA) tandem central offices with optical fiber or equivalent facilities.
  (B) The commitments described by subparagraph (A) of this paragraph do not apply to exchanges of the company sold or transferred before, or for which contracts for sale or transfer are pending on, September 1, 2001. In the case of exchanges for which contracts for sale or transfer are pending as of March 1, 2001, where the purchaser withdrew or defaulted before September 1, 2001, the company shall have one year from the date of withdrawal or default to comply with the commitments.
(2) An electing company serving more than five million access lines may offer customer specific contracts in accordance with this subsection.
  (A) Unless the other party to the contract is a federal, state, or local governmental entity, an electing company serving more than five million access lines may not offer in an exchange a service, or an appropriate subset of a service, listed in PURA §58.051(a)(1) – (4) or §58.151(1) – (4) in a manner that results in a customer–specific contract until the earlier of:
    (i) September 1, 2003; or

(ii) the date on which the commission finds that at least 40% of the total access lines for that service or appropriate subset of that service in that exchange are served by competitive alternative providers that are not affiliated with the electing company.

(B) Pursuant to subparagraph (A)(ii) of this paragraph, the commission may find that the following subsets of services are served by an alternative provider that is not affiliated with an ILEC serving more than five million access lines:

(i) flat residential rate local exchange telephone service;
(ii) residential primary directory listings;
(iii) residential tone dialing service;
(iv) lifeline and tel-assistance service;
(v) service connection for basic residential services;
(vi) flat business rate local exchange telephone service;
(vii) business primary directory listings;
(viii) business tone dialing service;
(ix) service connection for all business services;
(x) direct inward dialing for basic business services; and
(xi) receipt of a directory.

(3) This subsection does not preclude an electing company from offering a customer-specific contract to the extent allowed by PURA as of August 31, 1999.

(4) An electing company may not implement a customer-specific contracting program in such a way as to circumvent prohibitions contained in Chapter 58 and subsection (c)(2) of this section.

Bob Casey

From: Stewart, Roger [roger.stewart@puc.state.tx.us]
Sent: Friday, April 19, 2002 7:06 PM
To: 'bcasey@psc.state.fl.us'
Subject: TX PUC Proj 24948 winback investigation - TX PUC ok'd staff propo sal to initiate rulemaking

Hi Bob,
Just a brief update: In an "open meeting" yesterday (Thurs Apr 18), the TX Commissioners gave Staff an informal go-ahead to proceed with a winback rulemaking: to be Project 25784.
(Another note: looks as if the TX rulemaking may focus on discount pricing - such as: no discounts on recurring charges > X% or for more than Y months, no discounts at all in the first 7 or 10 or 30 days, etc. -- rather than on winback activities - such as: no winback marketing efforts within X days after switch, etc.)
Have a good weekend! (Hope you already are by the time of this message!)
Roger

Roger Stewart
Attorney, Legal Division
PUC of Texas
512-936-7296
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TR's State NewsWire.....with TRINSIGHT® -- April 15, 2002

STATE REGULATION WATCH
TEXAS -- Staff concludes 'win-back' restrictions are necessary
INDIANA -- URC sets hearings on Ameritech structural-separation plan
ARIZONA -- ACC to hold public meetings on Qwest LD bid
WASHINGTON -- UTC to examine Qwest's provisioning parity
OREGON -- AG files 'slamming,' prepaid service settlements
COLORADO -- Page recommends adopting 'N11' rules
ILLINOIS -- Court: filed-rate doctrine bars lawsuit
NEW YORK -- Court dismisses '976' complaint against Verizon

STATE LEGISLATION
CALIFORNIA -- Committee to mull sharing bill
CALIFORNIA -- Bill adds 'junk faxers' to 'no-call' list

BUSINESS ACTIVITY
ARIZONA -- Report examines Internet voting

PEOPLE ON THE MOVE
CALIFORNIA -- Gov. Davis appoints Superior Court judges

TEXAS -- Staff concludes 'win-back' restrictions are necessary

The Public Utility Commission staff plans to develop a "straw man" rule restricting price-cap-regulated incumbent local exchange carriers' "win-back" and retention promotions. Win-back programs attempt to persuade customers who have switched their local service to a CLEC (competitive local exchange carrier) to return to the incumbent.

The straw man rule could (1) prohibit incumbents from offering win-back promotions for the first 30 days after a customer converts local service to a competitor, (2) restrict the terms and discounts in incumbents' win-back promotions, and (3) restrict incumbents' retention offers, the staff said.

Some win-back and retention promotions "can have anti-competitive impacts," the staff said. The commission should "limit such impacts" until price-cap regulated incumbents "are no longer dominant carriers," the staff said.

The staff said that incumbents' rates for "many vertical features are above super-competitive levels," which is evidence that price-cap-regulated incumbents "continue to possess significant market power."

Last year, a group of competitors asked the PUC to ban price-cap-regulated incumbents' win-back tariffs. (9/7/01 a.m.) The commission denied the competitors' request but held a workshop to investigate the effect of incumbents' win-back and retention activities on competition to decide whether any rule changes were necessary. (Project 24597)

INDIANA -- URC sets hearings on Ameritech structural-separation plan

The Utility Regulatory Commission has scheduled April 15-16 hearings on a proposal to separate SBC Ameritech-Indiana's retail and wholesale operations.

Last year, the Association of Communications Enterprises, AT&T Corp., the Competitive Telecommunications Association, and McLeodUSA Telecommunications Services, Inc., asked the commission to divide Ameritech's operations. (5/11/01 a.m.) AT&T told *TR* that structural separation was necessary to "jump start" competition in the residential local services market. SBC Ameritech controls more than 98% of residential and small business lines and more than 95% of all lines, AT&T said.

ARIZONA -- ACC to hold public meetings on Qwest LD bid

The Corporation Commission is planning to hold public comments sessions on Qwest Corp.'s bid to enter the in-region interLATA (local access and transport area) services market under section 271 of the federal Telecommunications Act of 1996, an ACC staff member told *TR*. The comment sessions will likely take place in May in the state's major population centers, the staff member added.

WASHINGTON -- UTC to examine Qwest's provisioning parity

OPEN MEETING COVER SHEET

MEETING DATE:	April 18, 2002
DATE DELIVERED:	April 12, 2002
AGENDA ITEM NO. :	24
CAPTION:	Project No. 24948 – Investigation of Winback/Retention Offers by Chapter 58 Electing Companies
ACTION REQUESTED:	Discussion and Possible Action on Staff Recommendation

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Public Utility Commission of Texas

Memorandum

TO: Commissioner Brett A. Perlman
Commissioner Rebecca Klein

FROM: Bih-Jau (BJ) Sheu – Telecommunications Division
Randy Klaus – Telecommunications Division
Tina Ghabel – Policy Development Division
Roger Stewart – Legal Division

DATE: April 12, 2002

RE: Agenda Item No. 24, Project No. 24948 – Investigation of Winback/Retention Offers by Chapter 58 Electing Companies

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Summary

Staff proposes that the Commission conclude this investigation with a finding that certain winback/retention promotions by Chapter 58 electing companies can have anti-competitive impacts. Staff thus recommends amending SUBST. R. 26.226 to limit such impacts until such time that Chapter 58 ILECs are no longer dominant carriers. Staff's analysis leading to that recommendation is found below. Attached to this memorandum please find a procedural history and a summary of parties' positions (Attachment A).

Staff Recommendation

Staff again recommends against a blanket prohibition of winback and retention offerings, consistent with Staff's response to the rulemaking petition in Project No. 24597. Such a restriction would undoubtedly deprive customers of one of the intended benefits of competition. Insulating CLECs from that form of price competition would deny customers of price reductions that might otherwise occur when competitors woo each other's customers. Nevertheless, Staff agrees with CLEC commenters that winback/retention offers can be used to selectively target marginally competitive market segments to the detriment of competition, especially in the early stages. The market reality that prices of many vertical features are above super-competitive levels today is

evidence that Chapter 58 ILECs continue to possess significant market power. Staff further recognizes that dominant carriers are able to use narrowly-tailored winback/retention promotions to keep competition sufficiently weak so that prices generally can be maintained or raised above the competitive level without losing so many sales so rapidly that the price increase proves unprofitable and must be rescinded.

Staff also notes that PURA permits Chapter 58 companies pricing flexibility with the following caveat – such pricing flexibility may not be preferential, prejudicial, discriminatory, predatory, or anticompetitive. PURA § 51.004(a). Given current market conditions and the State of Texas policy to "(1) promote diversity of telecommunications providers" and "(2) encourage a fully competitive telecommunications marketplace" (PURA § 51.001; *see also* § 58.001(5)), Staff believes that the intermediate and long-term benefits of encouraging and maintaining market viability and provider choice for customers in general can outweigh certain short-term benefits to certain individual customers. Staff therefore recommends that the Commission direct Staff to initiate a rulemaking amending SUBST. R. 26.226 regarding certain types of promotions until such time that Chapter 58 ILECs are no longer dominant carriers.

Staff envisions that a "straw man" rule language would impose certain time and term/discount restrictions on winback and retention promotions. The "straw man" rule language could include:

- A time restriction on winback promotions (e.g. a Chapter 58 ILEC must wait 30 days after a former customer has switched to a competitor to offer such promotions.)
- A limit on discounts and terms provided in winback promotions.
- Restrictions placed on retention offers.

As mentioned above, provided in attachment A are a procedural history and a summary of parties' positions drawn from the oral and written comments before, at, and after the workshop.

Attachment A

Procedural History

On September 4, 2001, Southwest Competitive Telephone Association, IP Communications Corporation, XO Texas, Inc., Association of Communications Enterprises, Competitive Telecommunications Association, Sage Telecom, Inc., Z-Tel Communications, Inc, and Birch Telecom Of Texas, LLP (Petitioners) filed a petition (assigned to Project No. 24597) to amend P.U.C. SUBST. R. 26.226. Petitioners sought to amend SUBST. R. 26.226 relating to Requirements Applicable to Pricing Flexibility for Chapter 58 Electing Companies by incorporating a blanket prohibition of winback and retention programs to curtail what they believed to be anticompetitive and discriminatory behavior.

On October 12, 2001, Southwestern Bell Telephone Company (SWBT) and Verizon Southwest (Verizon) filed comments opposing that petition. Time Warner Telecom of Texas, L.P., Ionex communications, Inc., KMC Telecom, Inc. and Talk America, Inc. filed comments supporting the petition.

On November 8, 2001, the Commission denied the petition in Project No. 24597 but directed Staff to hold a workshop to further investigate the issues raised by the Petition. In response to Staff questions issued in this project, a number of carriers and trade associations filed comments on November 30, 2001. Staff held a workshop on December 12, 2001. Parties filed post-workshop comments on January 18, 2002. In light of "new" comments from SWBT, Staff invited reply comments, which were filed on March 15, 2002.

Summary of Parties' Positions:

(Note: Comments regarding the alleged misuse of customer proprietary network information (CPNI) are omitted intentionally, because Project No. 22490 dealt specifically with that issue and resulted in Subst. R. 26.122(c)(3) regarding the use of CPNI in a retention or winback context)

CLEC commenters:

CLEC commenters contended that marketing practices by incumbent local exchange carriers (ILECs) directing special "winback" and "retention" promotions and practices constitute price discrimination. CLEC commenters opined that ILECs as former monopolists intend to squelch developing competition and withhold the benefits of competition from all but a few customers. CLEC commenters stated that ILECs are able to maintain high rates for a certain group of customers while limiting price reductions to only those customers that have sought competitive choice due to the ILEC's market dominance.

According to CLEC commenters, the foundations for this investigation are the competitive protections in PURA and the continued market dominance of ILECs in Texas. CLEC commenters stated that pricing flexibility is prohibited for Chapter 58 companies if the promotion is preferential, prejudicial, discriminatory, predatory, or anticompetitive, and that the Commission has repeated those restrictions in Subst. Rule 26.226. Furthermore, CLEC commenters urged the Commission to look at the reality of the market today and to recognize the substantial market share and market power enjoyed by the ILECs.

CLEC commenters defined winback and retention offers as ILEC offerings that contain favorable price or contractual terms to a CLEC's customer previously served by the ILEC in order to induce the customer to return to the ILEC. Such inducements are however, not offered to other similarly situated ILEC customers. CLEC commenters claimed that all special pricing promotions as part of winback/retention activities that meet the definition above are anticompetitive and/or discriminatory when offered by an entity with market power.

CLEC commenters emphasized that the Legislature, recognizing that competition remains in the early stages in Texas, tempered the availability of pricing flexibility with a requirement that such pricing flexibility not be exercised in a manner that is preferential, prejudicial, discriminatory, predatory, or anticompetitive.

CLEC commenters stated that, although the magnitude of the problem of winback/retention activities is hard to gauge, ILECs are able to deter entry by

demonstrating their ability to "chill" aggressive entry and expansion through a multitude of promotions to winback or retain their customers. Thus, unchecked anticompetitive behavior will have a chilling affect on the development of competition, even though the number of Texas relevant winback/retention offers may currently be low.

CLEC commenters contended that winback/retention promotions by ILECs with substantial market power are a form of "price discrimination" and will lead to concentration/preservation of market power, especially when offered only to CLEC customers and/or prospective CLEC customers. CLEC commenters averred that restricting offers only to CLEC consumers discriminated against those consumers who have not received service from a CLEC. Furthermore, it is such discrimination that constitutes the exact nature of the anticompetitive affect of the winback/retention promotions. By targeting CLEC customers, ILECs increase their existing market power while at the same time using existing market power to continue to obtain the higher and likely super-competitive rates from the remaining and overwhelming majority of consumers. CLEC commenters urged the Commission to prohibit such market power-driven winback/retention promotions, and to create an environment that will allow market development to discipline prices and force down monopoly rates that the winback/retention offers seek to perpetuate.

CLEC commenters argued that retention offers discriminate between existing customers with competitive choice and existing customers without competitive choices because competition generally develops in pockets, either in market segments or geographic areas. The anticompetitive winback/retention promotions by ILEC may stifle the CLECs' opportunities to expand to new segments and locations, thus delaying the development of competitive choice to new customer locations and classes. As a result, the price discipline that competition would otherwise provide has little chance to materialize. This is especially true of local exchange telephone services, where customer concentration drastically reduces the cost of deploying central office facilities and facilities over the last mile.

CLEC commenters disagreed that restricting winback eligibility to former customers is for a reasonable business purpose. CLEC commenters stated that the

industry is in transition and that former monopolists' use of market power to perpetuate the benefits of that power must be deemed illegitimate and discriminatory.

CLEC commenters opined that for the theory of "functionally availability" to exist, consumers would require perfect information, perfect service conversions, and negligible transaction costs. Moreover, for a winback/retention offer to be "functionally available" to all customers, there must be competitive choice effectively available to every customer of an ILEC. Otherwise, the issue of "functional availability" remains a hypothetical discussion.

CLEC commenters stated that "meeting competition" is not a term of economics but of rhetoric. The economic outcome of a winback/retention promotion is determined by the effect of market power on developing markets and the use of that market power to keep the benefits of competition from developing in a manner that would exist in the absence of market power. Moreover, ILECs have other venues to "meet competition" that are permissible and without resorting to practices that take advantage of their market power. For example, ILECs can offer system wide price reductions on those services that they deem to be under competitive pressure, provided that those reductions do not drop prices below the threshold of predatory pricing. CLEC commenters urged the Commission to encourage broad-based rate reductions and bring the benefits of competition to all customers.

CLEC commenters stated their belief that it is permissible to ban or limit winback/retention offers made by dominant carriers while not likewise banning or limiting such offers made by non-dominant carriers. CLEC commenters stated that the Commission is obligated pursuant to PURA § 58.152 to disallow any attempt to exercise pricing flexibility by dominant carriers that is preferential, prejudicial, discriminatory, predatory, or anticompetitive. Not only did PURA impose no similar statutory requirement for CLECs, but also, because CLECs have no market power, CLECs as "price takers" cannot manipulate the market to obtain inflated rates. The sole benefit for CLECs when initiating a winback offer is to regain the customer. However, with a dominant ILEC, there exists the secondary benefit of distorting the market by obtaining monopoly profits from its broader customer base. It is exactly this secondary benefit that causes the dominant ILEC's promotion to be anticompetitive and discriminatory.

CLEC commenters claimed that no forums other than a rule clarification/modification are available for addressing the oversight of potential market power abuse in the winback/retention activities. CLEC commenters stated that filing a complaint on a case-by-case basis in the tariff review process is extremely limited in the scope of each case and burdensome for an individual competitor to justify. CLEC commenters sought further definition within the Commission's rules to specifically define the anticompetitiveness of such promotional activity. CLEC commenters believe there is no other forum with a similar breadth of application and administrative efficiency to allow competitors to bring this issue before the commission.

CLEC commenters posited that there is no lesser remedy other than a ban of winback/retention promotions that will remove or mitigate the discriminatory or anticompetitive aspects of such offers. No time restriction or price restriction will prevent ILECs from utilizing market power to thwart the development of competition with one hand while perpetuating continued super-competitive rates with the other.

Filing separately from other CLECs, VarTec asserted that the commission should prohibit ILEC winback offers from the time the CLEC places the conversion order up to at least the first 30 days after the customer converts to a competitive provider. VarTec opined that this window of time will allow the competitive provider a more reasonable time to establish the consumer's service and resolve any initial service impairments. Furthermore, this extra time will allow the consumer a more meaningful opportunity to experience having service with a company other than the ILEC, giving them the ability to know the benefits of competition first-hand.

Finally, CLEC commenters suggested that a HHI (Herfindahl-Hirschman Index) of 1000 is evidence of lack of market power. However, said the CLEC commenters, the current HHI is in excess of 8,000, and the threshold HHI for a determination that winback/retention promotional activities are no longer anticompetitive should be 1,000, 2,500, or somewhere in between, but such a determination is not immediately relevant.

Chapter 58 ILECs:

SWBT countered that retention/winback programs are pro-competitive and pro-consumer so long as they are not predatory. SWBT argued that discounts specifically targeting certain customer groups are not unlawfully discriminatory, because those discounts have a "reasonable business purpose" – "meeting competition." SWBT said that CLEC commenters' requested relief would insulate CLECs from normal competitive pressures and would deny CLEC customers the benefits of competition. SWBT contended that the Commission should either disregard the retention/winback offers in other states, because those programs are neither offered in Texas nor governed by Texas law, or the Commission could observe that such offers are being demonstrated throughout the country as a reasoned response to competition. SWBT further stated that competition is significant, and that the Commission should disregard CLEC commenters' inflammatory allegations that local competition is in a fledgling state and that retention/winback offers are an abuse of market power.

SWBT defined a winback offer as "a promotional offer or discount that is available to former customers who voluntarily terminated their service and subscribed to another service provider." [1] SWBT also defined retention offer as "a promotional offer or discount that is available to existing customers who have an offer from another company available to them and are considering switching their service to another company."

SWBT argued that winback/retention activities can be anticompetitive only if they involve predatory pricing. SWBT also contended that winback/retention activities are not unlawfully discriminatory if they (a) do not draw "status-based distinctions among classes of protected entities that are arbitrary with respect to the policies that PURA is meant to advance," (b) are a direct response to competition, or (c) provide discounts that are "functionally available to all similarly situated customers."

SWBT averred that there is no "problem" with winback/retention activities now or in the foreseeable future. According to SWBT, winback and retention programs are fundamental tools for obtaining and retaining customers in a competitive market.

[1] Project 24948, Comments of SWBT in Response to Questions Posed by the Commission's Staff, p.1. November 30, 2001

Moreover, winback and retention activities result in price decreases and service value increases, consistent with the objectives of a competitive market. Customers would be denied the benefit of a competitive market–reduced price if any carrier is barred from making rationally responsive offers such as winback and retention offers.

SWBT claimed that if it is prohibited from making competitive winback or retention offers, then customers considering using or are already using an alternative provider will wrongly view SWBT's unresponsiveness as an indication that SWBT is not interested in providing service to them and/or is unable to viably compete for their business. Eliminating a service provider's ability to offer such competitive options would be contrary to customer expectations about how a competitive market works and harm the competitive market's ability to function as it should.

SWBT maintained that winback/retention promotions do not lead to "concentration of market power." Rather, having to respond to the offer of another competitor is substantial evidence that "market power" does not exist. Furthermore, the existence of winback/retention promotions shows that no provider controls the market price in a way that permits monopoly profits and there is no capacity constrain in the marketplace.

SWBT averred that winback offers do not discriminate between new-but-not former customers and new-but-former customers. The former group lacks experience and a past relationship with SWBT and may not have any experience with CLECs in Texas. In contract, the latter group has had experience with both SWBT and at least one CLEC in Texas. Furthermore, to the extent that this different treatment can be characterized as "discrimination" because SWBT can only "win back" a former customer, then such "discrimination" is reasonable in view of the differences in customers' experiences and relationships with SWBT.

SWBT argued that retention is not discriminatory between existing customers with competitive choice and existing customers without competitive choices because all customers have competitive choice in Texas due to the proliferation of CLECs, satellite providers, wireless providers, and Internet telephony, and with ubiquitous CLEC market coverage available via SWBT's unbundled network element platform.

SWBT claimed that restricting winback eligibility to former customers is legitimate and not discriminatory because it is for a reasonable business purpose. Customers that have switched to another carrier demonstrate a relative lack of brand loyalty and tend to care more about price than about other product attributes such as particular brand names or quality characteristics. It is therefore a common business practice to appeal to their preferences by attempting to attract them via price offers. Other customers tend to care more about other service attributes, and it is a common and reasonable business practice to appeal to different customers on the basis of their different revealed preferences.

SWBT contended that under the federal Robinson-Patman Act, promotional incentives are not discriminatory if they are "functionally available" to all similarly situated customers. SWBT's winback/retention promotions are functionally available to all customers and not unlawfully discriminatory.

SWBT posited that meeting competition is a reasonable business purpose regardless of whether the offeror is a dominant carrier or allegedly has "market power."

SWBT argued that consumers would be left with fewer choices and competition would be inhibited if limitations were placed on dominant carriers only. SWBT claimed that straight-jacketing the allegedly "dominant" carrier might artificially increase CLEC profits and diminish CLECs' incentives to price their services competitively, to the detriment of competition and consumers.

SWBT asserted that no forum is necessary to address winback/retention promotions. Rather, the Commission should be concerned abut "regulatory process abuse" by which one or more competitors tries to convince a regulator to unfairly and unlawfully shackle another competitor, solely for the purpose of minimizing the level of competition to the detriment of consumers and competition. SWBT argued that ILEC winback/retention should not be prohibited or limited; therefore there is no need to consider a trigger for review or termination of any prohibitions or limitation.

SWBT's hired economist Dr. Aron claimed that the appropriate basis to evaluate a winback/retention offer is by its anticipated effects on consumer welfare and economic efficiency. According to her, the remedy sought by CLEC commenters would create a price umbrella to protect the inefficient competitors from price competition to the

detriment of consumers. Dr. Aron also stated that market power is a red herring because it is relevant only in evaluating whether a producer or cartel of producers can increase and maintain its prices above a competitive level without losing so many customers as to make the behavior unprofitable. Dr. Aron further stated that SWBT is not pricing predatorily and does not undercut its rivals' prices. Dr. Aron concluded that there is no public benefit – in the long run or the short run – gained from limiting winback/retention offers.

Additionally, Verizon claimed a rule amendment to prohibit winback/retention would violate the federal Telecom Act of 1996 requirement that consumer safeguards be competitively neutral. Verizon posits that the Texas Legislature has already addressed consumer safeguards in PURA Chapter 60. Verizon also argued that market share is not synonymous with market power and ILECs do not posses market power. Verizon stated that market power is defined as the ability to increase and sustain prices significantly above competitive levels without losing so many customers that the increase in price is unprofitable. Verizon contended that ILEC price reductions through winback and retention offers constitute evidence that ILECs do not possess market power.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation Of BellSouth's Promotional Pricing And Marketing Practices by Florida Digital Network, Inc.	Docket No. 020119-TP

In Re: Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs by the Florida Competitive Carrier's Association	Docket No. 020578-TP

EXHIBIT MPG-5

FILED WITH THE REBUTTAL TESTIMONY OF MICHAEL P. GALLAGHER

FILED ON BEHALF OF

FLORIDA DIGITAL NETWORK, INC.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 7
COMPANY/ WITNESS: F.D.N./Michael Gallagher
DATE: 02/19/03

BellSouth Rate Increases

	all lines	multi-line additive	multi-line increase	multi-line	multi-line increase	multi-line	multi-line increase	multi-line	multi-line increase	multi-line	multi-line increase	Total multi-line increase
RG	**1/15/2000**	**1/15/2000**	**1/15/2000**	**1/19/2001**	**1/19/2001**	**2/2/2001**	**2/2/2001**	**1/19/2002**	**1/19/2002**	**2/16/2002**	**2/16/2002**	**1/15/00 - 2/16/02**
1	19.80	21.40	**8.081%**	23.05	**7.710%**	23.36	**1.345%**	25.95	**11.087%**	25.95	N/A	31.06%
2	20.80	22.48	**8.077%**	24.22	**7.740%**	24.54	**1.321%**	26.95	**9.821%**	26.95	N/A	29.57%
3	21.90	23.67	**8.082%**	25.50	**7.731%**	25.84	**1.333%**	28.95	**12.036%**	28.95	N/A	32.19%
4	22.90	24.75	**8.079%**	26.66	**7.717%**	27.01	**1.313%**	29.95	**10.885%**	29.95	N/A	30.79%
5	23.85	25.78	**8.092%**	27.77	**7.719%**	28.14	**1.332%**	30.95	**9.986%**	30.95	N/A	29.77%
6	24.90	26.92	**8.112%**	28.99	**7.689%**	29.38	**1.345%**	32.95	**12.151%**	32.95	N/A	32.33%
7	25.75	27.84	**8.117%**	29.98	**7.687%**	30.38	**1.334%**	33.95	**11.751%**	33.95	N/A	31.84%
8	26.60	28.75	**8.083%**	30.97	**7.722%**	31.38	**1.324%**	34.95	**11.377%**	34.95	N/A	31.39%
9	27.40	29.62	**8.102%**	31.90	**7.698%**	32.32	**1.317%**	36.95	**14.325%**	36.95	N/A	34.85%
10	28.00	30.27	**8.107%**	32.60	**7.697%**	33.03	**1.319%**	36.95	**11.868%**	36.95	N/A	31.96%
11	28.60	30.92	**8.112%**	33.30	**7.697%**	33.74	**1.321%**	36.95	**9.514%**	36.95	N/A	29.20%
12	29.10	31.46	**8.110%**	33.88	**7.692%**	34.33	**1.328%**	36.95	**7.632%**	36.95	N/A	26.98%

	all lines	single-line	single-line increase	single-line	single-line increase	single-line	single-line increase	single-line	single-line increase	single-line	single-line increase	Total single-line increase
RG	**1/15/2000**	**1/15/2000**	**1/15/2000**	**1/19/2001**	**1/19/2001**	**2/2/2001**	**2/2/2001**	**1/19/2002**	**1/19/2002**	**2/16/2002**	**2/16/2002**	**1/15/00 - 2/16/02**
1	19.80	19.80	N/A	19.80	N/A	20.11	**1.566%**	20.11	N/A	20.46	**1.740%**	3.33%
2	20.80	20.80	N/A	20.80	N/A	21.12	**1.538%**	21.12	N/A	21.49	**1.752%**	3.32%
3	21.90	21.90	N/A	21.90	N/A	22.24	**1.553%**	22.24	N/A	22.63	**1.754%**	3.33%
4	22.90	22.90	N/A	22.90	N/A	23.25	**1.528%**	23.25	N/A	23.66	**1.763%**	3.32%
5	23.85	23.85	N/A	23.85	N/A	24.22	**1.551%**	24.22	N/A	24.65	**1.775%**	3.35%
6	24.90	24.90	N/A	24.90	N/A	25.29	**1.566%**	25.29	N/A	25.73	**1.740%**	3.33%
7	25.75	25.75	N/A	25.75	N/A	26.15	**1.553%**	26.15	N/A	26.61	**1.759%**	3.34%
8	26.60	26.60	N/A	26.60	N/A	27.01	**1.541%**	27.01	N/A	27.49	**1.777%**	3.35%
9	27.40	27.40	N/A	27.40	N/A	27.82	**1.533%**	27.82	N/A	28.31	**1.761%**	3.32%
10	28.00	28.00	N/A	28.00	N/A	28.43	**1.536%**	28.43	N/A	28.93	**1.759%**	3.32%
11	28.60	28.60	N/A	28.60	N/A	29.04	**1.538%**	29.04	N/A	29.55	**1.756%**	3.32%
12	29.10	29.10	N/A	29.10	N/A	29.55	**1.546%**	29.55	N/A	30.07	**1.760%**	3.33%

6 rate increases in 2 years
15 % rate increases each year
Business line rate increases approx every 4 months of 5.2%

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was sent by e-mail and regular mail to the persons listed below, other than those marked with an (*) who have been sent a copy via overnight mail, this 25 day of November, 2002.

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TELECOMMUNICATIONS
MARKETS IN FLORIDA

ANNUAL REPORT ON
COMPETITION

AS OF JUNE 30, 2002

FLORIDA PUBLIC SERVICE COMMISSION
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LIST OF ACRONYMS

ALEC	Alternative Local Exchange Company
BEBR	Bureau of Economic and Business Research
BOC	Bell Operating Company
Commission	Florida Public Service Commission
CTIA	Cellular Telecommunications & Internet Association
DSL	Digital Subscriber Line
DSLAM	Digital Subscriber Line Access Multiplexer
FCC	Federal Communications Commission
IP	Internet Protocol
ISP	Internet Service Provider
ILEC	Incumbent Local Exchange Carrier
Joint-Board	Federal-State Joint Board
LATA	Local Access and Transport Area
NANPA	North American Numbering Plan Administrator
NCTA	National Cable and Telecommunications Association
NXX	End Office Code
NPA	Area Code
OPC	Office of Public Counsel
OSS	Operational Support Systems
PSTN	Public Switched Telecommunications Network
RBOC	Regional Bell Operating Company
SLC	Subscriber Line Charge
SMSA	Standard Metropolitan Statistical Area
TELRIC	Total Element Long-Run Incremental Cost
UNE	Unbundled Network Element
USOA	Uniform System of Accounts
VoIP	Voice over Internet Protocol

EXECUTIVE SUMMARY

Prepared in order to satisfy the statutory requirements set forth in Section 364.386 and Section 364.161(4), Florida Statutes, this report provides an overview and analysis of local telecommunications competition in Florida. Additionally, it includes discussions on factors influencing ALEC market entry, ongoing changes in the economy and the subsequent effects on the telecommunications industry, and information on telecommunications activities at both the state and federal level.

This year, ALEC and ILEC responses to Florida Public Service Commission (Commission) data requests indicate that as of June 30, 2002:

- Competitors have obtained a 13% market share, up from 8% in 2001.
- ALECs have made impressive gains in the business market, increasing their share to 26% of business access lines, up from last year's share of 16%.
- ALEC residential market share increased to 7% from 4% in the previous year.
- Two percent (260,000) fewer access lines were reported in service this year compared to last year. Much of this decline is believed to be from customers discontinuing traditional lines in favor of wireless or broadband service.

The Commission has participated in numerous activities locally as well as nationally to stimulate telecommunications competition. In Florida, the Commission continues its efforts to encourage local competition at fair prices while preserving service quality. Proceedings over the past year include the endorsement of BellSouth's application to provide in-region, interLATA services, the establishment of permanent performance metrics and enforcement mechanisms for BellSouth, and setting rates for unbundled network elements (UNEs). The Commission continues to be vigilant in ensuring fair market practices through arbitration proceedings and by establishing a collaborative forum in which ALECs and ILECs are able to address many operational and logistical issues. At the national level, the Commission voices its opinion in key federal actions that affect telecommunications services in Florida.

From July 1, 2001 through June 30, 2002, the Commission received 81 ALEC complaints against ILECs. All have been resolved, including four which were dismissed. During this reporting period, the Commission received seven petitions for the arbitration of rates, terms and conditions for interconnection, unbundling, and resale. Also, the Commission received 340 negotiated agreements between ALECs and ILECs for review. Since June 1996, the Commission has reviewed and approved 2,336 negotiated interconnection agreements.

CHAPTER I: INTRODUCTION

Chapter 364, Florida Statutes, provides the guiding principles by which the Florida Public Service Commission (Commission) regulates the telecommunications industry. This statute requires the Commission to prepare and deliver a report on "the status of competition in the telecommunications industry" to the Governor and Legislature by December 1 of each year. Specifically, Section 364.386, Florida Statutes, requires that the report address the following issues:

- The overall impact of local exchange telecommunications competition on the continued availability of universal service.
- The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.
- The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
- The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
- What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.
- Any other information and recommendations which may be in the public interest.

A 1997 amendment to Section 364.161(4), Florida Statutes, requires the inclusion of a summary of all complaints filed by alternative local exchange companies (ALECs) against incumbent local exchange companies (ILECs).

Prior to discussing the required topics, this report begins with a brief overview in Chapter II of the local telecommunications exchange market-opening provisions of the Telecommunications Act of 1996 (the Act) and the ongoing changes occurring in the marketplace. Also discussed are the various sources that provided information for this report, with the primary source being the traditional data request submitted to all certificated ILECs and ALECs in Florida. The additional sources examined include the Utilization Report issued by the North American Numbering Plan Administrator (NANPA), 911 databases, Commission records, industry sources, and reports from federal entities such as the Federal Communications Commission (FCC). Market share calculation methods and estimates are also analyzed.

Chapter III focuses specifically on Florida's competitive market. Chapter IV highlights current issues in local telecommunications competition such as what factors influence ALEC market entry decisions and the economic impacts resulting from the surge in bankruptcies. The six issues required to be addressed by Chapter 364, Florida Statutes, are covered in Chapter V.

The appendices provide tables listing the ALECs providing service in Florida, the exchanges with providers, the percentage of ALEC access lines by exchange, state activities, federal activities, the summary of ALEC complaints, and a list of certificated ALECs as of June 30, 2002.

CHAPTER II: ASSESSING THE COMPETITIVE MARKET

A. Provisions of the Telecommunications Act of 1996

The federal Telecommunications Act of 1996 (the Act) established the framework for Alternative Local Exchange Carriers (ALECs) to be able to enter the market for provisioning local telephone service. Florida was already a step ahead with the 1995 passage of amendments to Chapter 364, Florida Statutes, that provided for such competition. The FCC's Local Competition Order specified that opening the local exchange and exchange access markets to competition was intended to "pave the way for enhanced competition in all telecommunications markets."[1] Additionally, the opening of all telecommunications markets to all providers was expected to blur traditional industry distinctions. As such, ALECs and other less traditional providers have entered the local market using various technologies including wireless, cable, Digital Subscriber Line (DSL), and Voice over Internet Protocol (VoIP). These providers are challenging the traditional wireline providers for market share.

As of June 30, 2002, ALEC certificates filed with the Commission numbered 417. Unlike the incumbents, ALECs are not required to file tariffs for Commission acknowledgment. Instead, each company is only required to file a price list if it offers "basic local telecommunications service," defined in Section 364.02, Florida Statutes, as follows :

> "Basic local telecommunications service" means voice-grade, flat-rate residential, and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multifrequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange telecommunications company, such term shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

In addition, Section 364.337(2), Florida Statutes, states in part that "[T]he basic local telecommunications service provided by an alternative local exchange telecommunications company must include access to operator services, '911' services, and relay services for the hearing impaired."

The Act established three methods by which ALECs can enter the local exchange market: resale, leasing of unbundled network elements (UNEs), and investing in their own facilities.[2]

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[1]FCC 96-325, CC Docket No. 96-98, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, Paragraph 4.

[2] Policies such as number portability and interconnection also facilitate ALECs' entry into this market.

Because ILECs dominate the last mile of the local network, ALECs must either use the ILEC's local loops or build their own facilities.

Resale

Resale is a method of market entry used often as a starting point for ALECs to gain exposure in the marketplace. Under this method, ALECs are able to purchase at a discount and resell any telecommunications services that ILECs offer to retail customers. Those ALECs that focus on serving customers who have been disconnected by the ILEC or who prefer prepaid service may view resale as a long-term strategy.

Unbundled Network Elements (UNEs)

UNEs are the building blocks of ILEC networks used to provide telecommunications services. This method of entry requires ILECs to unbundle their networks and lease the piece parts or elements to ALECs at rates based on a total element long-run incremental cost (TELRIC) methodology.

Facilities

Facilities-based ALECs are those that have built out their own networks. Frequently, ALECs enter the market using resale or UNE-based services while investing the financial resources necessary to build a telecommunications network and eventually provide facilities-based services independent of the ILECs. True facilities-based competition is not yet widespread and currently exists in the market primarily through cable companies, wireless providers and a handful of other wireline providers that mainly target the high-demand business market. Presently, only cable and wireless providers appear to be posing any significant facilities-based challenge to ILEC dominance of the residential market.

B. The Evolving Marketplace and Substitution of Technologies and Services

Evaluating market competition first requires appropriately defining the relevant market scope to include reasonably close substitute products in a geographic area. For example, in the local telephone market, the geographic area could be the entire state of Florida, a region within the state, a Standard Metropolitan Statistical Area (SMSA – a typical urban area), a local exchange area,[3] or an even smaller area covered by a wire center. ALECs typically enter the market at the exchange level through one or more of the entry methods described previously. Therefore, this report evaluates the competitive telecommunications market both statewide and at the exchange level. Regarding the substitution of technology and services, as they are being found to be close substitutes to traditional wireline services, both wireless and emerging broadband IP-telephony providers must be included in the analysis. However, this information is limited due to the fact that the Commission lacks the authority to obtain specific data on these alternative providers. Whenever it can be

[3]An exchange is a geographic area established by a common communications carrier for the administration and pricing of telecommunications services in a specific area that usually includes a city, town or village. An exchange consists of one or more central offices and their associated facilities. An exchange is not the same as a LATA. A LATA consists of several adjacent exchanges. (Newton, 17th ed.)

obtained, the Commission uses aggregate data on a statewide and national level in order to make reasoned judgements about the impact alternative technology platforms are having on the competitive market in Florida.

Wireless Providers

Wireless service providers have emerged as competitors to incumbents in providing customers their entire telephone service needs. This phenomenon was perhaps foretold in a residential telephone affordability survey conducted by the Commission in 1998. In that survey, 52% of the respondents indicated that they would switch to wireless phone service when the price of wireline rose to a certain level.[4] This statistic shows that four years ago more than half of Florida residents already considered wireless to be a close substitute to wireline service. An ongoing survey presently being conducted on behalf of the Commission by the University of Florida's Bureau of Economic and Business Research (BEBR) produced the following interesting results:

- 25% of respondents have considered disconnecting their home telephones and using only wireless service.
- 70% of respondents stated "saving money" as the reason for considering going solely to wireless.
- 47% of respondents also ranked convenience high as a reason for considering going solely to wireless.
- By contrast, only 16% of respondents have considered switching local telephone service from the incumbent to an ALEC.

According to the Cellular Telecommunications & Internet Association (CTIA), more than 6.8 million, or 5%, of U.S. wireless subscribers have eliminated their wireline phones and have switched completely to wireless services. Other research indicates that from three to five percent of America's 120 million wireless subscribers have disconnected their local phone lines.[5] Regardless of the figures, substituting wireless for wireline services appears to be a national trend fueled by wireless packages that include long distance and a younger generation's mobility.[6] CTIA reports that teenagers are the fastest growing customer base for the wireless industry, and estimates that 65% of teens will own a cell phone by 2005.

Bundled service offerings provide additional incentives for customers to drop wireline service in favor of wireless. Many wireless plans bundle local service with large amounts of long-

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[4] *Report on the Affordability of Residential Local Telephone Service in Florida – based on the Residential Local Telephone Service Affordability Survey of the Florida Public Service Commission*, Division of Research and Regulatory Review, Florida Public Service Commission, Tallahassee, Florida, February, 1999, Tables 1-14, p. 89.

[5] "Phone Users Beginning to Go Totally Wireless," The Dallas Morning News, August 30, 2001.

[6] "More Wireless Customers Decide to Drop Land Telephone Lines," Marti Trgovich, The Times (Munster, IN), June 30, 2002.

distance calling and the most popular vertical services, such as voice mail, caller ID, and call waiting, often at a much lower price than the ILEC charges for the same services. Wireless carriers also package services such as e-mail and Internet together to meet different consumer preferences. With attractive features such as mobility, convenience and reduced price, wireless has become a strong competitor of wireline services.

The wireless industry in Florida has been very active in recent years, with the number of wireless subscribers reaching 8.5 million, over 50 % of Florida's population, in 2002. This compares to the wireless subscription rate of 41% nationwide.

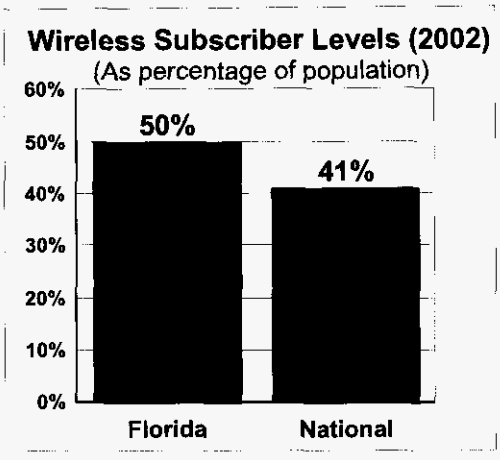

Figure 1

As shown in Table 1, when compared to the four states with the highest number of subscribers, Florida ranks third.

Table 1 Wireless Subscribers in the 4 Largest States (2001)

State	Wireless Phone Subscribers
California	14,997,358
Texas	9,062,064
Florida	**8,521,734**
New York	7,247,181

Source: FCC, *Local Telephone Competition: Status as of December 31, 2001*

These statistics present strong evidence that wireless is a partial, if not yet perfect, substitute for wireline telephone service. With such wireless subscribership, Florida ILECs are perhaps more vulnerable to wireless competition than most other states. If three to five percent of wireless subscribers discontinued their wireline service, this could mean that Florida telephone companies

may have lost as many as 425,000 subscribers to wireless. Florida also has one of the largest retiree populations, with many migrating north to cooler environs during the warmer months. There are indications of a trend among these seasonal residents, whether retirees or those maintaining vacation homes in the state, of discontinuing their landline connections in favor of wireless. For those customers, it makes little sense to continue paying for telephone service that sits idle much of the year when wireless enables them to stay connected wherever they are.

The increasing substitution of wireless for wireline services cannot be ignored by those attempting to assess telecommunications market competition. Whether this is a fundamental change in the telecommunications landscape remains to be seen. According to Jeff Kagan, an independent telecommunications analyst, "It's a behavioral shift from the last hundred years in which we called a geographical place and got a person. We're now moving to a model of calling a person - regardless of geography. The consequences of such a change could be profound."[7] This Commission currently has authority over services provisioned by telecommunications companies. Wireless providers are not defined as telecommunications companies according to Section 364.02, Florida Statutes. The Commission is thus hindered from obtaining pertinent information that would enable a more complete assessment of competition in Florida. Nevertheless, the Commission staff continues to explore alternative means of gathering data on the wireless industry's impact on the local exchange market.

2. Cable Providers

Available to American homes for decades, the cable industry is now expanding its competitive offerings to include business and residential telephone services delivered over its fiber optic infrastructure. According to the National Cable and Telecommunications Association (NCTA), "[C]able-delivered telephone service is a natural extension of a network already capable of delivering services and products thought unthinkable just five short years ago." "Cable companies . . . are certified local exchange carriers offering competitive residential voice services in over thirty cities and fifteen states across the country."[8] In December 2001, cable served approximately 1.5 million local voice customers. As illustrated in Figure 2, from 2000 through 2001, the number of cable telephony subscribers nationwide grew almost tenfold[9].

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[7]"When the Cellphone Is the Home Phone," Simon Romero, New York Times, August 29, 2002.

[8]http://www.ncta.com/broadband/broadband.cfm?broadID=3.

[9]Ibid.

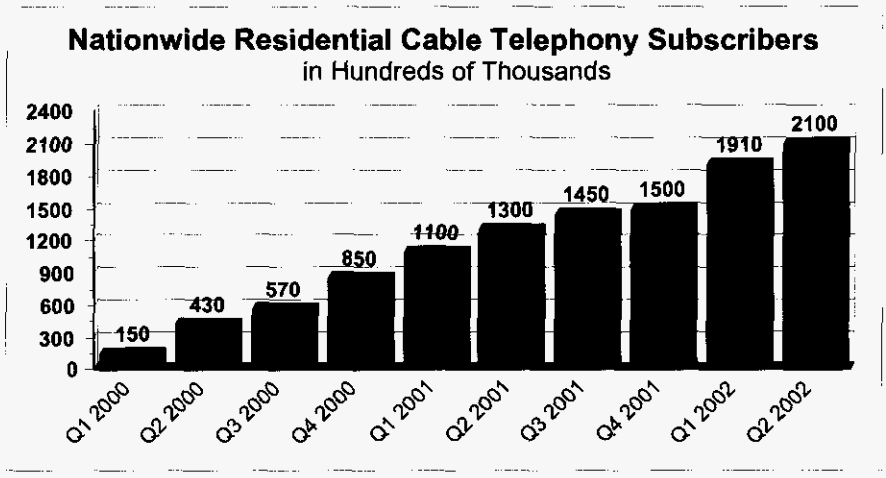

Figure 2

The cable industry's foray into telephony has been made possible by massive infrastructure upgrades to digital systems using hybrid fiber coaxial cable. Cable companies have nearly completed this upgrade. This has not only allowed cable companies to provide facilities-based telephone service to both residential and business customers, it has powered and sustained cable's substantial lead over DSL providers in broadband deployment and subscriber penetration. Cable broadband service is now available to approximately 80% of US households, while DSL service availability has not yet reached 60%.

With these upgrades, cable companies can now deliver integrated voice, data and video services over existing connections. The ability to offer bundled packages of these integrated services gives cable what has been referred to as a triple threat advantage over telephone companies. In this regard, cable companies have the leg-up over local exchange companies because they offer video services.

In markets where these packages have been offered, subscriber penetration has exceeded providers' expectations and customer churn levels have been significantly reduced. AT&T Broadband is realizing great margins on the voice business, and is seeing a 40 to 50% reduction in churn among customers who take voice, video and data, in comparison to traditional core video subscriber churn rates.[10] Other companies as well are experiencing high penetration levels and substantially lower churn by offering bundled packages that include voice services.[11] "With penetration rates in the mid-teens and above, [cable companies] are proving that consumers will buy telephone services from their local cable companies."[12] NCTA also states that almost one-third of digital cable households are forecasted to take a cable local telephony service by 2005. This would

[10]"Cable's Vision, Voice Clear Money Maker in Cablecos' Field of View" *XCHANGE*, July 2002.

[11]"NEWS: Bundle O'Subs" CableWorld, September 9, 2002.

[12]*Cable Telephony: Offering Consumers Competitive Choice*, NCTA, July 2001.

represent about 5 million subscribers based on the number of digital cable subscribers at year-end 2001.

Figure 3 shows the projected growth in cable telephony subscribers to over 15 million nationwide by 2005, as predicted by Paul Kagan Associates, Inc.

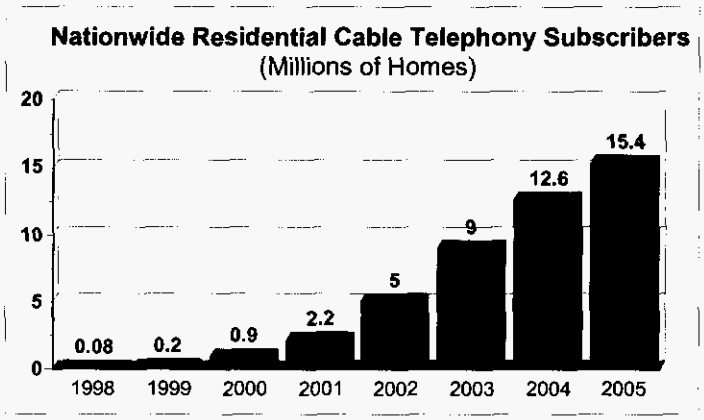

Figure 3

The potential impact to the Florida competitive market is significant as more homes take digital cable service. According to its website, Time Warner Cable's second and third largest cluster of cable TV subscribers (New York City is first with 1,194,000) is in Tampa Bay with 945,000, and in Central Florida (including Viera) with 701,000 subscribers.[13]

Though still a new business, cable telephony is a key component of the cable industry's business strategy in coming years. Cable companies are looking for voice services to fuel revenue growth that is needed to stem losses and reverse declines in share values. One analyst predicts that 7% of the cable industry's cash flow will come from voice within the next three years or so.[14] This optimism may be justified. It has been estimated that two-thirds of the small businesses in any given market are passed by cable plant. This provides a huge opportunity for cable in commercial data and commercial telephony, and for bringing better prices and services to the small business market. Cable already offers savings of 10% - 20% over ILEC telephone service, although savings can reach 50% or more.[15] The financial results reported by companies that are already in the voice business also support the rosy forecasts for cable. Gregory Braden, executive vice president for strategy and corporate business development at AT&T Broadband, states that the approximately 1.15 million voice subscribers on AT&T's cable networks enabled it to become cash flow positive in its voice infrastructure during the first quarter 2002.

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[13]http://www.aoltimewarner.com/companies/clusters.adp

[14]Niraj Gupta of Salomon Smith Barney as reported in "Cable's Vision Voice Clear Money Maker in Cableco's Field of View", XCHANGE, July 2002.

[15]Cable & Telecommunications Industry Overview, 2002, NCTA.

As will be discussed, with the rollout of Internet Protocol (IP) telephony, cable-delivered telephone service could evolve into a simple telecommunications after-thought of consumers, rather than a separate, independent service.[16]

3. Convergence

The telecommunications industry is undergoing dramatic structural and technological changes. "The global phone system is on the verge of its biggest technology shift since Alexander Graham Bell's invention eclipsed the telegraph."[17] Data traffic volumes have now surpassed voice traffic and continue to grow. Present technology allows all information to be converted into digital format at one end of the transmission and reconverted at the other. Thus, it is now possible to deliver integrated voice, data and video services over existing connections. This opens up tremendous possibilities for new applications, revenue sources and network efficiencies for companies that successfully converge the distinct voice and data technologies and networks so that integrated services can be brought into homes and businesses over a single broadband connection. Broadband deployment heralds the beginning of this convergence.

Converging these technologies and services, however, presents numerous challenges. For example, while some companies offer Internet Protocol-based voice service today, the quality of service has generally been poor. Voice services based on Internet Protocol are referred to by several names, such as IP-telephony, Voice over Internet Protocol (VoIP), and packetized voice. The traditional telephone network ensures quality by creating dedicated circuits for each call. Data packets, on the other hand, take varied routes and can be delayed or lost, even with a high-speed connection. Although some will subscribe to packetized voice service to avoid toll charges, or as low-cost second phone lines, the service will not become widely accepted until the quality issues are resolved. Recent technology improvements appear to be overcoming many of these quality issues. Traditional telecommunications companies are currently using packet switching technology for voice traffic between central offices and for some large business customers.

The cable industry is looking to quickly move into IP telephony instead of circuit-switched for future cable voice offerings.

> Cable companies currently offering circuit-switched telephony generally are 'deepening' their rollouts in the markets in which they've already deployed and are not expected to deploy circuit-switched technology in very many new markets. Although these circuit-switched efforts have been successful, most cable companies that have not already begun to provide circuit-switched services are expected to focus exclusively on VoIP. This is because of the

[16]http://www.ncta.com/broadband/broadband.cfm?broadID=3

[17]Florida Times Union, June 24, 2001.

> huge capital expenditures and investments needed to purchase and install switches – even after system upgrades have been completed."[18]

Most of the major cable companies have begun trials of VoIP service.

Some cable companies have chosen not to deploy circuit-switch telephony, opting instead to pursue a full IP voice architecture. Comcast, for example, has delayed offering voice services until it can roll out the latest digital packet-switching technology. Comcast's rationale for waiting was explained in 2001 by Stephen B. Burke, president of Comcast's cable division. "The future, really, of all telephone - cable-provided or anybody-provided - is going to be [IP-based]....To make an investment in what is going to be yesterday's technology in a very short period of time is not a wise business move."[19] Charter Communications has also delayed their voice offerings, explaining their approach this way, "We're in the middle of deploying our high-speed data services using the DOCSIS[20] platform across the majority of the company. We have little proprietary high-speed data product installed today. What we're trying to do is leverage the DOCSIS platform for other services, and IP telephony fits in that space very well."[21]

By deploying VoIP technology in their networks, competitive cable and DSL providers will be in a better position to compete with the ILEC for a customer's entire telecommunications needs. This will allow them to mount a significant challenge to ILEC dominance of the voice market. Cable companies will be especially well positioned to compete with their bundled offerings of voice, video and data services. As previously mentioned, cable is already making inroads packaging their circuit-switched voice product with other services. IP telephony promises to provide far more economies than circuit-switched technology, thus providing impetus for achieving a key goal of the Act - lower prices for consumers.

Until IP telephony services are widely deployed, broadband services will continue to erode ILEC share of local access lines. Broadband allows customers to discontinue secondary lines purchased solely for Internet access. Cable leads DSL providers more than two-to-one in broadband subscribers, and most new subscribers are those switching from dial-up. This appears to be making a substantial impact on the incumbents' share of local access lines.

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[18] *Cable Telephony: Offering Consumers Competitive Choice,* NCTA, July 2001.

[19] Miami Herald, August 27, 2001.

[20] The Data Over Cable System Interface Specifications (DOCSIS) are the underlying specs for a CableLabs project known as PacketCable, a set of software-based mechanisms written to do exactly what today's analog, circit-switched phone network does, from dial tone to ring tone.

[21] *Cable Telephony: Offering Consumers Competitive Choice,* NCTA, July 2001.

Summary

As stated earlier, by opening the local exchange markets to competition, the Act established a framework that was intended to blur traditional industry distinctions and pave the way for enhanced competition in all telecommunications markets. This goal appears to be achievable given the variety of providers and platforms now contending for customers.

Florida's competitive local market encompasses both traditional telephone technology (e.g., use of resold lines and UNEs by ALECs) as well as less traditional telephone technology (e.g., wireless, cable telephony or VoIP). These alternative technologies are expected to displace an increasing number of ILEC lines. As stated earlier, from three to five percent of the nation's wireless customers are estimated to use wireless service in place of traditional telephone service. Given the number of wireless subscribers in Florida, the impact of this substitution on this state's local exchange market is believed to be significant. Additionally, the number of voice calls using VoIP technology is expected to shift a large percentage of voice traffic from the Public Switched Telecommunications Network (PSTN). At this time it is unclear if the Commission has jurisdiction over those calls. This represents information from another competitive segment that the Commission may be unable to capture.

The resale and UNE methods of market entry allow for an eventual transition to facilities-based provisioning of services. Many believe that facilities-based providers will be more viable in the long-run and have the best chance of mounting a successful challenge to ILEC market dominance. The value of facilities-based services is being proven by wireless and cable providers.

Cable companies, in particular, appear to have realized early on that long-term viability could not be sustained employing

> a business model that relies heavily on purchasing essential inputs from one's fiercest competitor. A far more reliable approach is to make capital investments in one's own infrastructure and to decrease reliance on the ILECs as much as possible. Moreover, as the FCC and many others have recognized, facilities-based competition creates more consumer benefits than any other form of competition. Facilities-based providers can compete more effectively with incumbents, provide more reliable service and, because they control the entire transmission path, offer more innovative and advanced services than non-facilities-based providers.[22]

A complete and accurate assessment of the competitive market in Florida is difficult, because the Commission has no authority to require needed data from certain competitors. However, the Commission has been able to obtain aggregate data on a national and sometimes statewide level in order to make reasoned judgments on the impact alternative technology platforms are having on Florida's competitive market. For example, as shown later in this report, there were 260,000 fewer access lines reported this year in Florida compared to last year. This decline can be explained, in

[22]Ibid.

part, by customers dropping either primary or secondary lines in favor of wireless or broadband service. Assessing the impact of these alternative technologies will become more critical over time. By 2006, 20 million circuit lines will be displaced by wireless, broadband and IP-based voice lines, according to Forrester Research.[23] If Forrester is correct, these technologies could account for 15% of the local exchange market by 2006.

C. Sources of Information

Market Share Can Be Calculated in Various Ways

Traditionally, the Commission and the FCC have used access lines to calculate ALEC market share, but other calculations can be made, e.g., using telephone numbers obtained from the Utilization Report and 911 databases, and even revenues. With the exception of revenues, a discussion of these data sources follows. Each definition of market share provides valuable but often times differing information. This does not mean that one definition is necessarily better than another although reporting of different market shares can be confusing. Using responses to the Commission's data request for access line counts may result in an imprecise number, as discussed later, due to a carrier's failure to respond, differing interpretations of the questions, and a company's ability to extract the necessary data.

ALECs have raised concerns that there is a mismatch between the reported ALEC and ILEC lines because of the different types of access lines, thus yielding an inaccurate and overstated estimate of ALEC market share. They also contend that Internet Service Providers' (ISP) lines should be removed from the ALEC line count because of the type of service ISPs provide. As discussed later, data issues will be addressed in an upcoming industry workshop.

1. Data Requests

For the past several years, the Commission has prepared this report using data requested from active certificated ILECs and ALECs in Florida. The data request asks both quantitative questions (e.g., how many access lines is an ALEC providing) and qualitative questions (e.g., barriers to ALEC entry, if any, a description of ALEC future business plans, etc.). This year, as in past years, the ALEC response rate was less than 70%, while the ILEC response rate was 100%. Regardless of the response rate, there are two important caveats with regard to the data. First, as in past years, the Commission's data is only as valid as the quality and completeness of the responses received. Second, ALEC responses were not uniform to all questions posed because of differing interpretations and their ability to separate data. In an effort to reduce potential error and to ensure that we have the best data possible, Commission staff has begun to explore the use of other data sources either as a substitute for or a complement to the Commission's data request. Additionally, Commission staff plans to workshop data issues with the ILECs and ALECs early in 2003.

[23] "Sizing US Consumer Telecom," Forrester Research, 2002.

2. FCC

The FCC publishes reports on local competition twice a year, using data as of June 30 and December 31. These reports are useful because they calculate a national average and provide information by state. However, one drawback is that the residential and small business ALEC share is not broken out separately. Although the FCC's ALEC market share calculation is similar to this Commission's, another drawback is that the FCC requires only those ALECs with more than 10,000 access lines to report whereas the Commission requires each ALEC to report the number of lines, regardless of how many (or few) the ALEC has. This difference may lead to different market share percentages. For example, suppose that in State A there are 15 ALECs serving 175,000 lines. Ten ALECs serve 15,000 lines each while 5 serve 5,000 lines each. State B also has 15 ALECs and 175,000 lines but only 6 of its ALECs serve 15,000 lines. The remaining 9 ALECs each serve under 10,000 lines. Under the FCC's requirements 150,000 of 175,000 lines would be reported for State A, but only 90,000 of 175,000 lines would be reported for State B. Under the FPSC's calculation all 175,000 ALEC lines are counted.

In the Commission's access line count provided in this report, approximately 150,000 lines are included that theoretically would be excluded in the FCC's report. Without the inclusion of these lines, Florida's ALEC market share calculation would drop to about 11.5% from 13%.

3. Surveys

Industry surveys can also be a useful source of information, although many times the data are not Florida-specific, or are not the precise data needed. Surveys are also useful for an industry, such as wireless, over which the Commission has no jurisdiction. For example, as stated earlier, the CTIA reports that 5% of U.S. wireless subscribers have disconnected their home phones and moved entirely to wireless; however, we are unable to determine a Florida-specific share.

While the FCC reports and industry surveys can be very useful they generally do not provide greatly disaggregated information. This Commission is presently conducting consumer surveys in order to supplement the aggregated data obtained from these other sources. Some of the results of our surveys are mentioned throughout this report. There are two other options for obtaining data that may provide disaggregated and useful Florida-specific data for all carriers, the Utilization Report and the 911 database.

4. Utilization Report

The first option is the Utilization Report. This report, issued by the North American Numbering Plan Administrator (NANPA), is designed to assist in telephone number management and conservation. A by-product of the report is that it provides information on which telephone numbers are assigned to particular carriers; however, it does not include resold telephone numbers for each carrier, resulting in an under reporting of ALEC market share.

The initial difficulty in using the Utilization Report as a supplement to the Commission's report is that it reports the number of telephone numbers rather than the number of access lines

reported by the Commission and the FCC. Generally speaking, the number of active telephone numbers is larger than the number of active access lines. This occurs because it is possible to have more than one telephone number per access line. Examples include PBXs and a retail feature that permits two telephone numbers to ring through to one line (sometimes known as a teen line). Another difficulty is the inability to separate resold telephone numbers from the ILECs' numbers.

5. 911 Database

The second option is the 911 database. Generically, the term "911 database" refers to the databases used when someone calls 911 to request assistance. Similar to the Utilization Report, the 911 databases are databases of telephone numbers, not access lines. The term itself is a bit of a misnomer because it implies there is a single database; there are actually several 911 databases in Florida. The number of databases, and who manages them, varies by ILEC and by county. Each of Florida's 67 counties is permitted to collect a fee per telephone number per month to pay for the costs of the county's 911 database service; the money is collected by the ILECs and ALECs from their customers and remitted to the county. A county may contract with its serving ILEC or a third party to maintain the database, or maintain the database itself. Because Florida counties can charge a monthly fee on telephone bills for this service, the databases include the name of the serving telephone company, with resale the only exception. This permits the ALEC market share to be calculated; however, the resale exception means that, as with the Utilization Report, ALEC resold telephone numbers must be obtained from the ILECs.

BellSouth, in Docket No. 960786-TL (Consideration of BellSouth's entry into interLATA services pursuant to Section 271), utilized its 911 database as well as various internal sources to provide competitive information filed in June 2002.

Discussions have occurred about creating an optional statewide 911 database or regional databases, but any consolidation is just beginning. Before the Commission can use any 911 database as a source of ALEC market share, there are numerous issues, including logistical and legal (e.g., confidentiality) ones, that must be overcome.

6. Need for a Workshop

While working to strike the best balance between gathering the necessary data yet not overly burdening the ALECs or the ILECs, the Commission is exploring alternative market share definitions, data collection methods and data sources, e.g., the Utilization Report and the 911 Database, as well as planning a workshop with the ILECs and ALECs to discuss data source issues. If the Commission is able to use other existing databases to develop market share data, the information will be more timely, accurate and reliable, and it will lessen the reporting burden on the companies. In the meantime, we believe that using supplemental information (e.g., the FCC reports, industry reports, our own surveys, etc.) enables us to effectively evaluate the local exchange market in Florida.

Summary

While we believe the Commission's calculation of market share, counting every ALEC access line, is more accurate than the FCC's calculation, the accuracy is hindered by the factors discussed above. The FCC's calculation is useful because it is done on a national basis, making a state-to-state comparison possible. Other data sources and calculations are being evaluated. These and other issues will be the subject of an industry workshop in early 2003.

CHAPTER III: ALEC PENETRATION OF FLORIDA'S LOCAL EXCHANGE MARKET

Staff is confident that the data presented and the analyses that follow are reasonably accurate based on the information provided by the ILECs and reporting ALECs. However, as discussed previously, precise market share calculations are hindered by the substantial number of ALECs that failed to respond, and by the presence of factors such as differences in reporting methods by the various companies, along with varying degrees of completion of the data request responses themselves. These factors present impediments that may have an impact on the conclusions cited in this report.

A. Calculation Methods

1. Commission Calculation

On a state-wide basis, the FPSC's ALEC market share is calculated as the sum of ALEC access lines divided by the sum of ALEC and ILEC access lines, reported on a total basis as well as by residential and business. Included in our market share calculation is every competitive access line reported by ALECs, whether the ALEC services 20,000 lines or 1 line. Responses to the Commission's data request indicate the following Florida market share information as of June 30, 2002:

- Overall, competitors have obtained a 13% market share, up from 8% in 2001.
- ALECs have made impressive gains in the business market, increasing their share to 26% of business access lines, up from last year's share of 16%.
- ALEC residential market share increased to 7% from 4% in the previous year.

Figure 4 illustrates the increases in ALEC market shares overall.

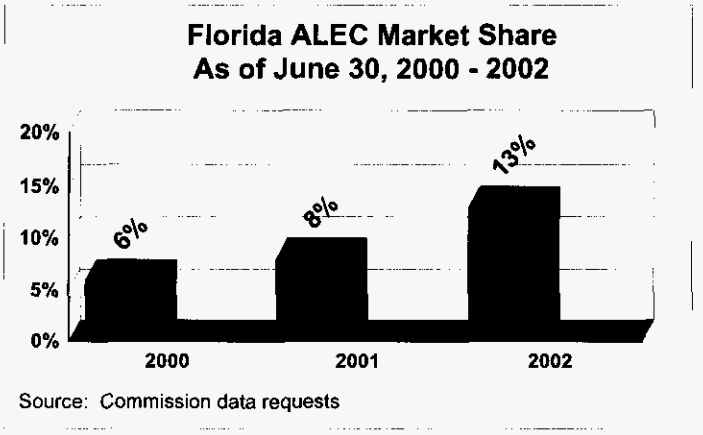

Figure 4

Figure 5 provides a breakdown of the ALEC residential and business market shares.

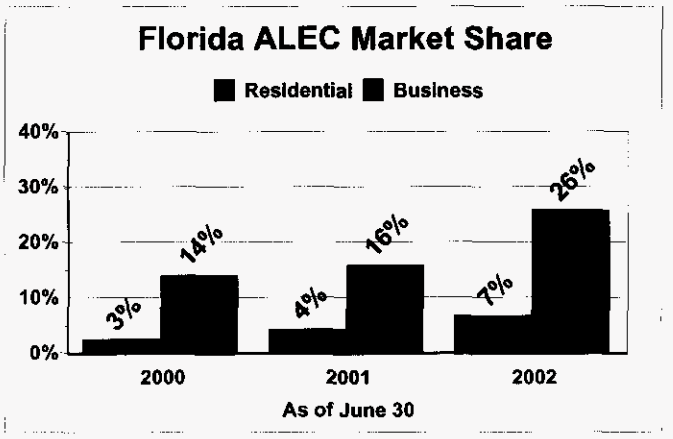

Figure 5

2. FCC Market Share Calculation

The FCC's most recent report on local competition (released on July 23, 2002 with data as of December 31, 2001) estimated the national ALEC market share to be 10% with competitors in Florida holding a share of 7%. As previously mentioned, the FCC also uses access lines to calculate market share. The lower FCC figure is most likely due to different reporting requirements and time periods.

3. Utilization Report Calculation

The Utilization Report with first quarter 2002 data was used as a check on our data request results and in order to evaluate its future use. With the exception of BellSouth, the Utilization Report excludes a separate identifier for ILEC-resold telephone numbers. However, BellSouth's category for resold numbers includes numbers that have been reserved by ALECs but may not necessarily be in use, tending to inflate the number of resold telephone numbers. The ALEC market share in the first quarter 2002, excluding resold telephone numbers, according to the Utilization Report, was 7.5%. Using an estimate of resold telephone numbers, including reserved numbers, results in an ALEC market share of approximately 24%. This is considerably higher than the Commission-calculated number; however, the 24% is an estimate of the ALEC market share for telephone numbers (generally, there tend to be more telephone numbers than access lines) and this estimate includes telephone numbers that have been reserved but may not be in use.

The Utilization Report provides a useful sanity check against access line calculations; however, at this time the Report is best used as a supplement to access line counts, rather than a *substitute*.

B. Access Line Comparisons

Based on the responses to the ALEC and ILEC data requests, local exchange companies are serving 11,766,826 lines in Florida as of June 30, 2002. Table 2 summarizes the changes in access lines for both ILECs and ALECs from 2000 through the 2002 reporting period. It illustrates the steady increases in ALEC access lines and decrease in the total number of access lines served from 12,030,592 in 2001 to 11,766,826 in 2002, a decrease of about 2.2%. According to a 2002 survey conducted by BEBR on behalf of the Commission, 8% of respondents had disconnected a secondary telephone line within the last 12 months. Of those that disconnected a secondary telephone line,

- 5% replaced the line with wireless service
- 5% replaced the line with cable modem service
- 8% replaced the line with DSL service
- 1% replaced the line with another type of service
- 33% said a second line was no longer wanted or needed
- 12% said it was too expensive
- 36% disconnected for other reasons

Table 2 Florida Access Line Comparison

	2000			2001			2002		
	Residential	Business	Total	Residential	Business	Total	Residential	Business	Total
ILECs	7,994,987	2,997,077	10,992,064	7,931,047	3,139,959	11,071,006	7,513,073	2,748,419	10,261,492
ALECs	218,048	492,569	710,617	366,653	594,223	959,586	546,040	959,294	1,505,334
Total	8,213,035	3,489,646	11,702,681	8,297,700	3,734,182	12,030,592	8,059,113	3,707,713	11,766,826

C. ALEC Market Penetration by ILEC

Table 3 provides a breakdown of ILEC access lines by the three major ILECs, (BellSouth, Sprint and Verizon), and a total line count for the rural ILECs, (ALLTEL, Frontier, GT Com, ITS, Northeast Florida, Smart City and TDS/Quincy) as of June 30, 2002. The rural ILECs are combined to preserve confidentiality. ALECs show the heaviest presence in BellSouth's territory, followed by the areas of Verizon and Sprint, then the rural ILECs.

Table 3 Florida ALEC Market Penetration by ILEC as of June 30, 2002												
	ILEC			ALEC			Total			ALEC Share		
ILEC	Res.	Bus.	Total	Res.	Bus.	Total	Res.	Bus.	Total	Res.	Bus.	Total
Rural ILECs	142,697	54,197	196,894	1,808	2,091	3,899	144,505	56,288	200,793	1.3%	3.7%	1.9%
BellSouth	4,201,493	1,456,427	5,657,920	504,136	721,837	1,225,973	4,705,629	2,178,264	6,883,893	10.7%	33.1%	17.8%
Sprint	1,511,186	615,220	2,126,406	21,856	67,976	89,832	1,533,042	683,196	2,216,238	1.4%	9.9%	4.1%
Verizon	1,657,697	622,575	2,280,272	18,240	167,390	185,630	1,675,937	789,965	2,465,902	1.1%	21.2%	7.5%

D. ALEC Responses and Providers by Exchange

Of the 417 data requests distributed, 282 of ALECs (68%) responded. Figure 6 illustrates the increase in response rate from 2000 to 2002.

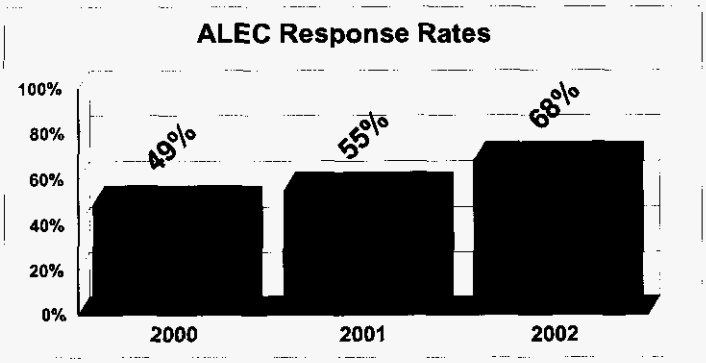

Figure 6

Figure 7 shows that the number of ALECs providing service has increased each year since 2000, even though there was an approximate 10% decline in the number of certificated ALECs from 2001 to 2002. In 2002, 43%, or 122, of the ALECs reported providing service.

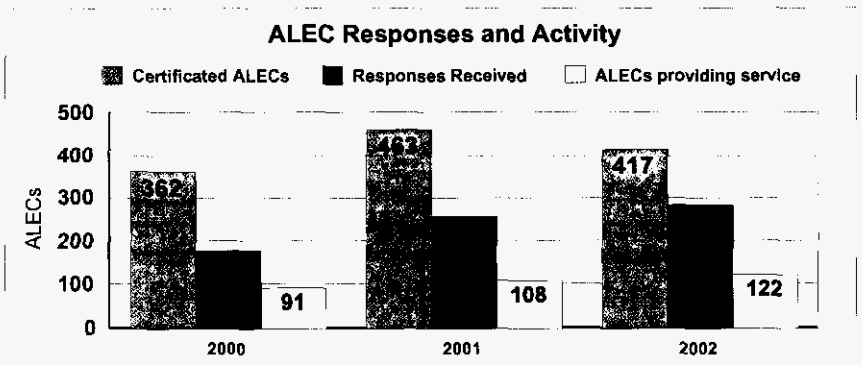

Figure 7

Table 4 shows that the number of exchanges with multiple competitors is increasing. Although the number of exchanges without ALEC providers did not change, the number of exchanges with three or more ALECs increased from 188 to 229. Three or more ALECs now compete in 83% of Florida exchanges compared to 66% last year. Overall, approximately 95% of Florida exchanges still have at least one competitor.

Table 4 Summary of Florida Exchanges With and Without ALEC Providers

	2001	2002
Exchanges with one ALEC provider	61	20
Exchanges with two ALEC providers	20	14
Exchanges with three or more ALEC providers	188	229
Exchanges without an ALEC provider	14	14
Exchanges without a business ALEC provider	86	61
Exchanges without a residential ALEC provider	18	19
Total exchanges in Florida[24]	283	277

ALECs continue to focus on larger metropolitan areas as noted in the table below. Each exchange listed had an increase in the number of competitors providing service in their areas.

Table 5 Florida Exchanges With the Most Alec Providers

Exchange	Residential (2001)	Residential (2002)	Business (2001)	Business (2002)	Total ALEC Providers (2001)	Total ALEC Providers (2002)
Miami	26	47	26	38	41	69
Orlando	25	47	28	35	41	69
Jacksonville	22	43	20	32	32	61
Ft. Lauderdale	22	43	18	31	29	60
Pompano Beach	19	37	13	25	23	50
West Palm Beach	20	35	15	24	27	49

[24]The total number of exchanges changed due to the consolidation of the Keys (i.e., Big Pine Key, Islamorada, Key Largo, Key West, Marathon, North Key Largo, Sugar Loaf Key) and the addition of the Weirsdale exchange, which was combined with the Lady Lake exchange until August 31, 2000.

Table 5 Florida Exchanges With the Most Alec Providers						
Exchange	Residential (2001)	(2002)	Business (2001)	(2002)	Total ALEC Providers (2001)	(2002)
Boca Raton	17	32	17	25	27	47
Hollywood	19	34	15	24	24	47
Tampa	14	29	19	21	28	46
Gainesville	18	35	16	17	28	43

A complete listing of ALEC providers by exchange is shown in Appendix B. That listing indicates that in the majority of Florida's exchanges, the number of ALEC providers has increased in both the residential and business marketplace.

Summary

The number of certificated ALECs declined from 463 in 2001 to 417 as of June 30, 2002. ALECs have made substantial gains in business access lines, increasing market share to 26% from 16% in the previous year. On the residential side, competitors' market share increased to 7% from 4% in 2001. As will be discussed in Chapter IV, economic challenges are being faced by ALECs (as well as ILECs) requiring companies to develop or revamp their strategic plans in order to survive. Overall, competition in Florida's telecommunications exchanges continues to grow. The number of exchanges with three or more ALECs grew 22% over last year, and the number of competitive providers has increased in both the residential and business marketplace.

CHAPTER IV: CURRENT ISSUES IN LOCAL COMPETITION

A. Factors Impacting the Level of Local Competition

The Commission is presently conducting research into what factors influence an ALEC's decision to enter local markets and the market share it is able to obtain. We have surveyed several state commissions where ALEC market shares, as calculated by the FCC, are either higher or lower than Florida's and gathered data from a number of other sources. As part of the survey, we asked the state commissions to comment on what factors they believed were responsible for the level of ALEC market penetration in their state. The national average market share reported by the FCC was 10% as of December 31, 2001. ALECs in Florida had a 7% market share at that time, according to the FCC. The following summarizes comments provided by the two states with the highest ALEC market shares, New York and Texas.

- New York has the highest ALEC market share, 25%. The New York Commission stated that its ALEC market share may have been the result of the introduction of the UNE Platform (UNE-P, a combination of UNEs including the loop, switching, and transport) in late 1999 or early 2000, and the FCC's decision to allow Verizon to operate as a long distance carrier in New York (271 approval) in December 1999. The New York Commission believes that Verizon's 271 approval may have spurred long distance carriers (e.g., AT&T, WorldCom, etc.) to offer bundled (local and long distance) service since 271 approval allowed Verizon to bundle local and long distance service. Verizon's local residential rates are also high relative to most other states. Verizon's weighted average single line residential rate (excluding surcharges and taxes) is $18.15. Verizon does not provide flat rate business line service in New York.

- Texas has the second highest ALEC market share, 16%. The Texas Commission provided several reasons for its relatively high ALEC market share: prevalence of UNE-P, 271 approval in June 2000, existence of a standard, 4-year interconnection agreement approved by the Texas Commission, performance measures, uniform state-wide municipal right-of-way compensation, and building access regulation. The Texas Commission reported that SBC's (Texas' serving regional Bell operating company) local residential rates (including touch-tone, but excluding surcharges and taxes) were $8.33, $9.28 and $11.23 for small, medium and large exchanges, respectively. Business rates for these exchanges were $20.45, $22.60 and $29.55, respectively.

Our research seems to confirm the New York and Texas conclusions concerning 271 approval and availability of UNE-P. Based on our research, we believe the following can be surmised:

- ALEC market share is generally higher in states where the Regional Bell Operating Company (RBOC) has received FCC approval to enter the long distance market (271 approval).

- A surge in market penetration by ALECs took place in the months immediately prior to and following 271 approval.

- ALEC market share is strongly correlated to the margin between UNE-P rates and end user rates for local service.

- ALEC market share is generally higher in states where the differences in UNE-P rates between the zones is smaller.

For purposes of this analysis, four states will be compared with Florida: New York, Texas, Illinois and California. New York and Texas were selected because they have the highest ALEC market share penetrations and were the earliest states where the RBOC received 271 approval. The RBOC in Illinois has not obtained 271 approval, but has an ALEC market share that is substantially higher than the national average. California was selected because it has the largest population, its ALEC market share was about the same as Florida's and lower than the national average, and as of this writing, its RBOC, SBC, had not received 271 approval.

271 Approval

Section 271 of the Telecommunications Act of 1996 establishes special provisions for RBOCs to meet before they can obtain FCC permission to provide interLATA (long distance) service within their in-region service areas. This is often referred to as obtaining 271 approval. Obtaining this approval is important to RBOCs because it allows them to compete fully in the long distance market and to bundle local and long distance service.

By granting 271 approval, the FCC determines that the RBOC has complied with a 14-point checklist showing that the local market is sufficiently open to competition. In theory, when the RBOC meets the 271 requirements, it is easier for ALECs to enter the market and provide competitive services. This is a dual-edged sword for ALECs. On the one hand, meeting the Section 271 requirements presumably attests that barriers to entry have been minimized, if not eliminated. Lower barriers to entry seem to be confirmed by the substantial increases seen in ALEC market share both prior to and following 271 approval. On the other hand, 271 approval unleashes a formidable competitor to ALECs and long distance carriers into markets to which the RBOC has previously been denied access. The RBOC then has the same ability as ALECs to bundle local and long distance services at lower prices. Past experience appears to show that ALECs become very serious about competing in those states where 271 approval is imminent or has been granted.

Figure 8 shows ALEC market shares in six-month intervals from December 1999 through December 2001, as calculated by the FCC, for the five states being considered. The date of 271 approval, if applicable, is also provided.

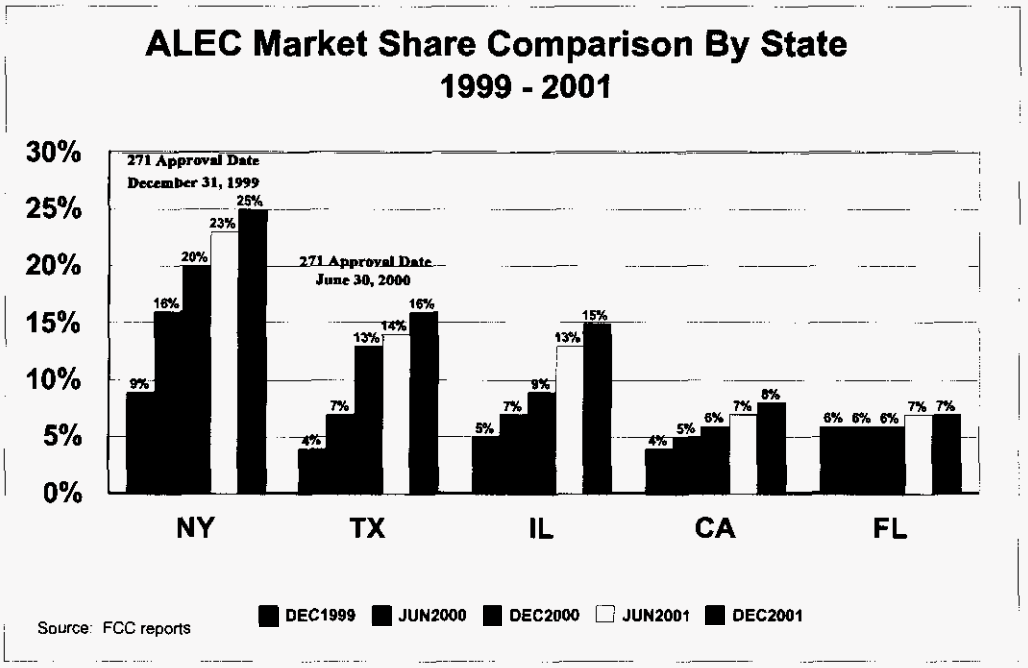

Figure 8

The following can be surmised from the data in Figure 8:

- As of December 1999, the date 271 approval was granted, New York already had the highest ALEC market penetration, more than double the national average of 4%.

- In the six-month and twelve-month periods following 271 approval, ALEC market shares in New York increased 78% and 122%, respectively. During that same six- and twelve-month period, the nationwide market share (calculated excluding New York and Texas access line counts) increased 50% and 75%, respectively.

- In the six-month period preceding 271 approval, ALEC market share in Texas increased 75% compared to the nationwide market share (calculated excluding New York and Texas access line counts) increase of 50%.

- In the six-month and twelve-month periods following 271 approval, ALEC market shares in Texas increased 86% and 100%, respectively, compared to the nationwide increases (calculated excluding New York and Texas access line counts) of 17% in both those periods.

Florida may be following the same pattern. This Commission recently determined that BellSouth has met the requirements necessary to receive 271 approval. The FCC is expected to rule on BellSouth's request in December of this year. According to this Commission's calculations, ALEC market share in Florida saw its largest one year increase, growing roughly 62% (from 8% to 13%), from June 30, 2001 to June 30, 2002. As discussed later, this increase may also be attributable to this Commission's decision in May 2001 to reduce BellSouth's rates for the UNE-P components.

The pre- and post-271 approval surge in ALEC market share observed in selected states is likely the result of more open markets and of increased marketing efforts. ALECs in particular that are also long distance carriers may especially try to obtain a substantial foothold before the BOC can fully roll out combined local and long distance services. Even in states where other factors are not particularly favorable, ALECs may renew efforts to gain market share because any delay could significantly erode their revenue base and limit their chances for future market penetration.

UNE-P

Many ALECs report that the level of UNE-P rates is a primary factor in their decision to enter a market. UNE-P is a combination of elements that allows an ALEC to compete with an ILEC without having facilities at a central office, or in other words, without any network investment. UNE-P generally is defined to include the loop, port, and switching UNEs; transport UNEs can also be included in UNE-P. Loop rates are based on cost and vary by zone, which are supposed to reflect geographic cost differences; generally, the most dense zone has the lowest loop rate and the least dense zone has the highest loop rate. The FCC requires at least three zones, typically described as urban, suburban, and rural.

The availability of UNE-P has varied by state and the different circumstances states have encountered. For example, Verizon committed to make UNE-P available in New York as a condition of 271 approval. The Texas Commission also made availability of UNE combinations, such as UNE-P, a requirement for its recommendation to the FCC that SBC be granted 271 approval. In Florida, the Commission first set rates for various UNEs in arbitration proceedings conducted in late 1996, including those UNEs that comprise the UNE-P. Since the Commission has adhered to the prevailing court decisions of the Eighth Circuit and the Supreme Court, there have been periods when ILECs in Florida were not required, either by the courts or the Commission, to provide UNE combinations. For example, the Eighth Circuit stayed the FCC's pricing rules on September 27, 1996, and subsequently, on July 18, 1997, vacated the pricing rules – including those that required ILECs to provision UNE combinations for ALECs. When the Supreme Court reinstated one of the UNE combination rules, Rule 51.315(b), this Commission required Florida ILECs to provide to ALECs those UNE combinations that were currently combined, consistent with the Court's ruling. Now that the Supreme Court's more recent ruling in Verizon Communications Inc., et al. Federal Communications Commission, et al., 152 L. Ed. 2d 701, 122 S.Ct. 1646 (May 13, 2002) generally requires ILECs to provision UNE combinations to ALECs in virtually all instances, the Commission will enforce this requirement.

Comparing UNE-P rates among states is problematic for several reasons. First, there is no standard as to what elements go into UNE-P. What makes up UNE-P includes assumptions about usage, available features (e.g., call waiting), and others, whose accuracy and definitions may vary from state to state. Second, until the last couple of years, there has been little or no tracking on a national basis of UNE and UNE-P rates by state, so it is difficult to capture UNE and UNE-P rates in effect as of a date certain. Third, the FCC requires UNE rates to be set for at least three zones; however, there is no uniform methodology for determining what central offices are included in what density zone, let alone how many density zones there should be. These determinations are made state by state. The FCC also requires UNE rates to be based on forward-looking costs. The rates for each density zone are to be based on company-specific costs for those zones, which may differ

widely among companies and geographic areas. Finally, state commissions have the latitude to construct zones they believe are most appropriate based on company and state-specific data and policy considerations. This may explain the wide differences in rates among states. Keeping these caveats in mind, some analysis is possible.

Table 6 shows ALEC market share in the five states as of December 31, 2001, as reported by the FCC. Table 6 also shows average monthly, retail, single line residential and business rates[25] for the RBOC in these states and the UNE-P rates by zone based on a survey conducted in the spring of 2001.[26] UNE Rates as of this date were used to better coincide with our market share analysis as of December 31, 2001. In the analysis contained in Table 6, the UNE-P rate equals the sum of the prices for (1) a stand-alone loop, (2) a port, and (3) 1000 minutes of local switching. Although this resulted in comparable figures across states, it overstated the cost of a UNE-P in Florida in the spring of 2001. This is because in Florida the price for a loop/port combination is less than the sum of the prices for a stand-alone loop and a port. Adjusting for this phenomenon would reduce the UNE-P prices for Florida shown on Table 6 to approximately $15.07 in Zone 1, $21.06 in Zone 2, and to $44.14 in Zone 3. It should also be noted that this Commission reduced UNE rates in May 2001. The May rate changes would have taken effect upon amendment of existing or approval of new interconnection agreements. The May rate change and subsequent UNE rate changes ordered by this Commission in October 2001 and September 2002 will be discussed later in this section.

Table 6 also shows the level of UNE-P margins (the difference between the end user rates and UNE-P rates) by zone. The level of the UNE-P margin is an important consideration for ALEC market entry, because it gauges the potential profitability of services offered in a particular market. It should be noted that the margins shown are based on the end user rates charged by the RBOC. ALEC margins are expected to be lower, because they typically charge lower rates than the incumbent. This analysis also does not include any additional margins that competitors could obtain by selling long distance and ancillary services such as voice mail, caller ID, call waiting, etc.

As would be expected, Table 6 shows that market share is higher in states where margins based on UNE-P rates are higher.

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[25]As reported by the West Virginia Public Service Commission, rates were taken from the FCC's Reference Book of Rates, Price Indices and Expenditures for Telephone Service, June 1999. Rates include touch-tone, surcharges and taxes adjusted for changes in the federal subscriber line charge to $5.00 per month and imposition of federal universal service surcharges on end users.

[26]Rates based on survey conducted by the West Virginia Public Service Commission in the spring of 2001.

Table 6 271 Approval, UNE-P Rates, and Margins by State						
State		**NY**	**TX**	**IL**	**CA**	**FL**
Market Share as of Dec. 2001		25%	16%	15%	8%	7%
271 Approval Date		Dec99	Jun00	N/A	N/A	N/A
AVG Residential Rate		$26.91	$20.32	$15.66	$19.22	$18.90
AVG Bus Rate		$28.36	$44.86	$20.12	$20.85	$42.72
UNE-P Rates (Res. & Bus.)	Zone 1	$17.08	$16.20	$7.60	$15.38	$16.26
	Zone 2	$17.74	$17.92	$12.08	$18.86	$22.63
	Zone 3	$24.49	$24.35	$16.41	$30.88	$46.90
UNE-P Residential Margin	Zone 1	37%	20%	51%	20%	14%
	Zone 2	34%	12%	23%	2%	-20%
	Zone 3	9%	-20%	-5%	-61%	-148%
UNE-P Business Margin	Zone 1	40%	64%	62%	26%	62%
	Zone 2	37%	60%	40%	10%	47%
	Zone 3	14%	46%	18%	-48%	-10%

Table 6 also shows that while there was not much difference among the states in the UNE-P rates for Zone 1 (except for Illinois), both the absolute and percentage increase from Zone 1 to Zone 2 is greatest for California and Florida, the states with the lowest ALEC market shares of this group.[27] This suggests that when Zone 2 rates are close to Zone 1 rates, the level of competition is likely to be higher than when Zone 2 rates are significantly higher than Zone 1. Intuitively, this makes sense because Zones 1 and 2 typically represent the urban and suburban areas, generally the bulk of a state's population. Thus, ALECs are more likely to target the population in Zones 1 and 2. However, it should be kept in mind that the rates between the zones can differ greatly based on cost distributions.

Figure 9 depicts the UNE-P margins for residential markets in the selected states.

[27]Illinois actually has the highest absolute and percentage increase between these zones; however, its UNE-P rates are the lowest among all the states in all three zones.

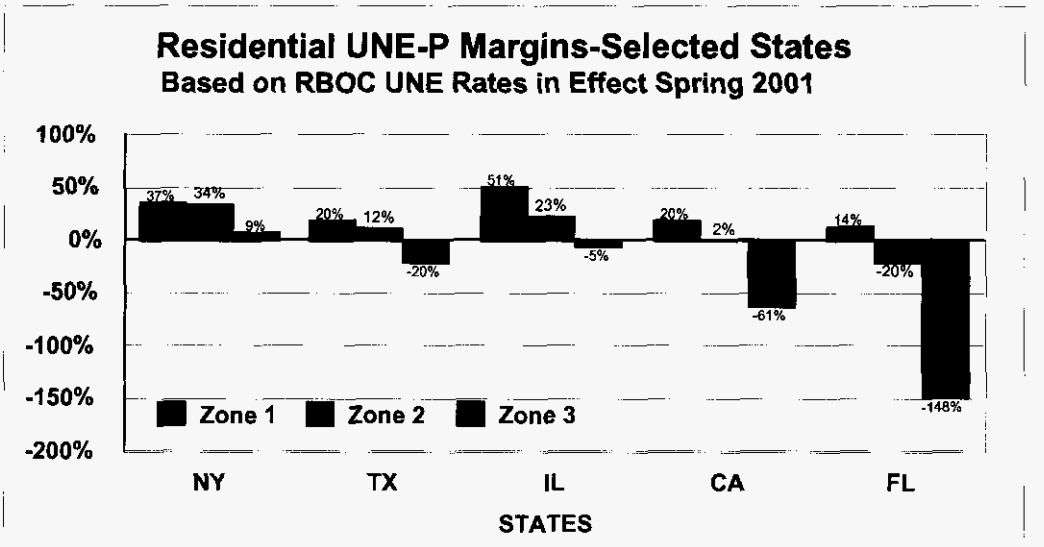


Figure 9

Figure 9 shows that residential UNE-P margins were low or non-existent in California, Florida and Texas during much of 2001, which may explain why the residential market penetration was low in these states (see Figure 10 below). By comparison, the residential market penetration should have been relatively high in New York and Illinois, where the residential margins were higher. Figure 10 shows this to be the case. New York and Illinois had the highest residential market penetration at 22% and 13%, respectively, compared to California and Florida, which had

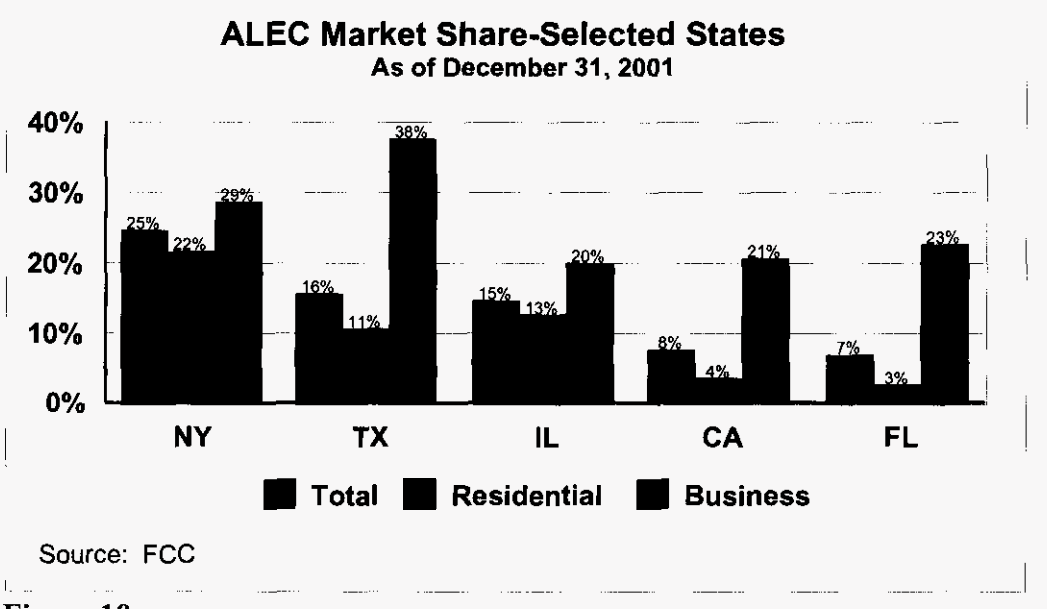
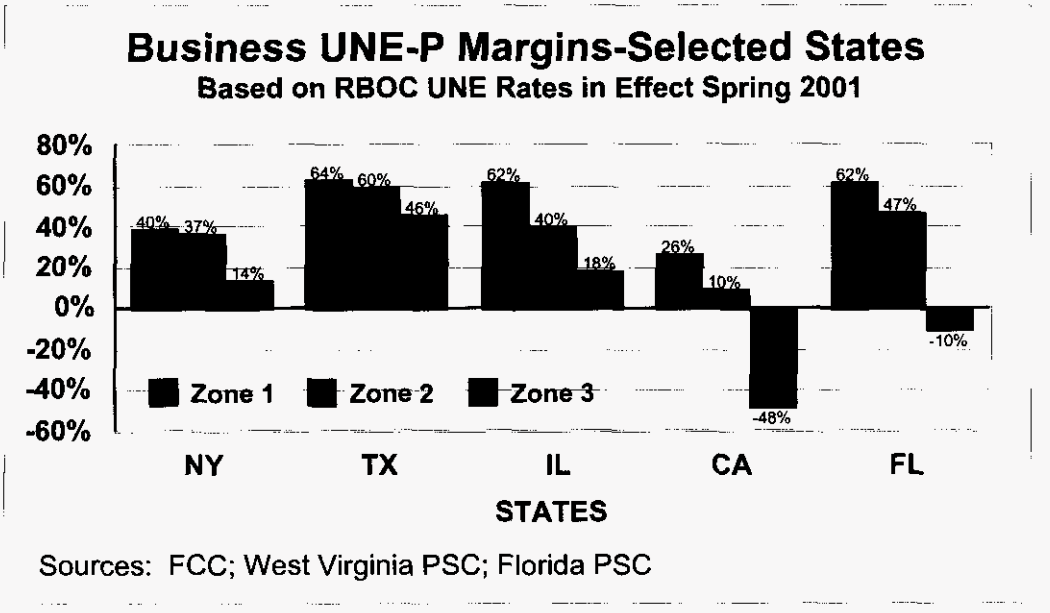


Figure 10

the lowest penetration at 4% and 3%, respectively. It is somewhat surprising that ALECs gained 11% residential market share in Texas considering that the margins there are more comparable to those in California and Florida. As discussed previously, this could be due to Texas receiving early 271 approval.

Other observations are worth noting about the above data. As of December 31, 2001, ALECs had garnered 13% of the residential market in Illinois. By contrast, in Texas, ALEC share of the residential market was only 11%, even though 271 approval had been granted to the RBOC in Texas eighteen months earlier. The probable reason residential market share was higher in Illinois is that the margins are substantially higher than those in Texas. It is also interesting that in New York, the UNE-P margins for residential service are about equal to the margins for business. This may explain why the ALECs' 22% residential market share is relatively close to their 29% share of the business market in New York.

Analysis of the business market further illustrates the influence of UNE-P margins on market penetration levels.



Sources: FCC; West Virginia PSC; Florida PSC

Figure 11

Figure 11 shows that in all states except California the UNE-P margins are high for business customers in Zones 1 and 2. With Texas having the highest business margins in all three zones, it should follow that Texas would have the highest business market penetration among the states. This is precisely what the data show. ALECs have captured an impressive 38% of the business market in Texas (See Figure 10 above). In all the states shown these high margins have allowed ALECs to capture better than 20% of the business market. This analysis cannot explain the reason for California's business market penetration being above 20%, considering that its business UNE-P margins are substantially below the other states.

It should be emphasized that low margins may be more the result of low local rates than high UNE-P rates. The residential rates in Florida are lower than most other states. Thus, even though UNE rates in Florida may be comparable to other states, ALECs may find the residential market less attractive because of the low local rates. Table 7 below illustrates this by showing composite residential rates for densely populated areas in the BellSouth, Verizon and Sprint territories. These rates are compared to UNE-P rates that have either been approved in the case of BellSouth and Verizon (still subject to reconsideration), or, in the case of Sprint, are pending this Commission's decision. BellSouth's current UNE-P rates are lower than the rates previously shown on Table 6 for New York and Texas. While BellSouth's UNE-P rates allow for reasonable margins for ALECs in Zone 1 central offices (35%),[28] the Zone 2 margins are very slim due to BellSouth's low monthly residential rates. The Zone 1 UNE-P rates for Verizon and Sprint are lower than New York and Texas; however, the margins are very slim due to the low monthly residential rates.

Table 7 Florida Rate Comparison - Monthly Residential to UNE-P

Company	BellSouth[29]	Verizon[30]	Sprint[31]
Avg. Monthly Res. Rate[32]	$18.07	$19.08	$17.68
UNE-P Rates Zone 1	$11.71	$15.27	$15.45
Margin	35%	20%	13%
UNE-P Rates Zone 2	$15.82	$19.45	$22.69
Margin	12%	-2%	-28%

[28]This margin assumes ALECs would charge the same residential rates as BellSouth; however, ALECs typically offer monthly service at a discount to ILEC rates.

[29]BellSouth UNE-P rates following Commission decision in September 2002. Rates still subject to reconsideration.

[30]Verizon UNE-P rates following Commission decision in October 2002. Rates still subject to reconsideration.

[31]Sprint UNE-P Rates are those in staff recommendation filed September 30, 2002. Recommendation not yet scheduled for Commission decision.

[32]Average monthly rates include single line residential rate plus following surcharges: subscriber line charge, universal service charge, number portability surcharge and E911 surcharge.

Effect of UNE Rate Changes in Florida

As mentioned previously, the Florida Commission revised UNE rates for BellSouth in May and October 2001, and in September 2002. Table 8 compares these changes to the UNE-P rates in effect as of December 2000. The UNE-P rates shown consist of loop/port combinations (rather than the sum of the stand-alone rates shown in Table 6) plus 1000 minutes of local switching.

Table 8 Florida UNE-P Rate Comparison-BellSouth Territory*

Rates as of>	DEC2000	MAY2001**	OCT2001**	SEP2002**
Zone 1	$15.07	$12.62	$13.71	$11.71
Zone 2	$21.06	$16.76	$17.83	$15.82
Zone 3	$44.14	$30.06	$32.64	$26.57

*Rates shown are UNE combo rates.

**Date of UNE rate change.

Source: *Commission Orders*

Figure 12 shows the improvement in residential UNE-P margins in Florida in BellSouth's territory following the UNE rate changes. The residential margin for Zone 1 in Florida is now slightly higher than New York's, and the margins for Zones 1 and 2 are higher than those in Texas (compare to previous Figure 9).

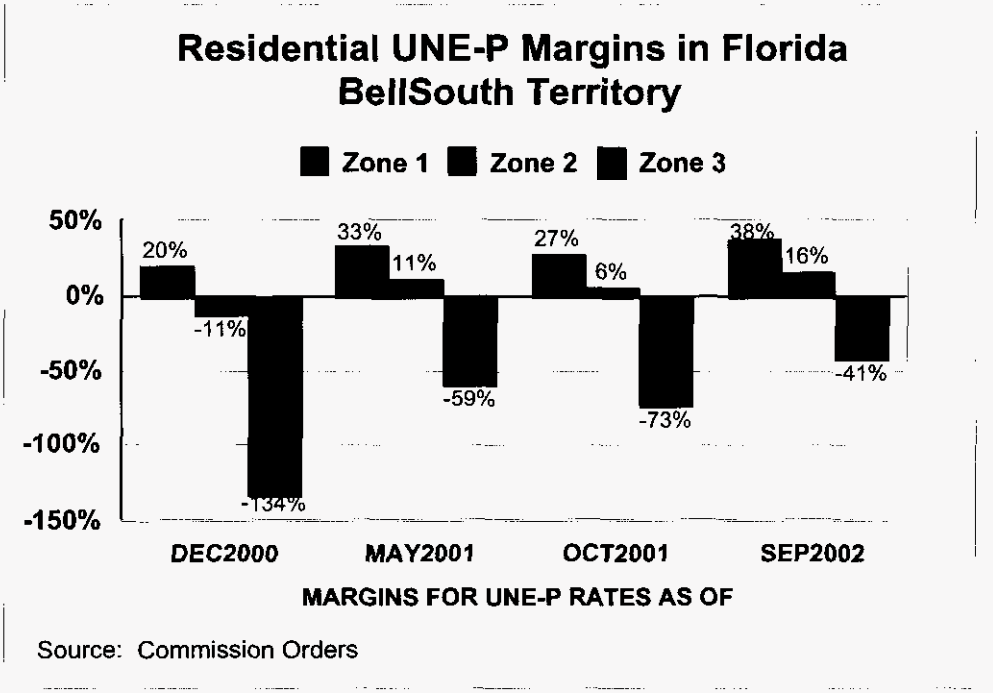


Figure 12

Figure 13 below shows the improvement in the business margins since December 2000. Margins for Zones 1 and 2 are now higher than the four other states analyzed (compare to previous Figure 11). These improved margins can be expected to further encourage ALEC market entry and erode BellSouth's market share.

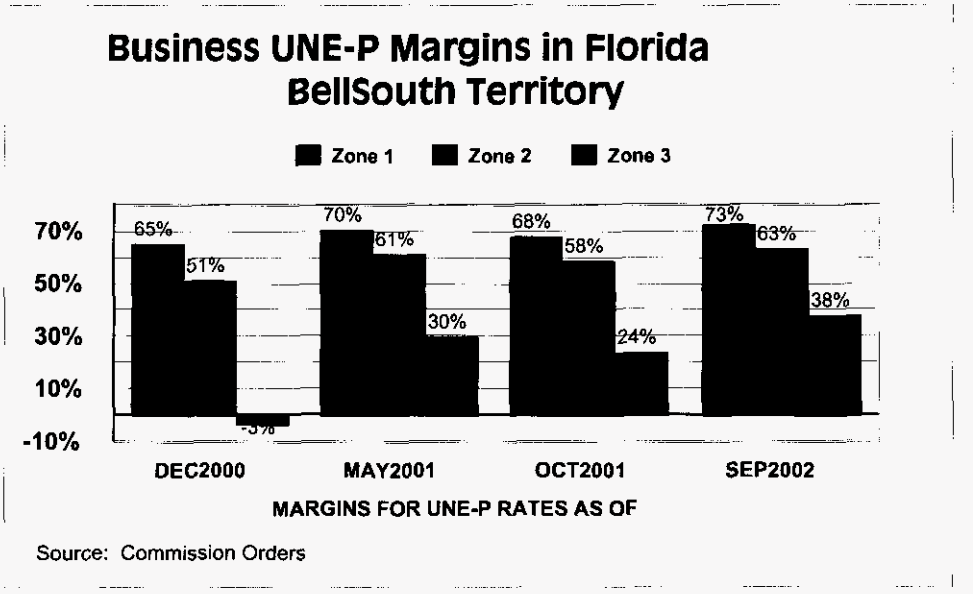


Figure 13

As shown in Figure 14 below, the May and October 2001 rate changes have had a dramatic effect on the Florida market. The number of UNE-P lines in service in BellSouth's territory grew more than 259%, from 117,091 in 2001, to 420,390 in 2002. During this same period, ALECs appear to have converted a substantial number of resold lines to UNE-P, probably due to the better UNE-P margins. The number of ALEC resold lines in BellSouth's territory decreased 42%, from 219,207 in 2001, to 128,571 in 2002.

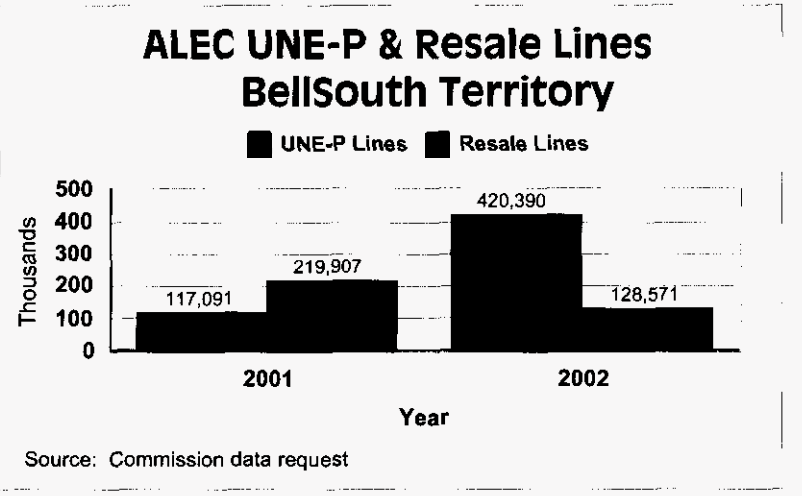


Figure 14

Figures 15 and 16 further demonstrate the impact of the UNE rate reductions. As of June 30, 2002, UNE-P lines comprised 28% of total ALEC lines in Florida, compared to 12% a year earlier.[33]

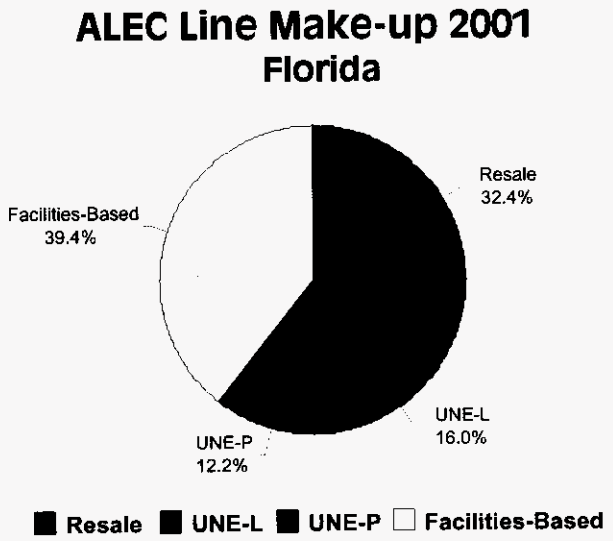


Figure 15

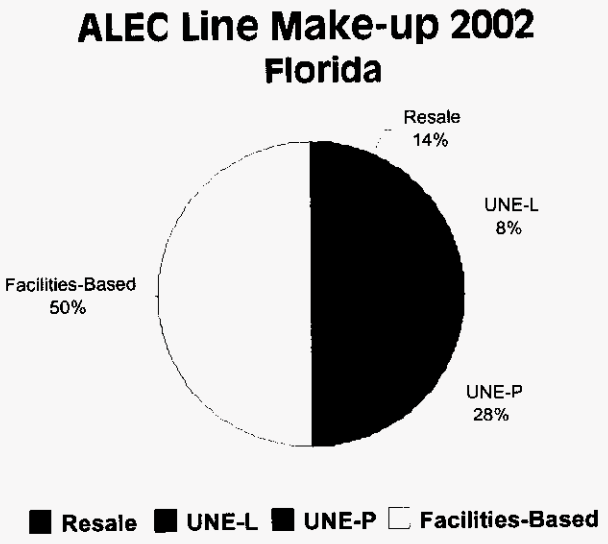


Figure 16

[33]UNE-P comprised 34% of ALEC access lines in BellSouth's territory. Data was unavailable to calculate a comparable access line figure for 2001.

Summary

When a state's BOC receives 271 approval, it can compete with carriers for long distance, thus offering it the opportunity to bundle local and long distance service. If long distance carriers do not want to lose market share (and revenues), then, for the first time, they must compete directly with the BOC for local and long distance service. Common sense indicates that 271 approval would tend to increase the level of local competition; the increases in ALEC market share in New York and Texas before and after 271 approval certainly seem to bear that out. While the timing of UNE-P availability and 271 approval in New York and Texas makes it difficult to separate out their effects, the level of UNE-P margins appears to be as important as whether the BOC has obtained 271 approval in an ALEC's decision to enter a local market. The data appear to show that market share levels are closely correlated to margin levels; ALECs have higher market penetration in those segments of the market with higher margins. However, if an ALEC who is also a long distance carrier believes that the UNE-P rate is too high to produce good margins, then with 271 approval the ALEC must balance its objective of retaining long distance revenue against paying the "too high" UNE-P rates.

On September 6, 2002, this Commission reduced BellSouth UNE rates. Additionally, in October, 2002, the Commission endorsed BellSouth's Section 271 application to the FCC. The role of state public service commissions in the 271 process is a consultative one, whereby the state commissions provide the FCC with an opinion as to whether or not the BOC has met the 14-point checklist outlined in Section 271 of the Act. The FCC must now consider whether or not to grant 271 approval to BellSouth, with a decision due in December, 2002.

The substantial increase in ALEC market share in Florida over the past year is likely the result of (1) anticipation by ALECs that BellSouth will obtain FCC 271 approval, i.e., the pre-271 surge in market share as seen in other states and (2) the reduction in UNE rates in May 2001. With the further reduction in UNE rates in September 2002, and assuming BellSouth receives 271 approval from the FCC, we would expect to see a further increase in local competition in Florida, at the very least in BellSouth's service territory.

B. The Economy

Economic Change in the Telecommunications Industry

The most important indicator measuring the financial status of the telecom industry is captured in the NASDAQ Telecommunications Index (NTI). This index measures stock price behavior of competitive telecommunication carriers and equipment manufacturers and signals the degree of investor confidence for this industry.[34] In December 1995, nearly a year before passage of the Telecom Act of 1996, the NTI stood at 208.35. By December 1998, the NTI accelerated in value to 500.9. Fourteen months later, the NTI peaked in February 2000 reporting a value of 1,141.1.

[34]The NTI includes all types of telecommunications including point-to-point communications services and radio and television broadcast.

According to data as of May 2002, the NTI had plummeted to a value of 132.8.[35] This steep downturn in the NTI was due to a rapid disappearance of venture capital and culminated with a mass exodus of firms from this industry. A contributing cause for the steep decline in the NTI might be the role of accelerated corporate malfeasance by key telecommunications officials. Companies which deliberately engage in deceptive accounting practices and fraudulent capital acquisition strategies abdicate their fiduciary responsibilities to both their shareholders and customers. Such unchecked unscrupulous conduct further erodes investor confidence and exacerbates the problem of capital flight out of this market. Faced with the economic reality of a dearth of capital, rising debt loads and a very difficult market to penetrate, telecom companies find themselves once again adjusting to market change.

Change is an endemic feature for any competitive industry. Uncertainty created by either shifts in consumer preference, changes in regulatory policy or discovery of new or improved technologies, compels suppliers to make necessary adjustments in capital infrastructures in order to accommodate market needs and expectations. Telecommunications is no exception. The advent of technologies such as DSL services, cable modem service, VoIP, and 3-G wireless has radically redefined how end users can receive voice, video and data products. While change can provide material benefits for market participants, it is important to recognize that all consumers and producers will not benefit equally. The tumultuous changes in the telecommunications industry will require companies to re-engineer their market focus and re-evaluate their core competencies in order to survive in the new telecommunications industry.

According to Probe Research, nearly 80% of the 300 new telecommunications companies founded in the second half of the 1990s have disappeared.[36] During the same period, the industry has seen stock prices plummet culminating in losses of over two trillion dollars in market equity. Telecommunications analysts have attempted to explain this implosion by focusing on market maladjustments (excess capacity/sluggish demand), market malfeasance (growth in merger activity) and regulatory inertia (failure by FCC and state commissions to fully implement market-based competition).

Currently, no reliable Florida data exist which measure selected financial status e.g., telecommunications bankruptcies. Recent announcements, however, regarding Chapter 11 filings by major ALEC carriers are important because some of these companies have a large and visible presence in Florida's local phone market. As the number of certificated ALECs declines from 463 certificated as of June 30, 2001 to 417 one year later in Florida alone, it raises the prospect of a re-emergence of monopoly control of a crucial service. Such trends would warrant close scrutiny and monitoring.

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[35]Data obtained for selected years from Performance of the Leading World Indexes, National Association of Securities Dealers. See http://www.marketdata.nasdaq.com.

[36]*End of the Telecom Turmoil?*, Business Week Online, July 29, 2002.

The economic challenges confronting the telecom industry are no longer exclusively an "ALEC problem." Signs are emerging that the Regional Bell Operating Companies (RBOC) are no longer immune from the changes created by telecom market restructuring. A recent article in Forbes magazine reports that the total number of telephone lines in service declined by over 9 million in 2001.[37] According to Forbes:

> The [access] line decline in 2001 was a direct result of the ferocious assault on the Bells from all sides. As many as 3 million customers decided to forgo a home phone last year, going wireless instead. Cable operators are beginning to offer local phone calls on their rebuilt lines, and poached 600,000 Bell customers last year. Another 2 million households canceled the second phone lines they were using for poky dial-up access to the Internet; high-speed cable access and DSL don't interfere with regular phone service, making second lines superfluous.
>
> The erosion began to show up last month in BellSouth's second-quarter report, as sales fell 3.5% and earnings plunged 67% on one-time charges, sending the stock down 18% in a day. Verizon and SBC were also expected to report further phone line losses.

Downward price adjustments for both UNEs and UNE-P also continue to cut into RBOC profit margins. Recently, UBS Warburg, a prominent market investment firm, downgraded the status of three major RBOCs (BellSouth, SBC & Verizon) from buy to hold. The company predicts that robust competition in the local phone market will continue unabated in the second half of 2002. Moody's Investors Service is also reviewing its "Aa3" senior unsecured long-term credit rating on BellSouth for a possible downgrade. Moody's is concerned about "ongoing weakness in revenue and access line trends in its local wireline operations primarily resulting from rapidly expanding competition," as well as increased business risk due to competition from long distance, wireless, and cable TV service providers. Such competition will only exacerbate the problem of diminishing margins for the RBOC community.

The conventional wisdom suggests that the short-term outlook for telecom remains grim. However, caution should be exercised against any inference that the industry is somehow "unique" during this time of market adjustment. Capital-intensive industries tend to experience bankruptcies, employment reductions or financial market losses. The U.S. experiences in the automobile, airline, trucking, steel, and shipping sectors are economic reminders that few, if any, industries are insulated from economic change. In fact economic theory argues that a prerequisite for a dynamic economy is defined by the opportunity for firms to fail in order for new technologies, efficiencies and more viable business plans to emerge. Seen in this context, business failure can be a type of economic catharsis, because the end users stand to benefit from the improvements. While the telecom industry has an equal opportunity to make significant contributions in raising consumer welfare, the primary beneficiaries, at least in the short run, may be medium-to-large businesses where most competition is currently taking place. It is uncertain whether alternative last mile technology has evolved

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[37] *Bad Connection*, Forbes.com, August 12, 2002.

sufficiently to permit true facilities-based competition in the residential market, although both cable and wireless companies provide promise for increasing competition in this area.

Telecommunications Change & Adjustment in Florida

How will these changes in the telecom industry impact Florida? The answer will depend on how quickly Florida's telecom infrastructure can anticipate and adapt to change. Enterprise Florida, the lead agency for promoting state-wide economic development, concludes in a recent report that Florida ranks very high in advanced telecommunications networks in the US. The state is home to some of the world's leading telecom providers vying to provide businesses and consumers with the latest technological solutions and choices in a liberalized, highly competitive market.[38] The Sunshine State also has a high concentration of web portals and other Internet companies. The creation of two Network Access Points in Florida implies that there is no shortage of traffic growth. Internet traffic is said to be accelerating in growth and voice traffic is rising as well. But, as the telecom industry has discovered, traffic growth is not a reliable indicator of revenue growth. The telecommunications bubble imploded not because of a dearth of traffic but concurrently with an increase in traffic. As markets become increasingly saturated, companies will have to explore creative options in order to maintain solvency and a competitive edge over rivals. As The Economist magazine notes, these options should take into consideration that new revenue growth will likely not come from new subscribers.[39] New services targeted to informed users with a premium on value and not price will be the key for revenue maximization and industry renewal.

Florida telephone companies will remain competitive, provided carriers are able to adapt to customer preference and economic and technological change. Surviving Florida telecommunications companies appear to be adapting to the changing market conditions[40] and have proven the value of implementing financially sound business plans. For example, Network Telephone, a Pensacola-based ALEC, has managed to effectively compete while incurring less than $1 million in debt. The company is expecting to increase its staff to 800, increase lines served to 120,000 and increase customers from 14,000 to 15,000, all by end of year 2002. Revenues are projected to rise from $20 million in 2001 to $50 million by 2002. Other Florida ALECs have demonstrated that facilities-based entry strategies are proving to be beneficial for both the company and consumers. Both Time Warner and Allegiance have adopted targeted approaches for business customer recruitment and retention. The companies have opted to build networks contingent on firm contracts from large customers that agree to buy their telephone service. The practice of linking network buildout with firm contracts will allow steady, incremental growth, and better position these companies to challenge ILEC dominance of the business and, perhaps in the longer term, the residential market.

Successfully penetrating the residential market will continue to be an uphill battle for ALECs, and this is not due solely to the high costs/low margins to serve this market. Residential

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[38]Enterprise Florida, *Industry Highlight : Telecommunications,* http://www.eflorida.com.

[39]*The Telecom Crisis: Too Many Debts;Too Few Calls,* The Economist, June 18, 2002.

[40]The Florida Trend April 2002, p 54.

subscribers responding to a monthly survey sponsored by the FPSC have indicated a strong and stable reluctance towards shifting service from their ILEC to an ALEC. In an attempt to measure the degree of brand/service loyalty, respondents were asked whether they have considered switching their local telephone service to a competing company. Seventy-one percent (71%) of nearly 3,000 households responded to this question by indicating they were NOT considering a switch at the time of the survey. Based on this 2002 data, it would appear that Florida residential phone users exhibit a high degree of service loyalty even with knowledge about alternative providers. As indicated earlier, cable companies and wireless providers offer the most hope for bringing options to residential consumers; however, significant market share gains from these facilities-based providers will not take place overnight.

CHAPTER V: DISCUSSION OF ISSUES REQUIRED BY CHAPTER 364, F.S.

Section 364.386(1), Florida Statutes, requires the Commission to address six points in its evaluation of the competitive market. With those issues in mind, staff designed data requests and sent them to all certificated ALECs and ILECs. The ALEC data request consisted of questions designed to obtain information regarding the types of local telecommunications services being offered, the range of rates for services offered and the geographic areas where customers are able to obtain such services. Along with questions regarding marketing efforts and future business plans for Florida, ALECs were also asked to describe any barriers experienced in entering Florida's local exchange market and any difficulties encountered specifically related to ILEC agreements. Comments as to any major obstacles believed to be impeding the growth of local competition and suggestions as to how to remove such obstacles were also solicited. This chapter addresses the statutory questions and summarizes some of the feedback provided by ALECs in response to the additional questions.

A 1997 amendment to Section 364.161(4), Florida Statutes, mandates that the Commission maintain a file of all ALEC complaints against ILECs regarding timeliness and adequacy of service in the provisioning of unbundled network elements, services for resale, requested repairs, and necessary support services. This information, including how and when each complaint was resolved, is included in Appendix F.

The Commission is required to address the following points in analyzing the status of competition in Florida:

(1) The overall impact of local exchange telecommunications competition on the continued availability of universal service.
(2) The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.
(3) The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
(4) The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
(5) What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.
(6) Any other information and recommendations which may be in the public interest.

Each issue is discussed below.

(1) The overall impact of local exchange telecommunications competition on the continued availability of universal service.

Universal Service is the longstanding concept that a specified set of telecommunications services be available to all customers at affordable rates. Chapter 364.025, Florida Statutes, provides a number of guidelines designed to maintain Universal Service objectives with the introduction of competition in the local exchange market. First, Section 364.025(1), F.S., requires incumbent local exchange companies to furnish basic local exchange telecommunications service within a reasonable time period to any person requesting such service within a company's service territory until January 1, 2004. Additionally, Section 364.025(4), F.S., mandates that prior to January 1, 2004, "the Legislature shall establish a permanent universal service mechanism upon the effective date of which any interim recovery mechanism for universal service objectives or carrier-of-last-resort obligations imposed on alternative local exchange telecommunications companies shall terminate." In compliance with this section, the Commission submitted its report, Universal Service in Florida, to the Governor and Legislature in December 1996. At the direction of the Legislature, universal service issues were revisited in the Universal Service and Lifeline Funding Issues report submitted in February 1999. In its report, the Commission stated that "although the potential for an ILEC to experience competitive erosion of its high-margin customers while retaining its high-cost (and perhaps below-cost) customer base is a real concern, the Commission has not discerned any such major impact to date."

As of May 2002, 93.2% of Florida households subscribed to local telephone service, compared to the national average of 94.9%.[41] This represents an increase in households subscribed from the 92.9% reported in 2001.

Although ILECs have reported a modest loss in access lines, ALECs have increased both their residential and business market share. The ILEC losses may be at least partially attributable to the emerging competition from wireless, cable, and broadband providers. In spite of this small decrease in access lines, ILECs still retain the dominant market share and there appears to be no evidence of significant adverse impacts on the ability of ILECs to provision universal service.

(2) The ability of competitive providers to make functionally equivalent local exchange service available to both residential and business customers at competitive rates, terms, and conditions.

The Commission surveyed the 417 ALECs certificated as of June 30, 2002. Of the 282 respondents, 122 indicated that they were currently providing service in Florida. ALECs were asked to discuss any perceived barriers to competition in Florida and to describe any significant problems experienced with agreements with ILECs. It is interesting to note that in spite of the perceived obstacles discussed by the respondents, approximately 40% of the ALECs providing service indicated either that they had experienced no barriers to competition in Florida, or did not respond

[41] Telephone Subscribership in the United States, Federal Communications Commission, May 2002.

to the question. For the ALECs that did provide feedback, the primary issues raised are grouped by subject and are shown in Figure 17.

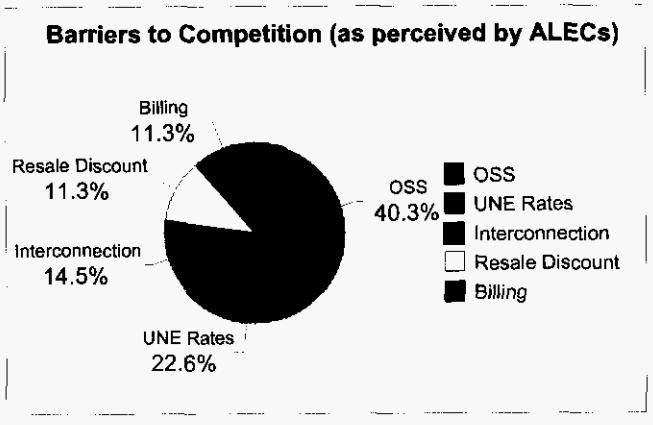

Figure 17

Operations Support Systems (OSS)

OSS issues were the most common barrier named. Specifically, ALECs frequently alleged a lack of non-discriminatory access to OSS comparable to the ILEC's systems, excessively high rates of manual order processing, high levels of ILEC errors in ordering and provisioning, a lack of responsiveness by ILEC personnel and a decrease in overall efficiency. As discussed later in this report, the Commission has recently issued decisions on OSS and ILEC performance metrics and has instituted a collaborative proceeding designed to address such topics.

UNE Rates

UNE rates, particularly UNE-P rates, were the second most frequently named barriers to competition in Florida. Responses to the data requests, however, indicate a significant increase in the number of ALECs purchasing a wide variety of UNEs. Additionally, as discussed elsewhere, the Commission recently reduced certain BellSouth UNE rates and added the directive that Commission staff closely monitor progress in market competition in the coming year. In October, 2002, the Commission reduced Verizon's UNE rates. For example, the Commission set a loop rate of $12 per month in Verizon's most densely populated areas, versus the $22.17 per month sought by Verizon. A hearing to set rates for Sprint is being scheduled.

Interconnection Problems

ALECs provided a variety of comments related to problems encountered when attempting to interconnect with ILECs. ILEC agreement and relation problems were commonly cited, including allegations of the misinterpretation of contracts, breach of contract, "one-sided" negotiations, unilateral decision making by ILECs, "winbacks" and predatory practices. Several ALECs alleged stalling techniques by the incumbents when attempting to convert a customer who subscribed to the ILEC's DSL service. Collocation delays and intercarrier compensation disputes were also noted by a number of ALECs.

Low profit margins

Low profit margins due to a "too low" resale discount was the next most frequently named barrier. The Telecommunications Act of 1996 requires ILECs to resell any telecommunications service provided to subscribers who are not telecommunications carriers. Resale continues to be a popular method of market entry for ALECs. The Act also gives state commissions the responsibility to set resale discounts based on the ILEC's retail rates, excluding any costs avoided by selling at wholesale. This methodology results in wholesale rates having the same margin (in absolute terms) as retail rates. The discount rates for BellSouth, Sprint and Verizon were established as a result of Commission proceedings conducted in 1996 and 1997, and are summarized in Table 9.

Table 9 Florida Resale Discount Rates

Resale Discount	BellSouth	Verizon	Sprint
Residential	21.83%	13.04%	19.40%
Business	16.81%	13.04%	19.40%
Operator/Directory Assistance[42]			12.10%

Source: Tariffs on file at Commission

Billing

ALECs claim to have encountered billing problems with ILECs on numerous occasions. They point out the detrimental effects that a lengthy dispute resolution process has on their business operations.

Other Issues

ALECs raised several other issues that did not necessarily fit in one of the major categories discussed above. For example, resellers concentrating on the "prepaid" market complained that ILECs frequently fail to impose toll blocking. Most "prepaid" customers have credit problems or have had their telephone service disconnected; resellers in this market generally impose toll restrictions on these customers.

Commission-specific issues deemed as barriers were also cited by ALECs, such as the need for a speedy dispute resolution process and modification of the Commission's demarcation rules. Also, ALECs indicate that there is a need for the Commission to obtain and exercise more enforcement power over ILECs.

[42]Operator/Directory Assistance discount rates for BellSouth and Verizon vary.

(3) The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.

As of June 30, 2002, 122 ALECs reported that they were currently providing some form of local telecommunications service in Florida. Appendix A lists the responding ALECs, their customers, and methods by which they are providing service. Methods of offering service are through the *resale* of an ILEC's products, *facilities-based* provisioning entirely through the competitor's own facilities, *unbundled network elements (UNEs)* leased from the ILEC, or a *mixed* combination of two or more methods.

Appendix B of this report illustrates that both residential and business customers in a wide range of geographic areas have access to local service from competitors. However, as in previous years, competitors continue to focus primarily on business customers in densely populated areas. Some companies, such as Access Point, Inc., indicated that any residential customers obtained "are ancillary to business customers." Table 10 illustrates that, as in previous years, ALECs concentrate on markets with large concentrations of customers. The table lists the state's 10 Local Access and Transport Areas (LATAs), the local exchange areas served by a local phone company, along with the exchanges within the LATA with and without a competitive entrant. Appendix C provides the percentage of ALEC access lines by exchange.

Table 10 ALEC Providers by Florida LATA

LATA	Exchanges in LATA (2001)	(2002)	Exchanges without competitive entrant (2001)	(2002)	Area codes serving LATA (2001)	(2002)
Daytona	10	10	0	0	386	386
Ft. Myers	31	31	0	0	863, 941	863, 941, 941 to 239[43]
Gainesville	49[44]	49	0	1	352, 850, 904	352, 850, 904
Jacksonville	43	43	2	2	386, 904	386, 904
Mobile AL	2	2	1	1	850	850
Orlando	23[45]	23	1	0	321, 386, 407	321, 386, 407, 689[46]

[43]Permissive dialing (941 or 239) started March 11, 2002. Mandatory 239 dialing starts March 10, 2003.

[44]Includes Weirsdale exchange (effective August 31, 2000).

[45]Includes Montverde.

[46]Implementation date of the third overlay area code, 689, has been suspended. All unused 321 telephone numbers in this area will be frozen and transferred to Brevard County.

Table 10 ALEC Providers by Florida LATA						
LATA	Exchanges in LATA (2001)	(2002)	Exchanges without competitive entrant (2001)	(2002)	Area codes serving LATA (2001)	(2002)
Panama City	35	35	9	7	850	850
Pensacola	23	23	1	2	850	850
Southeast	31	25[47]	0	1	305, 561, 754, 786, 954	305, 561, 561 to 772[48], 754, 786[49], 954
Tallahassee Area	12	12	1	1	850	850
Tampa Area	24	24	0	0	727, 813, 863, 941	727, 813, 863, 941

In addition to having ALECs that will compete in parts of the state for different customers, customers must also be able to obtain services at rates comparable to that of the ILEC in order for meaningful competition to take place. As shown in Table 11, customers appear to have access to a wide variety of rates as competitors have developed a variety of pricing strategies to gain customers including overall discounts or matching the incumbent's price.

Table 11 Local Rates for Selected Florida ALECs and ILECs As of June 30, 2002					
ALEC Rate			ILEC Rate		
ALEC	Residential	Business	ILEC	Residential	Business
American Fiber Network	$7.38 - 12.06	$28.85 - 40.92	BellSouth	$7.45 - 11.00	$20.46 - 30.07
			Verizon	$9.72 - 12.06	$24.47 - 30.06
ATS	10% discount off BellSouth rate	12% discount off BellSouth rate	BellSouth	$7.45 - 11.00	$20.46 - 30.07

[47]Reflects the consolidation of the Keys (i.e., North Key Largo, Key Largo, Islamorada, Marathon, Big Pine Key, Sugar Loaf Key and Key West - all combined in the Keys exchange).

[48]Permissive dialing (772 or 561) began February 11, 2002. Mandatory 772 dialing begins November 11, 2002.

[49]Permissive 7 or 10-digit dialing using 305 began on September 1, 2001. Mandatory 10-digit dialing and use of 786 will be decided later.

Table 11 Local Rates for Selected Florida ALECs and ILECs As of June 30, 2002					
ALEC Rate			ILEC Rate		
ALEC	Residential	Business	ILEC	Residential	Business
High Tech Communications	$26.00 prepaid	$39.00	Sprint-Centel	$7.53 - $9.82	$16.94 - 22.14
Orlando Telephone Company	$11.50	$20.00/25.00	BellSouth Sprint - United	$7.45 - 11.00 $6.58 - 10.41	$20.46 - 30.07 $15.47 - 24.46
Southeastern Services	$9.00	$24.40	Northeast Florida	$9.00	$24.40

ALECs frequently meet the prices of ILECs or provide a specified percentage discount from the incumbent's tariffed rates. A number of ALECs responded that their strategy consisted of meeting the ILEC's rates. ALECs utilizing this practice may find it more feasible to compete in other areas such as promising more favorable terms or improved service.

Another pricing strategy offered by ALECs is prepaid telephone service, an option for consumers with poor credit histories or those disconnected due to repeated late payments or nonpayment. Customers of prepaid phone companies typically agree to pay a monthly fee in advance for local calls and 911 access, but must agree to the blocking of toll, 900-numbers, and directory assistance calls. Prices for such services range from approximately $29.99 to $59.99 for residential service and $39.99 to $79.99 for business service. Prepaid phone customer access lines appear to account for a substantial percentage of the residential access lines currently served by ALECs and were identified by several respondents as their primary market.

(4) The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

Section 364.051, Florida Statutes, imposed rate caps for basic local telephone service until January 1, 2000 for price-regulated ILECs with fewer than 3 million access lines and until January 1, 2001 for BellSouth. After these dates, Section 364.051, Florida Statutes, provides that an ILEC may adjust its basic service prices once in an 12-month period by an amount not to exceed the change in inflation less one percent. The following ILECs proposed increases for basic and non-basic services in 2002, pursuant to the provisions of Section 364.051, Florida Statutes:

- ALLTEL filed for an increase in basic and non-basic services by 5.4%.
- BellSouth filed for an increase of 1.778% in basic services and for a 0.15% increase in non-basic residential optional services.
- GT Com filed for a 1.50% increase in basic services.
- Quincy Telephone Company filed a .05412% increase in both basic and non-basic services.
- Verizon filed to increase basic services by .054%.

(5) What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.

At this time, there is no evidence indicating a need to recommend additions or deletions to the definition of basic local service. Definitions vary for ILECs and ALECs. For ILECs, Section 364.02(2), Florida Statutes, defines basic local service as follows:

> "Basic local telecommunications service" means voice-grade, flat-rate residential and flat-rate single line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multi-frequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange company, such terms shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

According to Section 364.337(2), Florida Statutes, the basic local telecommunications service provided by an ALEC must include access to operator services, "911" services at a level equivalent to that of the ILEC serving that area and relay services for the hearing impaired. ALECs must also provide a flat-rate pricing option for basic local telecommunications services; the statute states that "mandatory measured service for basic local telecommunications services shall not be imposed."

(6) Any other information and recommendations which may be in the public interest. There are no recommendations at this time.

Summary of Select Responses to Other Questions

Competitors continue to increase their market penetration in Florida and make plans to expand their operations. Although a few resellers indicated their intention to remain strictly in that business, most nonfacilities-based ALECs stated that their plans involved moving from providing services through resale to utilizing UNE-P. In fact, a few companies, such as Florida Comm South, are in a transitional period of converting to some degree of provisioning services using UNE-P. Comments were made regarding the need to reduce UNE prices; as stated in the discussion on Commission proceedings, the agency continues to address this matter.

Regarding whether an ALEC intended to become a facilities-based provider, most responded that such a decision will be made pending UNE pricing, overall economic conditions, and company business plans. ALEC responses varied greatly as to the amount invested in their own network thus far; unfortunately, some ALECs responded with the amount invested in Florida, while others provided a national figure. Regardless, ALECs reported investing over $1 billion in their own facilities and projected that they will locate over 30 switches in Florida over the next five years.

According to Telecommunications Reports Daily[50], a new report released by CompTel estimates that between 1996 and 2001, competitors spent over $103 billion on network infrastructure.

The majority of the certificated ALECs responding to the data request listed local telephone service as their primary line of business; these services provided over $260 million in revenue for those ALECs able and willing to disclose such figures. However, many competitors provide other telecommunications options including long distance and data services. Several companies provide bundled service offerings, such as Knology of Florida, Inc. As a broadband telecommunications company, Knology offers bundled packages including local and long distance service, cable television and high speed Internet services. Orlando Telephone Company, NuVox and Network Telephone, to name a few, also provide various packaged plans.

[50]http://www.tr.com/online/trd/2002/td100302/index.htm

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
1-800-RECONEX, Inc.	residential	resale	Statewide
Access Integrated Networks, Inc.	residential, business	resale	Statewide
Access Point, Inc.	residential, business	resale	Statewide
Advantage Group of Florida Communications, LLC	business	mixed	Central Florida
ALEC, Inc. .	business	facilities	Statewide
Allegiance Telecom of Florida, Inc.	business	mixed	Confidential
ALLTEL Communications, Inc.	residential, business	mixed	North Florida
Alternative Access Telephone Communications Corp.	residential	resale	Statewide
Alternative Phone, Inc.	residential	resale	Statewide
Alternative Telecommunication Services, Inc.	residential	resale	Statewide
American Fiber Network, Inc.	residential, business	resale	Statewide
AmeriMex Communications Corp.	residential	resale	Statewide
ANEW Broadband, Inc.	residential, business	mixed	South Florida
Atlantic Telecommunication Systems, Inc.	residential, business	resale	South Florida
Atlantic.Net Broadband, Inc.	residential, business	mixed	Statewide
AT&T/TCG/AT&T Broadband	residential, business	mixed	Confidential
Basic Phone	residential/business	resale	Central and South Florida
Beauty Town, Inc. d/b/a/ Anns Communication	residential	resale	North Florida
BellSouth Telecommunications, Inc.	residential, business	facilities	Central Florida
Budget Phone, Inc.	residential	resale	Not reported
BudgeTel Systems, Inc.	residential	resale	South Florida
Burno, Inc.	residential	resale	Statewide
Business Telecom, Inc.	residential, business	mixed	Statewide
Buytel Communications, Inc.	residential	resale	Statewide

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
CAT Communications International, Inc.	residential	resale	Statewide
CB Telecomm	residential	resale	Statewide
Choctaw Communications, Inc. d/b/a Smoke Signal Communications	residential	resale	Statewide
CI2, Inc.	business	resale	Jacksonville, Central and South Florida
Comm South Companies, Inc. d/b/a Florida Comm South	residential	resale	Statewide
Credit Loans, Inc. d/b/a Lone Star State Telephone Co.	residential	resale	North and South Florida
Deland Actel, Inc.	residential, business	resale	Statewide
Dialtone Telecom, LLC	residential	resale	Statewide
DPI-Teleconnect, LLC	residential	resale	Statewide
Eagle Communications, Inc.	business	resale	Statewide
Easy Telephone Services Company	residential	resale	Statewide
EPICUS, Inc.	residential, business	mixed	Statewide
Ernest Communications, Inc.	residential	resale	Statewide
EXCELINK Communications, Inc.	residential	resale	Statewide
Express Phone Service, Inc.	residential, business	resale	Confidential
EZ Talk Communications, LLC	residential	resale	Statewide
Fair Financial LLC Telecommunications	residential	resale	North Florida
Florida City-Link Communications, Inc.	residential	Not reported	Not reported
Florida Multi-Media Services, Inc.	residential	facilities	Central Florida
Florida Digital Network, Inc.	business	mixed	Statewide
Florida Phone Service, Inc.	residential	resale	Central and South Florida
Florida Telephone Services, LLC	residential, business	mixed	Statewide
Focal Communications Corporation of Florida	business	mixed	Confidential
Ganoco, Inc.	residential, business	resale	Statewide

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
Georgia Telephone Services, Inc.	residential	resale	North Florida
Global Crossing Local Services, Inc.	business	mixed	Statewide
Global Crossing Telemanagement, Inc.	business	mixed	Statewide
GLOBAL NAPS	business	facilities	Confidential
Heritage Technologies, Ltd.	residential	mixed	North Florida
High Tech Communications of Central Florida, Inc.	residential, business	resale	Southwest Florida
Hosting-Network, Inc.	residential, business	mixed	Southwest
IDS Telcom LLC	residential, business	mixed	Statewide
Intermedia Communications, Inc.	business	mixed	Confidential
ITC^DeltaCom	residential, business	mixed	Confidential
Kenarl, Inc.	business	mixed	South Florida
KMC Telecom III LLC	business	mixed	Statewide
Knology of Florida, Inc.	residential, business	facilities	North Florida
LecStar Telecom, Inc.	residential, business	resale	Statewide
Lightyear Communications, Inc.	business	UNE	Statewide
Local Line America, Inc.	residential	resale	Statewide
MCI WorldCom Communications, Inc.	residential, business	mixed	Confidential
MET Communications, Inc.	residential	resale	Statewide
Miracle Communications	residential	resale	North and Central Florida
Mobile Phone Company	residential	resale	South Florida
Momentum Business Solutions, Inc.	business	UNE	Confidential
Movie, Television & Graphics Corp.	residential, business	resale	Central and South Florida
Mpower Communications	residential, business	mixed	Central and South Florida
MY-TEL, Inc.	residential, business	resale	Central Florida
National Telecom & Broadband Services, LLC	residential, business	UNE	Not reported

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
Navigator Telecommunications, LLC	residential, business	mixed	Confidential
Network Telephone	residential, business	mixed	Statewide
New South Communications	confidential	confidential	Confidential
Norcom, Inc.	business	resale	South Florida
North American Telecommunications Corp.	residential, business	mixed	South Florida
NOS Communications	residential, business	resale	South Florida
NOW Communications	residential	mixed	Statewide
NuVox Communications, Inc.	residential, business	mixed	Jacksonville, Miami
OnePoint Communications-Georgia	residential	resale	Statewide
OneStar Communications, LLC	residential, business	mixed	Statewide
Orlando Telephone Company	residential, business	mixed	Central Florida
PaeTec Communications	residential, business	mixed	Statewide
Phone-Link, Inc.	residential	resale	Central Florida
Preferred Carrier Services, Inc.	residential	resale	Statewide
QuantumShift Communications, Inc.	business	resale	Not reported
Rebound Enterprises	residential, business	resale	Central Florida
Re-Connection Connection	residential	resale	South Florida
ReTel Communications, Inc.	residential,business	resale	North Florida
Ring Connection	residential	resale	Statewide
Sandhills Telecommunications Group, Inc.	residential, business	resale	Statewide
SBC Telecom, Inc.	residential, business	mixed	Central and South Florida
Southeastern Service, Inc.	residential, business	resale	North Florida
Source One Communications, Inc.	residential	resale	Statewide
Sprint Communications Company Limited	business	mixed	Statewide
State Discount Telephone, LLC	residential	resale	Statewide

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
Supra Telecommunications and Information Systems, Inc.	residential, business	mixed	Statewide
Talk America Inc.	residential, business	UNE	Statewide
Teleconex, Inc.	residential	mixed	Statewide
Tel West Communications, LLC	residential	resale	Statewide
The Other Phone Company, Inc.	residential, business	mixed	Not reported
The Ultimate Connection, Inc. Communications	business	mixed	Southwest Florida
Time Warner Telecom of Florida, L.P.	business	facilities	Confidential
Universal Telecom, Inc.	residential	Not reported	Statewide
University Club Communications, LLC	residential	resale	North Florida
USA Telecom, Inc.	residential	resale	Statewide
US Lec of Florida, Inc.	business	mixed	Statewide
VarTec Telecom, Inc.	residential	UNE	Statewide
XO	residential, business	mixed	Confidential
Z-Tel Communications, Inc.	residential	UNE	Statewide

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Alachua	1	3	0	0
Alford	2	6	0	0
Alligator Point	0	0	0	0
Altha	0	1	1	1
Apalachicola	0	0	0	0
Apopka	11	18	4	9
Arcadia	7	17	2	4
Archer	5	9	1	3
Astor	1	1	1	0
Avon Park	5	13	0	2
Baker	5	8	3	3
Baldwin	2	8	3	9
Bartow	8	12	2	7
Belleglade	10	21	3	9
Belleview	8	15	2	6
Beverly Hills	7	9	1	3
Blountstown	1	2	0	1
Boca Grande	1	1	1	1
Boca Raton	16	33	15	26
Bonifay	4	12	1	1
Bonita Springs	5	14	3	7
Bowling Green	1	6	0	0
Boynton Beach	13	32	8	18
Bradenton	10	18	4	8
Branford	1	4	0	0
Bristol	1	1	0	0
Bronson	4	17	1	7

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Brooker	1	3	0	0
Brooksville	11	22	7	13
Bunnell	8	19	3	7
Bushnell	6	17	2	3
Callahan	1	2	0	0
Cantonment	7	13	4	9
Cape Coral	10	2	1	2
Cape Haze	3	15	0	5
Carrabelle	1	0	0	0
Cedar Key	0	3	2	5
Celebration	0	0	1	3
Century	3	5	1	1
Chattahoochee	0	1	0	0
Cherry Lake	1	3	0	1
Chiefland	6	15	5	11
Chipley	8	15	5	11
Citra	1	3	0	0
Clearwater	10	20	7	13
Clermont	7	19	2	5
Clewiston	8	15	2	3
Cocoa	14	18	7	12
Cocoa Beach	7	34	5	13
Coral Springs	14	30	9	18
Cottondale	3	8	1	3
Crawfordville	6	14	2	2
Crescent City	1	3	1	0
Crestview	7	14	3	9

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	**Total ALEC Residential Providers (2001)**	**(2002)**	**Total ALEC Business Providers (2001)**	**(2002)**
Cross City	5	14	1	5
Crystal River	5	13	1	5
Dade City	6	18	2	5
Daytona Beach	16	38	7	19
DeBary	8	26	2	9
Deerfield Beach	12	29	7	30
DeFuniak Springs	4	10	3	5
Deland	11	27	3	11
DeLeon Springs	3	14	0	6
Delray Beach	16	29	11	19
Destin	4	10	3	6
Dowling Park	1	0	0	0
Dunnellon	8	17	4	9
East Orange	4	12	2	8
East Point	0	0	0	0
Eau Gallie	9	18	6	11
Englewood	8	11	2	5
Eustis	7	16	1	5
Everglades	1	0	0	1
Fernadina Beach	9	22	5	14
Flagler Beach	5	10	2	8
Florahome	1	2	0	1
Florida Sheriffs' Boys Ranch	1	0	0	0
Forest	1	4	0	3
Freeport	3	10	1	2
Frostproof	4	6	1	2
Ft. Lauderdale	22	45	18	31

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Ft. Meade	4	11	1	1
Ft. Myers	12	26	5	13
Ft. Myers Beach	2	5	1	4
Ft. Pierce	12	27	7	15
Ft. Walton Beach	9	17	3	7
Ft. White	1	5	0	1
Gainesville	15	36	14	18
Geneva	5	9	0	5
Glendale	1	2	0	0
Graceville	6	11	1	5
Grand Ridge	2	7	0	1
Green Cove Springs	9	21	4	15
Greensboro	1	1	0	0
Greenville	5	10	0	1
Greenwood	3	6	0	0
Gretna	1	3	0	0
Groveland	5	10	1	3
Gulf Breeze	7	23	8	15
Haines City	9	19	1	6
Hastings	1	3	1	0
Havana	7	19	2	6
Hawthorne	7	16	2	4
High Springs	1	4	0	0
Hilliard	1	5	0	0
Hobe Sound	4	12	2	6
Holley-Navarre	4	17	1	8
Hollywood	19	36	15	24

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Homestead	15	27	7	15
Homosassa	7	12	1	3
Hosford	0	0	0	0
Howey-in-the-Hills	2	1	0	0
Hudson	8	13	4	9
Immokalee	6	12	1	3
Indian Lake	1	1	0	0
Indiantown	1	0	1	0
Interlachen	1	4	0	0
Inverness	7	15	3	7
Jacksonville	22	45	20	32
Jacksonville Beach	11	27	8	17
Jasper	1	4	0	0
Jay	3	7	1	3
Jennings	1	3	0	0
Jensen Beach	5	15	4	13
Julington	1	9	2	9
Jupiter	9	19	7	14
Keaton Beach	0	0	0	0
Kenansville	1	3	0	1
Keys	21	26	13	14
Keystone Heights	7	24	1	5
Kingsley Lake	1	1	0	2
Kissimmee	12	28	7	12
La Belle	6	13	3	4
Lady Lake	5	15	1	4
Lake Buena Vista	0	0	0	4

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Lake Butler	1	5	0	0
Lake City	10	22	8	12
Lake Placid	4	14	0	2
Lake Wales	8	11	1	7
Lakeland	8	19	4	8
Laurel Hill	1	2	0	0
Lawtey	2	9	0	1
Lee	2	4	0	1
Leesburg	9	21	3	9
Lehigh Acres	7	19	1	5
Live Oak	1	7	0	0
Luraville	1	1	0	0
Lynn Haven	5	16	5	9
Macclenny	1	1	1	2
Madison	3	6	2	4
Malone	1	4	0	0
Marco Island	1	4	1	5
Marianna	4	12	3	7
Maxville	1	8	0	3
Mayo	1	4	0	0
McIntosh	1	2	0	0
Melbourne	16	34	9	18
Melrose	1	1	0	0
Miami	26	48	26	38
Micanopy	4	8	1	3
Middleburg	10	24	6	11
Milton	9	17	6	11

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Molino	1	0	0	0
Monticello	4	11	1	3
Montverde	1	4	0	0
Moore Haven	2	7	1	1
Mount Dora	7	17	1	3
Mulberry	7	13	0	3
Munson	1	1	0	1
Myakka	1	3	0	2
Naples	8	18	1	6
New Port Richey	8	19	4	9
New Smyrna Beach	6	25	4	13
Newberry	9	15	2	6
North Cape Coral	2	7	1	4
North Dade	11	31	7	21
North Ft Myers	4	15	1	5
North Naples	2	6	1	6
North Port	7	13	2	2
Oak Hill	4	10	1	5
Ocala	11	23	3	7
Ocklawaha	5	11	1	0
Okeechobee	6	14	2	3
Old Town	4	15	2	5
Orange City	5	15	2	5
Orange Park	16	23	10	22
Orange Springs	1	1	0	0
Orlando	25	49	28	36
Oviedo	12	21	7	17

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Pace	9	19	6	12
Pahokee	8	17	1	4
Palatka	12	24	3	12
Palm Coast	11	24	5	15
Palmetto	10	14	4	8
Panacea	2	2	0	1
Panama City	15	31	8	18
Panama City Beach	9	20	5	11
Paxton	0	0	0	0
Pensacola	17	33	12	19
Perrine	7	20	7	18
Perry	1	1	0	0
Pierson	4	14	0	5
Pine Island	2	6	0	1
Plant City	9	13	3	8
Polk City	7	10	0	3
Pomona Park	1	6	1	2
Pompano Beach	19	40	13	25
Ponce de Leon	3	5	1	2
Ponte Verde Beach	9	16	7	14
Port Charlotte	9	20	1	7
Port St Joe	0	0	0	0
Port St. Lucie	14	24	7	10
Punta Gorda	7	17	2	6
Quincy	1	2	0	0
Raiford	0	1	0	0
Reedy Creek	2	5	2	8

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Reynolds Hill	2	1	0	0
Salt Springs	0	1	1	0
San Antonio	3	4	0	3
Sanderson	1	1	0	1
Sanford	16	36	7	20
Sanibel-Captiva Island	1	2	1	3
Santa Rosa Beach	4	2	2	5
Sarasota	10	17	5	9
Seagrove Beach	2	3	1	2
Sebastian	7	16	4	10
Sebring	5	13	1	6
Shalimar	5	14	3	2
Silver Springs Shores	4	9	1	3
Sneads	2	8	0	1
Sopchoppy	2	2	0	0
Spring Lake Hills	0	2	1	3
St. Augustine	13	32	8	17
St. Cloud	9	15	1	3
St. Johns	1	2	0	7
St. Marks	1	0	0	1
St. Petersburg	10	26	6	13
Starke	6	12	2	6
Stuart	12	20	6	14
Sunny Hills	1	6	1	3
Tallahassee	10	29	5	10
Tampa	13	32	15	21
Tarpon Springs	8	14	4	9

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Tavares	5	13	1	4
The Beaches	0	0	0	0
Titusville	13	29	7	13
Trenton	7	15	1	7
Trilacoochee	3	8	0	2
Tyndall AFB	0	0	0	2
Umatilla	8	13	2	2
Valparaiso	3	9	3	5
Venice	9	12	3	8
Vernon	3	10	2	6
Vero Beach	14	31	7	16
Waldo	1	4	0	0
Walnut Hill	0	0	0	0
Wauchula	1	10	1	0
Weekiwachee Springs	7	19	4	10
Weirsdale	-	4	-	0
Welaka	0	10	3	8
Wellborn	1	2	0	1
West Kissimmee	1	9	2	9
West Palm Beach	20	37	15	24
Westville	2	5	0	0
Wewahitchka	0	1	0	0
White Springs	1	4	0	0
Wildwood	5	16	3	4
Williston	5	15	1	3
Windermere	0	4	2	3
Winter Garden	9	21	6	11

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	**Total ALEC Residential Providers (2001)**	**(2002)**	**Total ALEC Business Providers (2001)**	**(2002)**
Winter Haven	8	17	3	8
Winter Park	14	26	11	13
Yankeetown	3	8	1	4
Youngstown-Fountain	5	12	4	5
Yulee	9	12	3	8
Zephyr Hills	8	12	3	7
Zolfo Springs	2	6	0	0

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Alachua	> 0 to 1%	> 0 to 1%	0	0
Alford	1% to 5%	1% to 5%	0	0
Alligator Point	0	0	0	0
Altha	0	> 0 to 1%	5% to 10%	5% to 10%
Apalachicola	0	0	0	0
Apopka	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Arcadia	1% to 5%	1% to 5%	1% to 5%	> 0 to 1%
Archer	1% to 5%	1% to 5%	1% to 5%	15% to 20%
Astor	> 0 to 1%	> 0 to 1%	1% to 5%	> 0 to 1%
Avon Park	1% to 5%	1% to 5%	0	> 0 to 1%
Baker	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Baldwin	1% to 5%	5% to 10%	5% to 10%	5% to 10%
Bartow	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Belleglade	5% to 10%	5% to 10%	1% to 5%	5% to 10%
Belleview	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Beverly Hills	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Blountstown	1% to 5%	1% to 5%	0	> 0 to 1%
Boca Grande	-	> 0 to 1%	1% to 5%	> 0 to 1%
Boca Raton	1% to 5%	5% to 10%	5% to 10%	30 % - 35%
Bonifay	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Bonita Springs	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Bowling Green	1% to 5%	1% to 5%	0	0
Boynton Beach	1% to 5%	5% to 10%	5% to 10%	25% - 30%
Bradenton	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Branford	> 0 to 1%	> 0 to 1%	0	0
Bristol	1% to 5%	> 0 to 1%	0	0
Bronson	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Brooker	> 0 to 1%	> 0 to 1%	0	0
Brooksville	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Bunnell	> 0 to 1%	1% to 5%	> 0 to 1%	5% to 10%
Bushnell	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Callahan	> 0 to 1%	> 0 to 1%	0	0
Cantonment	1% to 5%	1% to 5%	25% to 30%	15% to 20%
Cape Coral	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Cape Haze	> 0 to 1%	> 0 to 1%	0	1% to 5%
Carrabelle	> 0 to 1%	0	0	0
Cedar Key	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Celebration	0	0	1% to 5%	25% to 30%
Century	1% to 5%	> 0 to 1%	> 0 to 1%	1% to 5%
Chattahoochee	0	> 0 to 1%	0	0
Cherry Lake	1% to 5%	1% to 5%	0	30% to 35%
Chiefland	1% to 5%	1% to 5%	1% to 5%	25% to 30%
Chipley	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Citra	> 0 to 1%	> 0 to 1%	0	0
Clearwater	> 0 to 1%	> 0 to 1%	1% to 5%	15% to 20%
Clermont	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Clewiston	5% to 10%	1% to 5%	5% to 10%	1% to 5%
Cocoa	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Cocoa Beach	> 0 to 1%	1% to 5%	> 0 to 1%	20% to 25%
Coral Springs	5% to 10%	10% to 15%	10% to 15%	25% to 30%
Cottondale	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Crawfordville	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Crescent City	1% to 5%	> 0 to 1%	-	0
Crestview	1% to 5%	1% to 5%	15% to 20%	1% to 5%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Cross City	1% to 5%	1% to 5%	> 0 to 1%	10% to 15%
Crystal River	> 0 to 1%	1% to 5%	5% to 10%	5% to 10%
Dade City	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Daytona Beach	> 0 to 1%	1% to 5%	15% to 20%	25% to 30%
DeBary	> 0 to 1%	1% to 5%	> 0 to 1%	5% to 10%
Deerfield Beach	1% to 5%	10% to 15%	1% to 5%	25% to 30%
DeFuniak Springs	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Deland	> 0 to 1%	1% to 5%	> 0 to 1%	10% to 15%
DeLeon Springs	> 0 to 1%	1% to 5%	0	15% to 20%
Delray Beach	1% to 5%	5% to 10%	5% to 10%	25% to 30%
Destin	5% to 10%	5% to 10%	15% to 20%	5% to 10%
Dowling Park	> 0 to 1%	0	0	0
Dunnellon	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
East Orange	1% to 5%	1% to 5%	1% to 5%	5% to 10%
East Point	0	0	0	0
Eau Gallie	> 0 to 1%	> 0 to 1%	1% to 5%	10% to 15%
Englewood	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Eustis	1% to 5%	> 0 to 1%	5% to 10%	1% to 5%
Everglades	> 0 to 1%	0	0	> 0 to 1%
Fernadina Beach	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Flagler Beach	> 0 to 1%	1% to 5%	25% to 30%	45% to 50%
Florahome	> 0 to 1%	> 0 to 1%	0	1% to 5%
Florida Sheriffs' Boys Ranch	1% to 5%	0	0	0
Forest	1% to 5%	1% to 5%	0	1% to 5%
Freeport	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Frostproof	1% to 5%	> 0 to 1%	1% to 5%	> 0 to 1%
Ft. Lauderdale	1% to 5%	15% to 20%	15% to 20%	35% to 40%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Ft Meade	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Ft Myers	> 0 to 1%	> 0 to 1%	1% to 5%	20% to 25%
Ft. Myers Beach	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Ft Pierce	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Ft. Walton Beach	1% to 5%	1% to 5%	5% to 10%	1% to 5%
Ft. White	> 0 to 1%	> 0 to 1%	0	> 0 to 1%
Gainesville	1% to 5%	5% to 10%	1% to 5%	10% to 15%
Geneva	1% to 5%	1% to 5%	0	10% to 15%
Glendale	> 0 to 1%	> 0 to 1%	0	0
Graceville	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Grand Ridge	1% to 5%	1% to 5%	0	> 0 to 1%
Green Cove Springs	1% to 5%	5% to 10%	1% to 5%	15% to 20%
Greensboro	> 0 to 1%	1% to 5%	0	0
Greenville	1% to 5%	1% to 5%	0	1% to 5%
Greenwood	5% to 10%	5% to 10%	0	0
Gretna	> 0 to 1%	1% to 5%	0	0
Groveland	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Gulf Breeze	1% to 5%	1% to 5%	10% to 15%	15% to 20%
Haines City	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Hastings	> 0 to 1%	> 0 to 1%	-	0
Havana	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Hawthorne	1% to 5%	1% to 5%	1% to 5%	5% to 10%
High Springs	> 0 to 1%	> 0 to 1%	0	0
Hilliard	1% to 5%	> 0 to 1%	0	0
Hobe Sound	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Holley-Navarre	> 0 to 1%	1% to 5%	10% to 15%	10% to 15%
Hollywood	5% to 10%	20% to 25%	1% to 5%	25% to 30%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Homestead	5% to 10%	10% to 15%	10% to 15%	10% to 15%
Homosassa	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Hosford	0	0	0	0
Howey-in-the-Hills	> 0 to 1%	> 0 to 1%	0	0
Hudson	> 0 to 1%	> 0 to 1%	1% to 5%	15% to 20%
Immokalee	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Indian Lake	> 0 to 1%	> 0 to 1%	0	0
Indiantown	-	0	1% to 5%	0
Interlachen	> 0 to 1%	> 0 to 1%	0	0
Inverness	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Jacksonville	1% to 5%	15% to 20%	20% to 25%	35% to 40%
Jacksonville Beach	1% to 5%	5% to 10%	1% to 5%	25% to 30%
Jasper	1% to 5%	1% to 5%	0	0
Jay	1% to 5%	> 0 to 1%	> 0 to 1%	5% to 10%
Jennings	1% to 5%	1% to 5%	0	0
Jensen Beach	> 0 to 1%	1% to 5%	1% to 5%	20% to 25%
Julington	-	1% to 5%	1% to 5%	10% to 15%
Jupiter	> 0 to 1%	1% to 5%	5% to 10%	20% to 25%
Keaton Beach	0	0	0	0
Kenansville	> 0 to 1%	> 0 to 1%	0	5% to 10%
Keys	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Keystone Heights	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Kingsley Lake	15% to 20%	> 0 to 1%	0	15% to 20%
Kissimmee	1% to 5%	1% to 5%	10% to 15%	10% to 15%
La Belle	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Lady Lake	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Lake Buena Vista	0	0	0	5% to 10%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Lake Butler	1% to 5%	> 0 to 1%	-	0
Lake City	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Lake Placid	> 0 to 1%	1% to 5%	0	> 0 to 1%
Lake Wales	1% to 5%	> 0 to 1%	1% to 5%	1% to 5%
Lakeland	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Laurel Hill	> 0 to 1%	> 0 to 1%	0	0
Lawtey	1% to 5%	1% to 5%	0	1% to 5%
Lee	1% to 5%	1% to 5%	0	> 0 to 1%
Leesburg	1% to 5%	1% to 5%	10% to 15%	1% to 5%
Lehigh Acres	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Live Oak	1% to 5%	1% to 5%	0	0
Luraville	> 0 to 1%	> 0 to 1%	0	0
Lynn Haven	5% to 10%	15% to 20%	-	25% to 30%
Macclenny	5% to 10%	10% to 15%	10% to 15%	5% to 10%
Madison	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Malone	1% to 5%	1% to 5%	0	0
Marco Island	-	> 0 to 1%	1% to 5%	1% to 5%
Marianna	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Maxville	> 0 to 1%	5% to 10%	0	10% to 15%
Mayo	1% to 5%	1% to 5%	0	0
McIntosh	> 0 to 1%	> 0 to 1%	0	0
Melbourne	1% to 5%	1% to 5%	10% to 15%	25% to 30%
Melrose	> 0 to 1%	> 0 to 1%	0	0
Miami	1% to 5%	15% to 20%	15% to 20%	40% to 45%
Micanopy	1% to 5%	> 0 to 1%	1% to 5%	1% to 5%
Middleburg	1% to 5%	5% to 10%	10% to 15%	35% to 40%
Milton	1% to 5%	1% to 5%	5% to 10%	10% to 15%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Molino	> 0 to 1%	0	0	0
Monticello	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Montverde	> 0 to 1%	> 0 to 1%	0	0
Moore Haven	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Mount Dora	1% to 5%	1% to 5%	5% to 10%	1% to 5%
Mulberry	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Munson	1% to 5%	> 0 to 1%	0	1% to 5%
Myakka	> 0 to 1%	> 0 to 1%	> 0 to 1%	1% to 5%
Naples	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
New Port Richey	> 0 to 1%	> 0 to 1%	1% to 5%	10% to 15%
New Smyrna Beach	> 0 to 1%	5% to 10%	> 0 to 1%	15% to 20%
Newberry	1% to 5%	1% to 5%	1% to 5%	10% to 15%
North Cape Coral	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
North Dade	5% to 10%	15% to 20%	1% to 5%	30% to 35%
North Ft Myers	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
North Naples	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
North Port	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Oak Hill	> 0 to 1%	1% to 5%	> 0 to 1%	10% to 15%
Ocala	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Ocklawaha	1% to 5%	1% to 5%	1% to 5%	0
Okeechobee	5% to 10%	1% to 5%	5% to 10%	1% to 5%
Old Town	> 0 to 1%	1% to 5%	10% to 15%	10% to 15%
Orange City	> 0 to 1%	> 0 to 1%	5% to 10%	1% to 5%
Orange Park	> 0 to 1%	10% to 15%	5% to 10%	25% to 30%
Orange Springs	> 0 to 1%	> 0 to 1%	0	0
Orlando	1% to 5%	5% to 10%	25% to 30%	45% to 50%
Oviedo	1% to 5%	1% to 5%	1% to 5%	20% to 25%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Pace	1% to 5%	1% to 5%	5% to 10%	20% to 25%
Pahokee	5% to 10%	10% to 15%	1% to 5%	1% to 5%
Palatka	> 0 to 1%	1% to 5%	> 0 to 1%	10% to 15%
Palm Coast	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Palmetto	> 0 to 1%	> 0 to 1%	10% to 15%	25% to 30%
Panacea	1% to 5%	1% to 5%	0	> 0 to 1%
Panama City	10% to 15%	15% to 20%	5% to 10%	20% to 25%
Panama City Beach	10% to 15%	20% to 25%	10% to 15%	25% to 30%
Paxton	0	0	0	0
Pensacola	1% to 5%	1% to 5%	25% to 30%	35% to 40%
Perrine	1% to 5%	10% to 15%	5% to 10%	20% to 25%
Perry	> 0 to 1%	> 0 to 1%	0	0
Pierson	> 0 to 1%	1% to 5%	0	10% to 15%
Pine Island	> 0 to 1%	> 0 to 1%	0	> 0 to 1%
Plant City	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Polk City	1% to 5%	1% to 5%	0	1% to 5%
Pomona Park	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Pompano Beach	5% to 10%	15% to 20%	5% to 10%	35% to 40%
Ponce de Leon	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Ponte Vedra Beach	> 0 to 1%	5% to 10%	5% to 10%	20% to 25%
Port Charlotte	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Port St Joe	0	0	0	0
Port St. Lucie	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Punta Gorda	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Quincy	> 0 to 1%	1% to 5%	-	0
Raiford	0	> 0 to 1%	0	0
Reedy Creek	-	> 0 to 1%	5% to 10%	40% to 45%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Reynolds Hill	> 0 to 1%	> 0 to 1%	0	0
Salt Springs	0	> 0 to 1%	1% to 5%	0
San Antonio	> 0 to 1%	> 0 to 1%	0	> 0 to 1%
Sanderson	5% to 10%	10% to 15%	0	1% to 5%
Sanford	1% to 5%	1% to 5%	5% to 10%	30% to 35%
Sanibel-Captiva Island	> 0 to 1%	> 0 to 1%	1% to 5%	> 0 to 1%
Santa Rosa Beach	1% to 5%	1% to 5%	10% to 15%	5% to 10%
Sarasota	> 0 to 1%	> 0 to 1%	10% to 15%	15% to 20%
Seagrove Beach	1% to 5%	5% to 10%	10% to 15%	10% to 15%
Sebastian	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Sebring	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Shalimar	1% to 5%	1% to 5%	1% to 5%	> 0 to 1%
Silver Springs Shores	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Sneads	1% to 5%	1% to 5%	0	> 0 to 1%
Sopchoppy	1% to 5%	1% to 5%	0	0
Spring Lake	0	> 0 to 1%	> 0 to 1%	1% to 5%
St. Augustine	1% to 5%	1% to 5%	5% to 10%	20% to 25%
St. Cloud	> 0 to 1%	1% to 5%	5% to 10%	1% to 5%
St. Johns	> 0 to 1%	1% to 5%	0	40% to 45%
St. Marks	1% to 5%	0	0	1% to 5%
St. Petersburg	1% to 5%	> 0 to 1%	1% to 5%	10% to 15%
Starke	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Stuart	> 0 to 1%	1% to 5%	10% to 15%	15% to 20%
Sunny Hills	> 0 to 1%	> 0 to 1%	> 0 to 1%	1% to 5%
Tallahassee	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Tampa	1% to 5%	1% to 5%	20% to 25%	25% to 30%
Tarpon Springs	> 0 to 1%	> 0 to 1%	1% to 5%	10% to 15%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Tavares	> 0 to 1%	> 0 to 1%	5% to 10%	1% to 5%
The Beaches	0	0	0	0
Titusville	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Trenton	1% to 5%	1% to 5%	> 0 to 1%	10% to 15%
Trilacoochee	1% to 5%	1% to 5%	0	1% to 5%
Tyndall AFB	0	0	0	> 0 to 1%
Umatilla	1% to 5%	1% to 5%	5% to 10%	1% to 5%
Valparaiso	1% to 5%	> 0 to 1%	5% to 10%	1% to 5%
Venice	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Vernon	1% to 5%	1% to 5%	> 0 to 1%	15% to 20%
Vero Beach	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Waldo	> 0 to 1%	> 0 to 1%	0	0
Walnut Hill	0	0	0	0
Wauchula	1% to 5%	1% to 5%	5% to 10%	0
Weekiwachee Springs	> 0 to 1%	> 0 to 1%	1% to 5%	20% to 25%
Weirsdale	-	1% to 5%	-	0
Welaka	0	1% to 5%	5% to 10%	5% to 10%
Wellborn	> 0 to 1%	> 0 to 1%	0	5% to 10%
West Kissimmee	1% to 5%	1% to 5%	1% to 5%	15% to 20%
West Palm Beach	1% to 5%	5% to 10%	5% to 10%	25% to 30%
Westville	1% to 5%	1% to 5%	0	0
Wewahitchka	0	> 0 to 1%	0	0
White Springs	1% to 5%	1% to 5%	0	0
Wildwood	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Williston	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Windermere	0	1% to 5%	> 0 to 1%	1% to 5%
Winter Garden	1% to 5%	1% to 5%	5% to 10%	5% to 10%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	**% of Residential Access Lines ALEC Providers (2001)**	**(2002)**	**% of Business Access Lines ALEC Providers (2001)**	**(2002)**
Winter Haven	1% to 5%	1% to 5%	1% to 5%	15% to 20%
Winter Park	1% to 5%	1% to 5%	15% to 20%	15% to 20%
Yankeetown	> 0 to 1%	1% to 5%	> 0 to 1%	5% to 10%
Youngstown-Fountain	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Yulee	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Zephyr Hills	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Zolfo Springs	1% to 5%	1% to 5%	0	0

APPENDIX D: STATE ACTIVITIES

1. BellSouth Petition for InterLATA Authority

Part III of the Telecommunications Act of 1996 establishes special provisions for Bell Operating Companies (BOCs) that wish to apply to the Federal Communications Commission (FCC) for authority to provide interLATA service within their in-region service areas. The role of state public service commissions is a consultative one, whereby the state commissions provide the FCC with an opinion as to whether or not the BOC has met the 14-point checklist outlined in Section 271(c)(1)(A) of the Act. The United States Department of Justice also reports to the FCC its opinion as to whether a BOC has met the Section 271 requirements of the Act.

On November 19, 1997, the Commission found that BellSouth did not meet all the Section 271 requirements. However, on May 31, 2001, BellSouth filed a second petition with the Commission to provide interLATA services in Florida, triggering a further review of whether the company is in compliance with the 14-point checklist outlined in the Act. On September 9, 2002, following extensive testing and six years of ongoing review, the Commission determined that BellSouth met all of the Section 271 requirements. In October, 2002, the Commission endorsed BellSouth's Section 271 application to the FCC; the FCC's decision is due in December, 2002.

2. Permanent Performance Metrics

Through Docket No. 000121A-TP, the Commission has developed an enforcement mechanism and performance measures to ensure the ongoing adequacy of BellSouth's operational support system (OSS) access and service quality to ALECs. A set of performance metrics was adopted by the Commission on August 14, 2001. On May 30, 2002, BellSouth's Self-Effectuating Enforcement Plan (SEEM) was implemented as approved by the Commission. In July 2002, the first payments were made under the SEEM plan by BellSouth to ALECs that had received below-standard service. The SEEM plan is being reviewed by staff at six-month intervals from its implementation.

Similarly, subdockets 000121B-TP and 000121C-TP are being conducted to develop Commission-approved performance standards applicable to Sprint and Verizon, respectively. Workshop dates have not yet been set.

3. Unbundled Network Elements (UNEs)

Section 251(c)(3) of the Telecommunication Act of 1996 obligates incumbent local exchange companies to "provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory . . . ." An unbundled network element (UNE) is a discrete subcomponent of the incumbent's facilities, such as a local loop or a minute of local switching; these elements can be combined in order for an ALEC to provide its retail services. For those ALECs that desire to offer

their services using UNEs, the level of UNE rates that an incumbent LEC can charge is of great importance.

Docket No. 990649-TP was opened in 1999 to address UNE deaveraging, UNE combinations, and recurring and nonrecurring charges for unbundled network elements. Deaveraging refers to establishing different rates for different areas (e.g., urban, suburban, and rural). Initially, UNE rates for BellSouth, Sprint, and Verizon (formerly GTE) were to be set at the same time. Due to court actions in 1999, parties refiled their cost studies in 2000. However, on July 18, 2000, the Eighth Circuit Court vacated the FCC's use of a hypothetical network standard as the basis for UNE pricing.[51] As a result, Sprint and Verizon withdrew their cost studies because they did not believe those cost studies were in compliance with the then-current state of the law.

The Commission decided upon BellSouth's UNE rates on April 18, 2001. While the majority of the issues were finalized, the Commission decided to evaluate certain issues further. BellSouth filed additional cost studies in September 2001, to address concerns with these issues. The Commission considered these issues at a June 13, 2002 special agenda conference and ordered the parties to discuss a negotiated resolution of UNE rates in Florida over the next 60 days. Since the parties were unable to reach a mutually agreeable resolution, the Commission voted to reduce certain UNE rates on September 6, 2002. For example, the Commission voted to reduce the rate for a 2-wire analog loop in the more urban areas (Zone 1) from $12.79 to $10.69.

Sprint and Verizon refiled their cost studies on May 18, 2001. Subsequently, several ALECs asked for a continuance of the hearings, citing a need for more time to evaluate the cost models. The continuance was granted in part, and the parties refiled cost studies on November 7, 2001. Hearings regarding the parties' filings were held on April 29 and 30, 2002. In October, 2002, the Commission reduced Verizon's UNE rates. For example, the Commission set a loop rate of $12 per month in Verizon's most densely populated areas, versus the $22.17 per month sought by Verizon. A hearing to set rates for Sprint is being scheduled.

4. Service Quality Dockets and Incumbent Local Exchange Companies

In September 1999, the Commission opened dockets to initiate show cause proceedings against Sprint, BellSouth and Verizon for violation of Commission service standards. ILECs are required by rule to consistently meet standards established to ensure their customers receive a high quality of service. Commission standards, for example, require a company to restore interrupted service within 24 hours in 95% of the instances reported. Commission standards also require ILECs to install service 90% of the time in three working days from receipt of an application. The Commission conducts field evaluations of ILECs to verify compliance with the Commission's service standards. Each ILEC is required by rule to submit quarterly reports to the Commission detailing its compliance with the established service standards.

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[51] On September 22, 2000, the Court stayed its order pending the filing and ultimate disposition of a petition for certiorari with the U.S. Supreme Court.

Sprint and the Office of Public Counsel (OPC) stipulated to an agreement in July 2000 that requires the company to credit its customers when it fails to meet the Commission's standards for out of service repair and primary service installations. The amount credited increases the longer it takes the company to repair or install the service. The agreement was approved by the Commission on November 7, 2000.

Through June 2002, Sprint paid its customers $1,066,350 for missing service installations and $716,659 for out of service repair. In addition, it posted $10,000 in the Community Service Fund for missing business office answer time and an additional $5,000 for missing the accessibility objective. The Community Fund is for promoting Sprint's Lifeline service.

BellSouth also signed an agreement with OPC that is similar to the Sprint settlement. It was approved by the Commission on February 22, 2002. The settlement established automatic fixed credits to customers for missed commitments for service installation and increased credits to customers for missed out of service repairs.

For the period from March 2002, through June 2002, BellSouth paid its customers $132,875 for missed installations and $316,839 for missed out of service repairs.

Verizon and OPC also agreed to a settlement of Docket No. 991376-TL, initiation of show cause proceedings against Verizon for apparent violation of the rules for out of service repair and primary service installations. Verizon agreed to pay a settlement of $2,000,000 into the General Revenue Fund.

It should be noted that these dockets were not opened based on complaints from consumers, but were predicated on data supplied by the ILECs in the Commission's "self-reporting" process.

5. BellSouth Promotional Tariffs

In separate consecutive tariff filings, BellSouth offered two promotional offerings targeted to small business customers located in select geographic areas. Each offering, entitled the "Key Customer Program," provided discounts, although each offering had unique terms and conditions. The "Key Customer Program" tariffs were acknowledged administratively. Subsequently, various ALECs requested that these tariffs be either suspended or cancelled pending a decision rendered after a full hearing. The ALECs contended that the BellSouth filings were anticompetitive, and therefore not in compliance with certain Florida Statutes. An administrative hearing is currently scheduled for January 2003.

6. FDN/BellSouth Arbitration

The provisioning of DSL services has emerged as a significant competitive issue in the telecommunications industry. In January of 2001, Florida Digital Network (FDN) initiated arbitration of an interconnection agreement with BellSouth. In its arbitration request, FDN asked the Commission to order BellSouth to (1) end the practice of discontinuing its FastAccess Internet Service when its customers switch to another voice telecommunications provider; (2) unbundle the

packet switching functionality of the Digital Subscriber Line Access Multiplexers (DSLAMs) that BellSouth has deployed in remote terminal facilities throughout its network and offer a broadband unbundled network element (UNE) consisting of the entire transmission facility from the customer's premises to the central office; and (3) require BellSouth to offer its DSL service at resale discounts to ALECs.

Subsequent to August 2001 hearings, on April 23, 2002, the Commission affirmed that BellSouth's FastAccess Internet Service was an enhanced, non-regulated, non-telecommunications Internet access service. However, the Commission exercised its jurisdiction to promote competition in the local voice market by requiring BellSouth to continue to provide its FastAccess Internet service to customers who choose to obtain voice service from other providers. The Commission declined, however, to require BellSouth to create a broadband UNE loop, or to offer its FastAccess Internet service and DSL service to ALECs on a resale basis. On October 2, 2002, the Commission reaffirmed its April decision, and clarified that BellSouth was not to increase the rate paid by a FastAccess Internet Service customer who migrated his or her voice service to FDN's voice service.

7. Reciprocal Compensation

A generic docket was established in 2000 to address the issue of reciprocal compensation. Reciprocal compensation is money that is paid to one carrier by another carrier for the transport and termination of telecommunications traffic. The Commission established a generic docket primarily to consider compensation issues for traffic bound for Internet Service Providers (ISPs) and to set commission policy in that regard. Intercarrier compensation for ISP-bound traffic has been a contentious issue in recent years, having been repeatedly brought before this Commission by Florida carriers through complaints and arbitrations.

In the context of arbitrations, the Commission was asked to determine if reciprocal compensation should apply to ISP-bound traffic in new interconnection agreements. In the earlier proceedings the Commission determined that parties should continue to operate under the terms of their previous agreements until the FCC issued final rules regarding this issue. However, due to possible delays in FCC action, and a desire to ensure that competition is not hindered by the lack of intercarrier compensation, in later arbitrations the Commission decided that reciprocal compensation was to be applied to ISP-bound traffic.

This has been a controversial subject, in which the Commission has tried to balance the requirements for intercarrier compensation contained in the Telecommunications Act of 1996, with the possibility that ALECs have entered the market for the sole purpose of serving ISPs. Many ILECs have contended that these ALECs have sought to "game" the system by pursuing customers such as ISPs that would have high incoming traffic levels and low outgoing traffic levels. By focusing on serving these high incoming traffic customers, ALECs would be able to collect reciprocal compensation, without the "reciprocal" paying of compensation that would exist with customers who produced both incoming and outgoing traffic.

On December 7, 2000, the Commission incorporated additional issues into this docket and subsequently bifurcated the proceeding into two phases. However, shortly after the Phase I hearing

the FCC issued its decision in CC Dockets Nos. 96-98 and 99-68 on matters regarding intercarrier compensation for traffic to ISPs. This order stated that ISP-bound traffic was "information access," not subject to the reciprocal compensation obligations in Section 251(b)(5) of the Act and was under the exclusive jurisdiction of the FCC. The FCC then established an interim compensation mechanism for ISP-bound traffic. In addition, the FCC determined that states would no longer have authority to address compensation for ISP-bound traffic on a going-forward basis.

On March 27, 2002, the parties filed a Joint Stipulation, suggesting the Commission defer action on the issues raised in Phase I of this docket; the Commission approved the Joint Stipulation on May 7, 2002.

The Phase II administrative hearing was held on July 5-6, 2001. The Commission rendered its decision on a number of the issues on December 5, 2001. A follow-up hearing was held on May 8, 2002 addressing the definition of "local calling" area and whether the Commission should establish a default compensation mechanism for traffic subject to Section 251 of the Act. On August 20, 2002, the Commission ruled that in the event the parties could not reach a negotiated agreement regarding the definition of "local calling" area, the default local calling area would be the originating carrier's retail local calling area for purposes of reciprocal compensation.

8. *Florida Telecommunications Competitive Interests Forum*

In an effort to facilitate the development of a competitive local telephone market in Florida, the Commission initiated a collaborative forum for the purpose of addressing many of the operational and logistical issues that were arising between ALECs and ILECs. The Florida Telecommunications Competitive Interests Forum (Forum) is an opportunity for any Florida local telecommunications provider to raise issues or topics of interest related to facilitating a better competitive environment in Florida. The Forum allows parties to raise and discuss issues and have dialogue toward resolving issues in an informal setting rather than a more formal and litigious arena. Since its formation in August of 2001, the Forum has convened at least monthly and has considered a host of issues related to billing and ordering functions. For example, the July 2002, meeting and discussion considered "set-off" policies and practices between BellSouth and the ALEC participants. Discussion also addressed the timing of implementing new rates into interconnection agreements via amendments. Finally, Verizon provided two models of processes, one for mass migration of customers and another for ALEC to ALEC end user migration. Future meetings will consider whether these process models can be modified to apply to Florida and further consideration of the implementation of contract rates.

APPENDIX E: FEDERAL ACTIVITIES

1. Advanced Services

The Commission has been actively commenting on and monitoring the development of broadband services in order to encourage deployment on a reasonable and timely basis in compliance with section 706 of the Telecommunications Act of 1996. During the fiscal year, the Commission filed comments regarding the regulatory framework for broadband wireline access to the Internet. In addition, the Commission was active in the Federal-State Joint Conference addressing these issues.

2. Regulatory Framework for Broadband Wireline Access to the Internet

The Commission filed comments in April 2002, addressing the proposed regulatory framework put forth by the FCC. The broadband market is characterized by several different technology platforms that are not alike and provide consumers with different performance characteristics. Competition between these different platforms, while becoming more widespread, is far from sufficient to stimulate strong demand. Consumers are less concerned about transmission media and more concerned about things such as price, convenience and reliability. Work remains to be done in identifying the reasons behind lagging broadband Internet access service demand before determining whether regulatory responses are necessary.

Most significant among the FCC's tentative conclusions was that wireline broadband Internet access be considered an Information Service and thus subject only to Title II regulation. Title II regulation is minimal and does not address rate regulation. This would remove DSL services from the unbundling requirement of the Act.

If the consequence of the FCC's tentative conclusions set forth in its Notice of Proposed Rule Making is to prevent or severely restrict the ability of competitive telecommunications companies to use ILEC-provided facilities to make wireline broadband Internet access service available, then the Commission would not support those conclusions at this time. The basis for that opposition would be that the regulatory framework currently in place is actively sifting through a myriad of complex issues in an effort to address both telecommunications competition and broadband deployment. The competitive telecommunications market is not yet mature enough to begin limiting or restricting access to underlying components for the provision of wireline broadband Internet access. Making modifications and adjustments to the existing framework that are market driven is a better course of action at this time. In this way, relaxation of or forbearance from unbundling requirements can proceed incrementally as markets evolve. Furthermore, the states are in the best position to assess local and regional markets. The FCC has not yet ruled in this proceeding.

3. Development of a Unified Intercarrier Compensation Regime

The Commission filed comments in August 2001 to oppose a federal bill-and-keep system to replace access and reciprocal compensation arrangements. The proposal has the potential to affect carrier-to-carrier intrastate rates, universal service, cost allocation issues, infrastructure development, network structures, and various state policies. The consequences of adopting a bill-and-keep system may directly impact and change the amounts of payments between carriers for completing each others calls and hence alter each carrier's ability to compete. The Commission opposes moving to such an approach and recommended these issues be referred to a Joint Board or comparable state/federal negotiation process. The Commission further believes that issues related to universal service and jurisdictional separations should also be referred to the Universal Service and Separations Joint Boards, as appropriate. The FCC established a new reply comments deadline of November 5, 2001, but has not issued an order relating to the issues of this docket.

4. Universal Service

Use of Updated Line Counts for High-Cost Universal Service Support

The Commission filed comments in October 2001 supporting the use of more current cost data for calculating high-cost universal service support for non-rural carriers for the 2002 support year. The Commission stated that if this information was not updated on a timely basis, the Universal Service Support mechanism could be excessively costly. With regard to class of service delineation of the line count data, the Commission indicated that it would be reasonable to use the information contained in previously filed data (which does allocate lines among the class of service), and to use the historical ratios. In December 2001, the FCC issued an order concluding that it would use updated line count data in the universal service cost model to estimate non-rural carriers' forward-looking economic costs of providing the services supported by the federal high-cost mechanism. In addition, non-rural support amounts will continue to be adjusted each quarter to account for line growth based on the wire center line count data reported quarterly by non-rural carriers. The FCC will also update the company-specific data used in the model to calculate investment in general support facilities and switching costs.

Lifeline and Link-up Service for Low-income Consumers

In December 2001, the Commission filed comments recommending that before proceeding with changes to the current Lifeline program, the FCC should endeavor to understand the reasons for low versus high participation rates in the various states. The Commission continues to support the original intent of the Lifeline program, which is to increase subscribership for low-income households that want, but cannot afford, telephone service. We further indicated that states should make every effort to ensure that eligible households with and without telephone service are aware of and can easily enroll in the Lifeline/Link-up programs. Keeping the program objective in mind, low program participation should not be cause to manipulate eligibility criteria to increase the number of households that could qualify.

The Commission recommended that the Joint Board and the FCC encourage states to explore various automatic enrollment strategies to effectively target funding to consumers and determine eligibility for Lifeline and Link-up support. We believe that it is necessary to certify consumers'

eligibility and perform periodic verifications in order to prevent waste, fraud, and abuse, and to ensure the integrity of the program. We recommend increased promotion of the program through more frequent bill inserts and requiring all Eligible Telecommunications Carriers to post application information about their Lifeline service on the Lifeline Support website. The FCC has not yet ruled in this matter.

5. Reporting Requirements for Incumbent Local Exchange Companies

Previously, the Commission filed comments in this proceeding. The Commission is concerned with eliminating some existing accounting rules and not providing accounting for new technologies that are essential for monitoring and implementing the competitive mandates and safeguards of the 1996 Telecommunications Act (1996 Act).

The FCC's accounting rules provide essential information to Florida in evaluating possible cross-subsidization and promoting competition. The Uniform System of Accounts (USOA) serves as the basis for accounting data that are used to protect ratepayers from improper cross-subsidies, to determine interstate/intrastate cost and revenue splits, to determine the cost of universal service supported services, and serve as the basis of many of the inputs to the cost proxy models used in determining universal service cost levels and appropriate UNE prices.

The FCC issued a Report and Order (FCC 01-305) on October 11, 2001, which further streamlined accounting and reporting requirements. Additionally, the FCC declined to adopt new state proposed accounts for optical switching; central office transmission; cable and wire facilities; interconnection revenue and expense; universal service revenue; and network software. Concurrently, a Notice of Proposed Rule Making was issued regarding the elimination of accounting and reporting requirements by a date certain. On September 5, 2002, the FCC voted to convene a Joint Conference in order to evaluate the accounting requirements that state and federal regulators need to carry out their responsibilities. Commissioner J. Terry Deason was appointed by the FCC to the Joint Conference.

6. Measurements and Standards for Unbundled Network Elements and Interconnection

In January 2002 the Commission filed comments asking the FCC to refrain from a highly prescriptive national approach for wholesale measurements and standards. We acknowledge that some degree of harmonization might be useful in order to have some basic level of consistency across the states. A set of broad minimum federal requirements, which states may augment and fine-tune to meet their particular needs, would be workable in our view. Such an approach would ensure that any national standards do not supplant the exacting efforts of the Commission and other state commissions. In addition, any national standards should merely serve as one factor in determining compliance with the Telecommunications Act of 1996, and enforcement of any national standards should be performed by the FCC. The Commission attended an FCC/states workshop on this subject in Chicago in May 2002. This matter is still pending before the FCC.

7. Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers

In April 2002, the Commission filed comments taking the position that state commissions should continue to have authority to impose more stringent unbundling obligations, when necessary, in accordance with Section 251(d)(3) of the Telecommunications Act. The FCC is not as well suited as state commissions to determine the appropriate level of unbundling within a state and should only promulgate relatively broad rules that would allow greater flexibility for state commissions to address these issues. Specifically, states are more familiar with conditions within their borders, including the level of competition and the system of retail price regulation that applies to the incumbent. In addition, states generally are able to evaluate factual disputes through procedures that include discovery, sworn testimony, and cross-examination. The Commission also filed reply comments in July 2002, reiterating its initial position and suggesting the FCC hold regional workshops with states and industry to identify an acceptable list from which state commissions would have the ability to add or subtract if market conditions in respective states dictated. The FCC has not yet ruled on this matter, although reports indicate that it expects to do so by the end of 2002.

8. Increases in the Subscriber Line Charge (SLC) Resulting From Access Charge *Reform*

Recognizing differences in costing methodology used by BellSouth to justify subscriber loop costs, the Commission filed comments in January 2002 to bring those differences to the attention of the FCC. The Commission stated that consumers have endured continual increases to what they perceive as their local rates through the addition of interstate universal service charges and the increases in the subscriber line charge, among other things. We urged the FCC to do two things to help ensure that residential and small business telephone customers do not suffer unnecessarily such further increases. First, the FCC should undertake a thorough review of the cost support for the SLC on a state-by-state basis that goes beyond the minimal level of examination possible with the cost submissions the FCC has before it. Second, the FCC should deaverage the SLC on a state basis for each company. We believe these two actions will help protect consumers from paying more than a fair amount for the SLC. In June 2002, the FCC ordered that the SLC rates would be increased and denied the Commission's request for state-by-state analyses.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Adelphia	BellSouth	02/21/01	363331T	Service Delay & BellSouth billing	07/06/01	Delay caused by Adelphia & BellSouth settled billing issue.
Allegiance	BellSouth	07/10/01	389996T	Service Delay-Porting FAX line back to BellSouth	08/09/01	Delayed was due to confusion over ownership of the line.
Arrow Comm	BellSouth	07/09/01	388754T	Service Delay-Porting to Arrow.	07/30/01	First order delay was caused by building not being ready. Also BellSouth caused delay in second order.
AT&T	BellSouth	08/06/01	348362T	AT&T LD billing problem	10/16/01	AT&T credited customer $268.29
AT&T	BellSouth	05/23/01	381161T	Service Delay-Porting back to BellSouth	07/17/01	Delay caused by AT&T not releasing the line due to money owed.
AT&T	BellSouth	05/24/01	381421T	Out of service of 8 lines. Possible unauthorized request to change local service to AT&T.	08/20/01	BellSouth disconnected lines in error. Local service freeze placed on account.
AT&T	BellSouth	06/27/01	387489T	Service Delay-Porting back to BellSouth	10/17/01	Both companies were slow to respond.
AT&T	BellSouth	06/28/01	387517T	Service Delay-Porting back to BellSouth	08/08/01	Delay was caused by BellSouth.
AT&T	BellSouth	07/09/01	389321T	Service Delay-Porting back to BellSouth. Also out of service.	07/30/01	Out of service caused by AT&T disconnecting wrong line in error.
AT&T	BellSouth	07/10/01	389978T	Service Delay-Porting back to BellSouth	10/12/01	Delay was caused by AT&T.
AT&T	BellSouth	07/11/01	390295T	Service Delay-Porting back to BellSouth	10/12/01	Delay was caused by BellSouth
AT&T	BellSouth	07/12/01	390506T	Service Delay-Porting back to BellSouth	10/18/01	Delay was caused by both companies.
AT&T	BellSouth	07/16/01	390861T	Service Delay-Porting to AT&T	08/14/01	Delay was caused by AT&T.
AT&T	BellSouth	07/24/01	393140T	Service Delay-Porting back to BellSouth	10/17/01	Delay was caused by BellSouth. BellSouth gave a credit for the delay.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
AT&T	BellSouth	07/24/01	393159T	Service Delay-Porting back to BellSouth. Also billing problem with AT&T.	10/01/01	Delay was caused by BellSouth. Credit was provided on billing problem.
AT&T	BellSouth	08/09/01	396990T	Out of service	08/17/01	AT&T problem with UNE-P partial port software.
AT&T	BellSouth	10/24/01	413899T	Service Delay-Porting back to BellSouth	11/27/01	BellSouth did not follow the proper porting procedures.
AT&T	BellSouth	10/26/01	414482T	Billing problems with AT&T	03/05/02	AT&T issued credits.
AT&T	BellSouth	01/04/02	427989T	Service Delay-Porting back to BellSouth	02/07/02	Delay was caused by BellSouth.
AT&T	BellSouth	01/07/02	428342T	Out of service switching to AT&T, Also billing problem	04/11/02	Has been ported. BellSouth provided credit for directory ads that were canceled.
AT&T	BellSouth	03/13/02	442497T	Service Delay-Porting back to BellSouth	05/02/02	Delay was caused by BellSouth
AT&T	BellSouth	04/17/02	449712T	Out of service with AT&T-Will port to BellSouth	05/08/02	Out of service repair delay caused by AT&T. Credit issued. Customer has switched to BellSouth
BTI	BellSouth	09/04/01	402134T	Customer wants to switch to BTI from Teligent. Has to switch to BellSouth, first.	10/11/01	Problems were caused by both BellSouth & BTI. Both companies gave a credit.
BTI & Teligent	BellSouth	07/10/01	389816T	Service Delay-Porting to BTI	08/09/01	Teligent Chapter 11. Delay was caused by BellSouth and BTI.
Essex Comm	BellSouth	10/04/01	409650T	Service Delay-Payphone line	12/14/01	Essex responsible due to errors on order.
Florida Digital	BellSouth	05/15/01	379878T	Service Delay-Porting back to BellSouth	07/02/01	Delay caused by BellSouth
Florida Digital	BellSouth	06/11/01	384156T	Service Delay-Porting back to BellSouth	07/30/01	Delay was caused by BellSouth.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Florida Digital	BellSouth	07/20/01	392701T	Service Delay-Porting back to BellSouth. Also billing problem.	09/18/01	Customer has been ported back to BellSouth. Fla. Digital has issued a credit.
Florida Digital	BellSouth	08/09/01	397001T	Service Delay-Porting back to BellSouth. Also out of service	08/24/01	Problem was caused by BellSouth. BellSouth placed a new order rather than a transfer.
Florida Digital	BellSouth	08/14/01	397839T	Out of service	09/07/01	Problem was resolved with change of channel pairs.
Florida Digital	BellSouth	10/11/01	411207T	Service Delay-Porting to Fla. Digital	11/27/01	Delay was caused by incorrect customer records.
Florida Digital	BellSouth	12/04/01	421890T	CLEC won't port to BellSouth. Non-payment of disputed bill.	01/30/02	Satisfactory resolution of bill.
Florida Digital	BellSouth	12/06/01	422818T	Service Delay-Porting to Fla. Digital	04/01/02	Problem with ADSL on BellSouth. Issue has been resolved.
Florida Digital	BellSouth	12/11/01	423670T	Service Delay-Porting to Fla. Digital	01/11/02	Delay was caused by ADSL on the line. ADSL was disconnected and switch was made.
Florida Digital	BellSouth	01/15/02	430062T	Service Delay-Porting to Fla. Digital	06/11/02	Facility problem was resolved.
Florida Digital	BellSouth	01/09/02	432580T	Service Delay-Porting to Fla. Digital	02/04/02	ADSL service was disconnected to enable customer to be switched to Fla. Digital.
Florida Digital	BellSouth	01/31/02	433650T	Service Delay-Porting to Fla. Digital	06/18/02	Delay was caused by BellSouth disconnecting DSL service in error.
Florida Digital	BellSouth	03/19/02	020252-TP	Requested Emergency Relief to Require BellSouth to Process Service Orders Pending Resolution of Disputes	05/24/02	Joint Voluntary Dismissal of Complaint Without Prejudice
Florida Digital	BellSouth	05/09/02	454491T	Service Delay	05/23/02	Lack of facilities-Delay was caused by BellSouth contractor.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Florida Telephone/ Biz Tel	BellSouth	08/29/01	401124T	Customer switched from Fla. Telephone to another CLEC (Biz Tel) without permission	01/24/02	Customer had authorized switch to BIZ Tel. Customer has been switched back to Fla. Telephone.
Hale & Father	BellSouth	01/29/02	433183T	Service Delay-Porting back to BellSouth	04/18/02	Delay was due to complicated number of date changes, new address. Has been ported.
Hale & Father	BellSouth	01/30/02	433376T	Service Delay-Porting back to BellSouth	02/27/02	Request was delayed by customer
Hale & Father	BellSouth	02/05/02	433514T	Service Delay-Porting back to BellSouth & out of service	05/30/02	CLEC has filed for bankruptcy. Service has been ported.
Hale & Father	BellSouth	02/11/02	435637T	Service Delay-Porting back to BellSouth& out of service	05/02/02	CLEC has filed for bankruptcy. Service has been ported.
Hale & Father	BellSouth	06/04/02	459114T	Fax Line not ported	06/25/02	Line has been ported, delay was caused by clerical error.
HJN Telecom	BellSouth	10/08/01	376652T	Bundled DSL offering problem.	11/02/01	Closed with letter affirming BellSouth's position.
IDS	BellSouth	07/25/01	393705T	Service Delay-Porting to IDS	08/24/01	Customer kept reversing instructions to port and cancel the order.
IDS	BellSouth	11/05/01	416322T	Delay in moving services. Anti-competitive allegations	11/29/01	Delay was caused by lack of BellSouth facilities.
IDS	BellSouth	05/11/01	010740-TP	IDS complaint against BellSouth for breach of interconnection agreement	11/08/01	IDS filed voluntary dismissal with prejudice
Intermedia	BellSouth	09/06/01	402824T	Service Delay-Porting back to BellSouth	10/10/01	Delay was caused by BellSouth.
ITC DeltaCom	BellSouth	10/25/01	414266T	Receiving harassing phone calls from BellSouth	12/20/01	No harassment uncovered.
MCI WorldCom	BellSouth	04/23/01	376011T	Delay in porting 860 lines to MCI WorldCom	07/19/01	Delays caused by both companies. Procedures needed to be modified.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
MCI WorldCom	BellSouth	09/05/01	402427T	Relocate customer lines. Also out of service.	10/02/01	Delay was caused by MCI. MCI issued a credit.
Mpower	BellSouth	02/15/01	358560T	Service Delay-Porting back to BellSouth. Also billing problem.	07/19/01	Delay caused by BellSouth. Billing problem was with Directory Company
Mpower	BellSouth	03/15/01	368087T	Service Delay-Porting back to BellSouth	08/02/01	Delay was caused by BellSouth.
Mpower	BellSouth	04/25/01	376427T	Service Delay-Porting to Mpower	07/11/01	BellSouth failed to release the line, problems with the records.
Mpower	BellSouth	05/24/01	381366T	Service Delay-Porting back to BellSouth	08/02/01	Delay was caused by BellSouth.
Mpower	BellSouth	06/04/01	382535T	Service Delay-Porting back to BellSouth. Also Out of service	08/08/01	Communications problem between the companies.
Mpower	BellSouth	06/04/01	382700T	Service Delay-Porting back to BellSouth	07/16/01	Customer caused the delay by requesting disconnect from Mpower. BellSouth also caused some of the delay.
Mpower	BellSouth	06/07/01	383565T	Out of Service-Improper disconnect of service.	07/16/01	BellSouth did not follow proper porting procedures.
Mpower	BellSouth	07/19/01	392296T	Service Delay-Switching 1 line to Mpower	09/19/01	Delay was caused by Mpower.
Mpower	BellSouth	08/07/01	396329T	Service Delay-Porting back to BellSouth. Also out of service.	10/01/01	Out of service was caused by customer premise equipment.
Mpower	BellSouth	08/24/01	400270T	Service Delay-Porting back to BellSouth	10/17/01	Customer cancelled the request to port back to BellSouth.
Mpower	BellSouth	11/01/01	415888T	Service Delay-Porting back to BellSouth	12/02/01	Delay was caused by BellSouth
Mpower	BellSouth	12/14/01	424418T	Service Delay-Porting back to BellSouth	02/08/02	Delay was caused by BellSouth.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Mpower	BellSouth	01/22/02	431306T	Service Delay-Porting back to BellSouth	05/15/02	Customer was disconnected due to non-pay. Now has BellSouth service.
Network Plus	BellSouth	09/07/01	402936T	Out of service	10/12/01	Outage was caused by BELLSOUTH not informing Network Plus of porting the customer back to BELLSOUTH.
Network Plus	BellSouth	09/13/01	404356T	Service Delay-Porting back to BellSouth	10/08/01	Delay was caused by BellSouth.
Network Plus	BellSouth	11/08/01	415332T	Out of service & Service Delay-porting back to BellSouth	11/26/01	Delay was caused by BellSouth. Service disconnected by Network Plus due to non-payment.
Network Plus	BellSouth	11/07/01	416839T	Delay in installing DID lines. Customer now wants to switch to BellSouth	02/07/02	Coordination problems among BellSouth, Network Plus, and customer.
Network Plus	BellSouth	11/13/01	418090T	Service Delay-Porting back to BellSouth	12/17/01	Delay was caused by BellSouth
Network Plus	BellSouth	11/26/01	420346T	Delay in moving service to new location	12/20/01	BellSouth disconnected service in error. Was restored.
Network Plus	BellSouth	12/13/01	424033T	Service Delay-Porting back to BellSouth	03/08/02	Local service transferred to BellSouth. "800" number remained with Fla. Digital
Network Plus	BellSouth	01/30/02	433517T	Service Delay-Porting back to BellSouth	04/01/02	Network Plus made mistake on the local service request. Credit of $115.72 given.
Network Plus	BellSouth	03/28/02	445974T	Service Delay-Porting to BellSouth	04/19/02	Delay was caused by line freeze which was removed.
Network Plus/Talk America	BellSouth	05/08/02	454667T	Delay in transferring service	05/21/02	Talk America unable to provide service. Switched back to BellSouth
Network Plus	BellSouth	06/06/02	459637T	Service Delay-Porting back to BellSouth	06/28/02	Delay caused by both companies

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
NuVox Comm	BellSouth	10/24/01	413873T	Service Delay-Porting back to BellSouth	12/21/01	Delay was caused by BellSouth
Southeast Telephone	BellSouth	05/30/01	382041T	Service Delay-Porting back to BellSouth	08/08/01	Delay was caused by BellSouth
Southeast Telephone	BellSouth	06/11/01	384127T	Service Delay-Porting back to BellSouth	07/03/01	Problem caused by consumer
Supra	BellSouth	06/14/01	384780T	Service Delay	07/09/01	Delay was caused by customer having a local service freeze on the line.
Supra	BellSouth	06/28/01	386452T	Service Delay-Porting to Supra	07/31/01	Delay was caused by BellSouth.
Supra	BellSouth	11/15/01	399152T	Problems reaching 954-458-5981	12/21/01	Problems were caused by automated voice mail feature.
Supra	BellSouth	08/23/01	400142T	Service Delay-Porting back to BellSouth & out of service.	09/20/01	Delay was caused by BellSouth. Credit provided by Supra for out of service.
Supra	BellSouth	09/06/01	402878T	Service Delay-Porting to Supra	10/05/01	Delay was caused by Supra. Supra issued a $25 credit.
Supra	BellSouth	12/12/01	423962T	Service Delay-Porting to Supra & out of service	01/09/02	Out of service has been resolved. Lines have been switched. No infraction.
Supra	BellSouth	03/21/02	444452T	BellSouth is forcing Supra to raise its price on DSL service.	04/19/02	Customer remained with BellSouth for DSL service.
TCG and Teleport	BellSouth	12/20/00	001810-TP	TCG and Teleport complaint against BellSouth for breach of interconnection agreement	10/29/01	Voluntary withdrawal of complaint by TCG and Teleport
Telephone Co. of Central Fl.	BellSouth	05/31/01	382091T	Service Delay-Porting back to BellSouth	08/09/01	Delay was caused by BellSouth
US LEC	BellSouth	07/02/99	990874-TP	US LEC complaint against BellSouth for breach of interconnection agreement	02/01/02	Voluntary withdrawal of complaint by US LEC

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Instar	BellSouth	05/09/01	378954T	Service Delay-Porting back to BellSouth	08/09/01	Instar refused to port the customer due to customer not paying the bill.
Florida Digital	Sprint	04/26/01	376832T	Service Delay-Porting back to Sprint	07/17/01	Customer caused the delay.
Florida Digital	Sprint	07/24/01	393197T	Billing problem and crossed lines.	10/16/01	Sprint did not follow porting procedures.
Florida Telephone Service	Sprint	04/09/02	448016T	Service Delay-Porting to another CLEC (EXCELINK)	04/15/02	Delay was caused by Florida Telephone.
ITC DeltaCom	Sprint	08/13/01	397430T	Out of service	10/17/01	Sprint did not isolate the problem expeditiously.
KMC	Sprint	11/29/01	011615-TP	Complaint of KMC for enforcement of interconnection agreement with Sprint	06/24/02	Voluntary dismissal of complaint by KMC
MCImetro	Sprint	09/05/01	011177-TP	Complaint of MCImetro against Sprint for improper attempt to terminate interconnection agreement	01/03/02	Voluntary dismissal of complaint by MCImetro
MCI WorldCom	Sprint	04/09/02	448069T	Service Delay-Porting to MCI	05/21/02	Delay was caused by line freeze. Customer had to cancel the freeze.
New South	Sprint	08/28/01	400891T	Service Delay-Porting back to Sprint.	10/02/01	Delay was caused by equipment vendor.
Source One	Sprint	02/12/02	434495T	Service Delay-Porting to Source One	02/28/02	Number was disconnected for non-pay
Telephone Systems of Georgia	Sprint	10/24/01	413812T	Service problems with T-1 to US Forest Service	01/10/02	Service was restored. Sprint issued a $36.18 credit for the outage.
Choctaw Comm	Verizon	08/21/01	399240T	Service Delay-Porting back to Verizon. Disconnected by Choctaw.	10/19/01	Service switched. No problems found with either company.
Florida Comm South	Verizon	02/08/01	359942T	Service Delay-Porting to Verizon	07/10/01	Communication problems between companies.
Florida Comm South	Verizon	06/04/01	382762T	Service Delay-Porting back to Verizon	07/16/01	Delay was caused by Verizon.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Florida Digital	Verizon	05/15/01	379493T	Service Delay-Porting back to Verizon	09/07/01	Delay caused by Verizon. A $100 service guarantee was issued.
Florida Digital	Verizon	07/19/01	392204T	Service Delay-Porting to Fla. Digital	09/05/01	Delay was caused by Verizon.
KMC Telecom	Verizon	02/18/02	437454T	Service Delay-Porting to KMC	06/25/02	Errors on order contributed to the delay.
Mpower	Verizon	07/10/01	389679T	Service Delay	10/09/01	Problem with both companies.
New South Comm	Verizon	02/05/01	352964T	Are facilities required for Hi Cap service comparable	07/03/01	Facility standards same for ILEC & CLEC
ALLTEL, AT&T, Intermedia, Sprint, Time Warner, WorldCom	Verizon	01/25/01	010102-TP	Verizon updates to the RDBS and BRIDS systems affecting Tampa Telecommunications Carriers	03/25/02	Tampa rate centers defined
XO	Verizon	09/25/01	011252-TP	XO complaint against Verizon for breach of interconnection agreement	12/21/01	Complaint dismissed. Parties ordered to follow dispute resolution process set forth in the agreement

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

1-800-RECONEX, Inc.
2nd Century Communications, Inc.
360networks (USA) inc.
Access Integrated Networks, Inc.
Access Point, Inc.
AccuTel of Texas, Inc.
ACSI Local Switched Services, Inc. d/b/a e.spire Communications, Inc.
Actel Integrated Communications, Inc.
Adelphia Business Solutions Investment East, LLC
Adelphia Business Solutions Investment, LLC
Adelphia Business Solutions of Florida, Inc.
Adelphia Business Solutions of Jacksonville, Inc.
Adelphia Telecommunications of Florida, Inc.
Advanced TelCom of Delaware Inc.
Advanced Tel, Inc. d/b/a EATEL
Advantage Group of Florida Communications, L.L.C.
Advent Consulting and Technology, Inc.
Airface Communications Inc.
AirTIME Technologies, Inc.
ALEC, Inc. d/b/a Volaris Telecom, Inc.
Allegiance Telecom of Florida, Inc.
Allied Riser of Florida, Inc.
ALLTEL Communications, Inc.
Alternative Access Telephone Communications Corp. d/b/a AA Tele-Com
Alternative Phone, Inc.
Alternative Telecommunication Services, Inc. d/b/a Second Chance Phone
AMAFLA Telecom, Inc.
American Communication Services of Jacksonville, Inc. d/b/a e.spire Communications, Inc.
American Fiber Network, Inc.
American Fiber Systems, Inc.
AmeriMex Communications Corp.
ANEW Broadband, Inc.
Annox, Inc.
Arrow Communications, Inc. d/b/a ACI
Asset Channels-Telecom, Inc.
Atlantic Telecommunication Systems, Inc. d/b/a ATS
Atlantic.Net Broadband, Inc.
Atlas Communications, Ltd.
ATN, Inc. d/b/a AMTEL NETWORK, INC.
AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone
AT&T Communications of the Southern States, LLC d/b/a AT&T
Auglink Communications, Inc.
Available Telecom Services, Inc.
Avix Technologies, Inc.
Axsys, Inc. d/b/a Axsys, Inc./Tel Ptns.
A.R.C. Networks, Inc.
Backbone Communications Inc.
Basic Phone, Inc.
Baytel Communications, Inc.
Beauty Town, Inc. d/b/a Anns Communication
BellSouth BSE, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

BellSouth Telecommunications, Inc.
Birch Telecom of the South, Inc. d/b/a Birch Telecom and d/b/a Birch
Biz-Tel Corporation
BlueStar Networks, Inc.
Broadband2Wireless US, Inc.
Broadslate Networks of Florida, Inc.
Broadwing Local Services Inc.
Broward Business Service, Inc. dba Festival Telephone Services, Inc. and dba Communication Service Centers
Budget Comm
Budget Phone, Inc.
BudgeTel Systems, Inc.
Burno, Inc. d/b/a Citywide-Tel
Business Communications, Inc.
Business Telecom, Inc. d/b/a BTI
Buy-Tel Communications, Inc.
C2C Fiber of Florida, Inc.
Cable & Wireless USA, Inc.
Calpoint (Florida), LLC
Calvin Hardge d/b/a CAL-TEC Communications
Campus Communications Group, Inc.
CariLink International, Inc.
CAT Communications International, Inc.
Cbeyond Communications, LLC
CCCFL, Inc. d/b/a Connect!
Centennial Florida Switch Corp.
CeriStar, Inc.
Choctaw Communications, Inc. d/b/a Smoke Signal Communications
CI2, Inc.
Ciera Network Systems, Inc.
Cinergy Communications Company
City of Daytona Beach
City of Gainesville, a municipal corporation d/b/a GRUCom
City of Lakeland
City of Ocala
City of Tallahassee
CityNet Telecom, Inc.
Colmena Corp. of Delaware
Columbia Telecommunications, Inc. d/b/a axessa
Comcast Business Communications, Inc.
Comm South Companies, Inc. d/b/a Florida Comm South
COMUSA, Inc.
Concert Communications Sales LLC
ConnectSouth Communications of Florida, Inc.
Consolidated Networks, Inc.
Coral Telecom, Inc.
Cordia Communications Corp.
CoreComm Florida, Inc.
Covista, Inc.
Cox Florida Telcom, L.P. d/b/a Cox Communications
Credit Loans, Inc. d/b/a Lone Star State Telephone Co.
CTC Communications Corp.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

C.B. Telecomm, Inc.
D-Tel, Inc.
David A. Chesson and Ted J. Moss d/b/a Phone-Out/Phone-On
David A. McGuire d/b/a Simply Communications
Deland Actel, Inc.
Delta Phones, Inc.
DialTek, LLC d/b/a DTK Telecommunications, LLC
Dialtone Telecom, LLC
DIECA Communications, Inc. d/b/a Covad Communications Company
Direct-Tel USA, LLC
Direct Telephone Company, Inc.
Direct2Internet Corp.
Dominion Telecom, Inc.
DPI-Teleconnect, L.L.C.
DSL Internet Corporation d/b/a DSLi
DSL Telecom, Inc.
DSLnet Communications, LLC
DV2, Inc.
Dynegy CLEC Communications, Inc.
Eagle Communications, Inc. d/b/a Eagle Telco, Inc.
Easy Telephone Services Company
El Paso Networks, LLC
ElectroNet Intermedia Consulting, Inc.
Electronic Technical Services (E.T.S.)
eMeritus Communications, Inc.
Enron Telecommunications, Inc.
EPICUS, Inc. d/b/a EPICUS
Ernest Communications, Inc.
essential.com, inc.
Essex Communications, Inc. d/b/a eLEC Communications
Eureka Telecom, L.L.C.
Everest Broadband Networks of Florida, Inc.
Everest Connections Corporation
Evolution Networks South, Inc.
Excel Telecommunications, Inc.
EXCELINK COMMUNICATIONS, INC.
Express Phone Service, Inc.
EZ Talk Communications, L.L.C.
E.Com Technologies, LLC d/b/a Firstmile Technologies, LLC
Fair Financial LLC d/b/a Midstate Telecommunications
FairPoint Communications Solutions Corp.
Fast Phones, Inc. of Alabama
Fiber Media, LLC
FLATEL, Inc. d/b/a Florida Telephone Company d/b/a Oscatel d/b/a Telephone USA
Florida City-Link Communications, Inc.
Florida Consolidated Multi-Media Services, Inc.
Florida Digital Network, Inc.
Florida Municipal Power Agency
Florida Phone Service, Inc.
Florida Phone Systems, Inc.
Florida Public Telecommunications Association, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

Florida Telephone Services, LLC
Focal Communications Corporation of Florida
Foxtel, Inc.
FPL FiberNet, LLC
Frontier Communications of America, Inc.
Fuzion Wireless Communications Inc.
Ganoco, Inc. d/b/a American Dial Tone
Genesis Communications International, Inc.
Georgia Public Web, Inc.
Georgia Telephone Services, Inc.
Global Connection, Inc of America
Global Crossing Local Services, Inc.
Global Crossing Telemanagement, Inc.
Global Dialtone, Inc.
Global Metro Networks Florida, LLC
GLOBAL NAPS
Global Telecom Systems, Inc.
Global Telelink Services, Inc.
Globalcom Inc. d/b/a GCI Globalcom Inc.
Globaltron Communications Corporation
Globcom, Inc.
GoBeam Services, Inc.
Grande Communications Networks, Inc.
Group Long Distance, Inc.
GTC Telecom, Inc. d/b/a Curbside Communications
Gulf Coast Communications, Inc.
Harbor Communications, LLC
Hayes Telecommunications Services, Inc.
Heritage Technologies, Ltd.
High Tech Communications of Central Florida, Inc.
HJN Telecom, Inc.
Hosting-Network, Inc.
HTG Services, L.L.C.
I-Link Communications, Inc.
ICG Telecom Group, Inc.
IDS Telcom LLC
IG2, Inc.
Image Access Communications, Inc. d/b/a NewPhone
Intellicall Operator Services, Inc. d/b/a ILD
Intelligence Network Online, Inc.
Intelogistics Corp.
Interactive Services Network, Inc. d/b/a ISN Communications
InterCept Communications Technologies, Inc.
Intercontinental Communications Group, Inc. d/b/a Fusion Telecom
Interlink Telephony, Inc.
Intermedia Communications, Inc.
International Exchange Communications, Inc. d/b/a IE Com
International Telcom, Ltd.
Intertoll Communications Network Corporation
Intrado Communications Inc.
IPVoice Communications, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom
ITS Telecommunications Systems, Inc.
Kenarl Inc. d/b/a Lake Wellington Professional Centre
Kernan Associates, Ltd. d/b/a St. Johns Estates
King Communications & Services, Inc.
KingTel, Inc.
Kissimmee Utility Authority
KMC Data LLC
KMC Telecom III LLC
KMC Telecom V, Inc.
Knology of Florida, Inc.
LecStar Telecom, Inc.
Level 3 Communications, LLC
LightWave Communications, LLC
Lightyear Communications, Inc.
Lionhart of Miami, Inc. d/b/a Astral Communications
Local Line America, Inc.
Looking Glass Networks, Inc.
LPGA International Communications, LLC
Lyxom, Inc.
Madison River Communications, LLC
Max-Tel Communications, Inc. d/b/a Florida's Max-Tel Communications, Inc.
Maxcess, Inc.
MCI WorldCom Communications, Inc.
MCI WorldCom Network Services, Inc.
MCImetro Access Transmission Services LLC
McLeodUSA Telecommunications Services, Inc.
Melbourne Venture Group, LLC d/b/a SwiftTel
Mercury Long Distance, Inc.
Meridian Telecom, Inc.
MET Communications, Inc.
Metro FiberLink, Inc.
Metromedia Fiber Network Services, Inc.
Metropolitan Fiber Systems of Florida, Inc.
Metropolitan Telecommunications of Florida, Inc. d/b/a MetTel
Microsun Telecommunications, Inc.
Miketronics, Inc.
Miracle Communications
Momentum Business Solutions, Inc.
Movie, Television & Graphics Corp. d/b/a M.T.G.
Mpower Communications Corp.
MY-TEL INC.
MYCOMP INS AGENCY CORP.
M/C Southern Communications, Inc.
National Telecom & Broadband Services, LLC
National Telecom, LLC
NationNet Communications Corporation
Navigator Telecommunications, LLC.
NET-tel Corporation
Net One International, Inc.
Netcon Telcom, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

Network Information Solutions, Inc.
Network Multi-Family Security Corporation d/b/a Priority Link
Network Telephone Corporation
NetworkIP, L.L.C.
New Access Communications LLC
New Connects, Inc.
New Edge Network, Inc. d/b/a New Edge Networks
NewSouth Communications Corp.
nii Communications, Ltd.
Norcom, Inc.
North Amercian Telecommunications Corporation
North American Telecommunications Corporation d/b/a Southeast Telephone Company
North County Communications Corporation
NOS Communications, Inc. d/b/a International Plus d/b/a O11 Communications d/b/a The Internet Business Association d/b/a I Vantage Network Solutions
Novus Communications, Inc.
NOW Communications, Inc.
Ntegrity Telecontent Services Inc.
NTERA, Inc.
NUI Telecom, Inc.
NuStar Communications Corp.
NuVox Communications, Inc.
NxGen Networks, Inc.
O1 Communications of Florida, LLC
Ocius Communications, Inc.
Oltronics, Inc.
One Call Communications, Inc. d/b/a Opticom, a Division of One Call Communications, Inc.
OnePoint Communications-Georgia, LLC d/b/a Verizon Avenue
OnePoint Services, L.L.C. d/b/a RCP Services
OneStar Communications, LLC
OnFiber Carrier Services, Inc.
OpTel (Florida) Telecom, Inc. d/b/a OpTel
Orlando Telephone Company
Oronoco Networks, Inc.
Pacific Centrex Services, Inc.
PaeTec Communications, Inc.
Palm Beach Community College
Pan American Telecom, Incorporated
PARCOM Communications, Inc.
PatriotCom Inc.
Phantom Networks, Inc.
Phone-Link, Inc.
Pilgrim Telephone, Inc.
Pinnacle Telcom, Inc.
PNG Telecommunications, Inc. d/b/a PowerNet Global Communications
PointeCom, Incorporated d/b/a Telscape Communications
Positive Investments, Inc.
Preferred Carrier Services, Inc. d/b/a Telefonos Para Todos and d/b/a Phones For All
Premiere Network Services, Inc.
Primus Telecommunications, Inc.
Pro Telecom, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

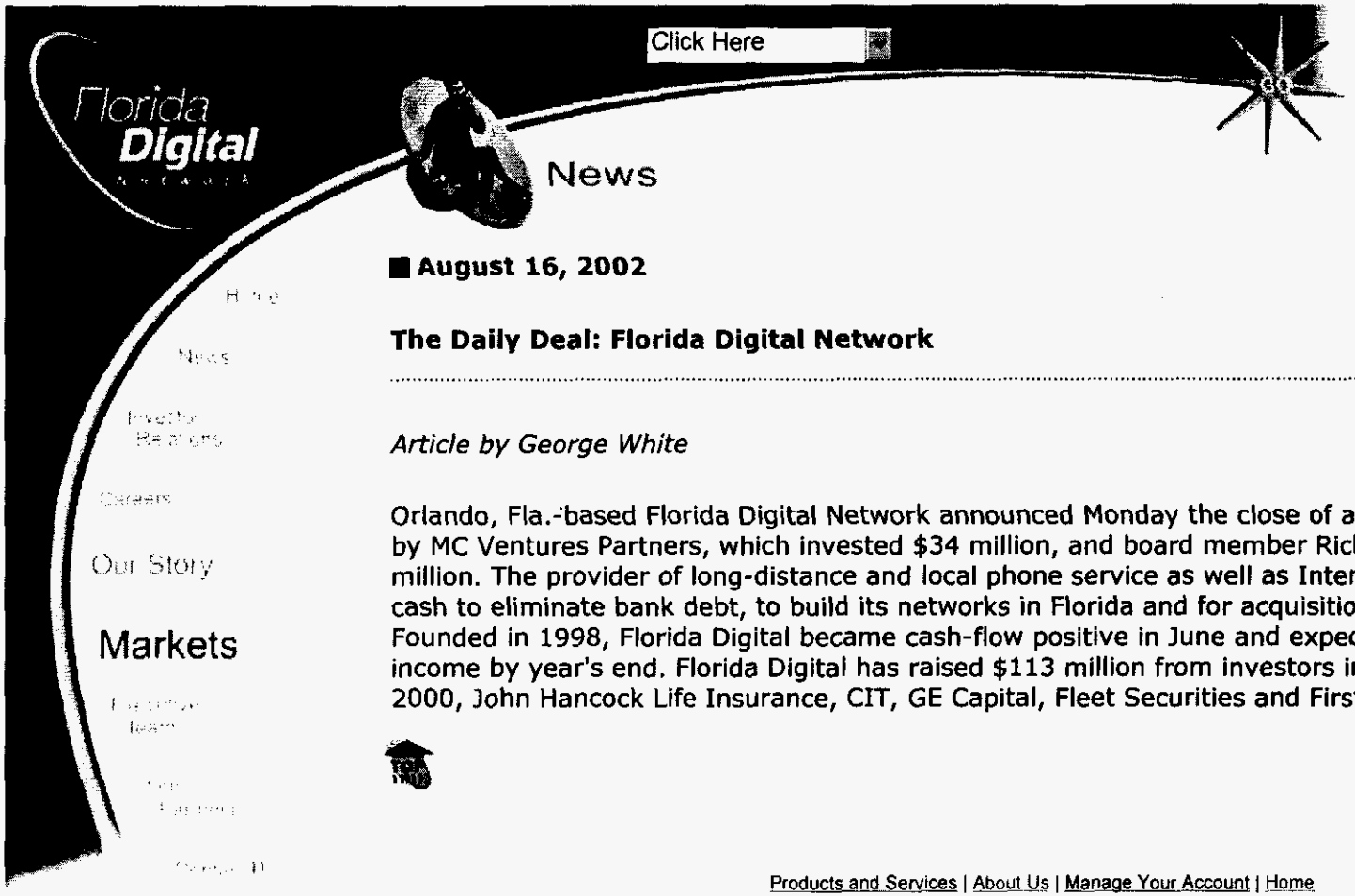
ProfitLab, Inc.
Progress Telecom Corporation
Public Telephone Network, Inc.
Quality Telephone Inc.
Quantum Phone Communications, L.L.C.
QuantumShift Communications, Inc.
Qwest Communications Corporation
Qwest Interprise America, Inc.
Qwik.net ALEC, Inc.
R & D Network Services, Inc.
RCN Telecom Services, Inc.
Re-Connection Connection
Rebound Enterprises, Inc. d/b/a REI Communications
ReFlex Communications, Inc.
Resort Hospitality Services, Ltd.
ReTel Communications, Inc.
Rightlink USA, Inc.
Ring Connection, Inc.
Sandhills Telecommunications Group, Inc. d/b/a SanTel Communications
SATCOM Communication Corporation d/b/a SATCOM Communication
SBA Broadband Services, Inc.
SBC Telecom, Inc.
ServiSense.com, Inc.
Seven Bridges Communications, L.L.C.
Shands Teaching Hospital and Clinics, Inc.
Sigma Networks Telecommunications, Inc.
Smart City Networks
Smart City Solutions, LLC
Soapstone Telecom LLC
Source One Communications, Inc. d/b/a Quick Connects
Southeastern Services, Inc.
Southern Light, LLC
Southern ReConnect, Inc.
Southern Telcom Network, Inc.
Southern Telecom, Inc. d/b/a Southern Telecom of America, Inc.
Speedy Reconnect, Inc.
Sphera Optical Networks N.A., Inc. d/b/a Sphera Networks
Sprint Communications Company Limited Partnership
State Discount Telephone, L.L.C.
Strategic Technologies, Inc.
Structus TeleSystems, Inc.
Sun-Tel USA, Inc.
Suntel Metro, Inc.
Supra Telecommunications and Information Systems, Inc.
Susan R. Mulhall d/b/a Actel Wireless
S.F.M.&T. Inc.
T-Netix, Inc.
Talk America Inc.
TalkingNets Holdings, LLC
Tallahassee Community College
Tallahassee Memorial Telephone Company

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

Tallahassee Telephone Exchange, Inc.
TCG South Florida
Tel West Communications, LLC
TeleCents Communications, Inc.
Telecom Connection Corp.
TeleConex, Inc. d/b/a TeleConex
Telefyne Incorporated
Telepak Networks, Inc.
Telephone One Inc.
Telephone Systems of Georgia, Inc.
Telergy Network Services, Inc.
Telicor Inc.
Teligent Services, Inc.
TelNet.com, Inc.
TelQuest Communications, Corp.
Telseon Carrier Services, Inc.
Telsys, Inc.
The Mobile Phone Company, Inc.
The Other Phone Company, Inc. d/b/a Access One Communications
The Ultimate Connection, L.C. d/b/a DayStar Communications
Time Warner Cable Information Services (Florida), LLC d/b/a Time Warner Cable Information Services d/b/a Time Warner Cable d/b/a Time Warner Communications
Time Warner Telecom of Florida, L.P.
TotalCom America Corporation
TOTALink of Florida, LLC
Touch 1 Communications, Inc.
Transparent Technology Services Corporation d/b/a North Palm Beach Telephone Company
Tristar Communications
Unicom Communications, LLC
United Communications HUB, Inc.
United States Telecommunications, Inc. d/b/a Tel Com Plus
Universal Access, Inc. d/b/a UAI of Florida, Inc.
Universal Beepers Express, Inc. d/b/a Universal Wireless
Universal Telecom, Inc.
University Club Communications, LLC
URJET Backbone Network, Inc.
US LEC of Florida Inc.
US South Communications, Inc.
US Telecom Services, Inc.
USA Telecom, Inc.
USA Telephone Inc.
USLD Communications, Inc.
Utility Board of the City of Key West - City Electric System
U.S. TelePacific Corp. d/b/a TelePacific Communications
VarTec Telecom, Inc. d/b/a VarTec Telecom, Inc. and Clear Choice Communications
VBNet, Incorporated
Verizon Florida Inc.
Verizon Select Services Inc.
VGM International, Inc.
Vision Prepaid Services, Inc.
Vitcom Corporation

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

VIVO-FLA, LLC
Wholesale Carrier Services, Inc.
Williams Local Network, LLC
Winstar Communications, LLC
Wireless One Network Management, L.P.
WS Teleco, Inc. d/b/a eXpeTel Communications
W.G.I. Communications, Inc. d/b/a Boomerang Communications, Inc.
XO Florida, Inc.
Yipes Transmission, Inc.
Z-Tel Communications, Inc.
Zephion Networks Communications, Inc.



August 16, 2002

The Daily Deal: Florida Digital Network

Article by George White

Orlando, Fla.-based Florida Digital Network announced Monday the close of a $35 million flat round led by MC Ventures Partners, which invested $34 million, and board member Richard Kolsby, who put in $1 million. The provider of long-distance and local phone service as well as Internet service, will use the cash to eliminate bank debt, to build its networks in Florida and for acquisitions, the company said. Founded in 1998, Florida Digital became cash-flow positive in June and expects to have positive net income by year's end. Florida Digital has raised $113 million from investors including WallerSutton 2000, John Hancock Life Insurance, CIT, GE Capital, Fleet Securities and First Union Securities.

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2 Articles

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 9
COMPANY/ WITNESS: BellSouth
DATE: 2/19/03

■ **September 09, 2002**

The Miami Herald: Florida Digital Network succeeds with local focus

Article By Bea Garcia

Mike Gallagher says it's a good thing that the company he runs, **Florida Digital Network**, didn't get a chance to go public or merge with another telecom company.

"We wouldn't be here right now," says Gallagher, who is CEO of the Orlando-based company, which offers local and long-distance phone service and Internet access to small- and medium-size businesses. It provides service in seven metro markets in Florida, including Fort Lauderdale, Miami and West Palm Beach.

Actually, fate played FDN a very favorable hand.

The three-year old company isn't bankrupt, like most of the telecom start-ups that emerged in late 1999 and early 2000 and tried to snag a piece of the phone market in Florida and elsewhere. When the stock market moved into its long two-year decline and the capital markets dried up, so did the fortunes of these new rivals.

Because FDN has had a focused business plan -- market only in Florida -- since its inception and worked on growing slowly, the firm managed to tap venture capitalists when other telcos couldn't.

Better yet, FDN was able to arrange $35 million in new venture financing this summer, which allowed it to pay off its bank debt and have cash left over for future acquisitions.

"We're now debt-free and profitable," Gallagher says.
More telling -- and perhaps more distressing -- is how desperate banks are these days to get out of the telecom sector.

FDN had an $80 million line of credit. The company had tapped $60 million.

Gallagher had told the banks that FDN would need to draw down to the remaining $20 million on the company's credit line in order to break even. Otherwise, without further borrowing, the path for the firm would be bankruptcy.

Gallagher contends that bankers today, reluctant to extend any more funds to telecom companies and eager to avoid future problems, are willing to take any exit offered from the loans they do have on their books. A few cents on the dollar is better than bankruptcy.

Because of this reluctance to lend, FDN had to tap existing investors for the $35 million, including **M/C Ventures Partners** in Boston and **Richard Kolsby**, an active telecom investor and one of the founders of **Intermedia Communications**.

Tampa-based Intermedia, one of the earliest start-ups to rival BellSouth by offering local phone service, was purchased by WorldCom in September 2000 for $3 billion in stock. The purchase included a controlling stake in Digex, which was then one of the largest Web-hosting companies in the country.

With the $35 million capital infusion, FDN wiped out its $60 million debt and still has cash left over that it can use for acquisitions and future growth.

Do the math. These banks got way less than 100 cents on the dollar to get out of the FDN debt. And this company wasn't failing or under regulatory investigation like other telecom firms.

Now that FDN has some cash in its pocket, the goal is to pick up some of the assets of the dead telecom companies as they are auctioned off in bankruptcy court.

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February 6, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte - CC Docket No. 01-338

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this will provide notice that on February 4, 2003, Michael Gallagher, Chief Executive Officer of Florida Digital Network, Inc. ("FDN") and the undersigned met with Commissioner Kevin J. Martin and Daniel Gonzalez of Commissioner Martin's office, concerning issues in the above-captioned proceeding. Commissioner Martin and Mr. Gonzalez were provided with the attached presentation outlining FDN's views on the issues addressed during the meeting.

Also on February 4, 2003, Mr. Gallagher and the undersigned met with Jordan Goldstein of Commissioner Copps office, and provided Mr. Goldstein with the same attached handout and addressed the same substantive issues.

On February 5, 2003, Mr. Gallagher and the undersigned met with William Maher and Scott Bergman of the Wireline Competition Bureau and also met with Commissioner Jonathan S. Adelstein and Sarah Whitesell of Commissioner Adelstein's office. The same issues were addressed and the same handout was provided during these meetings.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP
EXHIBIT NO. 10
COMPANY/ WITNESS: BellSouth
DATE: 2/19/03

This notice is being filed electronically.

Very truly yours,

Michael C. Sloan

Florida Digital Network
February 2003

Florida Digital Network

Presentation to FCC

Florida Digital Network

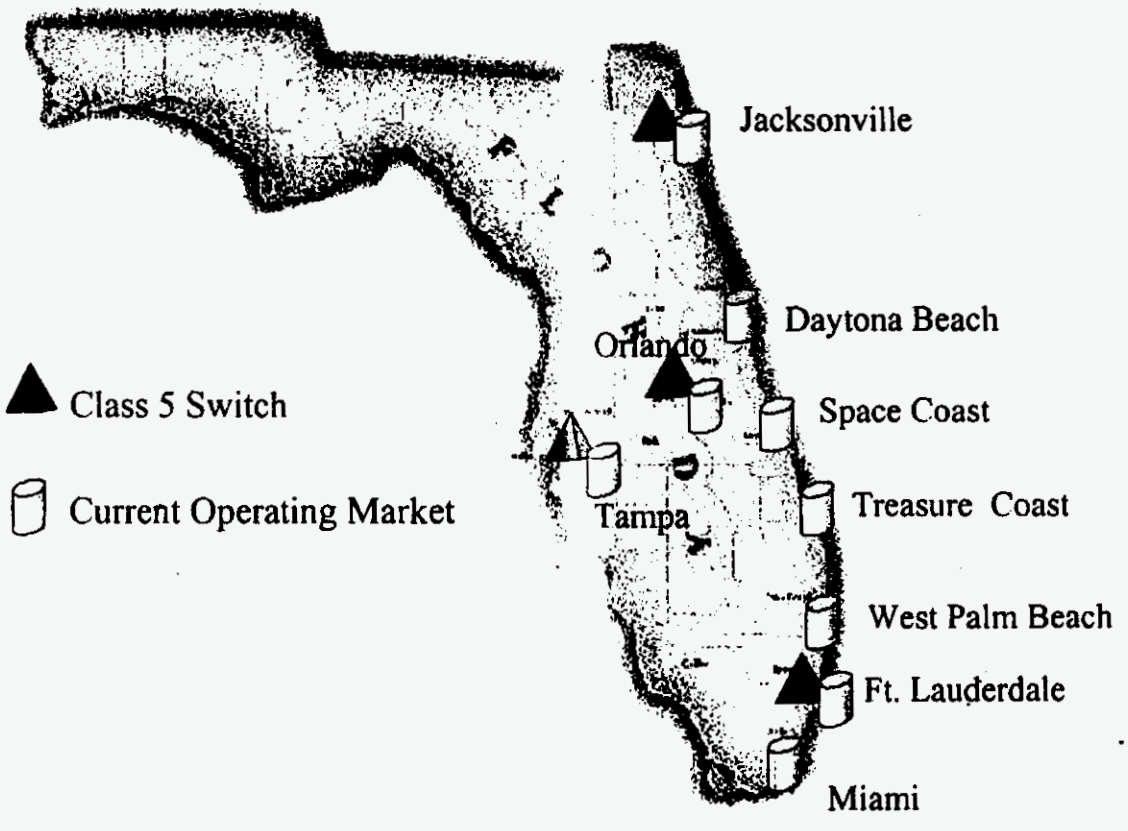
About FDN

- Began operations in 1998
- Experienced and stable management
  - Team worked with the first-generation CAPs and CLECs beginning in the late 1980s
  - Founding management team remains on-board and committed
- Business model focused on small and medium sized enterprises (SMEs)
- Rapid growth: more than 30,000 customers and 110,000 voice and data lines in service
- 400 employees
- 100% focus on Florida markets drives dense penetration

Proven Success

- Financially healthy
  - No debt, no bankruptcy
  - Free cash flow positive
- Recently announced acquisition of Mpower's assets and customer base in Georgia and Florida
  - Maintain business plan of rational expansion in Southeast
- Largest facilities-based CLEC in Florida
- Facilities based: no resale, no UNE-P
  - 114 collocations for voice and data
  - 4 Nortel 5ESS switches deployed around the state
  - Over 180 miles of owned fiber reduces network costs
  - Efficient, proprietary OSS platform
  - Innovator of DSL products via UDC loops

FDN Footprint



Florida Digital Network

Regulatory Objectives

- UNE Loops
- DSL
- Dark Fiber and Lit Transport
- ILEC Predatory Win-Back Policies

DSL

- ILECs' DLC network in Florida makes it impossible for CLECs to provide DSL
  - 90% of lines in FL pass through fiber or copper-fed DLCs
  - BellSouth has deployed DSLAMs in more than 3,000 of the 12,000 Remote Terminals in its footprint
- Cable Modem Service is not a substitute for SMEs
- BellSouth has 99 percent market share
- Need UNE access to entire loop (including DSLAMs in RTs) or bit-stream similar to SBC's obligations under Project Pronto Waiver Order

DSL (cont.)

- The Commission should adopt technology neutral policies
  - Copper feeder creates the same impairment as fiber
  - Irrelevant whether ILEC utilizes NGDLC or stand-alone DSLAMs

- The Commission should also prevent ILECs from tying voice and DSL, especially where CLECs cannot provide DSL (as in Florida)
  - Line splitting not an option because of DLC architecture
  - FL Commission provided FDN relief (along with LA and CA Commissions)

Dark Fiber and Transport

- 180-mile fiber transport network
- Plan to construct dark fiber network connecting collocations
- Continue to rely on UNE transport to aggregate traffic
- Competitive alternatives are not available
- Presence of multiple competitors on one route (rare) does not mean that an entire market is "competitive"

Dark Fiber and Transport (cont.)

- Dark Fiber requires capital investment to "light" fiber and multiplex traffic
- Promotes facilities-based competition and innovation
- Any rule modification must be based on presence of multiple alternative carriers on given routes ("granularity")

TARIFF DISTRIBUTION

FILE CODE: 680.3400 FILE PACKAGE NO.: FL2000-116

DATE: July 24, 2000

STATE: FLORIDA

EFFECTIVE DATE: 07/24/2000

TYPE OF DISTRIBUTION: Approved

PURPOSE: Offers new Small Business customers a discount on month bill as well as a waiver of A4 charges associated with the "N" order and new services added between July 24 and September 21, 2000.

TARIFF SECTION	PAGE NUMBER	PAGE REVISION
A002	35	24
B002	70	01

Ex. 11

"Pre-2002 Key Customer Tariffs"

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 020119-TP
NO. 020578-TP & 021252-TP EXHIBIT NO. 11
COMPANY/ WITNESS: FL Digital Network (FDN)
DATE: 2/19/03

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
(DELETED)					(D)
(DELETED)					(D)
BellSouth's Service Territory[1]	Competitive Response Program for new business customers with monthly BellSouth revenue between $70 and $10,000 per customer.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $5,500 - $10,000 16% $3,000 - $4,499.99 14% $1,500 - $2,999.99 12% $500 - $1,499.99 10% $70 - $499.99 8% Monthly TBR - 24 months $5,500 - $6,000 17% $3,000 - $4,499.99 15% $1,500 - $2,999.99 13% $500 - $1,499.99 11% $70 - $499.99 9% Monthly TBR - 36 months $4,500 - $6,000 18% $3,000 - $4,499.99 16% $1,500 - $2,999.99 14% $500 $1,499.99 12% $70 - $499.99 10% -A4 Charges will be waived during the promotion sign-up period. Not available to customers participating in a Customer Service Arrangement (CSA) Volume and Term Agreement.	07/24/00 to 09/21/00		(N)
BellSouth's service territory[1] -From Central Offices where Flat Rate Business lines and Business Plus® service are available	Flat Rate Business lines and Business Plus® service (business only, in Ft. Lauderdale, Miami and Orlando)	12 months recurring for one line and nonrecurring charges waived on both lines for a two-line customer adding two additional lines. 4 months recurring for the added line and nonrecurring charges for a three-line customer adding one additional line.	05/15/00 to 08/11/00		

Note 1: Customer may elect to participate only once during each promotion.

® Registered Service Mark of BellSouth Intellectual Property Corporation

B2. REGULATIONS (T)

B2.7 Special Promotions (Cont'd)

B2.7.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory[1]	Competitive Response Program for new business customers with monthly BellSouth revenue between $70 and $10,000 per customer.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $5,500 - $10,000 16% $3,000 - $4,499.99 14% $1,500 - $2,999.99 12% $500 - $1,499.99 10% $70 - $499.99 8% Monthly TBR - 24 months $5,500 - $6,000 17% $3,000 - $4,499.99 15% $1,500 - $2,999.99 13% $500 - $1,499.99 11% $70 - $499.99 9% Monthly TBR - 36 months $4,500 - $6,000 18% $3,000 - $4,499.99 16% $1,500 - $2,999.99 14% $500 $1,499.99 12% $70 - $499.99 10% -A4 Charges will be waived during the promotion sign-up period. Not available to customers participating in a Customer Service Arrangement (CSA) Volume and Term Agreement.	07/24/00 to 09/21/00		(N)

TARIFF DISTRIBUTION

FILE CODE: 680.3400 FILE PACKAGE NO.: FL2000-200

DATE: January 15, 2001

STATE: FLORIDA

EFFECTIVE DATE: 01/15/2001

TYPE OF DISTRIBUTION: Approved

PURPOSE: This Program filing will be available to previous BellSouth business customers who have gone to another local service provider in the previous 2 years beginning January 2001. The Program will provide a 10, 15, or 20% monthly percentage discount on their monthly bill for services from the A and B tariffs depending upon the customer's election agreement. Customers must sign an 18, 24, or 36-month election agreement to participate in the program to receive the reward as specified. This promotion will be offered on an outbound and inbound basis from January 15, 2001 through July 13, 2001. · Monthly BST revenue per customer must be between $70- $12,500.· In addition, customers who participate and return to BellSouth for local exchange services, will receive a waiver of all line connection charges associated with the service order. This will include the Line Connection charge (first and additional line). (1FBs, trunks & line equivalents.)

Customers with analog private line service, Cellular Interconnection Service or Contract Service Arrangements (Volume and Term or Prodcut Specific) may not participate in this program.

TARIFF SECTION	PAGE NUMBER	PAGE REVISION
A002	34.0.2	10
A002	35.1	11
B002	70	02

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion (DELETED)	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory[1]	2000 Key Customer Program -for business customers served from wire centers in competitive situations	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 12 months $4,500 - $6,000 8% $3,000 - $4,499.99 7% $1,500 - $2,999.99 6% $150 - $1,499.99 5% Monthly TBR - 24 months $4,500 - $6,000 12% $3,000 - $4,499.99 11% $1,500 - $2,999.99 10% $150 - $1,499.99 9% Monthly TBR - 36 months $4,500 - $6,000 16% $3,000 - $4,499.99 15% $1,500 - $2,999.99 14% $150 - $1,499.99 13% -An additional reward of 6% will be given on MegaLink® service and ISDN PRI service -Line Connection Charges will be waived during the promotion sign-up period.	06/26/00 to 06/25/01		
BellSouth's Service Territory[1] -From Central Offices where BellSouth® Centrex service is available.	BellSouth® Centrex service	-Nonrecurring charges for new customers selecting 24 or 36 months contract. -Nonrecurring and one month's recurring charges for new customers selecting 48 months or greater contract. -Three (3) months' recurring charges for Common Equipment for ESSX® and Digital ESSX® converting to BellSouth® Centrex for contracts of a minimum of 36 months.	01/16/01 to 03/31/01		(N)
(DELETED)					(D)

Note 1: Customer may elect to participate only once during each promotion.

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A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where business services are available.	Full Circle Program will include services from the "A" and "B" tariffs excluding Analog Private Line service	Former BellSouth business customers who have changed to another local service provider in the previous two years, beginning January 1, 2001, with monthly BST revenue of $70 to $12,500 and return to BellSouth are eligible. Customers signing an election agreement of 18, 24 or 36 months will receive a 10%, 15% or 20% discount, respectively. Eligible revenue consists of recurring, nonrecurring and usage charges excluding: • Nonregulated charges • Taxes • Late Payment Charges • Charges billed pursuant to Federal or State Access Service Programs • Charges collected on behalf of municipalities (including, but not limited to, surcharges for 911 service and dual party relay service) • Charges for services provided by other companies -Contract Service Arrangements (Product Level or Volume and Term) are not eligible for this program. -Line Connection Charges will be waived on the initial service order establishing that service.	01/15/01 to 07/13/01		(N)
BellSouth's Service Territory -From Central Offices where Complete Choice for Business® packages are available.	Complete Choice for Business®	A coupon that may be redeemed for a check in the amount of the Line Connection charges will be given to business customers when 1-3 lines are added to an existing Complete Choice for Business® package.	01/01/01 to 02/16/01		

® Registered Service Mark of BellSouth Intellectual Property Corporation

B2. REGULATIONS

B2.7 Special Promotions (Cont'd)

B2.7.2 Descriptions (Cont'd)

A. The following promotions are approved by the Commission: (Cont'd)

Area of Promotion (DELETED)	Service	Charges Waived	Period	Authority	
BellSouth's Service Territory -From Central Offices where business services are available,	Full Circle Program will include services from the "A" and "B" tariffs (excluding Analog Private Line service).	Former BellSouth business customers who have changed to another local service provider in the previous two years, beginning January, 2001, with monthly BST revenue of $70 to $12,500 and return to BellSouth are eligible. Customers signing an election agreement of 18, 24, or 36 months will receive a 10%, 15% or 20% discount, respectively. Eligible revenue consists of recurring, non-recurring and usage charges excluding: • Non-regulated charges • Taxes • Late Payment charges • Charges billed pursuant to Federal or State Access Service Programs • Charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service) • Charges for services provided by other companies. -Contract Service Arrangements (Product Level or Volume and Term) are not eligible for this Program.	01/15/01 to 07/13/01		(D) (N)

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 020119-TP
NO. 020578-TP & 021252-TP EXHIBIT NO 12
COMPANY/
WITNESS. BellSouth / John Ruscilli
DATE 02/19/03

Rebuttal Exhibit JAR-4

Reply Affidavit of Elizabeth A. Stockdale
Filed November 1, 2002
In BellSouth FL/TN 271 Application
WC Docket No. 02-307

(18 pages)

EXHIBIT JAR-4

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 13
COMPANY/
WITNESS: BellSouth / John Ruscilli
DATE: 02/19/03

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

In the Matter of	)	
	)	
Joint Application by BellSouth Corporation,	)	
BellSouth Telecommunications, Inc.,	)	WC Docket No. 02-307
and BellSouth Long Distance, Inc. for	)	
Provision of In-Region, InterLATA	)	
Services in Florida and Tennessee	)	

REPLY AFFIDAVIT OF ELIZABETH A. STOCKDALE

I, Elizabeth A. Stockdale, being of lawful age and duly sworn, do hereby depose and state as follows:

I. INTRODUCTION AND PURPOSE OF AFFIDAVIT

1. I am employed by BellSouth Telecommunications, Inc. ("BellSouth") as Manager – Regulatory and External Affairs. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.
2. I filed an Affidavit in this proceeding on September 20, 2002.
3. The purpose of this reply affidavit is to respond to the Comments filed by Sprint Communications Company L.P. ("Sprint") on October 10, 2002 in this proceeding.
4. No commenter in this proceeding, including Sprint, disputes BellSouth's showing that it has satisfied the Track A requirements for providing in-region InterLATA services as set forth in Section 271 (c)(1)(a).[1] Moreover, Sprint does not directly challenge BellSouth's Method One or Method Two CLEC line share estimates.

[1] See Section 271 (c) (1) (a), The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996).

Nevertheless Sprint argues that the public interest requires that the Commission deny BellSouth's 271 application because the local markets in Florida and Tennessee have not been fully and irreversibly open to competitive entry. (See Sprint Comments at 1). Sprint points to the current financial state of the CLEC industry, (See id. at 4-7) in addition to what Sprint believes to be inadequate levels of residential competition as a basis for their public interest assessment. (See id. at 9-12).

5. Sprint's arguments are nothing new. Sprint and other commenters have made the very same arguments in numerous prior 271 proceedings, including BellSouth's own Georgia-Louisiana ("GA/LA") 271 proceeding and BellSouth's Five State proceeding.[2] This Commission has, in turn, repeatedly rejected these claims.[3] As demonstrated in my initial Affidavit, competition is viable and irreversible in both the Florida and Tennessee markets. Moreover, increases in CLEC residential line share show that those markets are continuing to mature.

---

[2] Joint Application by BellSouth Corporation, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in Georgia and Louisiana, Memorandum Opinion and Order, 16 FCC Rcd 9018 (2002) ("GA/LA Order"); Joint Application by BellSouth Corporation, BellSouth Telecommunications, and BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in Alabama, Kentucky, Mississippi, North Carolina and South Carolina, 17 FCC Rcd 17595 (2002) ("Five State Order").

[3] See Five State Order ¶ 278. See also, GA/LA Order ¶ 14 (citing Sprint v. FCC, 274 F.3d at 553-54 and the Ameritech Michigan Order, 12 FCC Rcd at 20585, ¶ 77); Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization To Provide In-Region, InterLATA Services in Vermont, Memorandum Opinion and Order, 17 FCC Rcd 12271, ¶ 12 (2002) (rejecting Sprint's argument that the generally low levels of residential facilities-based competition in Vermont must result in a finding that Verizon does not meet Track A); Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) Verizon Global Networks Inc. and Verizon Select Services Inc., for Authorization to Provide In-Region InterLATA Services in Maine, Memorandum Opinion and Order, 17 FCC Rcd 11659, ¶ 59 (2002) (disagreeing with the assertion "that low levels of facilities-based residential competition in Maine indicate that it would be inconsistent with the public interest to grant [Verizon's] application.").

II. LOCAL COMPETITION IN FLORIDA AND TENNESSEE

6. BellSouth's most recent data indicate that total CLEC line share is continuing to increase in BellSouth's Florida and Tennessee service areas. BellSouth estimates that as of September 2002, total CLEC line share in Florida ranges between 18.4% (Method 2) and 18.5% (Method 1). CLECs in BellSouth's service area are now serving at least 29.7% of the business market and between 11.3% (Method 1) and 12.4% (Method 2) of the residential market. See Reply Exhibits ES-1 and ES-2.

FLORIDA - METHOD ONE

CLEC PROVIDERS	NUMBER OF CLECS	RESIDENTIAL LINES	BUSINESS LINES	TOTAL LINES
FACILITIES-BASED	63	420,815	802,796	1,223,611
FACILITIES-BASED/RESALE		57,491	5,440	62,931
RESALE-ONLY	51	43,370	808	44,178
CLEC TOTAL	114	521,676	809,044	1,330,720
TOTAL LINES		4,635,026	2,566,171	7,201,197
CLEC % OF TOTAL LINES		11.3%	31.5%	18.5%

FLORIDA - METHOD TWO

CLEC PROVIDERS	NUMBER OF CLECS	RESIDENTIAL LINES	BUSINESS LINES	TOTAL LINES
FACILITIES-BASED	53	480,449	737,307	1,217,756
FACILITIES-BASED/RESALE		57,478	5,407	62,885
RESALE-ONLY	51	43,370	808	44,178
CLEC TOTAL	104	581,297	743,522	1,324,819
TOTAL LINES		4,694,647	2,500,649	7,195,296
CLEC % OF TOTAL LINES		12.4%	29.7%	18.4%

7. In Tennessee, BellSouth's most recent estimates show that CLECs serve between 12.6% (Method 2) and 13.1% (Method One) of the lines in BellSouth's service area.

CLECs are serving over 31% of the business lines and between 2.3% (Method 1) and 3.4% (Method 2) of the residential lines. See Reply Exhibits ES-3 and ES-4.

TENNESSEE- METHOD ONE

CLEC PROVIDERS	NUMBER OF CLECS	RESIDENTIAL LINES	BUSINESS LINES	TOTAL LINES
FACILITIES-BASED	41	15,037	331,720	346,757
FACILITIES-BASED/RESALE		2,470	4,594	7,064
RESALE-ONLY	39	25,916	298	26,214
CLEC TOTAL	80	43,423	336,612	380,035
TOTAL LINES		1,889,144	1,001,535	2,890,679
CLEC % OF TOTAL LINES		2.3%	33.6%	13.1%

TENNESSEE - METHOD TWO

CLEC PROVIDERS	NUMBER OF CLECS	RESIDENTIAL LINES	BUSINESS LINES	TOTAL LINES
FACILITIES-BASED	35	35,862	294,457	330,319
FACILITIES-BASED/RESALE		2,465	4,590	7,055
RESALE-ONLY	39	25,916	298	26,214
CLEC TOTAL	74	64,243	299,345	363,588
TOTAL LINES		1,909,964	964,268	2,874,232
CLEC % OF TOTAL LINES		3.4%	31.0%	12.6%

III. RESIDENTIAL COMPETITION IS VIABLE, IRREVERSIBLE AND GROWING

8. As the numbers above indicate, CLEC market share in the residential markets in both the Florida and Tennessee service areas is not as high as in the business markets. As BellSouth has explained on numerous occasions, this is to be expected. CLECs are free to serve whomever they please. Thus, they have chosen to target the most profitable customers – business customers – in the most profitable urban areas. However, the data indicate that residential competition is growing and continuing to mature. Despite Sprint's assertions to the contrary, as shown above, residential competition in BellSouth's Florida service area is by no means *de minimis*. (See

Sprint Comments at 10). And in Tennessee, the total number of CLEC residential lines has increased nearly 50% in just the last two months.[4]

9. As evidence that the local markets are not irreversibly open to competition, Sprint cites to its own business decision to abandon its local market entry via resale or UNE-P. (See id. at 9). Sprint is, of course, free to make its own decisions. The ever-increasing use of UNE-P, however, particularly for residential services, demonstrates that UNE-P is a profitable mode of competitive entry. In Tennessee, MCI/WorldCom is aggressively marketing a bundled residential offering utilizing UNE-P. In the last two months alone, CLEC residential lines provided over UNE-P have risen from 3,122 to over 30,000. In Florida, over the same time period, CLEC residential lines provided over UNE-P have increased by over 37,000.

10. Sprint also tries once again to convince the Commission that the large number of CLEC bankruptcies coupled with the bleak state of the telecommunications industry threatens the viability of competition in the local market. Factors beyond the RBOCs control, such as the current market conditions or the financial hardships of the CLEC community have no bearing on whether the local market is open to competition. Relevancy aside, although it is true that a number of CLECs have gone out of business and that the total number of CLEC providers has decreased over the last several years, what Sprint fails to mention is that despite the current crises in the telecommunications industry, total CLEC market share continues to grow. Continuing increases in CLEC market share is supported by BellSouth's data and

[4] Compare Reply Exhibit ES-4 with Table 5 in the Initial Affidavit of Elizabeth A. Stockdale.

data obtained from the CLECs themselves as reported in this Commission's own competition report.[5]

11. My initial affidavit and this reply demonstrate that BellSouth has met the Track A requirements of the Act in its Florida and Tennessee service areas. Additionally, these affidavits demonstrate that this Commission, the Florida Public Service Commission, the Tennessee Regulatory Authority, BellSouth and the CLEC industry have been successful in bringing competitive choices to telecommunications customers. The level of competition demonstrates that BellSouth has provided CLECs access to its network facilities and services so that the CLECs can deliver services over their own network facilities, over their own network facilities in combination with elements of BellSouth's network, and through the resale of BellSouth-provided service offerings. Competition is well established, broadly based and irreversible in BellSouth's service areas in Florida and Tennessee.

12. This concludes my affidavit.

[5] See Ind. Anal. and Tech. Div., WCB, FCC, Local Telephone Competition: Status as of December 31, 2001 (July 2002).

CLECs with Over 40 Lines
in BellSouth
FLORIDA
METHOD ONE

Exhibit ES-1
PUBLIC VERSION

	FLORIDA SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines	911 Listings Res	911 Listings Bus	Unbundled Local Loops	UNE Platforms		IC Trunks
	FACILITIES-BASED [40+ LINES]	RES	BUS	RES	BUS	TOTAL					Res	Bus	
1	2ND CENTURY COMMUNICATIONS												
2	ACCESS INTEGRATED NETWORKS												
3	ACCESS POINT, INC												
4	ACI (ARROW)												
5	ADELPHIA BUS. SOLUTIONS (HYPERION, LOUISVILLE LIGHTWAVE)												
6	ALEC (TOUCHTONE, OPTILINK, METROLINK)												
7	ALLEGIANCE TELECOM												
8	AMERIMEX COMM												
9	ANEW BROADBAND, INC. DBA CIMA TELECOM, INC												
10	AT&T (+NORTHPOINT, +TELEPORT-TCG, + MEDIAONE, +AT&T BROADBAND)												
11	BROADVIEW NETWORKS [NETWORK PLUS]												
12	BUSINESS TELECOM (BTI, +FLORIDA BELLSOUTH)												
13	CITIZENS (GLOBAL CROSSING, FRONTIER)												
14	COMM SOUTH COS												
15	COVAD COMM (+BLUESTAR)												
16	DAYTONA TELEPHONE												
17	Dist. INTERNET CORPORATION												
18	DSLNET COMM												
19	E SPIRE COMM. [ACSI)												
20	ELANTIC (FLORIDA DIGITAL NETWORK)												
21	ERNEST COMMUNICATIONS												
22	FLORIDA CONSOLIDATED MULTIMEDIA SERVICES												
23	FOCAL COMMUNICATIONS												
24	GLOBAL NAPS												
25	GRIC COMMUNICATION												
26	ICG COMMUN. (INTELCOM)												
27	IDS TELECOM												
28	IDT (W/INSTAR)												
29	INTERACTIVE SVCS NETWORK, INC (ISN COMM-FL)												
30	ITC^DELTACOM												
31	KMC TELECOM INC												
32	KMOLOGY												
33	LECSTAR (EMPIRE TELECOM SVCS)												
34	LEVEL 3												
35	LIGHTYEAR COMMUNICATIONS												
36	MANHATTAN TELECOM (METROPOLITAN TELECOM)												
37	MCI METRO (+WORLDCOM, +WORLDMEDIA, +MFS, +BROOKS, +INTERMEDIA, +RYTHMS, + MAY TELECOM FL, +PHONE ONE)												
38	MOMENTUM BUSINESS SOLUTIONS												
39	MPOWER (MGC COMM.)												
40	NATIONAL TEL OF FLORIDA												
41	NAVIGATOR TELECOMM , LLC												
42	NETWORK TELEPH. (+LIGHTNETWORKS)												
43	NEW EDGE												
44	NEWSOUTH COMM (+UNIVERSAL COM)												
45	NEXTLINK COMM. (XO COMM)												
46	NORTH AMERICAN TELECOM												
47	NOS COMMUNICATIONS												
48	NOW COMMUNICATIONS (+TEL-LINK, +TELSTAR)												
49	ORLANDO TELEPHONE (ORLANDO BUS. TEL. SYSTEMS)												
50	PAETEC COMMUNICATIONS												
51	SBC TELECOM INC												
52	SPRINT COMMUNICATIONS												
53	SUPRA TELECOM & INFO SYSTEMS												

"-" = NO DATA

CLECs with Over 40 Lines
In BellSouth
FLORIDA
METHOD ONE

Exhibit ES-1
PUBLIC VERSION

54	TALK UNLIMITED NOW												
55	TELE CONEX												
56	TELEPHONE CO OF CENTRAL FL (TDCF)												
57	TELIGENT SERVICES												
58	THE OTHER PHONE CO (ACCESSONE,+TALK COM, +OMNICALL)												
59	TIME WARNER COMMUN												
60	TRIVERGENT (NUVOX, STATE COMM, GABRIEL)												
61	UB LEC												
62	VARTEC TELECOM												
63	Z-TEL COMMUN												
	FACILITIES-BASED Sub-Total	57,491	5,449	420,815	882,796	1,323,611	1,386,542	161,065	994,192	158,734	329,366	143,144	466,436

	FLORIDA SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines
	Resale Only [40 + LINES]	RES	BUS	RES	BUS	TOTAL	
1	1-800 RECONEX						
2	APN CONSULTANTS						
3	ALTERNATIVE ACCESS TEL COMM (AA TELECOM)						
4	ALTERNATIVE PHONE						
5	ALTERNATIVE TELECOMMUNICATIONS SERVICES (SECOND CHANCE PHONE)						
6	AMERICAN DIAL TONE (GANOCO)						
7	APPLIANCE&TV RENTALS (FONES-4-U)						
8	BUDGET PHONE, INC						
9	BUDGETEL SYSTEMS						
10	CAT COMMUN INTL (CCI)						
11	CHOCTAW COMMUN (SMOKE SIGNAL COM)						
12	DELAND ACTEL						
13	DELTA PHONES						
14	DIALTONE TELECOM						
15	DIRECT-TEL INC						
16	DPI-TELECONNECT						
17	D&L TELECOM, INC						
18	EAST FLORIDA COMMUNICATIONS						
19	EASY TELEPHONE SERVICES						
20	EPICUS						
21	EXCELINK COMMUNICATIONS						
22	EXPRESS TELEPHONE SVCS (EXPRESS TITLE)						
23	EZ TALK COMMUNICATIONS						
24	FLORIDA PHONE SERVICE, INC. - FL						
25	FLORIDA TELEPHONE (FLATEL)						
26	FLORIDA TELEPHONE SERVICES						
27	GEORGIA TELEPHONE SERVICES						
28	GULF COAST COMM (+CORAL BAY FINAN)						
29	HART COMM (HTRAL ENTERPRIS)						
30	INTEGRA PAGING (BURNO)						
31	LOCAL LINE AMERICA						
32	MET COMMUNICATIONS						
33	MOVIE, TELEVISION, & GRAPHICS (M.T.G.)						
34	MY-TEL INC						
35	NEW PHONE (IMAGE ACCESS)						
36	NUI TELECOM (INTERNAT. TELE ORP)						
37	ONESTAR COMMUNICATIONS						
38	PREFERRED CARRIER SERVICES						
39	QUANTUMSHIFT COMMUNICATIONS, INC.						
40	RE TEL COMMUNICATIONS						
41	SANDHILL TELECOM GROUP						

"-" = NO DATA

CLECs with Over 40 Lines
in BellSouth
FLORIDA
METHOD ONE

Exhibit ES-1
PUBLIC VERSION

42	SOURCE ONE COMUNICATIONS						
43	SOUTHERN RECONNECT INC						
44	SUN-TEL USA						
45	TELEPHONE ONE INC						
46	TELSEON CARRIER SERVICES						
47	THE MOBILE PHONE CO						
48	UNIVERSAL TELECOM (UNIV TELEPHONE)						
49	USA TELECOM (INTL DESIGN GRP)						
50	USA TELEPHONE INC						
51	VERIZON AVENUE (ONE POINT)						
	Resale-only (40 + LINES) SUBTOTAL	43,370	808	-	-	-	44,178

FLORIDA SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
METHOD ONE GRAND TOTAL =>	100,551	6,248	420,815	802,796	1,223,611	1,330,720
			---- METHOD 1 ESTIMATE ----			
Total Resold =>	107,908					

CLECs Over 40 Lines - SEPTEMBER, 2001	114
FACILITIES-BASED CLECs ---->	63
RESALE ONLY CLECs ---------->	51

			METHOD 1 ESTIMATE
BellSouth Area - FLORIDA			1,330,720
CLEC Share of Access Lines	=	1,330,720 +	5,570,477
METHOD 1 ESTIMATE SEPTEMBER 2002	=	19.5%	

"-" = NO DATA

CLECs with Over 40 Lines
in BellSouth
FLORIDA
METHOD TWO

Exhibit ES-2
PUBLIC VERSION

	FLORIDA SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines	911 Listings	911 Listings	UNE Platforms	
	FACILITIES-BASED [40+ LINES]	RES	BUS	RES	BUS	TOTAL		Res	Bus	Res	Bus
1	2ND CENTURY COMMUNICATIONS										
2	ACCESS INTEGRATED NETWORKS										
3	ACCESS POINT, INC										
4	ACI (ARROW)										
5	ADELPHIA BUS. SOLUTIONS (HYPERION, LOUISVILLE LIGHTWAVE)										
6	ALLEGIANCE TELECOM										
7	AMERIMEX COMM										
8	ANEW BROADBAND, INC DBA CIMA TELECOM, INC.										
9	AT&T (+NORTHPOINT, +TELEPORT-TCG, + MEDIAONE, +AT&T BROADBAND)										
10	BROADVIEW NETWORKS (NETWORK PLUS)										
11	BUSINESS TELECOM (BTI, +FIBERSOUTH)										
12	CITIZENS (GLOBAL CROSSING, FRONTIER)										
13	COMM SOUTH COS										
14	DSLNET COMM										
15	E SPIRE COMM. (ACSI)										
16	ELANTIC (FLORIDA DIGITAL NETWORK)										
17	ERNEST COMMUNICATIONS										
18	FOCAL COMMUNICATIONS										
19	GLOBAL NAPS										
20	IDS TELECOM										
21	IDT (WINSTAR)										
22	INTERACTIVE SVCS NETWORK, INC (ISN COMM-FL)										
23	ITC^DELTACOM										
24	KMC TELECOM INC										
25	KNOLOGY										
26	LECSTAR (EMPIRE TELECOM SVCS)										
27	LIGHTYEAR COMMUNICATIONS										
28	MANHATTAN TELECOM (METROPOLITAN TELECOM)										
29	MCI METRO (+WORLDCOM, +WORLDMEDIA, +MFS, +BROOKS, +INTERMEDIA, +RYTHMS, + NAT. TELECOM FL, +PHONE ONE)										
30	MOMENTUM BUSINESS SOLUTIONS										
31	MPOWER (MGC COMM)										
32	NAVIGATOR TELECOMM., LLC										
33	NETWORK TELEPH. (+LIGHTNETWORKS)										
34	NEWSOUTH COMM (+UNIVERSALCOM)										
35	NEXTLINK COMM. (XO COMM)										
36	NORTH AMERICAN TELECOM										
37	NOS COMMUNICATIONS										
38	NOW COMMUNICATIONS (+TEL-LINK, +TELSTAR)										
39	ORLANDO TELEPHONE (ORLANDO BUS. TEL. SYSTEMS)										
40	PAETEC COMMUNICATIONS										

"-" = NO DATA

CLECs with Over 40 Lines
In BellSouth
FLORIDA
METHOD TWO

Exhibit ES-2
PUBLIC VERSION

41	SBC TELECOM INC										
42	SPRINT COMMUNICATIONS										
43	SUPRA TELECOM & INFO SYSTEMS										
44	TALK UNLIMITED NOW										
45	TELE CONEX										
46	TELEPHONE CO OF CENTRAL FL (TCCF)										
47	TELIGENT SERVICES										
48	THE OTHER PHONE CO (ACCESSONE,+TALK COM, +OMNICALL)										
49	TIME WARNER COMMUN										
50	TRIVERGENT (NUVOX, STATE COMM, GABRIEL)										
51	US LEC										
52	VARTEC TELECOM										
53	Z-TEL COMMUN.										
	FACILITIES-BASED Sub-Total	57,478	6,407	480,449	737,307	1,217,756	1,280,641	151,983	594,183	329,366	143,144

	FLORIDA SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines
	Resale Only [40 + LINES]	RES	BUS	RES	BUS	TOTAL	
1	1-800 RECONEX						
2	AFN CONSULTANTS						
3	ALTERNATIVE ACCESS TEL COMM (AA TELECOM)						
4	ALTERNATIVE PHONE						
5	ALTERNATIVE TELECOMMUNICATIONS SERVICES (SECOND CHANCE PHONE)						
6	AMERICAN DIAL TONE (GANOCO)						
7	APPLIANCE&TV RENTALS (FONES-4-U)						
8	BUDGET PHONE, INC						
9	BUDGETEL SYSTEMS						
10	CAT COMMUN INT'L (CCI)						
11	CHOCTAW COMMUN (SMOKE SIGNAL COM.)						
12	DELAND ACTEL						
13	DELTA PHONES						
14	DIALTONE TELECOM						
15	DIRECT-TEL INC						
16	DPI-TELECONNECT						
17	DSL TELECOM, INC.						
18	EAST FLORIDA COMMUNICATIONS						
19	EASY TELEPHONE SERVICES						
20	EPICUS						
21	EXCELINK COMMUNICATIONS						
22	EXPRESS TELEPHONE SVCS (EXPRESS TITLE)						
23	EZ TALK COMMUNICATIONS						
24	FLORIDA PHONE SERVICE, INC. - FL						
25	FLORIDA TELEPHONE (FLATEL)						
26	FLORIDA TELEPHONE SERVICES						
27	GEORGIA TELEPHONE SERVICES						
28	GULF COAST COMM (+CORAL BAY FINAN)						
29	HART COMM (HTR&L ENTERPRIS)						
30	INTEGRA PAGING (BURNO)						
31	LOCAL LINE AMERICA						
32	MET COMMUNICATIONS						

"-" = NO DATA

CLECs with Over 40 Lines
in BellSouth
FLORIDA
METHOD TWO

33	MOVIE, TELEVISION, & GRAPHICS (M T G.)						
34	MY-TEL INC						
35	NEW PHONE (IMAGE ACCESS)						
36	NUI TELECOM (INTERNAT TELE GRP)						
37	ONESTAR COMMUNICATIONS						
38	PREFERRED CARRIER SERVICES						
39	QUANTUMSHIFT COMMUNICATIONS, INC						
40	RE TEL COMMUNICATIONS						
41	SANDHILL TELECOM GROUP						
42	SOURCE ONE COMMUNICATIONS						
43	SOUTHERN RECONNECT INC						
44	SUN-TEL USA						
45	TELEPHONE ONE INC						
46	TELSEON CARRIER SERVICES						
47	THE MOBILE PHONE CO						
48	UNIVERSAL TELECOM (UNIV TELEPHONE)						
49	USA TELECOM (INT'L DESIGN GRP)						
50	USA TELEPHONE INC						
51	VERIZON AVENUE (CNE POINT)						
	Resale-only (46 + LINES) SUBTOTAL	43,370	808	-	-	-	44,178

FLORIDA SEPTEMBER 2002	Resale ILECs		Estimated Facilities-Based Lines			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
METHOD TWO GRAND TOTAL -->	106,848	6,215	480,449	737,307	1,217,756	1,324,819
			--- METHOD 2 ESTIMATE ---			

Total Resold -->	107,063

CLECs Over 40 Lines - SEPTEMBER, 2001	104
FACILITIES-BASED CLECs ---->	53
RESALE ONLY CLECs ---->	51

		METHOD 2 ESTIMATE	
BellSouth Area - FLORIDA		1,324,819	
CLEC Share of Access Lines	=	1,324,819 +	5,670,477
METHOD 2 ESTIMATE SEPTEMBER 2002	=	18.4%	

"-" = NO DATA

CLECs with Over 10 Lines
in BellSouth
TENNESSEE
METHOD ONE

Exhibit ES-3
PUBLIC VERSION

	TENNESSEE SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines	911 Listings	911 Listings	Unbundled Local	UNE Platforms		IC
	FACILITIES-BASED [10+ Lines]	RES	BUS	RES	BUS	TOTAL		Res	Bus	Loops	Res	Bus	Trunks
1	ACCESS INTEGRATED NETWORKS												
2	ADELPHIA BUS. SOLUTIONS (HYPERION, LOUISVILLE LIGHTWAVE)												
3	AENEAS COMMUNICATIONS												
4	ALEC (TOUCHTONE, OPTILINK, METROLINK)												
5	AT&T (+NORTHPOINT, +TELEPORT-TCG, + MEDIAONE, +AT&T BROADBAND)												
6	BIRCH TELECOM												
7	BUSINESS TELECOM (BTI, +FIBERSOUTH)												
8	CINERGY COMMUNICATIONS(COMMUNITY TEL)												
9	CITIZENS (GLOBAL CROSSING, FRONTIER)												
10	COVAD COMM (+BLUESTAR)												
11	DSLNET COMM												
12	ELECTRIC POWER BOARD OF CHATANOOGA												
13	GLOBAL NAPS												
14	ICG COMMUN. (INTELCOM)												
15	IDS TELECOM												
16	ITC^DELTACOM												
17	KMC TELECOM INC												
18	KNOLOGY												
19	LECSTAR (EMPIRE TELECOM SVCS)												
20	LEVEL 3												
21	LIGHTYEAR COMMUNICATIONS												
22	MCI METRO (+WORLDCOM, +WORLDMEDIA, +MFS, +BROOKS, +INTERMEDIA, +RYTHMS, + NAT. TELECOM FL, +PHONE ONE)												
23	MOMENTUM BUSINESS SOLUTIONS												
24	NATIONNET COMMUNICATIONS CORPORATION												
25	NAVIGATOR TELECOMM, LLC												
26	NETWORK TELEPH (+LIGHTNETWORKS)												
27	NEWSOUTH COMM (+UNIVERSALCOM)												
28	NEXTLINK COMM. (XO COMM.)												
29	NOS COMMUNICATIONS												
30	NOW COMMUNICATIONS (+TEL-LINK, +TELSTAR)												
31	SBC TELECOM INC												
32	SPRINT COMMUNICATIONS												
33	TELE-SYS (ACCESS AMERICA)												
34	TELIGENT SERVICES												
35	THE OTHER PHONE CO (ACCESSONE,+TALK.COM, +OMNICALL)												
36	TIME WARNER COMMUN												
37	TRIVERGENT (NUVOX, STATE COMM, GABRIEL)												
38	US LEC												
39	VARTEC TELECOM												
40	WSPED:US CORP (LEC UNWIRED)												
41	Z-TEL COMMUN												
	FACILITIES-BASED Sub-Total	2,470	4,594	15,037	331,720	346,757	353,821	5,886	224,024	50,702	30,189	79,455	168,108

"-" = NO DATA

CLECs with Over 10 Lines
In BellSouth
TENNESSEE
METHOD ONE

Exhibit ES-3
PUBLIC VERSION

	TENNESSEE SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines
	Resale Only (10 + Lines)	RES	BUS	RES	BUS	TOTAL	
1	1-800 RECONEX						
2	ALLSOUTH PHONE CONNECT						
3	ALTERNATIVE TELECOMMUNICATIONS SERVICES (SECOND CHANCE PHONE)						
4	ANNOX INC						
5	APPLIANCE&TV RENTALS (FONES-4-U)						
6	AWARD ENTERPRISES (JERRY LAQUIERE)						
7	BUDGET PHONE, INC						
8	CAT COMMUN INT'L (CCI)						
9	COMM SOUTH COS						
10	DELTA PHONES						
11	DPI-TELECONNECT						
12	EXPRESS TELEPHONE SVCS (EXPRESS TITLE)						
13	EZ PHONE, INC						
14	EZ TALK COMMUNICATIONS						
15	FAIR FINANCIAL (MIDSTATE TELECOM)						
16	GLOBAL CONNECTION INC						
17	GO-TEL, INC						
18	HART COMM (HTR&L ENTERPRIS)						
19	HOLT & COMPANY						
20	INTERLINK TELECOMMUNICATIONS						
21	LCI INTERNATIONAL (QWEST)						
22	MAX - TEL COMMUNICATIONS						
23	MONEY TO GO (MTG PHONE SVC)						
24	NEW PHONE (IMAGE ACCESS)						
25	NUSTAR COMMUN. (TELEVIA)						
26	ONESTAR COMMUNICATIONS						
27	PHONE RECONNECT OF AMERICA						
28	PHONE-LINK						
29	SERVISENSE.COM, INC.						
30	SOUTHERN TELECOMMUNICATIONS						
31	STATE DISCOUNT TELEPHONE						
32	TELE CONEX						
33	TELSEON CARRIER SERVICES						
34	TENNESSEE PHONE SERVICE						
35	TENNESSEE TELEPHONE SERVICE						
36	TEXAS HOMETEL, INC. (877-RING AGAIN)						
37	UNIVERSAL TELECOM (UNIV. TELEPHONE)						
38	USA QUICK PHONE						
39	USA TELECOM (INTL DESIGN GRP)						
	Resale-only (10 + Lines) SUBTOTAL	25,918	296	-	-	-	26,214

"-" = NO DATA

CLECs with Over 10 Lines
in BellSouth
TENNESSEE
METHOD ONE

Exhibit ES-3
PUBLIC VERSION

TENNESSEE SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
METHOD ONE GRAND TOTAL -->	28,386	4,892	15,037	331,720	346,757	380,035
			METHOD 1 ESTIMATE			

	Total Resold -->	33,278

CLECs Over 10 Lines - SEPTEMBER, 2001	80
FACILITIES-BASED CLECs ------>	41
RESALE ONLY CLECs ------>	39

		METHOD 1 ESTIMATE		
BellSouth Area - TENNESSEE		380,035		
CLEC Share of Access Lines	=	380,035	÷	2,510,644
METHOD 1 ESTIMATE SEPTEMBER 2002	=	15.1%		

"-" = NO DATA

CLECs with Over 10 Lines
in BellSouth
TENNESSEE
METHOD TWO

Exhibit ES-4
PUBLIC VERSION

	TENNESSEE SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local	911 Listings	911 Listings	UNE Platforms	
	FACILITIES-BASED [10+ Lines]	RES	BUS	RES	BUS	TOTAL	Lines	Res	Bus	Res	Bus
1	ACCESS INTEGRATED NETWORKS										
2	ADELPHIA BUS SOLUTIONS (HYPERION, LOUISVILLE LIGHTWAVE)										
3	AENEAS COMMUNICATIONS										
4	AT&T (+NORTHPOINT, +TELEPORT-TCG, + MEDIAONE, +AT&T BROADBAND)										
5	BIRCH TELECOM										
6	BUSINESS TELECOM (BTI, +FIBERSOUTH)										
7	CINERGY COMMUNICATIONS(COMMUNITY TEL)										
8	CITIZENS (GLOBAL CROSSING, FRONTIER)										
9	ELECTRIC POWER BOARD OF CHATANOOGA										
10	GLOBAL NAPS										
11	ICG COMMUN (INTELCOM)										
12	IDS TELECOM										
13	ITC^DELTACOM										
14	KMC TELECOM INC										
15	KNOLOGY										
16	LECSTAR (EMPIRE TELECOM SVCS)										
17	LIGHTYEAR COMMUNICATIONS										
18	MCI METRO (+WORLDCOM, +WORLDMEDIA, +MFS, +BROOKS, +INTERMEDIA, +RYTHMS, + NAT TELECOM FL, +PHONE ONE)										
19	MOMENTUM BUSINESS SOULTIONS										
20	NAVIGATOR TELECOMM , LLC										
21	NETWORK TELEPH (+LIGHTNETWORKS)										
22	NEWSOUTH COMM (+UNIVERSALCOM)										
23	NEXTLINK COMM. (XO COMM)										
24	NOS COMMUNICATIONS										
25	NOW COMMUNICATIONS (+TEL-LINK, +TELSTAR)										
26	SBC TELECOM INC										
27	TELE-SYS (ACCESS AMERICA)										
28	TELIGENT SERVICES										
29	THE OTHER PHONE CO (ACCESSONE, +TALK.COM, +OMNICALL)										
30	TIME WARNER COMMUN										
31	TRIVERGENT (NUVOX, STATE COMM, GABRIEL)										
32	US LEC										
33	VARTEC TELECOM										
34	XSPEDIUS CORP (LEC UNWIRED)										
35	Z-TEL COMMUN.										
	FACILITIES-BASED Sub-Total	2,465	4,590	35,862	294,457	330,319	337,374	5,677	224,024	30,185	70,433

"-" = NO DATA

CLECs with Over 10 Lines
In BellSouth
TENNESSEE
METHOD TWO

Exhibit ES-4
PUBLIC VERSION

	TENNESSEE SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines
	Resale Only [10 + Lines]	RES	BUS	RES	BUS	TOTAL	
1	1-800 RECONEX						
2	ALLSOUTH PHONE CONNECT						
3	ALTERNATIVE TELECOMMUNICATIONS SERVICES (SECOND CHANCE PHONE)						
4	ANNOX, INC						
5	APPLIANCE&TV RENTALS (FONES-4-U)						
6	AWARD ENTERPRISES (JERRY LAQUIERE)						
7	BUDGET PHONE, INC						
8	CAT COMMUN INT'L (CCI)						
9	COMM SOUTH COS						
10	DELTA PHONES						
11	DPI-TELECONNECT						
12	EXPRESS TELEPHONE SVCS (EXPRESS TITLE)						
13	EZ PHONE, INC						
14	EZ TALK COMMUNICATIONS						
15	FAIR FINANCIAL (MIDSTATE TELECOM)						
16	GLOBAL CONNECTION INC						
17	GO-TEL, INC.						
18	HART COMM (HTR&L ENTERPRIS)						
19	HOLT & COMPANY						
20	INTERLINK TELECOMMUNICATIONS						
21	LCI INTERNATIONAL (QWEST)						
22	MAX - TEL COMMUNICATIONS						
23	MONEY TO GO (MTG PHONE SVC)						
24	NEW PHONE (IMAGE ACCESS)						
25	NUSTAR COMMUN (TELEVIA)						
26	ONESTAR COMMUNICATIONS						
27	PHONE RECONNECT OF AMERICA						
28	PHONE-LINK						
29	SERVISENSE.COM, INC.						
30	SOUTHERN TELECOMMUNICATIONS						
31	STATE DISCOUNT TELEPHONE						
32	TELE CONEX						
33	TELSEON CARRIER SERVICES						
34	TENNESSEE PHONE SERVICE						
35	TENNESSEE TELEPHONE SERVICE						
36	TEXAS HOMETEL, INC. (877-RING AGAIN)						
37	UNIVERSAL TELECOM (UNIV. TELEPHONE)						
38	USA QUICK PHONE						
39	USA TELECOM (INT'L DESIGN GRP)						
	Resale-only (10 + Lines) SUBTOTAL	25,916	298	-	-	-	26,214

"-" = NO DATA

CLECs with Over 10 Lines
in BellSouth
TENNESSEE
METHOD TWO

TENNESSEE SEPTEMBER 2002	Resold Lines		Estimated Facilities-based Lines			Total Local Lines
	RES	BUS	RES	BUS	TOTAL	
METHOD TWO GRAND TOTAL -->	28,381	4,888	35,862	294,457	330,319	363,588
			---- METHOD 2 ESTIMATE ----			

Total Resold -->	33,269

CLECs Over 10 Lines - SEPTEMBER, 2001	74
FACILITIES-BASED CLECs ----->	35
RESALE ONLY CLECs ---------->	39

		METHOD 2 ESTIMATE		
BellSouth Area - TENNESSEE		363,588		
CLEC Share of Access Lines	=	363,588	÷	2,510,644
METHOD 2 ESTIMATE SEPTEMBER 2002	•	12.6%		

"-" = NO DATA

REDACTED

ORIGINAL

ATTACHMENT B

Florida Digital Network, Inc.
[redacted]P/020578-TP
Request for Confidential Classification
December 12, 2002

REQUEST FOR CONFIDENTIAL CLASSIFICATION OF BELLSOUTH PREFILED REBUTTAL EXHIBITS JAR-5 AND JAR-6, FILED NOVEMBER 25, 2002, IN FPSC DOCKETS NOS. 020119-TP AND 020578-TP.

TWO REDACTED COPIES

DOCUMENT NUMBER-DATE
[redacted]02
FPSC-COMMISSION CLERK

ORIGINAL

BellSouth Telecommunications, Inc.
FPSC Docket Nos. 020119/020578-TP
Rebuttal Exhibit JAR-5
November 25, 2002

PROPRIETARY

Rebuttal Exhibit JAR-5

Florida Digital Networks, Inc.'s November 6, 2002 Response to Document Request No. 31 to BellSouth's First Request for Production of Documents (Nos. 1-31) in FPSC Docket Nos. 020119/020578-TP

(43 pages)

DOCUMENT NUMBER-DATE
13622 DEC 13 02
FPSC-COMMISSION CLERK

Florida Digital Network (FDN)
TX230
Mr. Matthew Feil – Legal Counsel
Prepared by Greg Starr, Senior Product Manager
407-835-0300
mfeil@floridadigital.net

1. Yes, FDN is providing business service to customers in Florida.

1a. N/A, FDN does not provide residential service to customers in Florida.

1b. [redacted]

FDNs current **"basic local service"** rates for businesses in Florida are:

BellSouth Territory•

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 12	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 11	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 10	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 9	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 8	$29.71	$29.71	$29.01	$27.96
Flat Rate Business Line RG7	$28.86	$28.86	$28.18	$27.16
Flat Rate Business Line RG6	$28.01	$28.01	$27.35	$26.36
Flat Rate Business Line RG5	$26.31	$26.31	$25.69	$24.76
Flat Rate Business Line RG4	$25.46	$25.46	$24.86	$23.96

Sprint Territory•

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 6	$21.65	$21.65	$21.14	$20.38
Flat Rate Business Line RG 3	$17.04	$17.04	$16.64	$16.04

Verizon Territory•

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 5	$25.42	$25.42	$24.82	$23.92

•All territories have a $50.00 installation charge for each line.

2. Yes, FDN is currently supporting multi-line business users, mandatory 900 blocking, and bundled service offerings.

2a. N/A, FDN does not provide residential service to customers in Florida.

2b. FDN provides other forms of local service, such as, multi-line business users, a mandatory 900 blocking scheme, and bundled service offering, "Complete Voice for Business." The mandatory 900 blocking scheme consists of the following: 976, 1+ 976 and 1 + 900 numbers. Complete Voice for Business – Standard provides a business with a touch-tone access line (1FB) and unlimited calling to all exchanges within the customer's basic local calling area and an unlimited number of compatible calling features. Complete Voice for Business – Wide Area Calling provides a business with a touch-tone access line (1FB) and unlimited calling to all exchanges within the pre-determined geographic area and an unlimited number of compatible calling features.

900 Blocking

Mandatory 900 blocking is provided at no cost to all FDN customers.

Multi-Line Business Users

BellSouth Territory[*]

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 12	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 11	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 10	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 9	$31.41	$31.41	$30.67	$29.56
Flat Rate Business Line RG 8	$29.71	$29.71	$29.01	$27.96
Flat Rate Business Line RG7	$28.86	$28.86	$28.18	$27.16
Flat Rate Business Line RG6	$28.01	$28.01	$27.35	$26.36
Flat Rate Business Line RG5	$26.31	$26.31	$25.69	$24.76
Flat Rate Business Line RG4	$25.46	$25.46	$24.86	$23.96

Sprint Territory[*]

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 6	$21.65	$21.65	$21.14	$20.38
Flat Rate Business Line RG 3	$17.04	$17.04	$16.64	$16.04

Verizon Territory[*]

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 5	$25.42	$25.42	$24.82	$23.92

[*]All territories have a $50.00 installation charge for each line.

Complete Voice for Business - Standard Package*

BellSouth, Sprint and Verizon Territories*

Description	One Year Term	Two Year Term	Three Year Term
1 Line Package	$44.20	$43.16	$37.60
2 Line Package	$79.90	$78.02	$75.20
3 Line Package	$120.70	$117.86	$113.60
4 Line Package	$150.45	$146.91	$141.60
5 Line Package	$185.30	$180.94	$174.40
6 Line Package	$205.70	$200.86	$193.60
7 Line Package	$233.75	$228.25	$220.00
8 Line Package	$261.80	$255.64	$246.40
9 Line Package	$289.85	$283.03	$272.80

Complete Voice for Business - Wide Area Calling Package*

BellSouth, Sprint and Verizon Territories*

Description	One Year Term	Two Year Term	Three Year Term
1 Line Package	$41.95	$40.95	$39.95
2 Line Package	$83.90	$81.90	$79.90
3 Line Package	$125.85	$122.85	$119.85
4 Line Package	$167.80	$163.80	$159.80
5 Line Package	$209.75	$204.75	$199.75
6 Line Package	$251.70	$245.70	$239.70
7 Line Package	$293.65	$286.65	$279.65
8 Line Package	$335.60	$327.60	$319.60
9 Line Package	$377.55	$368.55	$359.55

*All territories have a $50.00 installation charge for each line.

Complete Voice for Business – Features

Call Block	Distinctive Ring I
Call Forward Busy Line	Distinctive Ring II
Call Forward Don't Answer	Enhanced Caller ID with ACRJ
Call Forward Don't Answer w/Ring Control	Hunting*
Call Forwarding Variable	Message Waiting Indicator
Call Return	Preferred Call Forwarding
Call Selector	Remote Access to Call Forwarding Variable
Call Tracing	Repeat Dialing
Call Waiting	Speed Calling 8
Caller ID Basic	Speed Calling 30
Caller ID Deluxe	Surrogate Client Number
CREX4†	Three-way Calling
CREXN†	Three-way Calling with Transfer
CREX6†	

*Hunting is included at no charge for any customer with a 2-line or larger Complete Voice for Business package.

3. No, FDN does not actively market local services to Florida residential customers.

3a. FDN does not actively market local services to Florida residential customers because of the minimal margins available to a facilities-based or reseller CLEC. As a facilities-based CLEC, the UNE loop (installation and monthly recurring charges) is price-positioned to discourage entry into the residential market.

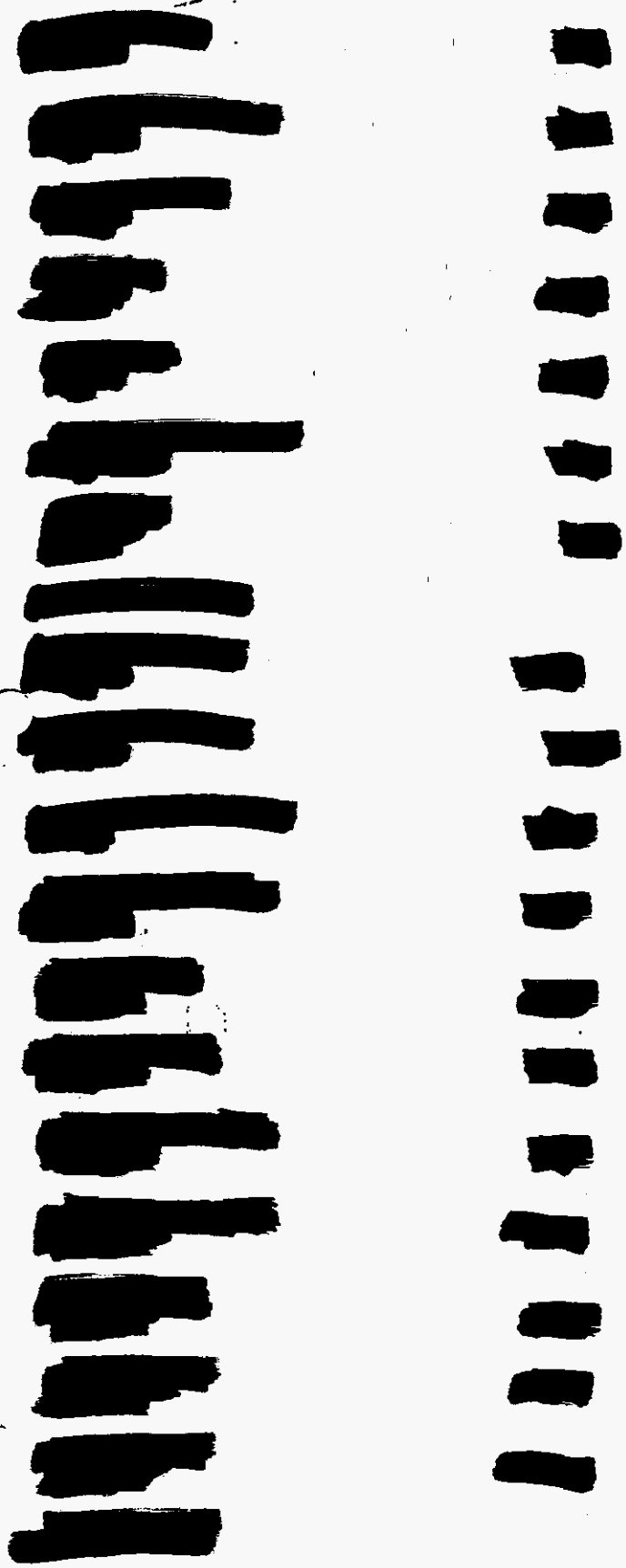
3b. N/A, FDN does not actively market local services to Florida residential customers.

3c. N/A, FDN does not actively market local services to Florida residential customers.

3d. N/A, FDN does not actively market local services to Florida residential customers.

4. Yes, FDN does provide xDSL. As of July 31, 2002, FDN provides IDSL in the following exchanges:

[redacted]



[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

5. No, FDN is not offering voice over DSL (VoDSL) service.

6. FDN uses the following delivery methods to provide telephone services to Florida businesses: Interconnection, Unbundled Network Elements, Special Access T1s, EEL T1s, MetroLAN T1s and Facility Based

6a. N/A. FDN does not resale telephone services to residential customers.

6b. N/A. FDN does not resale telephone services to business customers.

6c. FDN obtains the following types of unbundled network elements from the incumbent LEC:

Key
BellSouth: TY = SL1, 2 wire voice grade loop
BellSouth: LY = SL2, 2 wire voice grade loop
Sprint: UC = 2 wire voice grade loop
Verizon: TX =2 wire voice grade loop
Verizon: TY =2 wire voice grade loop

RATE CENTER	UNE	RATE CENTER	UNE	RATE CENTER	UNE	RATE CENTER	UNE

[redacted]

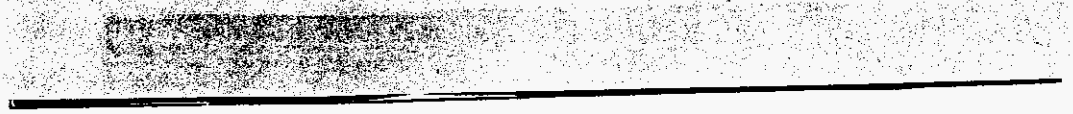
Key
BellSouth: EEL = EEL T1
BellSouth: SA = Special Access T1
BellSouth: UNE = UNE T1
Sprint: SA = Special Access T1
Sprint: UNE = UNE T1
Verizon: EEL = EEL T1
Verizon: MetroLAN = MetroLAN T1
Verizon: SA = Special Access T1
Verizon: UNE = UNE T1

RATE CENTER	T1	RATE CENTER	T1	RATE CENTER	T1	RATE CENTER	T1

6d. The following represents the quantity of unbundled local loops and T1s FDN obtains from the incumbent LECs:

Key
BellSouth: TY = SL1, 2 wire voice grade loop
BellSouth: LY = SL2, 2 wire voice grade loop
Sprint: UC = 2 wire voice grade loop
Verizon: TX =2 wire voice grade loop
Verizon: TY =2 wire voice grade loop

RATE CENTER	UNE QTY	RATE CENTER	UNE QTY	RATE CENTER	UNE QTY	RATE CENTER	UNE QTY



Key
BellSouth: EEL = EEL T1
BellSouth: SA = Special Access T1
BellSouth: UNE = UNE T1
Sprint: SA = Special Access T1
Sprint: UNE = UNE T1
Verizon: EEL = EEL T1
Verizon: MetroLAN = MetroLAN T1
Verizon: SA = Special Access T1
Verizon: UNE = UNE T1

RATE CENTER	T1 QTY	RATE CENTER	T1 QTY	RATE CENTER	T1 QTY

RATE CENTER	T1	QTY

6e. FDN is not serving any access lines through UNE Platform.

6f. In Florida, FDN deploys the following types of facilities to provide local telephone services: Nortel DMS500 voice (circuit-based) switches, OC-3, OC-12 and OC-48 and NGDLC (Nortel Access Node).

FDN deploys Nortel DMS500 switches in Fort Lauderdale, Jacksonville, Orlando and Tampa.

FDN uses multiple OC-3s for long haul transport to hub remote locations to Orlando. Fort Lauderdale, Jacksonville and Tampa equipment use multiple OC-3s that connect to Orlando equipment. Daytona Beach uses one OC-3 to hub to the Jacksonville DMS500 and Tampa has one OC-3 used to support end user T1s in that market.

FDN uses OC-12 for local interconnection with the incumbent LEC in the Fort Lauderdale, Jacksonville, Miami and Orlando markets.

FDN uses OC-48 for local interconnection with the incumbent LEC in the Fort Lauderdale, Jacksonville, Miami, Orlando and Tampa markets.

NGDLCs are deployed in all markets FDN serves. Specifically, the following LSOs are NGDLC capable:

6g. FDN does not provide local service to residential customers. The number of access lines provisioned solely over company-owned facilities is zero. FDN provisions all loops onto its own network using the incumbent LECs UNE loops.

6h. FDN does not sell business lines to Internet service providers (ISPs).

6i. The number of business access lines, by exchange, FDN provides to voicemail service providers are zero. FDN provides voice mail to its own customers, but does not sell access lines to other voice mail providers.

7a. N/A. FDN does not resale telephone services to residential customers.

7b. N/A. FDN does not resale telephone services to business customers.

7c. Please reference question 7d.

7d. The number of voice grade equivalent lines for unbundled local loops listed in question 6d is equal to a 1:1 basis. The number of voice grade equivalent lines for the T1s listed in question 6d is equal to 24 multiplied by the total number of T1s.

7e. FDN is not serving any access lines through UNE Platform.

7f. N/A, FDN does not provide voice grade equivalent lines via OC-3, 12 or 48.

7g. FDN does not provide local service to residential customers. The number of access lines provisioned solely over company-owned facilities is zero. FDN provisions all loops onto its own network using the incumbent LECs UNE loops.

7h. FDN does not sell business lines to Internet service providers (ISPs).

7i. The number of business access lines, by exchange, FDN provides to voicemail service providers are zero. FDN provides voice mail to its own customers, but does not sell access lines to other voice mail providers.

8a. FDN has four (4) Nortel DMS500 circuit-based switches in Fort Lauderdale, Jacksonville, Orlando, and Tampa to provide service to customers in Florida.

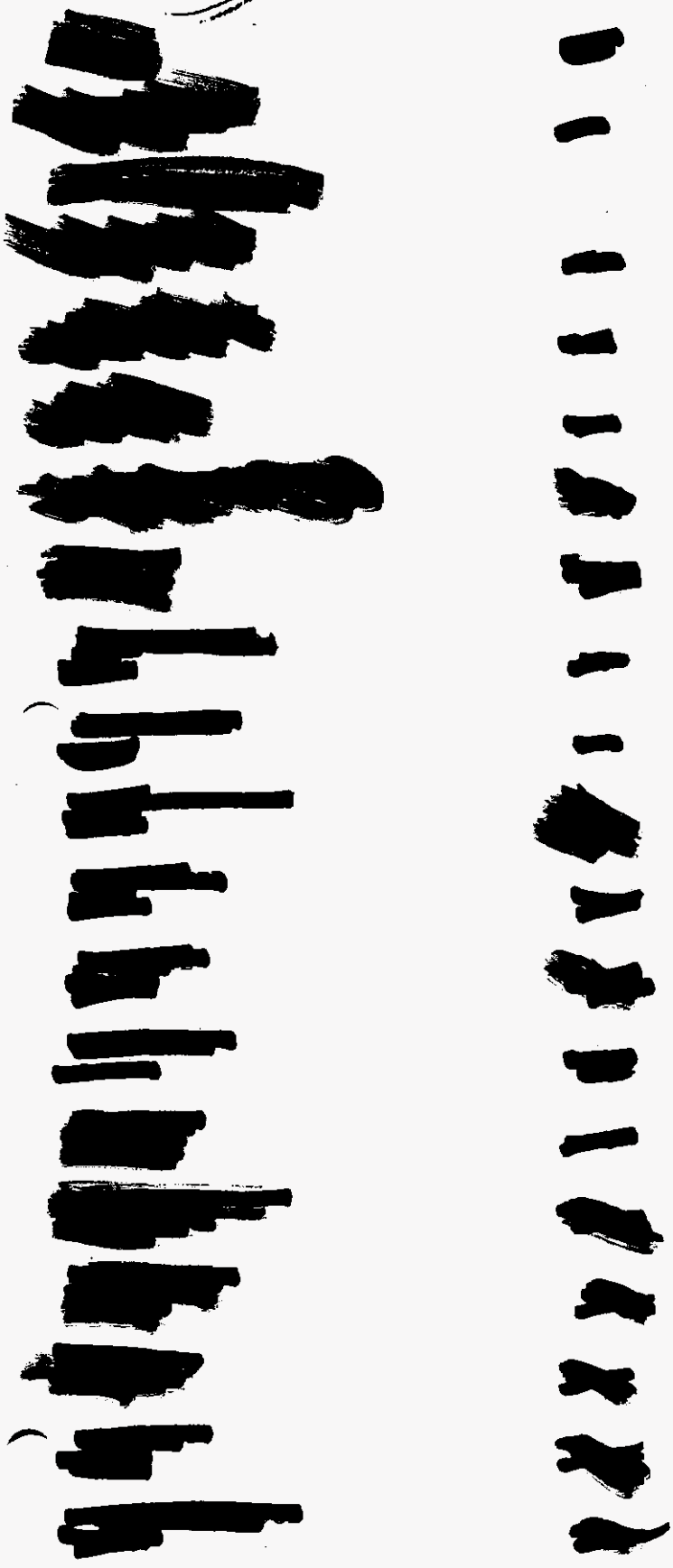
8b. FDN projects to have four (4) packet-based Marconi ATM ASX1000 switches within the next five (5) years.

8c. N/A, the question is not understood as to how transport facilities are defined.

9a. N/A, FDN is not currently providing residential local telephone service.

9b. The number of facility-based business access lines by central office served as of July 31, 2002 are:

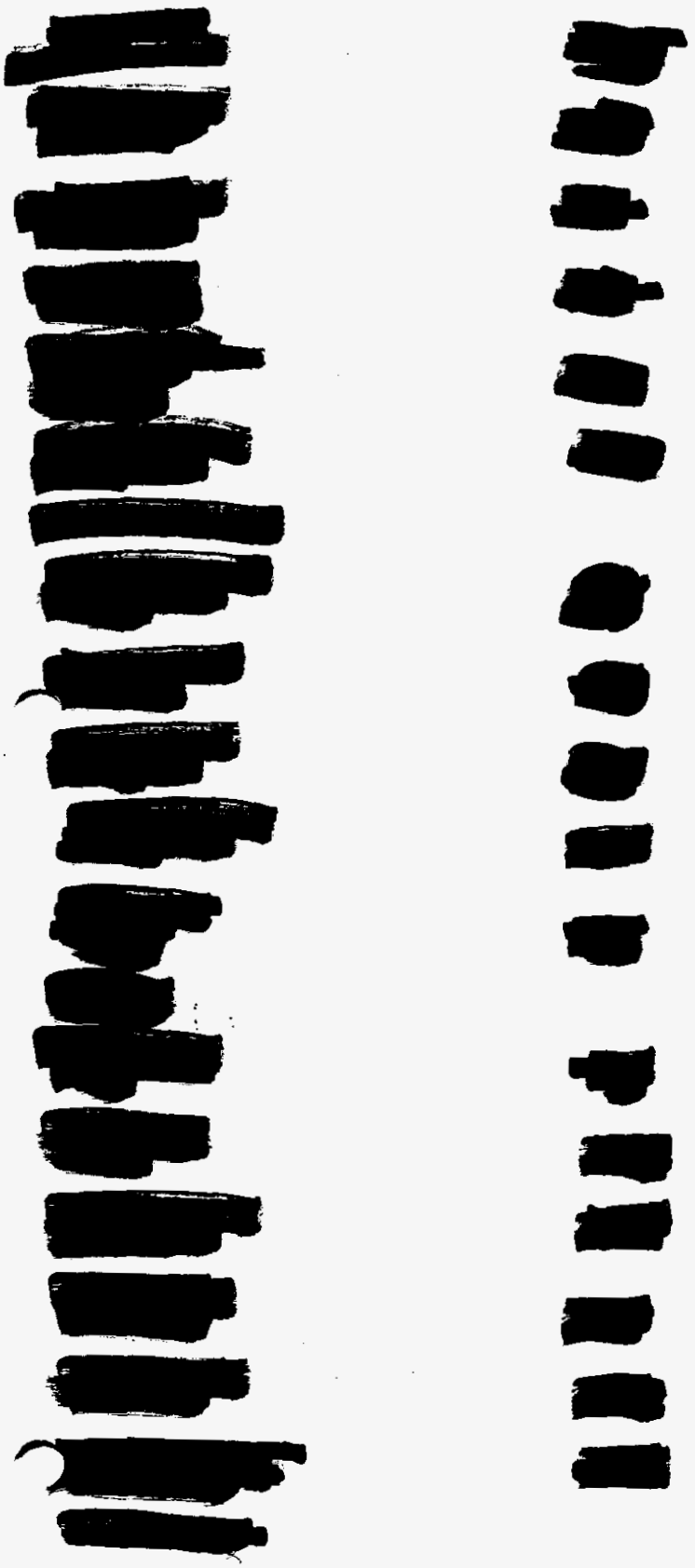
[redacted]



[redacted]

[redacted]

[redacted]



[redacted]

*Navigator is equipment used by FDN to deliver CLASS features for customer business lines that are serviced via a T1 facility.

10. N/A, FDN does not provide local phone service to residential customers.

11. Yes, FDN has experienced significant barriers in entering Florida's local exchange markets. These are the following obstacles/barriers encountered by FDN:
    1) The time frame from collocation application until the equipment can be installed. In some cases, this time frame has taken over one year. The average time frame for installation is over seven months. The process must be improved to reduce the barrier to entering Florida's local exchange markets.
    2) BellSouth's UNE SL-1 and SL-2 order process does not work to the benefit of the CLEC, thus not benefiting the customer. FDNs experience is that it is never known when a loop is going to be delivered until BellSouth decides to deliver the loop. This does not allow the CLEC to plan its work loads. BellSouth has refused to correct this issue.
    3) A lack of qualified resources and necessary quantity of personnel assigned to the teams that FDN is required to interface with at the UNE center and LCSC.
    4) In Sprint territory it is very difficult to compete as a large amount of lines are serviced behind "remotes" and FDN is not granted access to those remotes in order to provide customers with an alternate local provider.

12. FDN has experienced the following difficulties in agreements with the incumbent LECs:

    Generally, incumbent LECs do not provide service at parity though required by contract and federal law to do so. BellSouth does not provision moves, adds or changes for FDN customers in an interval equal to those BellSouth provides its own customers. Moreover, Verizon and BellSouth act improperly and anti-competitively by using service incidents/failings, which they cause to competitor customers as occasion to win back end-users. Such win back tactics are clearly more insidious than slamming.

    Sprint
    Sprint will not provision lines served through Sprint remote switching facilities at a reasonable ICB rate. In the past, Sprint estimated it would charge an exorbitant $18,000 to install the necessary facilities to serve such lines.

    a. Inconsistency on how Sprint handles RSU conversions/CIRAS orders. When a customer is behind an RSU FDN makes three to four phone calls throughout the process to ensure the order is processed. FDN has brought the issue to Sprint's attention on several occasions and Sprint's only response is to do nothing.
    b. Firm Order Confirmation dates for new loop installations are missed 75% of the time either by the field tech or caused by failure to communicate to the CLEC when the order has been completed. FDN has found

that the work has been completed; however Sprint does not update FDN via IRES due to Sprint system errors, therefore further delaying the CLEC from scheduling and completing the customer installation.

c. When a conversion is handled incorrectly by Sprint and the customer's service is brought down, Sprint is not held accountable resulting in the customer's service being down for 24-hours as Sprint requires FDN to open a trouble ticket.
d. Sprint's refusal to work with FDN on cooperatively testing ISDN circuits.

Verizon

a. The timeframe that Verizon works a CLEC order versus their own orders is vastly different (15 business days for a CLEC requesting a designed UNE loop compared to 48 hours if the customer contacts Verizon).
b. FDN is often told that there is no facilities (i.e., copper) to service a customer and FDN must pay for a facility update (bona fide request) in order to provide the customer service, however when the same customer contacts Verizon directly to have the same lines installed, there is not a charge nor is there a lack of facilities issue.
c. Inconsistency in both the quality of loop installations and testing procedures. The quality of the installation and the communication varies with each technician.
d. Order delays caused by channel and pair database differences between Verizon and FDN, often caused by the Verizon not processing a disconnect order properly and/or updating their records. Verizon has refused to provide FDN a list of working cable/pairs circuit IDs and Account Numbers so that FDN can check its database compared to Verizon's.
e. When a pending facility issue is identified, Verizon does nothing to track or resolve the issue. The CLEC is forced to submit supplemental LSRs blindly hoping that facilities have been allotted.
f. Verizon's refusal to work with FDN on cooperatively testing ISDN circuits.

13. FDN is a full-scale facility-based provider. FDN expects to continue providing service to Florida businesses via facilities-based technologies and possibly incorporating in specific central offices UNE-Platform, where acceptable margins can be established. FDNs long-term manner of providing service will differ from its current practice only as technologies allow for more efficient use of FDNs network.

[redacted]

Telephone Number Summary

Date	
7/31/2002	[redacted]

Exchanges in service

[redacted]

15a. No, during the last 12 months FDN has not provided local telephone services in Florida and then withdrawn the services.

15b. No, during the last 12 months, FDN has not expanded service offerings in Florida.

16a. FDNs primary line of business is to provide Basic Local Service.

16b. N/A, FDN is not involved in providing cable television in Florida.

16c. No, subscribing to both local telephone and long distance is not a condition for FDN providing service. A customer can remain on FDNs long distance service only (no local service) at an off-net rate of 9.9¢ per minute. FDN provides a rate of 7¢ per minute long distance if the subscriber combines local and long distance service. In all markets FDN operates, if the customer has both local and long distance service, the predetermined calling area (typically the LATA, except in the Tampa market) is rated as a local call for a flat fee of $7.95 per line.

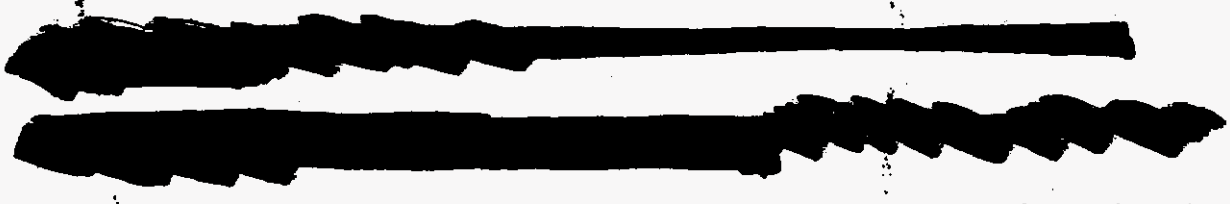
17. The actions available to the Florida Public Service Commission, which FDN believes must be taken to foster local exchange competitive market entry, are:
    1) The Florica Public Service Commission needs to incorporate a more "hands on" approach with how the incumbent LEC is treating the CLEC once the latter has began to submit orders.
    2) There must be a way to penalize the incumbent LECs for poor performance when cutting customers over to a CLEC (monetary penalties). For example, each time FDN loses a customer because the incumbent LEC has cut the customer's service off for 2 days, FDN will be compensated by the incumbent LEC for the term of the contract signed between FDN and the customer.

The actions that FDN believes must be taken by the Florida legislature to foster local exchange competitive market entry are:

1) A penalty clause to address the lack of response from the incumbent LEC when the incumbent LEC is clearly at fault.
2) Mandate faster, more reasonable time frames on collocation applications.
3) Set standards for the incumbent LECs to meet and audit the incumbent LECs performance between the length of time taken to process their orders versus CLEC orders. Incumbent LECs install their own lines in less than 48 hours. FDN does not even receive FOC for 48 hours.

18. FDN is currently obtaining the information required for FCC Form 477. Once FCC Form 477 is completed, a copy can be sent to the Florida PSC upon request.

19. FDN has not provided any information to Wall Street analysts for the period July 1, 2001 through June 30, 2002 that discusses the number of access lines FDN provides as an ALEC in Florida.



22. FDN has neither filed Chapter 7 nor Chapter 11 bankruptcy in the past, and is not currently operating under Chapter 7 or Chapter 11 protection, and does not anticipate possibly filing for Chapter 7 or Chapter 11 bankruptcy.

Florida Digital Network

2001 ALEC Data Request
Florida Digital Network (FDN)
August 16, 2001

1a. No, FDN is not providing "basic local service" to residential customers in Florida.

1b. N/A

1c. N/A

1d. Yes, FDN is providing "basic local service" to business customers in Florida.

[redacted]

1f. FDN's current rates for providing business "basic local service" in Florida are:

BellSouth Territory*

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 12	$28.31	$26.74	$26.11	$25.17
Flat Rate Business Line RG 11	$27.83	$26.28	$25.66	$24.73
Flat Rate Business Line RG 10	$27.24	$25.73	$25.12	$24.24
Flat Rate Business Line RG 9	$26.66	$25.18	$24.58	$23.70
Flat Rate Business Line RG 8	$25.88	$24.44	$23.87	$23.00
Flat Rate Business Line RG7	$25.06	$23.66	$23.11	$22.27
Flat Rate Business Line RG6	$24.23	$22.88	$22.34	$21.54
Flat Rate Business Line RG5	$23.20	$21.91	$21.40	$20.62
Flat Rate Business Line RG4	$22.28	$21.04	$20.54	$19.80

Sprint Territory*

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 6	$22.53	$21.28	$20.77	$20.02
Flat Rate Business Line RG 3	$17.74	$16.75	$16.36	$15.77

GTE Territory*

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 5	$26.91	$25.42	$24.82	$23.92

*All territories have a $50.00 installation charge for each line.

2. Yes, FDN is currently supporting multi-line business users, mandatory 900 blocking, and bundled service offerings.

2a. No, FDN is not currently providing other forms of local service to residential customers in Florida.

2b. N/A

2c. N/A

2d. Yes, FDN is currently providing other forms of local service to business customers in Florida.

2e. FDN provides other forms of local service, such as, multi-line business users, a mandatory 900 blocking scheme, and a bundled service offering, "Complete AXS™ for Business." The mandatory 900 blocking scheme consists of the following: 976, 1+ 976 and 1 + 900 numbers. Complete AXS™ for Business provides customers with a standard flat rate business line, one additional business listing and one foreign listing, hunting for multi-line users, and a choice of eight calling features from 22 to select from. There is no line limitation.

2f.

900 Blocking

Mandatory 900 blocking is provided at no cost to all FDN customers.

Multi-Line Business Users (BellSouth territory only)

Business Line	Monthly Term	1 Year Term	2 Year Term	3 Year Term
Flat Rate Business Line RG 12	$28.31	$26.74	$26.11	$25.17
Flat Rate Business Line RG 11	$27.83	$26.28	$25.66	$24.73
Flat Rate Business Line RG 10	$27.24	$25.73	$25.12	$24.24
Flat Rate Business Line RG 9	$26.66	$25.18	$24.58	$23.70
Flat Rate Business Line RG 8	$25.88	$24.44	$23.87	$23.00
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Flat Rate Business Line RG6	$24.23	$22.88	$22.34	$21.54
Flat Rate Business Line RG5	$23.20	$21.91	$21.40	$20.62
Flat Rate Business Line RG4	$22.28	$21.04	$20.54	$19.80

Complete AXS™ for Business

Description	FDN Price
Per Line	$37.60

Selectable Features
AXS Ring I
AXS Ring II
Call Block
Call Forward Busy Line
Call Forward Don't Answer
Call Forward Don't Answer w/Ring Control
Call Forwarding Variable
Call Return
Call Selector
Call Tracing
Call Waiting
Caller ID Basic
Caller ID Deluxe
Enhanced Caller ID w/ACR
Hunting
Message Waiting Indicator
Preferred Call Forwarding
Remote Access to Call Forwarding Variable
Repeat Dialing
Speed Calling 30
Speed Calling 8
Surrogate Client Number
Three-way Calling
Three-way Calling w/Transfer

3. FDN is currently using the following methods to deliver telephone services:
   Interconnection Agreement
   Unbundled Network Elements
   Special Access T1's
   EEL's
   Facility Based

3a. N/A. FDN does not resale or provide service to residential subscribers.

3b. N/A. FDN does not resale to business subscribers.

3c. The types of unbundled network elements, by exchange, FDN is obtaining from the incumbent LEC are:
SL-1, SL-2, DS-1 for all exchanges FDN has presence in. FDN obtains Conduit from the ILEC's for all tandem exchanges FDN has presence in. FDN is currently servicing the following markets: Orlando, Fort Lauderdale, West Palm Beach, Jupiter, Miami, Space Coast (Cocoa Beach area), Jacksonville and Tampa.

3d. The number of unbundled local loops, by exchange, FDN is obtaining from the incumbent LEC are: please see the answer to question 6.

3e. The types of facilities deployed by FDN in Florida to provide local telephone services are Nortel DMS-500 switches, OC-3, OC-12 and OC-48, NGDLC (Nortel Access Node). These facilities are deployed in Orlando, Jacksonville, Fort Lauderdale, Miami, West Palm, Space Coast, Jupiter and Tampa.

3f. The number of access lines provisioned solely over company-owned facilities are zero. FDN provisions all loops onto its own network using ILEC UNE loops.

3g. This question :s not understood. FDN has 5,000 of its own Internet customers. FDN does not sell to Internet service providers.

3h. The number of business access lines, by exchange, FDN provides to voicemail service providers are zero. FDN provides voice mail to its own customers, but FDN does not sell access lines to other voice mail providers.

4. Currently, FDN has 4 Nortel DMS 500 switches located in Orlando, Jacksonville, Fort Lauderdale and Tampa to provide service to customers in Florida.

5. N/A. FDN is not currently providing residential local telephone service.

6. The number of business access lines by Central Office served as of June 30, 2001 are:

FORT LAUDERDALE

Central Office

JACKSONVILLE

Central Office

MIAMI

Central Office

WORKING

ORLANDO

Central Office

[redacted]

SPACE COAST

Central Office

TAMPA

Central Office

WEST PALM / JUPITER

Central Office

7. No, FDN does not currently serve residential subscribers.

7a. Yes, FDN is currently offering the following enhanced services:
ADSL – via resell of BellSouth, Sprint, and Verizon.
IDSL and Fractional T-1 over T1 facility.

7b. Yes, FDN has experienced significant barriers in entering Florida's local exchange markets. These are the following obstacles/barriers encountered by FDN:

1) The time frame from collocation application until the equipment can be installed. In some cases, this time frame has taken over one year. The average time frame for installation is over seven months. The process must be improved to reduce the barrier to entering Florida's local exchange markets.
2) BellSouth's UNE SL-1 and SL-2 order process does not work to the benefit of the CLEC, thus not benefiting the customer. FDN's experience is that it is never known when a loop is going to be delivered until BellSouth decides to deliver the loop. This does not allow the CLEC to plan its work loads. BellSouth has refused to correct this issue.
3) A lack of qualified resources and necessary quantity of personnel assigned to the teams that FDN is required to interface with at the UNE center and LCSC.
4) In Sprint territory it is very difficult to compete as a large amount of lines are serviced behind "remotes" and FDN is not granted access to those remotes in order to provide customers with an alternate local provider.

7c. FDN has experienced the following difficulties in agreements with the incumbent LEC's:
For a significant period of time (1999 - mid 2001), BellSouth refused to pay reciprocal compensation for local traffic despite the fact that the FPSC had ruled that ISP-bound traffic was local traffic and therefore subject to reciprocal compensation obligations.

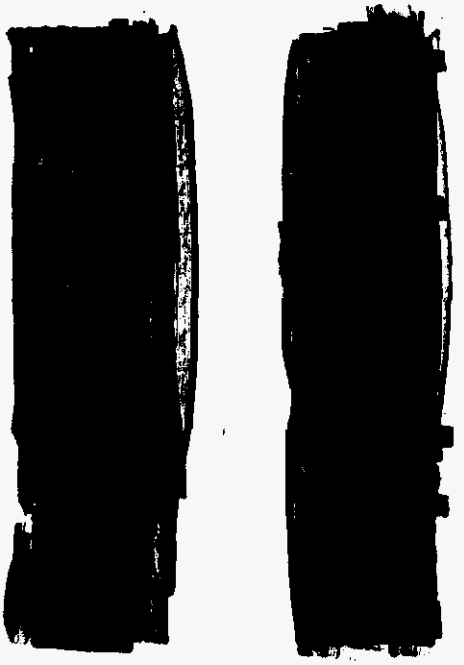
Generally, ILECs do not provide service at parity though required by contract and federal law to do so. BellSouth does not provision moves, adds or changes for FDN customers in intervals equal to those BellSouth provides its own customers. Verizon and BellSouth, in particular, do not provide adequate or fair service to competitor LECs. Moreover, Verizon and BellSouth act improperly and anti-competitively by using service incidents/failings which they cause to competitor customers as occasion to win back end-users. Such win back tactics are clearly more insidious than slamming.

The Commission must establish reasonable collocation prices for all Florida ILECs and set reasonable UNE rates for Verizon and Sprint.

Sprint will not provision lines served through Sprint remote switching facilities at a reasonable ICB rate. In the past, Sprint estimated it would charge an exorbitant $18,000 to install the necessary facilities to serve such lines.

7d. FDN is a full-scale facility-based provider. FDN's long-term manner of providing service will differ from its current practice only as technologies allow for more efficient use of FDN's network.

[redacted]



8. FDN's primary line of business is local telephone service.

9. No, during the last 12 months FDN has not provided local telephone services in Florida and then withdrawn the services.

10. No, FDN does not provide cable television in Florida.

11. No, subscribing to both local telephone and long distance is not a condition for FDN providing service. A customer can remain on FDN's long distance service only (no local service) at an off-net rate of 9.9 cents per minute. FDN provides a rate of 7 cents per minute long distance if the subscriber combines local and long distance service. In all markets FDN operates, if the customer has both local and long distance service, the applicable LATA is rated as a local call for a flat fee of $4.95 per line.

12. The actions available to the Florida Public Service Commission which FDN believes must be taken to foster local exchange competitive market entry are:
    1) The Florida Public Service Commission needs to incorporate a more "hands on" approach with how the ILEC is treating the CLEC once the latter has began to submit orders.
    2) There must be a way to penalize the ILEC's for poor performance when cutting customers over to a CLEC (monetary penalties). For example, each time FDN loses a customer because the ILEC has cut the customer off for 2 days, FDN will be compensated by the ILEC for the term of the contract signed between FDN and the customer.

The actions that FDN believes must be taken by the Florida legislature to foster local exchange competitive market entry are:
1) A penalty clause to address the lack of response from the ILEC when the ILEC is clearly at fault.
2) Mandate faster, more reasonable time frames on collocation applications.
3) Set standards for the ILEC's to meet and audit the ILEC's performance between the length of time taken to process their orders versus CLEC orders. ILEC's install their own lines in less than 48 hours. FDN does not even receive FOC for 48 hours.

13. FDN has not filed a Form 477 with the FCC.

14. No. FDN does not offer xDSL exclusively.
15. N/A
16. N/A
17. N/A

PROPRIETARY

FDN - Rate Changes and Growth in Access Lines

BellSouth Telecommunications, Inc.
FPSC Docket Nos. 020119/020578-TP
Rebuttal Exhibit JAR-6
November 25, 2002

FDN Tariffed Rates - Mulit-Line Business Users (Rates Effective Date: 3/24/01)			
Rate Group	Monthly Term	2 Year Term	3 Year Term
12	$28.31	$26.11	$25.17
11	$27.83	$25.66	$24.73
10	$27.24	$25.12	$24.24
9	$26.66	$24.58	$23.70
8	$25.88	$23.87	$23.00
7	$25.06	$23.11	$22.27
6	$24.23	$22.34	$21.54
5	$23.20	$21.40	$20.62
4	$22.28	$20.54	$19.80

FDN Tariffed Rates - Mulit-Line Business Users (Rates Effective Date: 1/1/02)			
Rate Group	Monthly Term	2 Year Term	3 Year Term
12	$31.41	$30.67	$29.56
11	$31.41	$30.67	$29.56
10	$31.41	$30.67	$29.56
9	$31.41	$30.67	$29.56
8	$29.71	$29.01	$27.96
7	$28.86	$28.18	$27.16
6	$28.01	$27.35	$26.36
5	$26.31	$25.69	$24.76
4	$25.46	$24.86	$23.96

FDN Rate Changes (Amount of Increase from 3/01 rates to 1/02 rates)			
Rate Group	Monthly Term	2 Year Term	3 Year Term
12	$3.10	$4.56	$4.39
11	$3.58	$5.01	$4.83
10	$4.17	$5.55	$5.32
9	$4.75	$6.09	$5.86
8	$3.83	$5.14	$4.96
7	$3.80	$5.07	$4.89
6	$3.78	$5.01	$4.82
5	$3.11	$4.29	$4.14
4	$3.18	$4.32	$4.16

BellSouth Multi-Line Business Tariffed Rates (Term Rates based on June Key)			
Rate Group	Monthly Term	2 Year Term	3 Year Term
12	$36.95	$33.26	$29.56
11	$36.95	$33.26	$29.56
10	$36.95	$33.26	$29.56
9	$36.95	$33.26	$29.56
8	$34.95	$31.46	$27.96
7	$33.95	$30.56	$27.16
6	$32.95	$29.66	$26.36
5	$30.95	$27.86	$24.76
4	$29.95	$26.96	$23.96
3	$28.95	$26.06	$23.16
2	$26.95		
1	$25.95		

Source: FDN's 11/6/02 Responses to BellSouth's 1st Set of Data Requests (#470440)

PROPRIETARY

FDN - Rate Changes
and Growth in Access Lines

BellSouth Telecommunications, Inc.
FPSC Docket Nos. 020119/020578-TP
Rebuttal Exhibit JAR-6
November 25, 2002

FDN Area Name	BellSouth CLLI	Zone	FDN Location Name	FDN Access Lines 6/30/01	FDN Access Lines 7/31/02	Percentage Increase

Source: FDN's 11/6/02 Responses to BellSouth's 1st Set of Data Requests
(#470440)

PROPRIETARY

FDN - Rate Changes
and Growth in Access Lines

BellSouth Telecommunications, Inc.
FPSC Docket Nos. 020119/020578-TP
Rebuttal Exhibit JAR-6
November 25, 2002

FDN Area Name	BellSouth CLLI	Zone	FDN Location Name	FDN Access Lines 6/30/01	FDN Access Lines 7/31/02	Percentage Increase

Source: FDN's 11/6/02 Responses to BellSouth's 1st Set of Data Requests
(#470440)

Margin Analyis

(UNE-P vs 3-Line Business Customer)

ALEC Purchases UNE-P to Serve its Florida end users

ALEC's Cost for UNE-P[1]:			Tariffed Rates BellSouth charges to its end users:		Rates BellSouth charges to its June 2002 Key Customer end users:	
UNE-P x 3 lines	Zone 1	$32.82	(RG 9-12) Business lines x 3	$110.85	(RG 9-12) Business lines x 3	$88.68
Features x 3 lines		$6.78	Hunting x 3 lines	$30.00	Hunting x 3 lines	$0.00
Usage[2] x 3 lines		$8.79	Subscriber Line Charge x 3	$23.52	Subscriber Line Charge x 3	$23.52
	Total Zone 1 MRC:	**$48.39**	**Total MRC:**	**$164.37**	**Total MRC:**	**$112.20**
UNE-P x 3 lines	Zone 2	$45.15	(RG 8) Business lines x 3	$104.85	(RG 8) Business lines x 3	$83.88
Features x 3 lines		$6.78	Hunting x 3 lines	$30.00	Hunting x 3 lines	$0.00
Usage x 3 lines		$8.79	Subscriber Line Charge x 3	$23.52	Subscriber Line Charge x 3	$23.52
	Total Zone 2 MRC:	**$60.72**	**Total MRC:**	**$158.37**	**Total MRC:**	**$107.40**
UNE-P x 3 lines	Zone 3	$77.40	(RG 7) Business lines x 3	$101.85	(RG 7) Business lines x 3	$81.48
Features x 3 lines		$6.78	Hunting x 3 lines	$30.00	Hunting x 3 lines	$0.00
Usage x 3 lines		$8.79	Subscriber Line Charge x 3	$23.52	Subscriber Line Charge x 3	$23.52
	Total Zone 3 MRC:	**$92.97**	**Total MRC:**	**$155.37**	**Total MRC:**	**$105.00**
[1]UNE-P and Features rates per FPSC UNE Orders			(RG 6) Business lines x 3	$98.85	(RG 6) Business lines x 3	$79.08
[2]$2.93 per line usage per Ms. Kennedy's estimate, actual ALEC usage may vary			Hunting x 3 lines	$30.00	Hunting x 3 lines	$0.00
			Subscriber Line Charge x 3	$23.52	Subscriber Line Charge x 3	$23.52
			Total MRC:	**$152.37**	**Total MRC:**	**$102.60**
			(RG 5) Business lines x 3	$92.85	(RG 5) Business lines x 3	$74.28
			Hunting x 3 lines	$30.00	Hunting x 3 lines	$0.00
			Subscriber Line Charge x 3	$23.52	Subscriber Line Charge x 3	$23.52
			Total MRC:	**$146.37**	**Total MRC:**	**$97.80**
			(RG 4) Business lines x 3	$89.85	(RG 4) Business lines x 3	$71.88
			Hunting x 3 lines	$30.00	Hunting x 3 lines	$0.00
			Subscriber Line Charge x 3	$23.52	Subscriber Line Charge x 3	$23.52
			Total MRC:	**$143.37**	**Total MRC:**	**$95.40**
			(RG 3) Business lines x 3	$86.85	(RG 3) Business lines x 3	$69.48
			Hunting x 3 lines	$30.00	Hunting x 3 lines	$0.00
			Subscriber Line Charge x 3	$23.52	Subscriber Line Charge x 3	$23.52
			Total MRC:	**$140.37**	**Total MRC:**	**$93.00**
			(RG 2) Business lines x 3	$80.85		
			Hunting x 3 lines	$30.00		
			Subscriber Line Charge x 3	$23.52		
			Total MRC:	**$134.37**		
			(RG 1) Business lines x 3	$77.85		
			Hunting x 3 lines	$30.00		
			Subscriber Line Charge x 3	$23.52		
			Total MRC:	**$131.37**		

(#469061)

CONFIDENTIAL

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 020119-TP
NO. 020578-TP & 021252-TP EXHIBIT NO. 14
COMPANY/
WITNESS: BellSouth's Response to FDN No. 23
DATE: 02/19/03

CONFIDENTIAL

BellSouth Telecommunications, Inc.
FPSC Docket No. 020119-TP
Florida Digital Network, 1st Set of Interrogatories
September 13, 2002
Item No. 23

REQUEST: State the total dollar value of all Winback discounts that have been credited to BellSouth customers in 2000, 2001, and 2002 (year to date). Differentiate between the Key Customer programs and any other BellSouth Winback discounts.

RESPONSE: BellSouth is still in the process of responding to this Interrogatory and will make a supplemental filing setting forth its response in the near future.

SUPPLEMENTAL RESPONSE: Subject to and without waiving its objections to this Interrogatory, through September 2002: BellSouth has provided approximately $4.9 million in Key Customer benefits to Florida customers who signed a contract under the January Key Customer offering; and BellSouth has provided approximately $191K in Key Customer benefits to Florida customers who signed a contract under the June Key Customer offering.

RESPONSE PROVIDED BY: Josh Schoenberg
Director
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

6.13.04
DECLASSIFIED

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP EXHIBIT NO. 14
COMPANY/ WITNESS: FDN
DATE: 2/19/03

PROPRIETARY

DOCUMENT NUMBER-DATE
01742 FEB 19 03
FPSC-COMMISSION CLERK

REQUEST: Referring to the exhibit attached to Mr. Gallagher's prefiled rebuttal testimony and marked for identification as MPG-5, state by year the total amount of revenue collected by BellSouth as a result of each of the rate changes that took place on or after January 2001 as shown in the exhibit.

OBJECTION: BellSouth objects to Interrogatory No. 34 on the grounds that its seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence; the issues in this proceeding involve the January 2002, June 2002, and the December 2002 Key Customer offerings and not the matters contained in Mr. Gallagher's rebuttal exhibit MPG-1.

RESPONSE: Subject to and without waiving the foregoing objections, for the year 2002, BellSouth estimates that it received approximately $14.8 million.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 020119-TP
NO. 020578-TP & 021252-TP EXHIBIT NO 15
COMPANY/
WITNESS: BellSouth's Response to FDN #34
DATE: 02/19/03

OPTIONAL PAYMENT PLAN AGREEMENT FOR MULTI-LINE FLAT RATE SERVICES

This Optional Payment Plan Agreement ("Agreement") is entered into pursuant to BellSouth's General Subscriber Services Tariff and provides the Customer an Optional Payment Plan Agreement for its Multi-Line Flat Rate Service. The Optional Payment Plan Agreement for Multi-Line Flat Rate Service requires the Customer to maintain a minimum of 10 Individual Business Exchange Access lines on the same Billing Account Number.

1. Customer shall be billed the Individual Line service rates, the Multi-Line Exchange Access Line Additive Rate and the rate for Rotary Service as specified in the tariff. Customer shall also receive a credit on these rates based on the term selected by Customer.

2. Customer hereby elects a term of __36__ months.

Term	Discount
24 months	3 percent
36 months	5 percent

3. Customer may use the same Option Payment Plan Agreement for multiple locations established at the same time. Additional Multi-Line Flat Rate Service added to an existing Optional Payment Plan Agreement will expire at the same time as the initial Multi-Line Flat Rate Service on the Optional Payment Plan. Multi-Line Flat Rate Service installed at other locations after the initial establishment of Multi-Line Flat Rate Service will have a new Optional Payment Plan Agreement associated with that specific location.

4. Subscriber's billing numbers for Multi-Line Flat Rate Services are listed on Addendum A and are included in this Agreement.

5. If the Customer terminates this Agreement or a service included in an Optional Payment Plan Agreement, prior to the expiration of the term, Customer shall be responsible for termination charges. Termination charges shall be equal to the number of months remaining in the Optional Payment Plan Agreement times the monthly rate for the service that is terminated prior to the expiration of the term.

6. Other rates and charges that are applicable to Multi-Line Flat Rate Service include but are not limited to Customer Calling services, Service Connection Charges and other surcharges shall apply as set forth in the tariff.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 16
COMPANY/
WITNESS. Florida Digital Network
DATE: 02/19/03

7. This Agreement shall be subject to and controlled by BellSouth's lawfully filed tariffs. In the event there is a conflict between this Agreement and the tariff, the tariff shall prevail.

Subscriber	BellSouth Telecommunications, Inc.
By: _____ Authorized Signature	By: _____ Authorized Signature
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

BellSouth Key Customer Program Subscriber Election – Georgia & Florida

The undersigned Subscriber desires to participate in the BellSouth Key Customer Program (the "Program"), and agrees to the following:

1. Subscriber is a new or existing BellSouth Telecommunications, Inc. ("BellSouth") business services subscriber in Georgia or Florida and has monthly-billed BellSouth regulated charges (as defined in the applicable BellSouth tariff) at each such location between $75 and $3,000 excluding hunting charges. Subscriber agrees to keep local services with BellSouth under its General Subscriber Service Tariff ("G.S.S.T.") or Private Line Services Tariff, for a minimum of eighteen (18) or thirty-six (36) months from the enrollment date in the Program. The enrollment date shall be determined by the first billing cycle date in which Subscriber receives the discount off its BellSouth regulated charges as set forth in paragraph 2, below.

2. Subscriber agrees to the following term and discount (Check One):

Monthly Billed BellSouth Regulated Charges*	☐ Eighteen (18) Month Term	☒ Thirty-six (36) Month Term
$75 - $3,000.00	10%	25%
Hunting Bonus Discount	50%	100%

*The total billed revenue consists of end-user monthly billed BellSouth regulated charges at qualifying locations, excluding: nonregulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies.

3. The Hunting Bonus Discount will apply to the Subscriber's recurring charge for the Hunting service commensurate with the term of the election Subscriber chooses. (Hunting is also defined as Rotary Line Service).

4. For each month during which this contract is in effect, Subscriber will receive the discount associated with Subscriber's monthly total billed BellSouth charges (as defined in the applicable BellSouth tariffs) for that particular month in each state as approved by regulatory authority. If such charges fall below the minimum revenue per month, discounts will not be applied for such locations. The applied discounts will appear as a credit in the Other Charges and Credits (OC&C) section of the Subscriber's bill. All business local service will continue after the election term has expired, after which Subscriber agrees to pay full tariffed charges.

5. In the event Subscriber discontinues business local service with BellSouth prior to the expiration of the term, Subscriber shall pay to BellSouth the amount of discounted charges for its local services that the Subscriber had received as a result of Subscriber's participation in the Program. In addition, Subscriber shall pay to BellSouth the amount of $100 representing the costs of administration and acquisition incurred by BellSouth. Tariffed termination liability charges may apply if applicable.

6. In the event Subscriber changes service locations for business local service, Subscriber shall notify its BellSouth Small Business Office to advise of the change in service location.

7. In the event Subscriber is switched without authorization by another carrier for business local service, Subscriber must call its BellSouth Small Business Office to continue the Program once the improperly switched account has been returned to BellSouth.

8. This election is subject to and controlled by the provisions of BellSouth's lawfully filed tariffs, including any changes therein as may be made from time to time.

SUBSCRIBER: _____

By: _____ (Signature)

_____ Print Name

_____ Title

_____ Date

_____ (Business Address)

_____ City/State

_____ (Business Telephone Number)

_____ (Additional Business Telephone Number(s))

_____ E-Mail Address (optional)

CUID_____

Florida ALEC Business Access Lines: Bell South Territory

Dates	Facilities Based 911 Listings	UNE-P	Resale	ALEC Total
February 2001	354,491	43,098	99,907	497,496
April 2002	584,779	107,975	7,696	700,450
July 2002	586,781	132,498	6,593	725,872
September 2002	594,163	143,144	6,215	743,522
Feb 2001 thru April 2002 (Net Additions)	230,288	64,877	-92,211	
14 months average	16,449/month	4,634/month	-6,587/month	
April 2002 thru Sept 2002 (Net Additions)	9,384	35,169	-1,481	
5 months average	1,877/month	7,034/month	-296/month	
BellSouth Key Customer Jan 2002 thru Sept 13, 2002 (net additions)	112,300			
9 months average	12,478/month			
	19% eligible market			

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 17
COMPANY/
WITNESS: Florida Digital Network
DATE: 02/19/03

REQUEST: When a customer contacts BellSouth, does the contacted BellSouth employee, agent or contractor have access to information regarding whether a CSR or LSR on the customer has been pulled or submitted by a competing carrier?

RESPONSE: BellSouth is still in the process of responding to this Interrogatory and will make a supplemental filing setting forth its response in the near future.

SUPPLEMENTAL RESPONSE: Personnel in BellSouth's security department and designated personnel whose job duties involve handling customer complaints that have been escalated to the Commission or to BellSouth's executive offices can identify when a customer service record ("CSR") has been accessed by a competing carrier. These personnel are not allowed to share this information with sales personnel. BellSouth retail sales personnel are not able to identify when a CSR has been accessed by a competing carrier.

In order to facilitate responding to specific customer requests, retail sales personnel can, on an account-by-account basis, access an LSR that a competing carrier has submitted. It is against BellSouth policy to use this information for the purpose of attempting to retain a customer or attempting to win a customer from a competing carrier.

SECOND SUPPLEMENTAL RESPONSE:

BellSouth monitors systems access by its employees and representatives, which monitoring is designed to ensure employees have access to only those systems required to execute the employees' job functions. BellSouth also conducts internal reviews to enforce its policies. During a recent review, BellSouth discovered that certain retail employees had the technical ability to gain access to raw data, which raw data can be interpreted so as to identify competing carrier activity on customer accounts.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 020119-TP
NO. 020578-TP & 021252-TP EXHIBIT NO. 18
COMPANY/
WITNESS: Florida Digital Network
DATE: 02/19/03

The review resulted in the generation of no evidence that retail employees with the theoretical systems access actually attempted to use the raw data files to identify competing carrier activity on customer accounts, in large part because the technical access to this data and the technical ability to use the raw data files to identify such activity is not generally known to employees. In order to actually use the raw data files, a certain level of technical expertise is required, and there is no indication that the employees that had the systems access to the raw data have either the knowledge or technical skill required to identify competing carrier activity on customer accounts. BellSouth is taking steps to restrict the systems access of the identified employees such that there will be no even theoretical ability to access the raw data and BellSouth will continue to restrict the systems access to the raw data to only those employees that need such data to execute their job duties and functions (for example, personnel in the security department and/or Internal Audit).

RESPONSE PROVIDED BY:

John Ruscilli
Senior Director
675 West Peachtree Street
Atlanta, Georgia 30375

Gary Hasty
Internal Audit Manager
1155 Peachtree Street
Atlanta, Georgia 30309

Bert Hogeman
Attorney
675 West Peachtree Street
Atlanta, Georgia 30375

BellSouth Telecommunications, Inc.
Florida Public Service Commission
Docket Nos. 020119-TP/020578-TP
Exhibit JPC-1

BellSouth Key Customer Program Subscriber Election – Georgia & Florida

The undersigned Subscriber desires to participate in the BellSouth Key Customer Program (the "Program"), and agrees to the following:

1. Subscriber is a new or existing BellSouth Telecommunications, Inc. ("BellSouth") business services subscriber in Georgia or Florida and has monthly billed BellSouth regulated charges* (as defined in the applicable BellSouth tariff) at each such location between $75 and $3,000 excluding hunting charges. Subscriber agrees to keep local services with BellSouth under its General Subscriber Services Tariff ("G.S.S.T.") or Private Line Services Tariff, for a minimum of eighteen (18) or thirty-six (36) months from the enrollment date in the Program. The enrollment date shall be determined by the first billing cycle date in which Subscriber receives the discount off its BellSouth regulated charges as set forth in paragraph 2, below.

2. Subscriber agrees to the following term and discount (Check One):

Monthly Billed BellSouth Regulated Charges*	☐ Eighteen (18) Month Term	☐ Thirty-six (36) Month Term
$75 - $3,000.00	10%	25%
Hunting Bonus Discount	50%	100%

*The total billed charges consists of end-user monthly billed BellSouth regulated charges at qualifying locations excluding: nonregulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies.

3. The Hunting Bonus Discount will apply to the Subscriber's recurring charge for the Hunting service commensurate with the term of the election Subscriber chooses. (Hunting is also defined as Rotary Line Service).

4. For each month during which this contract is in effect, Subscriber will receive the discount associated with Subscriber's monthly total billed BellSouth charges* (as defined in the applicable BellSouth tariffs) for that particular month in each state as approved by regulatory authority. If such charges fall below the minimum revenue per month, discounts will not be applied for such locations. The applied discounts will appear as a credit in the Other Charges and Credits (OC&C) section of the Subscriber's bill. All business local service will continue after the election term has expired, after which Subscriber agrees to pay full tariffed charges.

5. In the event Subscriber discontinues business local service with BellSouth prior to the expiration of the term, Subscriber shall pay to BellSouth the amount of discounted charges for its local services that the Subscriber had received as a result of Subscriber's participation in the Program. In addition, Subscriber shall pay to BellSouth the amount of $100 representing the costs of administration and acquisition incurred by BellSouth. Tariffed termination liability charges may apply if applicable.

6. In the event Subscriber changes service locations for business local service, Subscriber shall notify its BellSouth Small Business Office to advise of the change in service location.

7. In the event Subscriber is switched without authorization by another carrier for business local service, Subscriber must call its BellSouth Small Business Office to continue the Program once the improperly switched account has been returned to BellSouth.

8. This election is subject to and controlled by the provisions of BellSouth's lawfully filed tariffs, including any changes therein as may be made from time to time.

SUBSCRIBER: _____ **(Business Name)**

By: _____ **(Signature)**

Print Name

Title

Date

Version 010902

_____ **(Business Address)**

City/State

(Business Telephone Number)

(Additional Business Telephone Number(s))

E-Mail Address (optional)

Representative Name_____ **CUID**_____

Telephone # for Questions_____

DOCUMENT NUMBER-DATE
11581 OCT 23 02
FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 19
COMPANY/ WITNESS: BellSouth / John P. Casey
DATE: 02/19/03

BellSouth Telecommunications, Inc.
Florida Public Service Commission
Docket Nos. 020119-TP/020578-TP
Exhibit JPC-2

BellSouth Key Customer Program Subscriber Election –Florida

The undersigned Subscriber desires to participate in the BellSouth Key Customer Program (the "Program"), and agrees to the following:

1. Subscriber is a new or existing BellSouth Telecommunications, Inc. ("BellSouth") business services subscriber and has monthly total billed BellSouth regulated charges* (as defined in the applicable BellSouth tariff) at each such location between $75 and $3,000 excluding hunting, analog private line and ISDN PRI charges. Subscriber agrees to keep local services with BellSouth under its General Subscriber Services Tariff ("G.S.S.T.") or Private Line Services Tariff for a minimum of twenty-four (24) or thirty-six (36) months from the enrollment date in the Program. The enrollment date shall be determined by the first billing cycle date in which Subscriber receives the reward as a result of its BellSouth regulated charges as set forth in paragraph 2, below.

2. Subscriber agrees to the following term and reward (Check One):

Monthly Billed BellSouth Regulated Charges*	❑ Twenty-Four (24) Month Term	❑ Thirty-six (36) Month Term
$75 - $3,000.00	10%	20%
Hunting Bonus Reward	50%	100%

*The total billed charges consists of end-user monthly billed BellSouth regulated charges at qualifying locations excluding: nonregulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies.

3. The Hunting Bonus Reward will apply to the Subscriber's recurring charge for the Hunting service commensurate with the term of the election Subscriber chooses. (Hunting is also defined as Rotary Line Service).

4. Participant must be a BellSouth customer at the time of the reward. The applied rewards will appear as a credit in the Other Charges and Credits (OC&C) section of the Subscriber's bill in a subsequent billing period, usually within one or two billing cycles. Subscriber will receive the reward associated with Subscriber's monthly total billed BellSouth charges* (as defined in the applicable BellSouth tariffs) for the previous month in each state while this term election is in effect. If such charges fall below the minimum charges per month, rewards will not be applied for such locations. Should Subscriber's charges exceed the $3,000 threshold, the Subscriber will only receive the maximum reward allowed under this Program for charges up to $3,000. Unless the Subscriber takes other action, all business local service will continue after the election term has expired after which Subscriber agrees to pay full tariffed charges.

5. In the event the Subscriber terminates the term election agreement, the Subscriber must pay to BellSouth a termination charge as provided below for the number of months remaining on such agreed upon term. In addition, the Subscriber shall reimburse all rewards for line connection charges. This termination charge will appear on the Subscriber's final bill as a charge in the OC&C section.

Monthly TBR at time of enrollment	Set charge to be multiplied by number of months remaining on term
$75 - $149.99	$25
$150 - $3,000	$40

6. In the event Subscriber changes service locations for business local service, Subscriber shall notify its BellSouth Small Business Office to advise of the change in service location.

7. In the event Subscriber is switched without authorization by another carrier for business local service, Subscriber must call its BellSouth Small Business Office to continue the Program once the improperly switched account has been returned to BellSouth.

8. Applicable taxes and fees will be based on the full tariff price of all products and services, and no taxes or fees will be added to the amount of any reward under this program.

9. Subscribers who participate in the promotion and subscribe to new service during the promotional period will receive an additional reward equal to the line connection charges associated with the service order. This will include the line connection charge (first and additional lines, line equivalent and trunks).

10. This term election is subject to and controlled by the provisions of BellSouth's lawfully filed tariffs, including any changes therein as may be made from time to time.

SUBSCRIBER: _____
(Business Name)

By: _____
(Signature)

_____
Print Name

_____
Title

_____
Date

Version 071502

_____
(Business Address)

_____
City/State

_____
(Business Telephone Number)

_____
(Additional Business Telephone Number(s))

_____
E-Mail Address (optional)

Representative Name_____ **CUID**_____

Telephone # for Questions_____

1634

BELLSOUTH

BellSouth Telecommunications, Inc.
Suite 400
150 South Monroe Street
Tallahassee, FL 32301-1556

marshall.criser@bellsouth.com

Marshall M. Criser III
Vice President
Regulatory & External Affairs

850 224 7798
Fax 850 224 5073

January 15, 2002

Mr. Dan Hoppe, Director
Division of Regulatory Oversight
Attn: Tariff Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Hoppe:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following are the affected tariff pages:

General Subscriber Service Tariff
Section A2 – Thirteenth Revised Page 34.0.2

This promotion is an 18 or 36 month offering targeting BellSouth customers in specific Wire Centers. The promotion will begin January 31, 2002 and end June 25, 2002.

Program Eligibility

- Available to new, existing and former BellSouth business customers
- Monthly BST revenue for subscriber's location must be $75 to $3,000
- Subscriber's location must be served out of an eligible wire center.
- Subscriber must sign a 18 or 36 month agreement to receive the discounts

Promotion Elements

- Subscribers, who participate in the promotion and purchase new service during the promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks).
- Subscribers meeting the eligibility requirements will receive the base discount and may be eligible to receive the hunting discount based upon having BellSouth hunting service.
- Base discount: Specified % discount off subscriber's total billed revenue (TBR) from the GSST A and PLS B tariffs.

Monthly TBR	18 Month	36 Month
$75 - $3000	10%	25%
Hunting Discount	50%	100%

- Hunting discount: Subscribers that have hunting service are eligible to receive 50% or 100% off their monthly hunting charges in addition to the base discount depending on selected term.
- *Internet Offer: Customer may choose one of the following offers:

OFFICE COPY

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP
EXHIBIT NO. 20 Exhibit CG-1 through CG4
COMPANY/ WITNESS: BellSouth/ Carlos Garcia
DATE: 02/19/03

Product	18 Month	36 Month
DSL	Waiver of fee 1 Month	Waiver of fee 2 Months
Web Hosting Site Builder Plans	Waiver of fee 3 months	Waiver of fee 3 months
Web Hosting Shared Web Hosting Basic Plan – Plan C	Waiver of fee 3 months	Waiver of fee 3 months
Dedicated Internet Access	$30 off monthly credit on BellSouth Internet charges	$40 off monthly credit on BellSouth Internet charges

*Waiver not good on existing service.

- Base customer discount is based on end-user monthly total billed BST charges
  - The total billed revenue consists of all total billed BST charges (recurring, non-recurring and usage) excluding the following unregulated charges:
    - BellSouth Internet Service charges
    - Cingular Wireless
    - taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.
- Participant must be a BST customer at the time of the discount to receive the discount. The discount will appear as a credit in the OC&C section of the subscriber's bill.
- In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and hunting offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section.
- In addition to the reimbursement for the base and hunting discounts, the subscriber will also incur a charge for the waived non-recurring charges (line connection charges) and all other costs directly related to subscriber's premature termination.
- In addition, as provided in the Internet addendum, the customer must also pay back all discounts or credits related to Internet service option.
- Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in a Hot Wire Center and one location meets the revenue requirement.
- Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue may have all locations participate as long as it is billed under the same account and at least one location is located in a Hot Wire Center

Promotion Restrictions

- Customers with aggregate annual billing per state of BellSouth services exceeding $36,000 are not eligible to participate in this tariffed promotion.
- Base and hunting discounts (for hunting service) apply only to BST total billed charges within a state, not across states.
- Customers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion.
- Customers with Analog Private Line are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous local exchange services term contract program.
- Customers currently participating in SBS Small Business Promotion (Hunting Term Promo) may migrate to this promotion without incurring any termination liability from the other program specifications.
- BellSouth reserves the right to terminate this program at any time; provided, however, that subscribers participating in the program will be grandfathered for the term of their agreement.

Wire Center Qualification

- The wire centers were chosen based upon total cumulative lines lost as well as the velocity of losses, based on a three month rolling average and market share.

Acknowledgment, date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser III

Regulatory Vice President
Attachments

EXECUTIVE SUMMARY

The purpose of these revisions is to allow BellSouth to offer business customers a Key Customer Promotion from January 31, 2002 to June 25, 2002. This promotion is an 18 or 36 month offering targeting BellSouth customers in specific Wire Centers.

Program Eligibility

- Available to new, existing and former BellSouth business customers
- Monthly BST revenue for subscriber's location must be $75 to $3,000
- Subscriber's location must be served out of an eligible wire center.
- Subscriber must sign a 18 or 36 month agreement to receive the discounts

Promotion Elements

- Subscribers, who participate in the promotion and purchase new service during the promotional period, will receive a waiver on all line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks).
- Subscribers meeting the eligibility requirements will receive the base discount and may be eligible to receive the hunting discount based upon having BellSouth hunting service.
- Base discount: Specified % discount off subscriber's total billed revenue (TBR) from the GSST A and PLS B tariffs.

Monthly TBR	18 Month	36 Month
$75 - $3000	10%	25%
Hunting Discount	50%	100%

- Hunting discount: Subscribers that have hunting service are eligible to receive 50% or 100% off their monthly hunting charges in addition to the base discount depending on selected term.
- *Internet Offer: Customer may choose one of the following offers:

Product	18 Month	36 Month
DSL	Waiver of fee 1 Month	Waiver of fee 2 Months
Web Hosting Site Builder Plans	Waiver of fee 3 months	Waiver of fee 3 months
Web Hosting Shared Web Hosting Basic Plan – Plan C	Waiver of fee 3 months	Waiver of fee 3 months
Dedicated Internet Access	$30 off monthly credit on BellSouth Internet charges	$40 off monthly credit on BellSouth Internet charges

*Waiver not good on existing service

- Base customer discount is based on end-user monthly total billed BST charges
  - The total billed revenue consists of all total billed BST charges (recurring, non-recurring and usage) excluding the following unregulated charges:
    - BellSouth Internet Service charges
    - Cingular Wireless
    - taxes, late payment charges, charges billed pursuant to Federal or State Access Service Tariffs, charges collected on behalf of municipalities (including, but not limited to surcharges for 911 service and dual party relay service), and charges for services provided by other companies.
- Participant must be a BST customer at the time of the discount to receive the discount. The discount will appear as a credit in the OC&C section of the subscriber's bill.
- In the event the subscriber terminates the contract; the subscriber must pay back all the discounts. This reimbursement for the base and hunting offer is to pay back all monetary discounts received as a result of being on this program. This payback will appear on the subscriber's final bill as a charge in the OC&C section.
- In addition to the reimbursement for the base and hunting discounts, the subscriber will also incur a charge for the waived non-recurring charges (line connection charges) and all other costs directly related to subscriber's premature termination.
- In addition, as provided in the Internet addendum, the customer must also pay back all discounts or credits related to Internet service option.
- Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in a Hot Wire Center and one location meets the revenue requirement.
- Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue may have all locations participate as long as it is billed under the same account and at least one location is located in a Hot Wire Center

Promotion Restrictions

- Customers with aggregate annual billing per state of BellSouth services exceeding $36,000 are not eligible to participate in this tariffed promotion.
- Base and hunting discounts (for hunting service) apply only to BST total billed charges within a state, not across states.
- Customers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion.
- Customers with Analog Private Line are not eligible to participate in this promotion.
- This promotion may not be used concurrently with any previous local exchange services term contract program.
- Customers currently participating in SBS Small Business Promotion (Hunting Term Promo) may migrate to this promotion without incurring any termination liability from the other program specifications.
- BellSouth reserves the right to terminate this program at any time; provided, however, that subscribers participating in the program will be grandfathered for the term of their agreement.

Wire Center Qualification

The wire centers were chosen based upon total cumulative lines lost as well as the velocity of losses, based on a three month rolling average and market share.

PROPOSED TARIFF PAGES

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are ***on file with*** the Commission: (Cont'd) (T)

Area of Promotion	Service	Charges Waived	Period Authority	
(DELETED)				(D)
(DELETED)				(D)
BellSouth's Service Territory[1]	2002 Key Customer Program -For business customers served from hot wire centers[2]. -Customers with Analog Private Line service are not eligible for this promotion. -Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.	-Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 18 months $75 - $3,000 10% Monthly TBR - 36 months $75 - $3,000 25% -50% discount will be given on Rotary Service for a contract period of 18 months. -100% discount will be given on Rotary Service for a contract period of 36 months. -Line Connection Charges will be waived during the promotion sign-up period.	01/31/02 to 06/25/02	(N)

Note 1: Customer may elect to participate only once during each promotion.

Note 2: The list of hot wire centers that are eligible for this promotion is listed on Page 34.0.2.1. (N)

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are *on file with* the Commission: (Cont'd) (T)

Eligible Hot Wire Centers	Key Customer 2002		
BCRT BOCA TEECA	HTCHNSON IS MAIN	MIAM W. DADE	(N)
BOCA RATON MAIN	JCBH-MAIN	MIAM W. MIAMI	(N)
BCRT SANDALFOOT	JCVL-ARLINGTON	MELBOURNE	(N)
BROOKSVILLE	JCVL-BEACHWOOD	MILTON RAVINE	(N)
BELLE GLADE MAIN	JCVL-FT CAROLINE	MNDR-LORETTO	(N)
BUNNEL	JCVL-LAKE FOREST	NDAD ARCH CREEK	(N)
BOYNTON BEACH MAIN	JCVL-INT'L AIRPORT	NDAD BRENTWOOD	(N)
COCOA BEACH	JCVL-NORMANDY	JCVL-CLAY STREET MOO	(N)
COCOA-MAIN	JCVL-OCEANWAY	NDAD GOLDEN GLADES	(N)
COCOA-MERRITT ISLAND	JCVL-RIVERSIDE	NDAD OLETA	(N)
DEBARY DELTONA	JCVL-SAN JOSE	NEW SMYRNA BCH	(N)
DEBARY MAIN	JCVL-SAN MARCO	ORLD-AZALEA PARK	(N)
DELAND	JCVL-SOUTHPOINT	ORLD-COLONIAL	(N)
DLBH KINGS POINT	JCVL-WESCONNETT	ORLD-MAGNOLIA	(N)
DELRAY BCH MAIN	JUPITER MAIN	ORLD-PINECASTLE	(N)
DEERFIELD BEACH MAIN	KEY WEST MAIN	ORLD-PINEHILLS	(N)
DYBH-MAIN	LAKE CITY	ORLD-SAND LAKE	(N)
DYBH-ORMND BCH	LAKE MARY	ORPK-MAIN	(N)
DYBH-PORT ORANGE	MIAM ALHAMBRA	ORPK-RIDGEWOOD	(N)
EGLL-INDN HBR BH	MIAM ALLAPATTAH	OVIEDO	(N)
EGLL-BOWE GDNS	MIAM AIRPORT	PERRINE MAIN	(N)
FT LAUD MAIN RELIEF	MIAM BAYSHORE	PANAMA CITY BEACH	(N)
FT CORAL RIDGE	MIAM BISCAYNE	PANAMA CITY MAIN	(N)
FTLD CYPRESS	MIAM BEACH	PMBH CORAL SPRINGS	(N)
FTLD JACARANDA	MIAM CANAL	PMBH FEDERAL	(N)
FTLD OAKLAND	MIAM DADELAND BLVD	PMBH MARGATE	(N)
FTLD PLANTATION	MIAM FLAGLER	PMBH TAMARAC	(N)
FTLD SAWGRASS	MIAM GRANDE	PNSC-BELMONT	(N)
FTLD SUNRISE	MIAM HIALEAH	PNSC-FERRY PASS	(N)
FTLD WESTON	MIAM INDIAN CREEK	PNSC WARRNGTON	(N)
FERNANDINA BCH	MIAM KEY BISCAYN	PONTE VEDRA BCH	(N)
FORT PIERCE MAIN	MIAM METRO	PALM COAST	(N)
GULF BREEZE	MIAM NORTH MIAMI	PALATKA	(N)
GSVL-MAIN	MIAM NORTHSIDE	PORT ST. LUCIE MAIN	(N)
GSVL-NORTHWEST	MIAM OPA LOCKA	PTSL SOUTH PTSL	(N)
HLWD HALLANDALE	MIAM PALMETTO	SANFORD-O-WS	(N)
HLWD PEMBROKE PINES	MIAM POINCIANA	STAG-MAIN	(N)
HLWD WEST HOLLYWOOD	MIAM RED ROAD	STUART MAIN	(N)
HOLLYWOOD MAIN	MIAM MIAMI SHORES	TITUSVILLE	(N)
HOMESTEAD MAIN	MIAM SILVER OAKS	VERO BEACH MAIN	(N)
		WPBH GARDENS	(N)
		WPBH GREENACRES	(N)
		WPBH HAVERHILL	(N)
		WPBH MAIN ANNEX	(N)
		WPBH LAKE WORTH	(N)
		WPBH RIVIERA BCH	(N)
		WPBH RYL PLM BCH	(N)
		WWSP-HIGHLAND	(N)
		WWSP-SPRING HILL	(N)

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are ~~approved by~~ on file with the Commission: (Cont'd) (T)

Area of Promotion	Service	Charges Waived	Period	Authority	
~~BellSouth's Service Territory[1] From Central Offices where Caller ID features are available.~~ (DELETED)	~~Caller ID Deluxe, Enhanced Caller ID, Enhanced Caller ID with Call Management and Caller ID with Call Management and Call Forwarding~~	~~Nonrecurring charges and one month's recurring charges~~	~~1/22/01 to 12/31/01~~		(D)
~~(DELETED)~~ ~~BellSouth's Service Territory[1]~~ (DELETED)	~~2001 Key Customer Program For business customers served from wire centers in competitive situations. Customers with Analog Private Line service are not eligible for this promotion. Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.~~	~~Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR 18 months $1,000 $3,000 14% $150 $999.99 10% $100 $149.99 6% Monthly TBR 36 months $1,000 $3,000 18% $150 $999.99 14% $100 $149.99 10% 50% discount will be given on Rotary Line service for a contract period of 18 months. 75% discount will be given on Rotary Line service for a contract period of 36 months. Line Connection Charges will be waived during the promotion sign-up period.~~	~~06/26/01 to 06/25/02~~		(D) (N)(D)
BellSouth's Service Territory[1]	2002 Key Customer Program For business customers served from hot wire centers[2]. Customers with Analog Private Line service are not eligible for this promotion. Customers with Volume and Term Contract Service Arrangements are not eligible to participate in this promotion.	Eligible monthly revenue is discounted at percentages listed below based on monthly total billed revenue (TBR) and applied as a credit each month on the customer's bill: Monthly TBR - 18 months $75 - $3,000 10% Monthly TBR - 36 months $75 - $3,000 25% 50% discount will be given on Rotary Service for a contract period of 18 months. 100% discount will be given on Rotary Service for a contract period of 36 months.	01/31/02 to 06/25/02		(N)

[1] Registered Service Mark of BellSouth Intellectual Property Corporation

~~Line Connection Charges~~
~~will be waived during the~~
~~promotion sign-up period.~~

Note 1: Customer may elect to participate only once during each promotion.

Note 2: The list of hot wire centers that are eligible for this promotion is listed on Page 34.0.2.1 (N)

* Registered Service Mark of BellSouth Intellectual Property Corporation

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are approved by on file with the Commission: (Cont'd)

Eligible Hot Wire Centers	Key Customer 2002	
BCRT BOCA TEECA	HTCHNSON IS MAIN	MIAM W. DADE
BOCA RATON MAIN	JCBH-MAIN	MIAM W. MIAMI
BCRT SANDALFOOT	JCVL-ARLINGTON	MELBOURNE
BROOKSVILLE	JCVL-BEACHWOOD	MILTON RAVINE
BELLE GLADE MAIN	JCVL-FT CAROLINE	MNDR-LORETTO
BUNNEL	JCVL-LAKE FOREST	NDAD ARCH CREEK
BOYNTON BEACH MAIN	JCVL-INTL AIRPORT	NDAD BRENTWOOD
COCOA BEACH	JCVL-NORMANDY	JCVL-CLAY STREET MGO
COCOA-MAIN	JCVL-OCEANWAY	NDAD GOLDEN GLADES
COCOA-MERRITT ISLAND	JCVL-RIVERSIDE	NDAD OLETA
DEBARY DELTONA	JCVL-SAN JOSE	NEW SMYRNA BCH
DEBARY MAIN	JCVL-SAN MARCO	ORLD-AZALEA PARK
DELAND	JCVL-SOUTHPOINT	ORLD-COLONIAL
DLBH KINGS POINT	JCVL-WESCONNETT	ORLD-MAGNOLIA
DELRAY BCH MAIN	JUPITER MAIN	ORLD-PINECASTLE
DEERFIELD BEACH MAIN	KEY WEST MAIN	ORLD-PINEHILLS
DYBH-MAIN	LAKE CITY	ORLD-SAND LAKE
DYBH-ORMND BCH	LAKE MARY	ORPK-MAIN
DYBH-PORT ORANGE	MIAM ALHAMBRA	ORPK-RIDGEWOOD
EGLL-INDN HBR BH	MIAM ALLAPATTAH	OVIEDO
EGLL-BOWE GDNS	MIAM AIRPORT	PERRINE MAIN
FT LAUD MAIN RELIEF	MIAM BAYSHORE	PANAMA CITY BEACH
FTLD CORAL RIDGE	MIAM BISCAYNE	PANAMA CITY MAIN
FTLD CYPRESS	MIAM BEACH	PMBH CORAL SPRINGS
FTLD JACARANDA	MIAM CANAL	PMBH FEDERAL
FTLD OAKLAND	MIAM DADELAND BLVD	PMBH MARGATE
FTLD PLANTATION	MIAM FLAGLER	PMBH TAMARAC
FTLD SAWGRASS	MIAM GRANDE	PNSC-BELMONT
FTLD SUNRISE	MIAM HIALEAH	PNSC-FERRY PASS
FTLD WESTON	MIAM INDIAN CREEK	PNSC WARRNGTON
FERNANDINA BCH	MIAM KEY BISCAYN	PONTE VEDRA BCH
FORT PIERCE MAIN	MIAM METRO	PALM COAST
GULF BREEZE	MIAM NORTH MIAMI	PALATKA
GSVL-MAIN	MIAM NORTHSIDE	PORT ST. LUCIE MAIN
GSVL-NORTHWEST	MIAM OPA LOCKA	PTSL SOUTH PTSL
HLWD HALLANDALE	MIAM PALMETTO	SANFORD-O-WS
HLWD PEMBROKE PINES	MIAM POINCIANA	STAG-MAIN
HLWD WEST HOLLYWOOD	MIAM RED ROAD	STUART MAIN
HOLLYWOOD MAIN	MIAM MIAMI SHORES	TITUSVILLE
HOMESTEAD MAIN	MIAM SILVER OAKS	VERO BEACH MAIN
		WPBH GARDENS
		WPBH GREENACRES
		WPBH HAVERHILL
		WPBH MAIN ANNEX
		WPBH LAKE WORTH
		WPBH RIVIERA BCH
		WPBH RYL PLM BCH
		WWSP-HIGHLAND
		WWSP-SPRING HILL

BELLSOUTH

1626

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Suite 400
150 South Monroe Street
Tallahassee FL 32301-1556

marshall.criser@bellsouth.com

Marshall M. Criser III
Vice President
Regulatory & External Affairs

850 224 7798
Fax 850 224 5073

June 11, 2002

Mr. Walter D'Haeseleer, Director
Division of Competitive Markets and Enforcement
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. D'Haeseleer:

Pursuant to Florida Statute 364.051, we are filing herewith revisions to our General Subscriber Service Tariff. Following are the affected tariff pages:

General Subscriber Service Tariff
Section A2 - Original Page 34.0.2.2
Original Page 34.0.2.3
Original Page 34.0.2.4

This promotion is a 24 or 36-month offering targeting BellSouth customers in specific Wire Centers. The promotion will begin June 26, 2002 and end December 31, 2002.

Program Eligibility

- Available to new and existing BellSouth business customers subscribing to local exchange service.
- Monthly BST revenue for subscriber's location must be $75 to $3,000 (excluding hunting, analog private line, and ISDN PRI revenue) to receive the rewards.
- Subscriber's location must be located in specified wire centers.
- Subscriber must sign a 24 or 36-month term election agreement to receive the rewards.

Promotion Elements

- Subscribers who participate in the promotion and subscribe to new service during the promotional period, will receive a reward equal to the line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks).
- Base reward: Specified % of Subscriber's regulated total billed revenue (TBR) (charges to the customer) from the GSST A and PLS B tariffs.

Monthly TBR	24 Month	36 Month
$75- $3000	10%	20%
Hunting Reward	50%	100%

- The total billed charges consists of end-user monthly billed BellSouth regulated charges at qualifying locations excluding: nonregulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies.
- Participant must be a BST customer at the time of the reward. The reward will appear as a credit in the OC&C section of the Subscriber's bill in a subsequent billing period usually within one or two billing cycles.
- Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in an eligible location and one location meets the revenue requirement.

Exhibit
CG-2

- Should Subscriber's charges decrease below $75, the Subscriber will not receive the reward until the Subscriber's monthly charges meet this minimum TBR amount ($75).
- Should Subscriber's charges exceed the $3,000 threshold, the Subscriber will only receive the maximum reward allowed under this Program for monthly charges up to $3,000.
- In the event the Subscriber terminates the election agreement, the Subscriber must pay to BellSouth a termination charge as provided below for the number of months remaining on the agreedupon term. In addition, the Subscriber shall reimburse all rewards for line connection charges. This termination charge will appear on the Subscriber's final bill as a charge in the OC&C section.

Monthly TBR at time of enrollment	Set charge to be multiplied by number of months remaining on term after disconnect
$75 - $149.99	$25
$150 - $3,000	$40

- Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue requirement may have all locations participate as long as it is billed under the same account and at least one location is located in a specified wire center.
- Once enrolled, if Subscriber moves to a location outside the specified wire center, the term election agreement will continue throughout the remaining term.
- Applicable taxes and fees will be based on the full tariff price of all products and services, and no taxes or fees will be added to the amount of any reward under this program.

Promotion Restrictions

- Subscribers with aggregate annual billing, per state of BellSouth services exceeding $36,000 at the time of enrollment, are not eligible to participate in this tariffed promotion.
- Base and hunting rewards (for hunting service) apply only to BST regulated total billed charges within a state, not across states.
- Subscribers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion.
- Analog Private Line or ISDN PRI services will not be included in qualifying revenue under this program or entitled to rewards for the related revenue.
- Subscribers currently participating under an existing BST SBS Small Business Promotion local exchange term election agreement may migrate to this promotion without incurring any termination liability from the existing program if the Subscriber has twelve (12) months or less remaining under the existing term election agreement for local exchange services with BellSouth, and the Subscriber agrees to another BST SBS Small Business local exchange term election agreement that provides foran equal or greater number of business access lines than their existing local exchange term election agreement. The new local exchange service term agreement will be based upon monthly business access line rates in effect at the time the new local exchange service term election agreement is effective.
- Payment of the termination charge does not release the Subscriber from other previous amounts owed to BST.
- BellSouth reserves the right to terminate this program at any time; provided, however, that Subscribers participating in the program will continue to receive this promotion for the remaining term of their term election agreement.

Acknowledgment, date of receipt and authority number of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

Your consideration and approval will be appreciated.

Yours very truly,

Marshall M. Criser mks

Regulatory Vice President
Attachments

Executive Summary

This promotion is a 24 or 36-month term offering available to new and existing BellSouth customers that are located in specified wire centers within those states. The Key Customer Program will offer rewards on the subscriber's bill. Subscribers must sign a 24 or 36-month agreement to participate in the program to receive the rewards specified. The Program will begin on June 26, 2002 and end on December 31, 2002.

Program Eligibility

- Available to new and existing BellSouth business customers subscribing to local exchange service.
- Monthly BST revenue for subscriber's location must be $75 to $3,000 (excluding hunting, analog private line, and ISDN PRI revenue) to receive the rewards.
- Subscriber's location must be located in specified wire centers.
- Subscriber must sign a 24 or 36-month term election agreement to receive the rewards.

Promotion Elements

- Subscribers who participate in the promotion and subscribe to new service during the promotional period, will receive a reward equal to the line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks).
- Base reward: Specified % of Subscriber's regulated total billed revenue (TBR) (charges to the customer) from the GSST A and PLS B tariffs.

Monthly TBR	24 Month	36 Month
$75- $3000	10%	20%
Hunting Reward	50%	100%

- The total billed charges consists of end-user monthly billed BellSouth regulated charges at qualifying locations excluding: nonregulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies.
- Participant must be a BST customer at the time of the reward. The reward will appear as a credit in the OC&C section of the Subscriber's bill in a subsequent billing period usually within one or two billing cycles.
- Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in an eligible location and one location meets the revenue requirement.
- Should Subscriber's charges decrease below $75, the Subscriber will not receive the reward until the Subscriber's monthly charges meet this minimum TBR amount ($75).
- Should Subscriber's charges exceed the $3,000 threshold, the Subscriber will only receive the maximum reward allowed under this Program for monthly charges up to $3,000.

- In the event the Subscriber terminates the election agreement, the Subscriber must pay to BellSouth a termination charge as provided below for the number of months remaining on the agreed upon term. In addition, the Subscriber shall reimburse all rewards for line connection charges. This termination charge will appear on the Subscriber's final bill as a charge in the OC&C section.

Monthly TBR at time of enrollment	Set charge to be multiplied by number of months remaining on term after disconnect
$75 - $149.99	$25
$150 - $3,000	$40

- Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue requirement may have all locations participate as long as it is billed under the same account and at least one location is located in a specified wire center.
- Once enrolled, if Subscriber moves to a location outside the specified wire center, the term election agreement will continue throughout the remaining term.
- Applicable taxes and fees will be based on the full tariff price of all products and services, and no taxes or fees will be added to the amount of any reward under this program.

Promotion Restrictions

- Subscribers with aggregate annual billing, per state of BellSouth services exceeding $36,000 at the time of enrollment, are not eligible to participate in this tariffed promotion.
- Base and hunting rewards (for hunting service) apply only to BST regulated total billed charges within a state, not across states.
- Subscribers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion.
- Analog Private Line or ISDN PRI services will not be included in qualifying revenue under this program or entitled to rewards for the related revenue.
- Subscribers currently participating under an existing BST SBS Small Business Promotion local exchange term election agreement may migrate to this promotion without incurring any termination liability from the existing program if the Subscriber has twelve (12) months or less remaining under the existing term election agreement for local exchange services with BellSouth, and the Subscriber agrees to another BST SBS Small Business local exchange term election agreement that provides for an equal or greater number of business access lines than their existing local exchange term election agreement. The new local exchange service term agreement will be based upon monthly business access line rates in effect at the time the new local exchange service term election agreement is effective.
- Payment of the termination charge does not release the Subscriber from other previous amounts owed to BST.
- BellSouth reserves the right to terminate this program at any time; provided, however, that Subscribers participating in the program will continue to receive this promotion for the remaining term of their term election agreement.

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are on file with the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period Authority	
BellSouth's Service Territory	2002 Key Customer Program			(N)
	Program Eligibility and Elements -Available to new and existing BellSouth business customers subscribing to local exchange service -Monthly BST revenue for subscriber's location must be $75 to $3,000 (excluding hunting, analog private line, and ISDN PRI revenue) to receive the rewards. -Subscriber's location must be located in specified wire centers[1] -Subscriber must sign a 24 or 36-month term election agreement. -Participant must be a BST customer at the time of the reward. The reward will appear as a credit in the OC&C section of the Subscriber's bill in a subsequent billing period usually within one or two billing cycles. -Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in an eligible location and one location meets the revenue requirement. -Should Subscriber's charges decrease below $75, the Subscriber will not receive the reward until the Subscriber's monthly charges meet this minimum TBR amount ($75). -Should Subscriber's charges exceed the $3,000 threshold, the Subscriber will only receive the maximum reward allowed under this Program for monthly charges up to $3,000. - -Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue requirement may have all locations participate as long as it is billed under the same account and at least one location is located in a specified wire center. -Once enrolled, if Subscriber moves to a location outside the specified wire center, the term election agreement will continue throughout the remaining term. -Applicable taxes and fees will be based on the full tariff price of all products and services, and no taxes or fees will be added to the amount of any reward under this program.	-Customers who participate in this promotion and subscribe to new service during the promotional period, will receive a reward equal to the line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks). **Reward** Monthly TBR - 24 months $75 - $3,000 10% Monthly TBR - 36 months $75 - $3,000 20% -50% Hunting Reward will be given on a contract period of 24 months. -100% Hunting Reward will be given on a contract period of 36 months. The total billed charges consists of end-user monthly billed BellSouth regulated charges at qualifying locations excluding: non-regulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies.	06/26/02 to 12/31/02	(N)

Note 1: The list of hot wire centers that are eligible for this promotion is listed on Page 34.0.2.4.

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are on file with the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period Authority	
BellSouth's Service Territory	2002 Key Customer Program (Cont'd)			N
	Promotion Restrictions -Subscribers with aggregate annual billing, per state of BellSouth services exceeding $36,000 at the time of enrollment, are not eligible to participate in this tariffed promotion. -Base and hunting rewards (for hunting service) apply only to BST regulated total billed charges within a state, not across states. -Subscribers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion. -Subscribers with Analog Private Line or ISDN PRI services will not be included in qualifying revenue under this program or entitled to rewards. -This promotion may not be used concurrently with any previous or existing BellSouth Business Programs. -Subscribers currently participating under an existing BST SBS Small Business Promotion local exchange term election agreement may migrate to this promotion without incurring any termination liability from the existing program if the Subscriber has twelve (12) months or less remaining under the existing term election agreement for local exchange services with BellSouth, and the Subscriber agrees to another BST SBS Small Business local exchange term election agreement that provides for an equal or greater number of business access lines than their existing local exchange term election agreement. The new local exchange service term agreement will be based upon monthly business access line rates in effect at the time the new local exchange service term election agreement is effective. -Payment of the termination charge does not release the Subscriber from other previous amounts owed to BST. -BellSouth reserves the right to terminate this program at any time; provided, however, that Subscribers participating in the program will continue to receive this promotion for the remaining term of their term election agreement.	In the event the Subscriber terminates the election agreement, the Subscriber must pay to BellSouth a termination charge as provided below for the number of months remaining on the agreed upon term. In addition, the Subscriber shall reimburse all rewards for line connection charges. This terminatin charge will appear on the Subscriber's final bill as a charge in the OC&C section. Monthly TBR (at time of enrollment) $75-$149.99 $25.00* $150-$3,000 $40.00* *Set charge to be multiplied by number of months remaining on term after disconnect	06/26/02 to 12/31/02	N

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

B. Eligible Hot Wire Centers - Key Customer 2002

Hot Wire Center	Hot Wire Center	Hot Wire Center
BCRT BOCA TEECA	HTCHNSON IS MAIN	MIAM W. DADE
BOCA RATON MAIN	JCBH-MAIN	MIAM W. MIAMI
BCRT SANDALFOOT	JCVL-ARLINGTON	MELBOURNE
BROOKSVILLE	JCVL-BEACHWOOD	MNDR-LORETTO
BOYNTON BEACH MAIN	JCVL-FT CAROLINE	NDAD ARCH CREEK
COCOA BEACH	JCVL-LAKE FOREST	NDAD BRENTWOOD
COCOA-MAIN	JCVL-NORMANDY	JCVL-CLAY STREET MGO
COCOA-MERRITT ISLAND	JCVL-OCEANWAY	NDAD GOLDEN GLADES
DEBARY DELTONA	JCVL-RIVERSIDE	NDAD OLETA
DEBARY MAIN	JCVL-SAN JOSE	NEW SMYRNA BCH
DELAND	JCVL-SAN MARCO	ORLD-AZALEA PARK
DLBH KINGS POINT	JCVL-SOUTHPOINT	ORLD-COLONIAL
DELRAY BCH MAIN	JCVL-WESCONNETT	ORLD-MAGNOLIA
DEERFIELD BEACH MAIN	JUPITER MAIN	ORLD-PINECASTLE
DYBH-MAIN	KEY WEST MAIN	ORLD-PINEHILLS
DYBH-ORMND BCH	LAKE MARY	ORLD-SAND LAKE
DYBH-PORT ORANGE	MIAM ALHAMBRA	ORPK-MAIN
EGLL-INDN HBR BH	MIAM ALLAPATTAH	ORPK-RIDGEWOOD
EGLL-BOWE GDNS	MIAM AIRPORT	OVIEDO
FT LAUD MAIN RELIEF	MIAM BAYSHORE	PERRINE MAIN
FTLD CORAL RIDGE	MIAM BISCAYNE	PANAMA CITY BEACH
FTLD CYPRESS	MIAM BEACH	PANAMA CITY MAIN
FTLD JACARANDA	MIAM CANAL	PMBH CORAL SPRINGS
FTLD OAKLAND	MIAM DADELAND BLVD	PMBH FEDERAL
FTLD PLANTATION	MIAM FLAGLER	PMBH MARGATE
FTLD SAWGRASS	MIAM GRANDE	PMBH TAMARAC
FTLD SUNRISE	MIAM HIALEAH	PNSC-BELMONT
FTLD WESTON	MIAM INDIAN CREEK	PNSC-FERRY PASS
FERNANDINA BCH	MIAM METRO	PNSC WARRNGTON
FORT PIERCE MAIN	MIAM NORTH MIAMI	PONTE VEDRA BCH
GULF BREEZE	MIAM NORTHSIDE	PORT ST. LUCIE MAIN
GSVL-MAIN	MIAM OPA LOCKA	PTSL SOUTH PTSL
HLWD HALLANDALE	MIAM PALMETTO	SANFORD-O-WS
HLWD PEMBROKE PINES	MIAM POINCIANA	STAG-MAIN
HLWD WEST HOLLYWOOD	MIAM RED ROAD	STUART MAIN
HOLLYWOOD MAIN	MIAM MIAMI SHORES	TITUSVILLE
HOMESTEAD MAIN	MIAM SILVER OAKS	VERO BEACH MAIN
	MNDR - AVENUES	VRBH BEACHLAND
		WPBH GARDENS
		WPBH GREENACRES
		WPBH HAVERHILL
		WPBH MAIN ANNEX
		WPBH LAKE WORTH
		WPBH RIVIERA BCH
		WPBH RYL PLM BCH
		WWSP-HIGHLAND
		WWSP-SPRING HILL

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are on file with the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period Authority	
BellSouth's Service Territory	2002 Key Customer Program Program Eligibility and Elements -Available to new and existing BellSouth business customers subscribing to local exchange service. -Monthly BST revenue for subscriber's location must be $75 to $3,000 (excluding hunting, analog private line, and ISDN PRI revenue) to receive the rewards. -Subscriber's location must be located in specified wire centers' -Subscriber must sign a 24 or 36-month term election agreement. -Participant must be a BST customer at the time of the reward. The reward will appear as a credit in the OC&C section of the Subscriber's bill in a subsequent billing period usually within one or two billing cycles. -Subscribers with multi-locations that are BTN'd or CLUB billed may have all locations participate as long as one location is in an eligible location and one location meets the revenue requirement. -Should Subscriber's charges decrease below $75, the Subscriber will not receive the reward until the Subscriber's monthly charges meet this minimum TBR amount ($75). -Should Subscriber's charges exceed the $3,000 threshold, the Subscriber will only receive the maximum reward allowed under this Program for monthly charges up to $3,000. - -Subscribers with Centrex, MultiServ and ESSX with SLAs not meeting the per location revenue requirement may have all locations participate as long as it is billed under the same account and at least one location is located in a specified wire center. -Once enrolled, if Subscriber moves to a location outside the specified wire center, the term election agreement will continue throughout the remaining term. -Applicable taxes and fees will be based on the full tariff price of all products and services, and no taxes or fees will be added to the amount of any reward under this program.	-Customers who participate in this promotion and subscribe to new service during the promotional period, will receive a reward equal to the line connection charges associated with the service order. This will include the Line Connection Charge (first and additional lines, line equivalents and trunks). Reward Monthly TBR - 24 months $75 - $3,000 10% Monthly TBR - 36 months $75 - $3,000 20% -50% Hunting Reward will be given on a contract period of 24 months. -100% Hunting Reward will be given on a contract period of 36 months. The total billed charges consists of end-user monthly billed BellSouth regulated charges at qualifying locations excluding: non-regulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies.	06/26/02 to 12/31/02	(N)

Note 1: The list of hot wire centers that are eligible for this promotion is listed on Page 34.0.2.4.

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

A. The following promotions are on file with the Commission: (Cont'd)

Area of Promotion	Service	Charges Waived	Period Authority
BellSouth's Service Territory	2002 Key Customer Program (Cont'd) **Promotion Restrictions** -Subscribers with aggregate annual billing, per state of BellSouth services exceeding $36,000 at the time of enrollment, are not eligible to participate in this tariffed promotion. -Base and hunting rewards (for hunting service) apply only to BST regulated total billed charges within a state, not across states. -Subscribers participating in a Volume and Term Agreement CSAs are not eligible to participate in this promotion. -Subscribers with Analog Private Line or ISDN PRI services will not be included in qualifying revenue under this program or entitled to rewards. -This promotion may not be used concurrently with any previous or existing BellSouth Business Programs. -Subscribers currently participating under an existing BST SBS Small Business Promotion local exchange term election agreement may migrate to this promotion without incurring any termination liability from the existing program if the Subscriber has twelve (12) months or less remaining under the existing term election agreement for local exchange services with BellSouth, and the Subscriber agrees to another BST SBS Small Business local exchange term election agreement that provides for an equal or greater number of business access lines than their existing local exchange term election agreement. The new local exchange service term agreement will be based upon monthly business access line rates in effect at the time the new local exchange service term election agreement is effective. -Payment of the termination charge does not release the Subscriber from other previous amounts owed to BST. -BellSouth reserves the right to terminate this program at any time; provided, however, that Subscribers participating in the program will continue to receive this promotion for the remaining term of their term election agreement.	In the event the Subscriber terminates the election agreement, the Subscriber must pay to BellSouth a termination charge as provided below for the number of months remaining on the agreed upon term. In addition, the Subscriber shall reimburse all rewards for line connection charges. This terminatin charge will appear on the Subscriber's final bill as a charge in the OC&C section. Monthly TBR (at time of enrollment) $75-$149.99 $25.00* $150-$3,000 $40.00* *Set charge to be multiplied by number of months remaining on term after disconnect	06/26/02 to 12/31/02

A2. GENERAL REGULATIONS

A2.10 Special Promotions (Cont'd)

A2.10.2 Descriptions (Cont'd)

B. Eligible Hot Wire Centers – Key Customer 2002

Eligible Hot Wire Centers	Key Customer 2002	
BCRT BOCA TEECA	HTCHNSON IS MAIN	MIAM W DADE
BOCA RATON MAIN	JCBH-MAIN	MIAM W MIAMI
BCRT SANDALFOOT	JCVL-ARLINGTON	MELBOURNE
BROOKSVILLE	JCVL-BEACHWOOD	MNDR-LORETTO
BOYNTON BEACH MAIN	JCVL-FT CAROLINE	NDAD ARCH CREEK
COCOA BEACH	JCVL-LAKE FOREST	NDAD BRENTWOOD
COCOA-MAIN	JCVL-NORMANDY	JCVL-CLAY STREET MGO
COCOA-MERRITT ISLAND	JCVL-OCEANWAY	NDAD GOLDEN GLADES
DEBARY DELTONA	JCVL-RIVERSIDE	NDAD OLETA
DEBARY MAIN	JCVL-SAN JOSE	NEW SMYRNA BCH
DELAND	JCVL-SAN MARCO	ORLD-AZALEA PARK
DLBH KINGS POINT	JCVL-SOUTHPOINT	ORLD-COLONIAL
DELRAY BCH MAIN	JCVL-WESCONNETT	ORLD-MAGNOLIA
DEERFIELD BEACH MAIN	JUPITER MAIN	ORLD-PINECASTLE
DYBH-MAIN	KEY WEST MAIN	ORLD-PINEHILLS
DYBH-ORMND BCH	LAKE MARY	ORLD-SAND LAKE
DYBH-PORT ORANGE	MIAM ALHAMBRA	ORPK-MAIN
EGLL-INDN HBR BH	MIAM ALLAPATTAH	ORPK-RIDGEWOOD
EGLL-BOWE GDNS	MIAM AIRPORT	OVIEDO
FT LAUD MAIN RELIEF	MIAM BAYSHORE	PERRINE MAIN
FTLD CORAL RIDGE	MIAM BISCAYNE	PANAMA CITY BEACH
FTLD CYPRESS	MIAM BEACH	PANAMA CITY MAIN
FTLD JACARANDA	MIAM CANAL	PMBH CORAL SPRINGS
FTLD OAKLAND	MIAM DADELAND BLVD	PMBH FEDERAL
FTLD PLANTATION	MIAM FLAGLER	PMBH MARGATE
FTLD SAWGRASS	MIAM GRANDE	PMBH TAMARAC
FTLD SUNRISE	MIAM HIALEAH	PNSC-BELMONT
FTLD WESTON	MIAM INDIAN CREEK	PNSC-FERRY PASS
FERNANDINA BCH	MIAM METRO	PNSC WARRNGTON
FORT PIERCE MAIN	MIAM NORTH MIAMI	PONTE VEDRA BCH
GULF BREEZE	MIAM NORTHSIDE	PORT ST. LUCIE MAIN
GSVL-MAIN	MIAM OPA LOCKA	PTSL SOUTH PTSL
HLWD HALLANDALE	MIAM PALMETTO	SANFORD-O-WS
HLWD PEMBROKE PINES	MIAM POINCIANA	STAG-MAIN
HLWD WEST HOLLYWOOD	MIAM RED ROAD	STUART MAIN
HOLLYWOOD MAIN	MIAM MIAMI SHORES	TITUSVILLE
HOMESTEAD MAIN	MIAM SILVER OAKS	VERO BEACH MAIN
	MNDR - AVENUES	VRBH BEACHLAND
		WPBH GARDENS
		WPBH GREENACRES
		WPBH HAVERHILL
		WPBH MAIN ANNEX
		WPBH LAKE WORTH
		WPBH RIVIERA BCH
		WPBH RYL PLM BCH
		WWSP-HIGHLAND
		WWSP-SPRING HILL

-----Original Message-----
From: Pavlik, Rudy [mailto:rpavlik@mpowercom.com]
Sent: Friday, August 23, 2002 1:50 PM

Subject: MPOWER

My name is Rudy Pavlik and I am the Sales Manager for Mpower Communications.
We are a local Exchange Carrier that competes with Bell South but with a 40%

+ savings which includes our High Speed Internet and Telephony Services.

Every call from Sebastian to Key West is included as local service.
We supply services around the State of Florida and Nationwide, recently to
the Lake Worth Police Department where we have gotten letters from the Chief

of Police commending our services.
I have attached a rate comparison sheet, please look and see the difference
we can make just by a simple switch. Let me put a proposal together and show

you the difference!!!!

PLEASE FORWARD THIS TO THE APPROPRIATE CONTACT.. THANK YOU
<<MPOWER CALLAT.doc>>

Rudy Pavlik

Accounts Manager
Mpower Communications
561-687-8999 ext. 18008
rpavlik@mpowercom.com

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$3.00	CALL FORWARDING	$6.00

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3. SERVICE GUARANTEE

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- INCLUDES TERMINATING EQUIPMENT WITH BASIC ROUTER
- INCLUDES 3 DIAL-UP INTERNET ACCESS ACCOUNTS

STARTING AT $459.80 PER MONTH (2 YEAR TERM NO INSTALLATION FEE)

CONTACT: RUDY PAVLIK @ 561-687-8999 EXT. 18008

(2)

Meachem, Chip

Subject: Rate Change for South Florida Business Customers!

Importance: High

40

Rate Change for South Florida Business Customers!

Mpower Sales Team:

Mpower Communications is announcing a rate change to our South Florida Business Customers, effective 4/8/02.

In conjunction with this effort, new rates and term plans are being implemented in the South Florida market. The following rates and terms will be effective on 4/8/02 for Mpower's POTS and CENTREX service.

Term	Mpower POTS Domestic LD Rate	Mpower Centrex	Install Fee (per location)	Mpower
Month-to-Month	$35.00	$41.00	$250.00	$.07/min
1-year	$29.00	$37.00	$125.00	$.050/min
(1) 2-year	$26.00	$34.00	Waived	$.049/min
3-year	$25.00	$32.00	Waived	$.039/min

Term Agreements - Price Protection and Service Guarantees!
Need more than one great reason to have your customers sign Term Agreements? YOU BET IT! Mpower will now be offering Price Protection Guarantees as well as Service Guarantees with ALL signed Term Agreements!

Price Protection Guarantee
Mpower guarantees not to increase rates during the term of the customer commitment, excluding taxes and surcharges. If at any time during the term of the agreement, Mpower standard pricing decreases, the customer will be granted "price review" and the option of "early termination" of the current term agreement and execute a "new" term agreement with revised rates."

Service Guarantees
If for any reason the Customer is not satisfied with Mpower service after installation, Mpower will allow the customer early termination and credit the initial installation charges to their last invoice."

More reasons to choose Mpower!
Attached below is a PDF file that can be printed out and used to help inform prospects about Mpower Price Protection Guarantee and Service Guarantees.

More Reasons to Choose Mpower:

Term Agreements

Price Protection Guarantee

Mpower Price Protection Guarantee

- Mpower guarantees not to increase rates during the term of the customer commitment, excluding taxes and surcharges. If at any time during the term of the agreement, Mpower standard pricing decreases, the customer will be granted "price revise" and the option of "early termination" of the current term agreement and execute a "new" term agreement with revised rates.
- Standard pricing is defined as "Minimum Service Contract" rates
  - POTS – month to month; SDSL – 1 year; T-1 Integrated, T-1 Data and T-1 Trunks – 1 year
- Does not apply to promotions; Does not apply to service packages no longer offered; Does not apply to special pricing received via individual-case-basis or non-standard products.

Service Guarantee

Mpower 30 Day Service Guarantee

- If for any reason the Customer is not satisfied with Mpower service after installation, Mpower will allow the customer early termination and credit the initial installation charges to their last invoice.
- Qualifications:
  - Customer must notify Mpower in writing their desire to exercise this option
  - Mpower will have 3 business days to correct any service dissatisfaction
- To receive credit for initial installation charges, Customer must provide Mpower a completed Mpower Service Guarantee Form not more than 30 days after Mpower services were disconnected.
- Mpower will credit the initial service installation charges (NRC) toward your last invoice.
- Mpower will not credit any charges for CPE.
- Does not apply to term agreements with non-standard pricing or non-standard products, or non-standard terms and conditions (ICBs), or Non-Standard Installations.

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Up to 40 % Savings over Bell South For Local, Long Distance, and High Speed Internet Service.

Mpower		BELLSOUTH
$24.00	LINE CHARGE	$36.95
$6.00	VOICEMAIL	$12.95
[illegible]	HUNTING/ROLLOVER	$10.00 PER LINE
$8.00	CALLER ID	$11.00
$5.00	CALL WAITING	$7.00
$3.00	CALL FORWARDING	$6.00

MPOWER PROVIDES UNLIMITED FREE CALLING TO SOUTH FLORIDA AREA CODES 305, 954, 754, 786, 772, 561 SEBASTIAN FLORIDA TO KEY WEST FREE!!!! AND LONG DISTANCE RATES @ 3.9 CENTS PER MINUTE

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HIGH SPEED INTERNET + PHONE SERVICE 7 LINE AND UP T-1 @ 320K (UP TO 1024K)

- FREE INTRA-LATA CALLING (KEY WEST TO SEBASTIAN FLORIDA)
- FREE HUNT AND ROLLOVER
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- DEDICATED INTERNET ACCESS
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- INCLUDES TERMINATING EQUIPMENT WITH BASIC ROUTER
- INCLUDES 3 DIAL-UP INTERNET ACCESS ACCOUNTS

STARTING AT $459.80 PER MONTH (2 YEAR TERM NO INSTALLATION FEE)

CONTACT: RUDY PAVLIK @ 561-687-8999 EXT. 18008

Mpower Communications Corp.
1475 Centrepark Blvd.
Suite 240
West Palm Beach, FL 33401
phone: 561-687-8999
fax: 561-687-8990

mpower.
Communications
www.mpowercom.com

Mark Friedlander X 18013
Cellular # 561-723-5883

Reference Quotes

"It is an understatement to say that I am just please with mPower Communications service's. They have exceeded my expectations and provided my business with a solution that enhances my daily routine. For anyone that has DSL, all I can say is the mPower UNE-T Fast Speed Access service is so much faster and more reliable. In addition, Mark Friedlander, my sales representative has always been available to answer any of my questions, and I am so glad I was referred to him."

John P. Costello
PAKMAIL
561-753-5599

"For anyone considering mPower, I was skeptical, thinking it was to good to be true. Well, mPower and Mr. Friedlander were true to their word. [redacted] *>09% which equates to over $1,200 in monthly savings."*

Scott Morowitz
European Paint and Body
561-687-8088

"We have 3 businesses all with mPower Communications. Telecommunication is our business lifeline. We are in the money business; loans/mortgages/investing. Excellent service is more important that GREAT pricing. To find a company like mPower Communications that can provide both is a pleasant surprise. An added bonus is having a salesperson that understands the importance of getting answers NOW. For anyone that needs to know, Mark has been the valuable asset and a pleasure to work with. He has been prompt in getting my questions answered, has been honest and professional in his representation of mPower."

Sheila Cuccia
Stockton, Turner & Lopez
561-333-7545 x 206

Mario the Baker - Mario 561- 798-4830; State Farm Ins. - Didi 561-333-6771; Blockbuster Video - Matt 561-818-3795

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- Tariffs
- FAQs

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3. **Save money as you add more features**

To order call 1-888-824-8105

Pricing For Jacksonville Area

Features	Business Bonus Bundle	Business Bundle	Business Basic
To see details about a speed or feature, move your mouse over the ?	AT&T Long Distance All Features $0 installation $32.95 per month	AT&T Long Distance No Features $ installation $23.95 per month	No AT&T Long Distance No Features $0 installation $25.95 per month
Wire Maintenance ?	$3.00 per month	$3.00 per month	$3.00 per month
FCC Line Charge - single line customer **tariffed ?	$5.00	$5.00	$5.00
FCC Line Charge - multi-line customer **tariffed ?	$7.84	$7.84	$7.84
Services ?			
Directory Services ?			
Simple White & Yellow Page Listing ?			
Additional DA Listing ?	$1.50	$1.50	$1.50
DA - Call Completion ?	$0.50	$0.50	$0.50

DA Caption or Single Line Indent	?		$1.50 per textline/month		$1.50 per textline/month		$1.50 per textline/month
Directory Assistance Listing	?		$1.20		$1.20		$1.20
DA - Outside Local and LATA/NPA Serving Area	?		$1.99		$1.99		$1.99
DA Per Call Charge	?		$0.40 /call with 1 free		$0.40 /call with 1 free		$0.40 /call with 1 free
Foreign Listing	?		$1.50		$1.50		$1.50
Non-Listed	?		$0.60 per month		$0.60 per month		$0.60 per month
Non-Published	?		$1.45 per month		$1.45 per month		$1.45 per month
Non-Recurring Charges	?						
Directory Listing Change	?	$19.00		$19.00		$19.00	
Feature (add, change, remove)	?	$19.00		$19.00		$19.00	
Hunting Configuration Change	?	$19.00		$19.00		$19.00	
PIC Change	?	$5.00		$5.00		$5.00	
Service Activation	?	$56.00		$56.00		$56.00	
Telephone Number Change	?	$19.00		$19.00		$19.00	
Wiring & Jacks (add, move, change)	?	$30.00		$30.00		$30.00	
Optional Calling Plans	?						
AT&T IntraLata LD	?	$0.07 /min		$0.07 /min		$0.07 /min	
Inter LATA, State LD	?	$0.07 /min		$0.07 /min		$0.07 /min	
Service Call Charge per Hour	?						
Overtime R&M							

Mon-Sat 8 p.m.-8 a.m	?	$175.00 /hr		$175.00 /hr		$175.00 /hr	
Pemium Time > Sunday & National Holiday	?	$230.00 /hr		$230.00 /hr		$230.00 /hr	
Repair & Maintenance Mon-Sat 8 a.m.-8 p.m	?	$115.00 /hr		$115.00 /hr		$115.00 /hr	
Features	?		Included		$4.00 for 1, $6.50 for 2, $9 for 3		$4.00 for 1, $6.50 for 2, $9 for 3
Anonymous Call Rejection	?						
Call Forwarding - Remote Access	?						
Call Forwarding - Variable	?						
Caller ID (Name and Number)	?						
Caller ID Blocking Per Call	?						
Caller ID Blocking Per Line	?						
Caller ID with Call Waiting	?						
Call Return Per Call	?	$0.50 /call - $4.00 cap	$4.50 cap	$0.50 /call - $4.00 cap	$4.50 cap	$0.50 /call - $4.00 cap	$4.50 cap
Call Return Per Line	?						
Custom Ring Service >>Call Selector<<	?						
Call Screening	?						
Call Trace Per Call	?	$3.00 /call - $6.00 cap		$3.00 /call - $6.00 cap		$3.00 /call - $6.00 cap	
Call Waiting	?						
Call Waiting - Long Distance Alert	?						
LD Alert	?						
Repeat Dialing (a.k.a. Continuous	?						

Redial)							
Repeat Dialing Per Call	?	$0.75 /call - $5.00 cap	$4.50 cap	$0.75 /call - $5.00 cap	$4.50 cap	$0.75 /call - $5.00 cap	$4.50 cap
Selective Call Forwarding	?						
Speed Dial 30	?						
Speed Dial 8	?						
Three Way Calling	?						
Voice Messaging	?						
Basic	?		$10.95 per month		$10.95 per month		$10.95 per month
Deluxe	?		$14.95 per month		$14.95 per month		$14.95 per month
Toll Restriction	?						
0 + 7 Digit Long Distance	?						
00+	?						
00-	?						
01+	?						
011+	?						
1 + 10 Digit Long *Distance*	?						
1 + 7 Digit Long Distance	?						
1010XXX	?						
Local Operator Services	?						
Busy Line Interrupt	?		$1.65		$1.65		$1.65
Busy Line Verification	?		$1.25		$1.25		$1.25
Bill to 3rd Party	?		$1.50		$1.50		$1.50
Customer Dialed *Calling Card Station*	?		$0.50		$0.50		$0.50
Extended Referral at Disconnect	?		$2.00		$2.00		$2.00
Operation Station	?		$1.25		$1.25		$1.25

Person - to - Person	$3.00	$3.00	$3.00
Call Blocking			
Toll Restriction - Bill to 3rd Party and Collect	FREE	FREE	FREE
Toll Restriction - Bill to Collect	FREE	FREE	FREE
Toll Restriction - Prohibit Bill to 3rd Party	FREE	FREE	FREE
Hunting			
Integrated w/Voice Messaging	$2.00	$2.00	$2.00
Simple - No Voice Messaging			
International Calling			
AT&T International Value Plan	$2.00 per month/account	$2.00 per month/account	$2.00 per month/account

Pricing For Jacksonville Area

Features	Package
To see details about a speed or feature, move your mouse over the	Reserve Line $0 installation $12.95 per month
Wire Maintenance	$3.00 per month
FCC Line Charge - single line customer **tariffed	$5.00
FCC Line Charge - multi-line customer **tariffed	$7.84
Services	
Directory Services	
Simple White & Yellow Page Listing	
Additional DA Listing	$1.50
DA - Call	

Completion	?		$0.50
DA Caption or Single Line Indent	?		$1.50 per textline/month
Directory Assistance Listing	?		$1.20
DA - Outside Local and LATA/NPA Serving Area	?		$1.99
DA Per Call Charge	?		$0.40 /call with 1 free
Foreign Listing	?		$1.50
Non-Listed	?		$0.60 per month
Non-Published	?		$1.45 per month
Non-Recurring Charges	?		
Directory Listing Change	?	$19.00	
Feature (add, change, remove)	?	$19.00	
Hunting Configuration Change	?	$19.00	
PIC Change	?	$5.00	
Service Activation	?	$56.00	
Telephone Number Change	?	$19.00	
Wiring & Jacks (add, move, change)	?	$30.00	
Optional Calling Plans	?		
AT&T IntraLata LD	?	$0.07 /min	
Inter LATA, State LD	?	$0.07 /min	
Service Call Charge per Hour	?		

Overtime R&M Mon-Sat 8 p.m.-8 a.m	?	$175.00 /hr
Pemium Time > Sunday & National Holiday	?	$230.00 /hr
Repair & Maintenance Mon-Sat 8 a.m.-8 p.m	?	$115.00 /hr
Features	?	Unavailable
Anonymous Call Rejection	?	Unavailable
Call Forwarding - Remote Access	?	Unavailable
Call Forwarding - Variable	?	Unavailable
Caller ID (Name and Number)	?	Unavailable
Caller ID Blocking Per Call	?	Unavailable
Caller ID Blocking Per Line	?	Unavailable
Caller ID with Call Waiting	?	Unavailable
Call Return Per Call	?	Unavailable
Call Return Per Line	?	Unavailable
Custom Ring Service >>Call Selector<<	?	Unavailable
Call Screening	?	Unavailable
Call Trace Per Call	?	Unavailable
Call Waiting	?	Unavailable
Call Waiting - Long Distance Alert	?	Unavailable
LD Alert	?	Unavailable
Repeat Dialing (a.k.a. Continuous Redial)	?	Unavailable
Repeat Dialing Per	?	Unavailable

Call		
Selective Call Forwarding	?	Unavailable
Speed Dial 30	?	Unavailable
Speed Dial 8	?	Unavailable
Three Way Calling	?	Unavailable
Voice Messaging	?	Unavailable
Basic	?	Unavailable
Deluxe	?	Unavailable
Toll Restriction	?	
0 + 7 Digit Long Distance	?	
00+	?	
00-	?	
01+	?	
011+	?	
1 + 10 Digit Long Distance	?	
1 + 7 Digit Long Distance	?	
1010XXX	?	
Local Operator Services	?	
Busy Line Interrupt	?	$1.65
Busy Line Verification	?	$1.25
Bill to 3rd Party	?	$1.50
Customer Dialed Calling Card Station	?	$0 50
Extended Referral at Disconnect	?	$2.00
Operation Station	?	$1.25
Person - to - Person	?	$3.00
Call Blocking	?	
Toll Restriction -		

Bill to 3rd Party and Collect	?	FREE
Toll Restriction - Bill to Collect	?	FREE
Toll Restriction - Prohibit Bill to 3rd Party	?	FREE
Hunting	?	
Integrated w/Voice Messaging	?	$2.00
Simple - No Voice Messaging	?	
International Calling	?	Unavailable
AT&T International Value Plan	?	Unavailable

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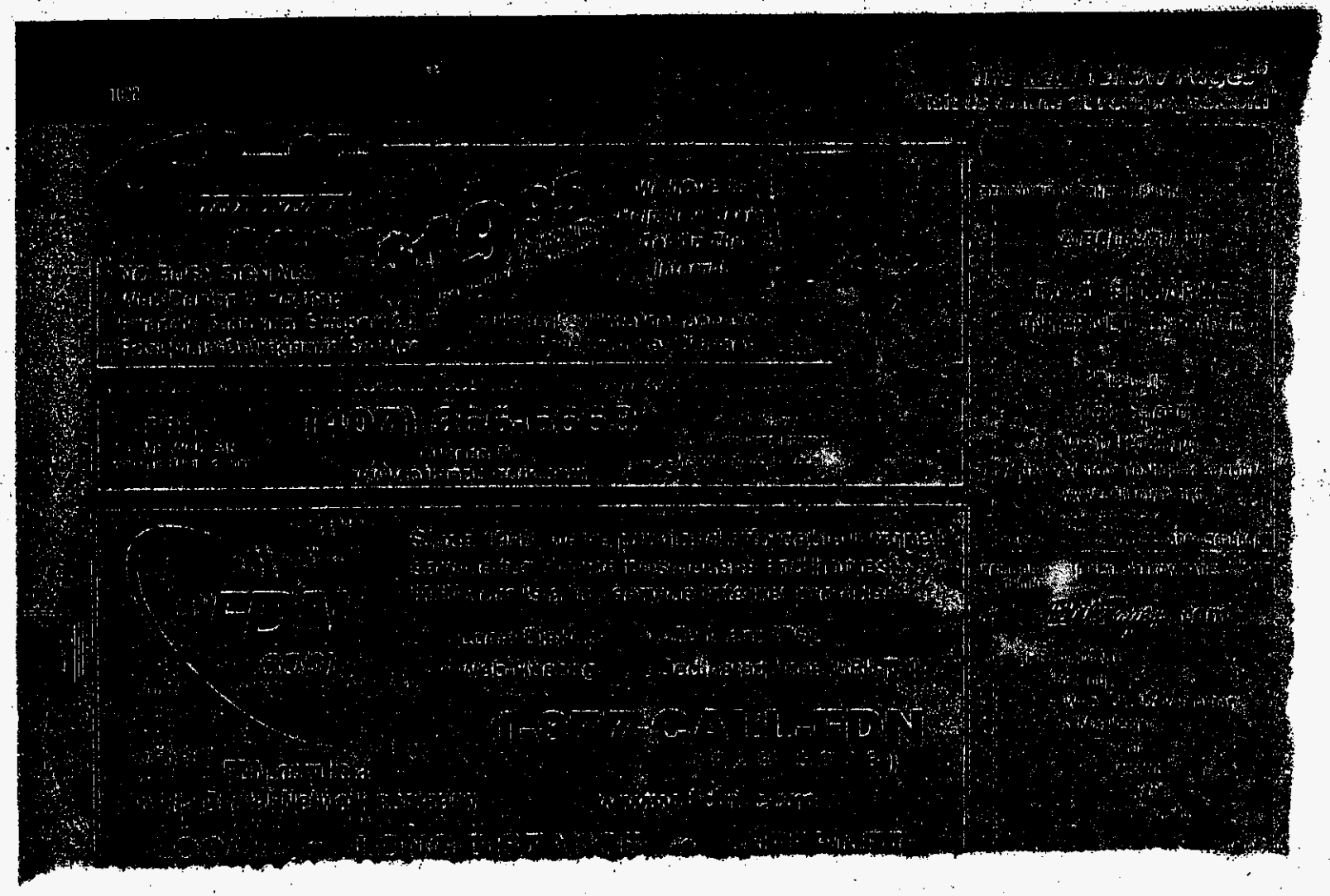

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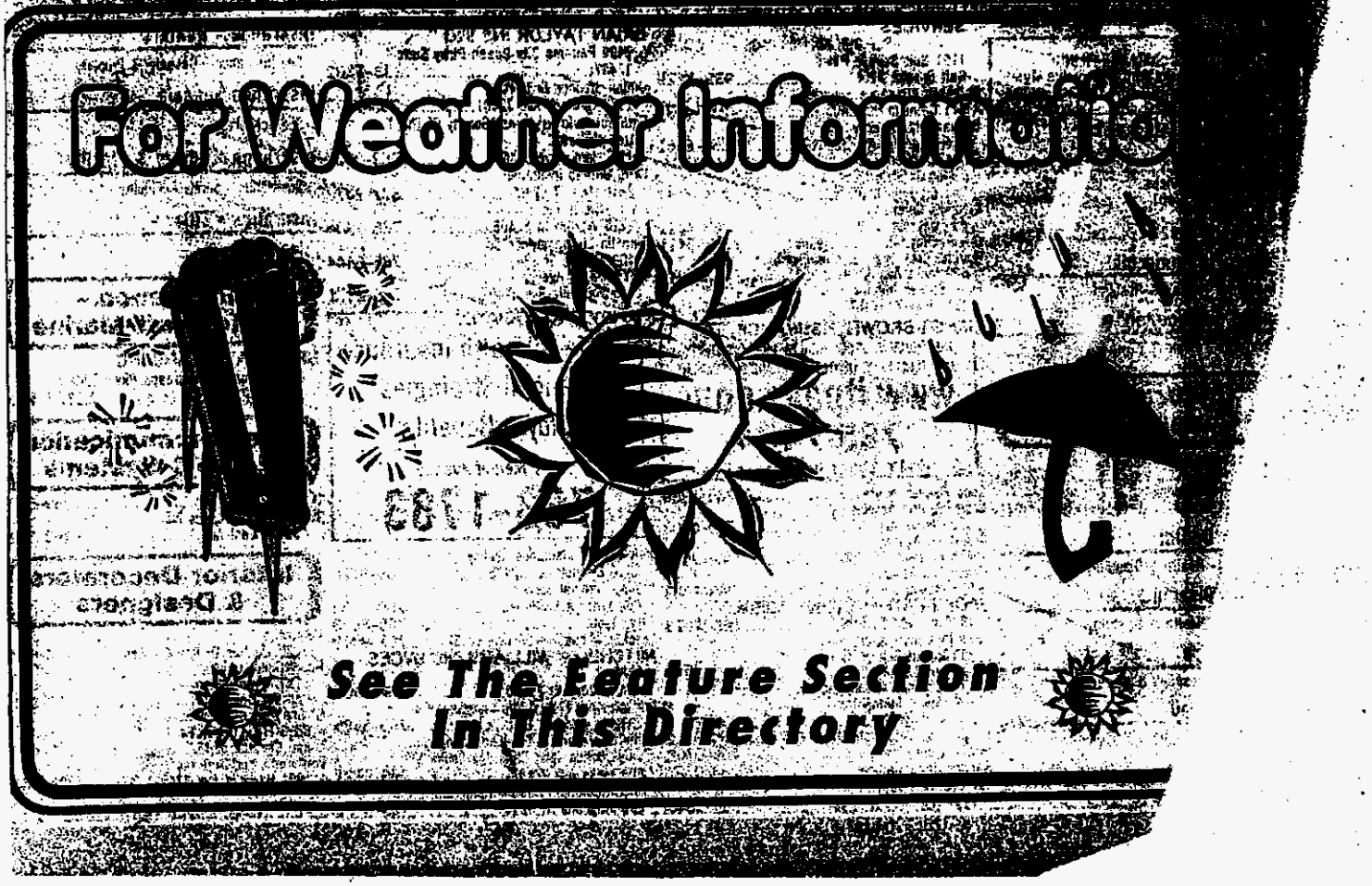

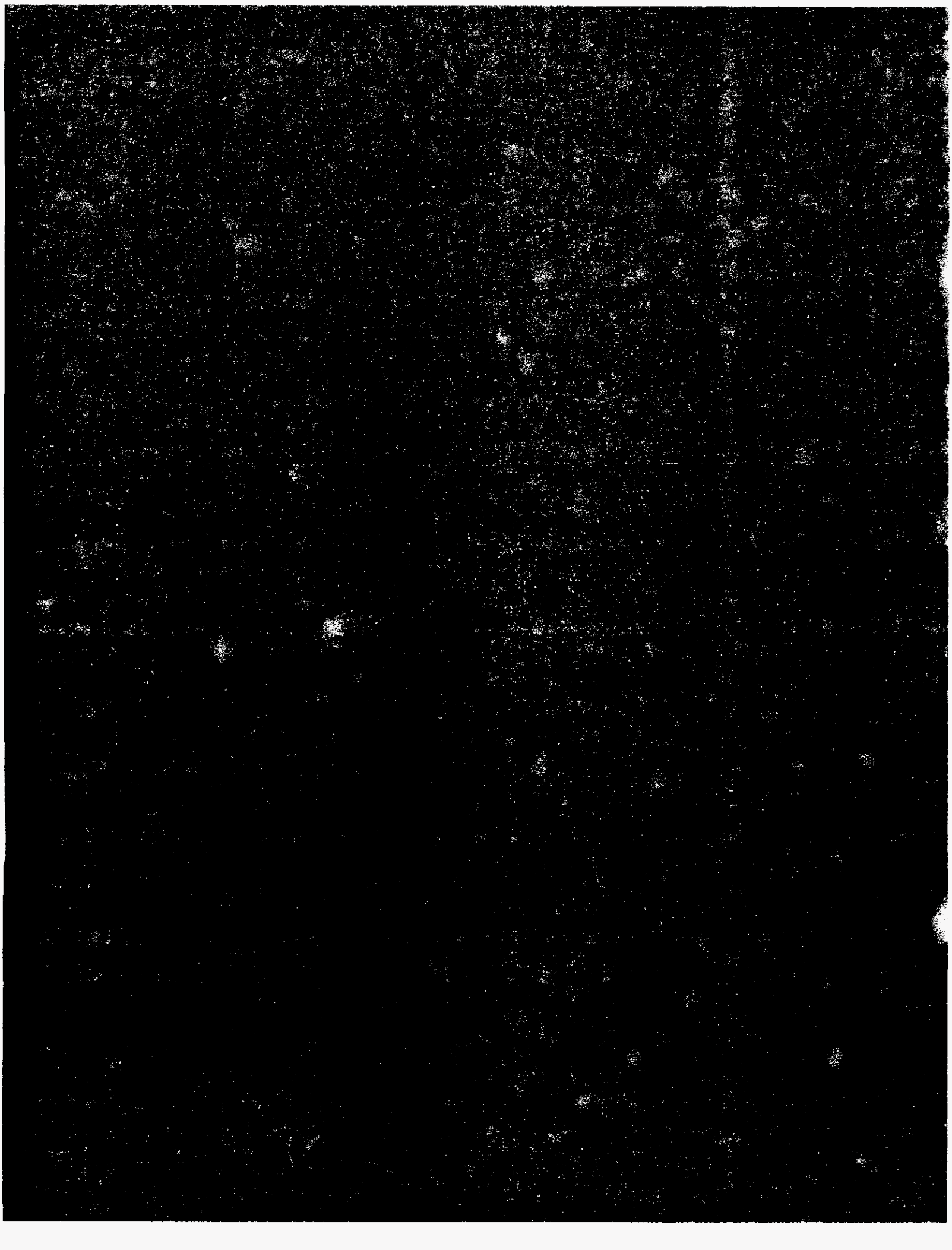

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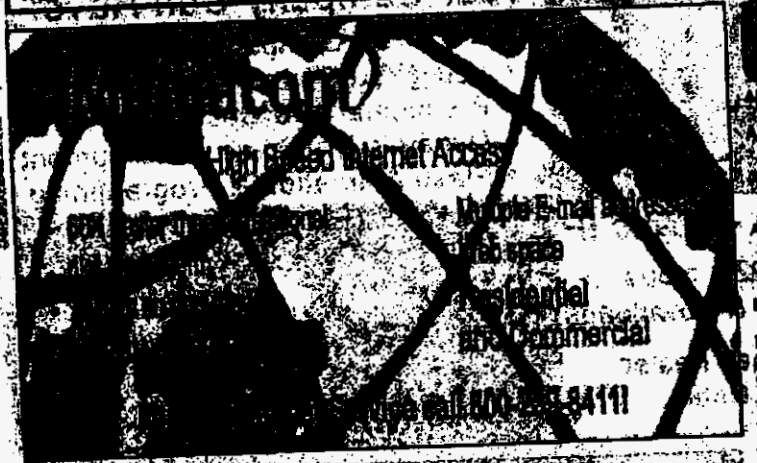

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Can New Company Really Cut Phone Bill In Half?

Provider Uses BellSouth Facilities Without BellSouth's Overhead

Posted: 10:41 a.m. EST November 2, 2001

JACKSONVILLE -- A new local telephone provider is making a big splash in the Northeast Florida area, offering to cut phone bills in half.

The company -- Supra Telecom -- is running ads on television and running full page ads in the newspaper showing its rates in comparison to the area's longtime provider, BellSouth.

Only recently have people had a choice of which local telephone company to use, and Supra Telecom is the first to aggressively market in the area.

Brenda Martin (pictured, left) recently switched her phone service from BellSouth to Supra Telecom and was surprised by the savings.

"We cut back on cable and on a lot of bills, and you can't normally cut back one bill and save $50 a month," the mother of three told Heather Van Nest.

Her BellSouth bill averaged $75 per month. Her Supra Telcom bill was $30.86.

So how can they offer these rates? BellSouth is now required by the federal government to share its phone lines with competitors at cost.

Supra Telcom can even use BellSouth's facilities and repair technicians without BellSouth's overhead.

"Supra is here to stay," company president Kay Ramos (pictured, right) said. "We've been in business since 1983, which is about 18 years ago, and we've been growing in leaps and bounds."

But the company has had growing pains. Channel 4 found almost 400 complaints filed with Florida regulators since January 2000. These complaints were about improper billing, delayed connection and the practice called slamming -- changing providers

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practice called slamming -- changing providers without permission or through misleading marketing.

The Better Business Bureau in South Florida is monitoring Supra Telecom because it rece calls a large number of complaints: 19 in a three-month period.

Supra's president said the problems resulted from people flooded their call center when about the savings.

"We were not too prepared to take those calls," Ramos said. "We had to deal with that s expanding our call center."

Supra Telecom also created a Web site where customers can switch service online. Custo type in a phone number, pick the plan, and the company promises a seamless transition seven to 10 days.

What does BellSouth think about the competition?

"You should look at more than just cost when you're looking at providing your telephone BellSouth spokesman Randy LeFevre said. "Look at the reliability, look at the service afte and look at who's been around for a long time."

Only BellSouth customers can switch to Supra Telecom because it uses the existing phon Customers keep the same phone number and don't need to sign a contract or pay a fee

If you're not satisfi[illegible]ith Supra Telecom and want to switch back to BellSouth, there w fee for home service; $20 for businesses.

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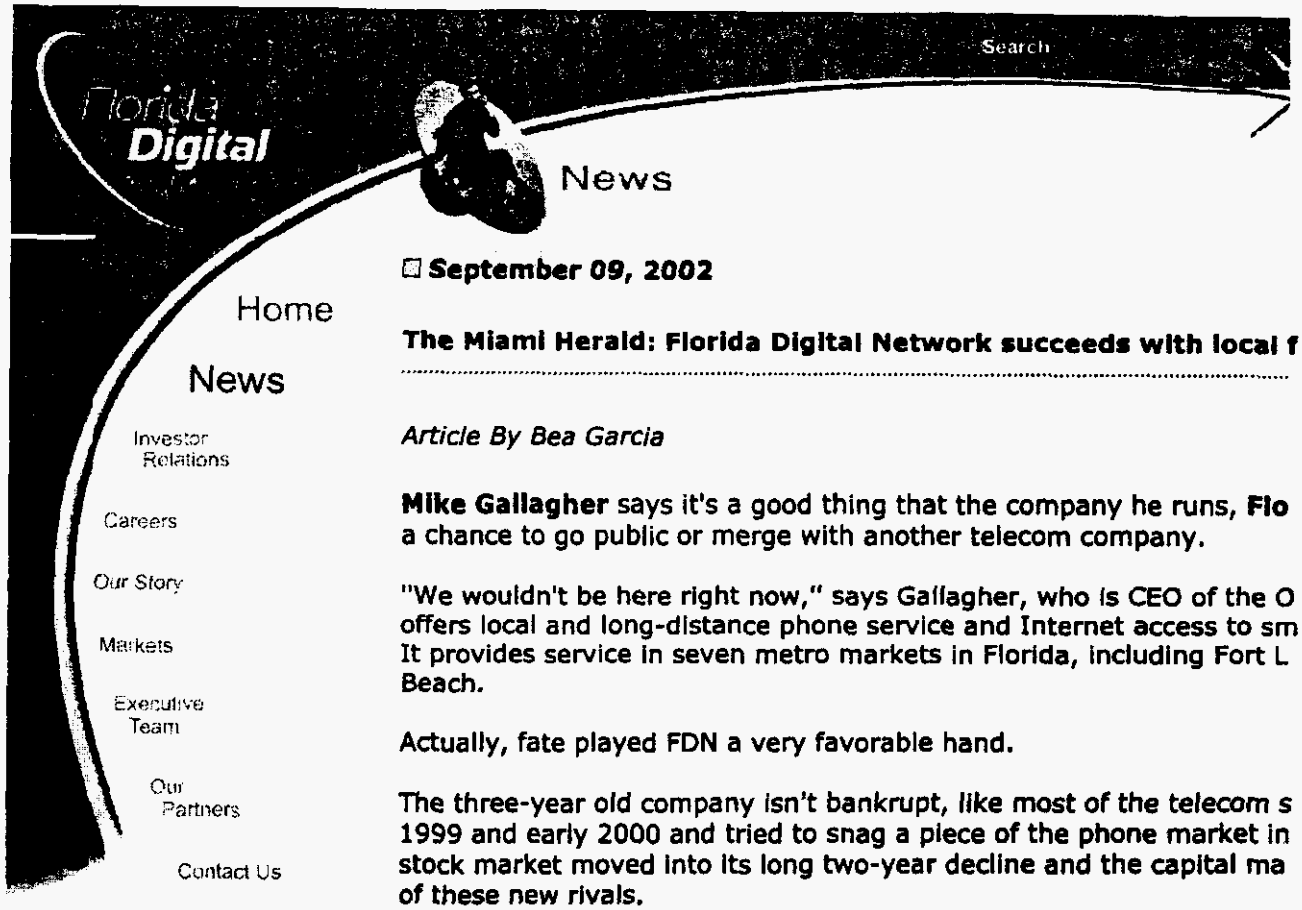

September 09, 2002

The Miami Herald: Florida Digital Network succeeds with local f

Article By Bea Garcia

Mike Gallagher says it's a good thing that the company he runs, **Flo** a chance to go public or merge with another telecom company.

"We wouldn't be here right now," says Gallagher, who is CEO of the O offers local and long-distance phone service and Internet access to sm It provides service in seven metro markets in Florida, including Fort L Beach.

Actually, fate played FDN a very favorable hand.

The three-year old company isn't bankrupt, like most of the telecom s 1999 and early 2000 and tried to snag a piece of the phone market in stock market moved into its long two-year decline and the capital ma of these new rivals.

Because FDN has had a focused business plan -- market only in Florid worked on growing slowly, the firm managed to tap venture capitalist

Better yet, FDN was able to arrange $35 million in new venture financ to pay off its bank debt and have cash left over for future acquisitions

"We're now debt-free and profitable," Gallagher says.
More telling -- and perhaps more distressing -- is how desperate bank telecom sector.

FDN had an $80 million line of credit. The company had tapped $60 m

Gallagher had told the banks that FDN would need to draw down to th company's credit line in order to break even. Otherwise, without furth firm would be bankruptcy.

Gallagher contends that bankers today, reluctant to extend any more eager to avoid future problems, are willing to take any exit offered fro books. A few cents on the dollar is better than bankruptcy.

Because of this reluctance to lend, FDN had to tap existing investors f **Ventures Partners** in Boston and **Richard Kolsby**, an active telecom of **Intermedia Communications**.

Tampa-based Intermedia, one of the earliest start-ups to rival BellSou was purchased by WorldCom in September 2000 for $3 billion in stock

controlling stake in Digex, which was then one of the largest Web-hos

With the $35 million capital infusion, FDN wiped out its $60 million de it can use for acquisitions and future growth.

Do the math. These banks got way less than 100 cents on the dollar t this company wasn't failing or under regulatory investigation like othe

Now that FDN has some cash in its pocket, the goal is to pick up some telecom companies as they are auctioned off in bankruptcy court.

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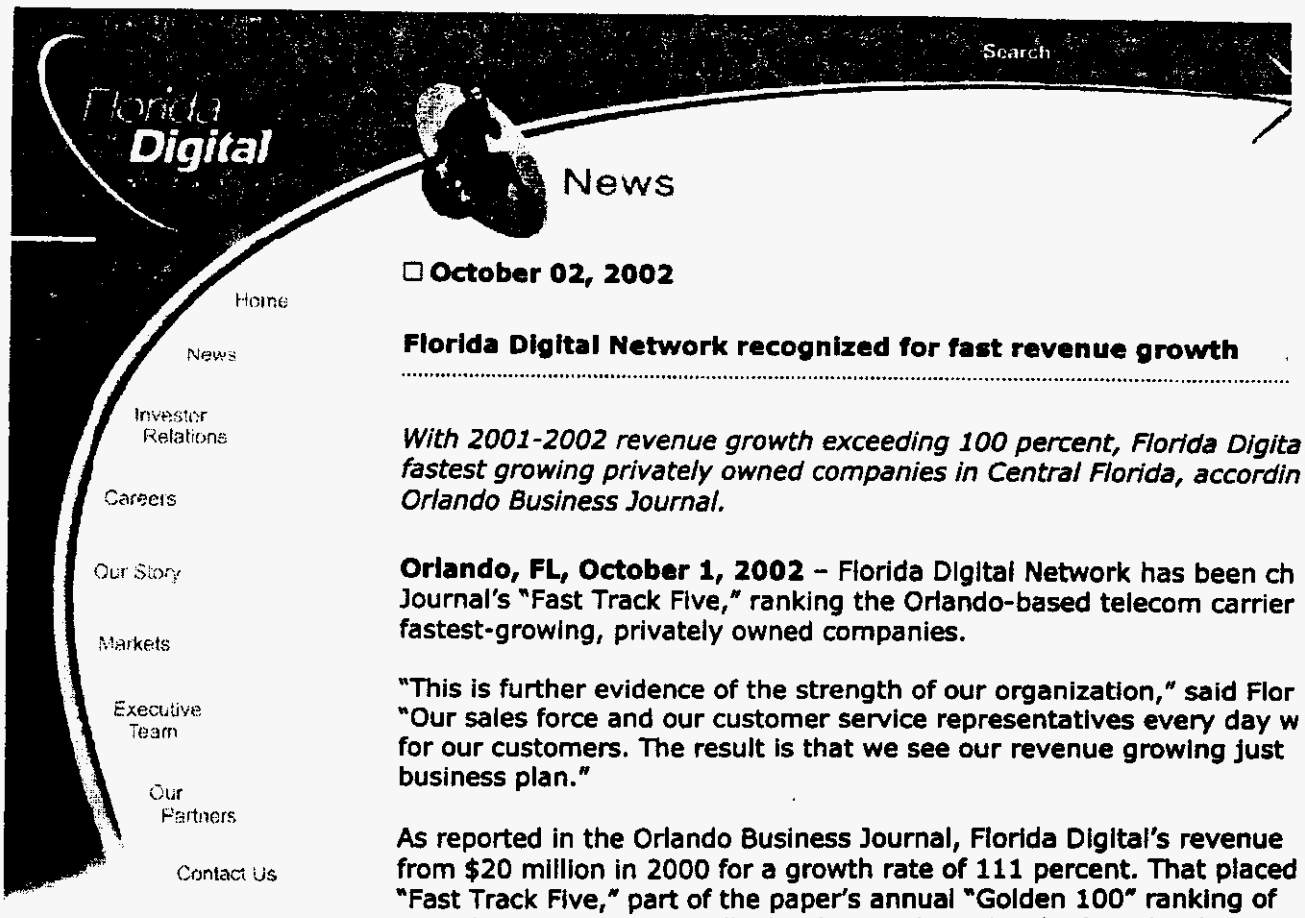

☐ **October 02, 2002**

Florida Digital Network recognized for fast revenue growth

With 2001-2002 revenue growth exceeding 100 percent, Florida Digita fastest growing privately owned companies in Central Florida, accordin Orlando Business Journal.

Orlando, FL, October 1, 2002 – Florida Digital Network has been ch Journal's "Fast Track Five," ranking the Orlando-based telecom carrier fastest-growing, privately owned companies.

"This is further evidence of the strength of our organization," said Flor "Our sales force and our customer service representatives every day w for our customers. The result is that we see our revenue growing just business plan."

As reported in the Orlando Business Journal, Florida Digital's revenue from $20 million in 2000 for a growth rate of 111 percent. That placed "Fast Track Five," part of the paper's annual "Golden 100" ranking of owned companies. Mr. Gallagher has said previously that Florida Digit revenues to exceed $70 million.

Florida Digital Network is a full-service Integrated Communications Pr suite of telecom services, including local telephone service, long-dista services. FDN is a facilities-based carrier, providing service with its ow gear, which it installs in the central offices of incumbent carriers.

Florida Digital launched service in Orlando in April 1999; in Fort Laude Jacksonville in June of the same year. In each of those markets, Florid telephone switching gear, providing the underlying engineering found offers service.

In addition to its original three markets, Florida Digital now serves Mi Treasure Coast cities of Vero Beach, Stuart and Fort Pierce; the Tamp St. Petersburg, Clearwater and surrounding neighborhoods; the Space and Titusville and numerous First Coast communities lying outside Jac Beach and St. Augustine.

The company's exclusive focus on serving Florida business customers many cases – offers the only facilities-based alternative in many of th to Florida Digital's unique proprietary back-office management system serve its telecom and Internet-service customers than the competition

Buoyed by a $35 million infusion of capital in July 2002, Florida Digita debt, making it one of the few telecom companies in the world that ca

"In a few short years, we've become a very strong competitive alterna

"In a few short years, we've become a very strong competitive alterna business owners," Gallagher said. "And our track record indicates that stronger."

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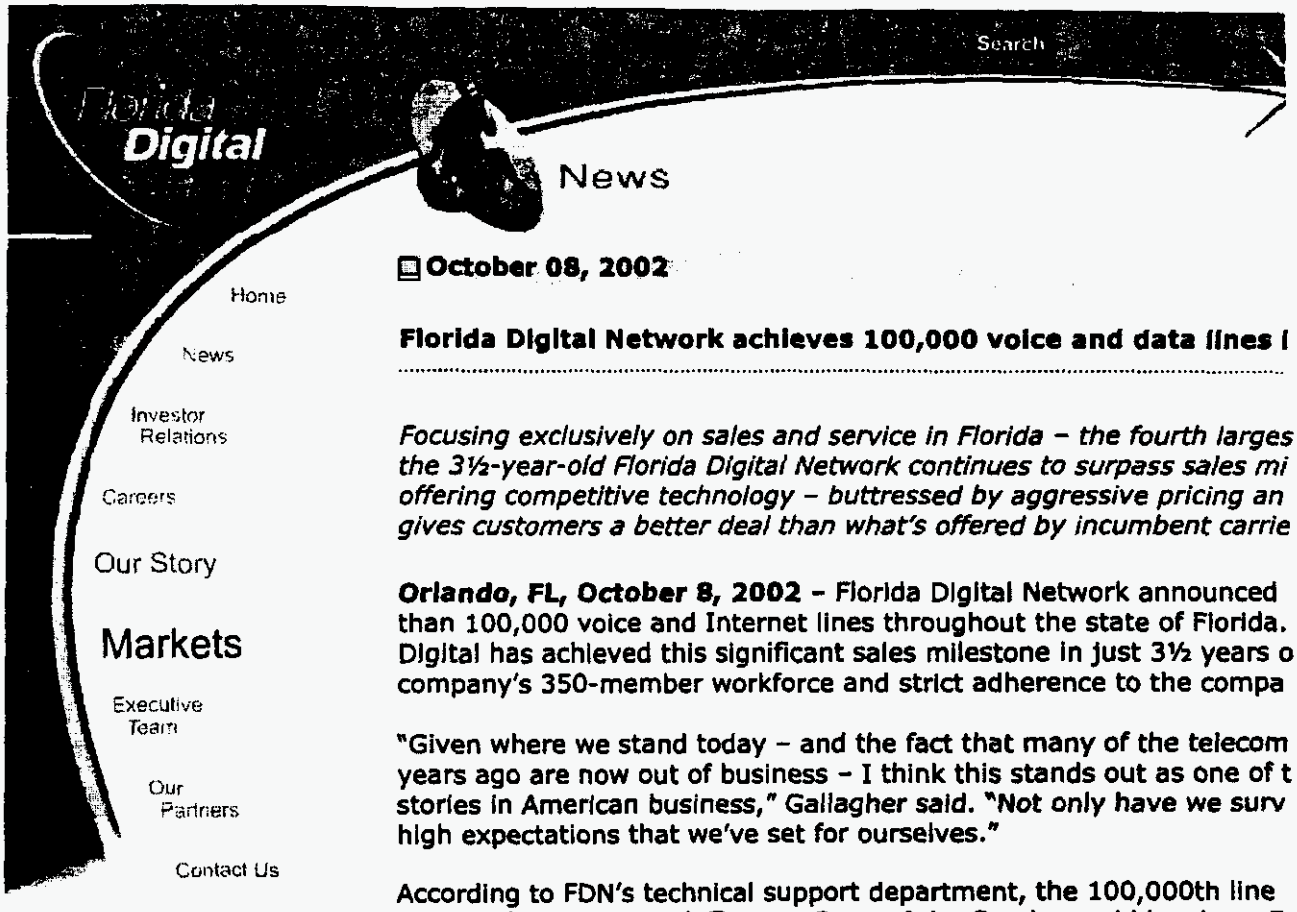

October 08, 2002

Florida Digital Network achieves 100,000 voice and data lines i

Focusing exclusively on sales and service in Florida – the fourth larges the 3½-year-old Florida Digital Network continues to surpass sales mi offering competitive technology – buttressed by aggressive pricing an gives customers a better deal than what's offered by incumbent carrie

Orlando, FL, October 8, 2002 – Florida Digital Network announced than 100,000 voice and Internet lines throughout the state of Florida. Digital has achieved this significant sales milestone in just 3½ years o company's 350-member workforce and strict adherence to the compa

"Given where we stand today – and the fact that many of the telecom years ago are now out of business – I think this stands out as one of t stories in American business," Gallagher said. "Not only have we surv high expectations that we've set for ourselves."

According to FDN's technical support department, the 100,000th line Appraisal Corp. in south Tampa. Owner John Sanders said he chose F because the company offers state-of-the-art telecom service with a lo

"It's nice knowing that my local phone company really is a local phone telephone service provider lives in my own back yard, so to speak."

Florida Digital Network is a full-service Integrated Communications Pr suite of telecom services, including local telephone service, long-dista services. FDN is a facilities-based carrier, providing service with its ow gear, which it installs in the central offices of incumbent carriers.

With 100,000 lines in service throughout the state, Florida Digital has increasingly demonstrate the unique benefits of its Florida-focused sw Gallagher said, many Florida Digital customers already are enjoying t Sundial™ long-distance service. With Sundial™, Florida Digital custom customers pay only a penny a minute in long-distance charge. As long "on-net" using only Florida Digital's network – meaning their signals d other carriers – they won't incur any extra charges.

"SunDial™ is just one of the many advantages we can offer because o Gallagher said. "The biggest is that our customers know that wheneve dealing with someone who's practically in their back yard, not in some away. For telecom consumers – using a local company really makes a

Florida Digital launched service in Orlando in April 1999; in Fort Laude Jacksonville in June of the same year. In each of those markets, Florid telephone switching gear, providing the underlying engineering found

offers service. From those beginnings, Florida Digital has steadily exp markets than any other alternative telephone carrier in the state.

In addition to its original three markets, Florida Digital now serves Mi Treasure Coast cities of Vero Beach, Stuart and Fort Pierce; the Tamp St. Petersburg, Clearwater and surrounding neighborhoods; the Space and Titusville and numerous First Coast communities lying outside Jac Beach and St. Augustine.

The company's exclusive focus on serving Florida business customers many cases – offers the only alternative to incumbent carriers in man thanks to Florida Digital's unique proprietary back-office management nimbly serve its telecom and Internet-service customers than the com

Further – buoyed by a $35 million infusion of capital in July 2002, allo outstanding bank debt – Florida Digital is readying additional expansi Specific announcements will be made as Florida Digital moves the res

"We've come a long way in a short amount of time," Gallagher said. " milestones ahead of us."

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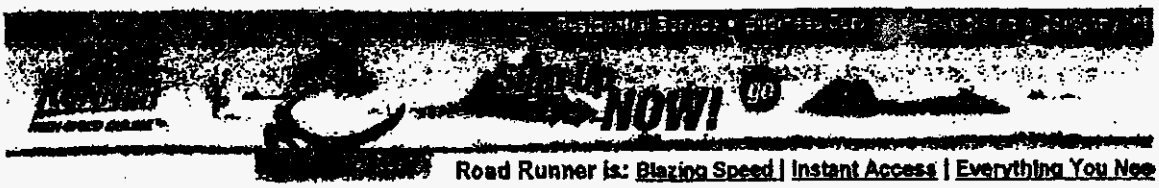

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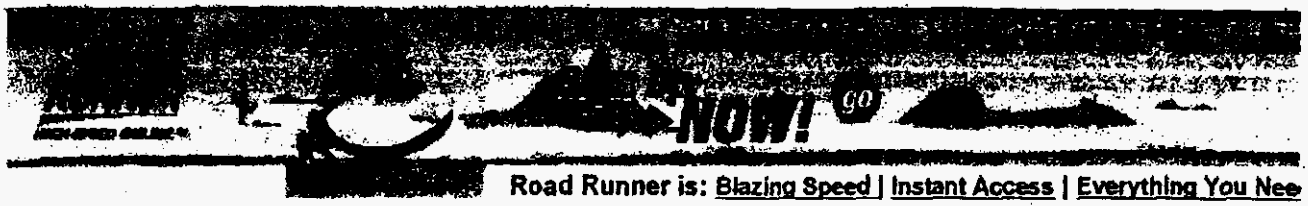

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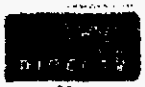

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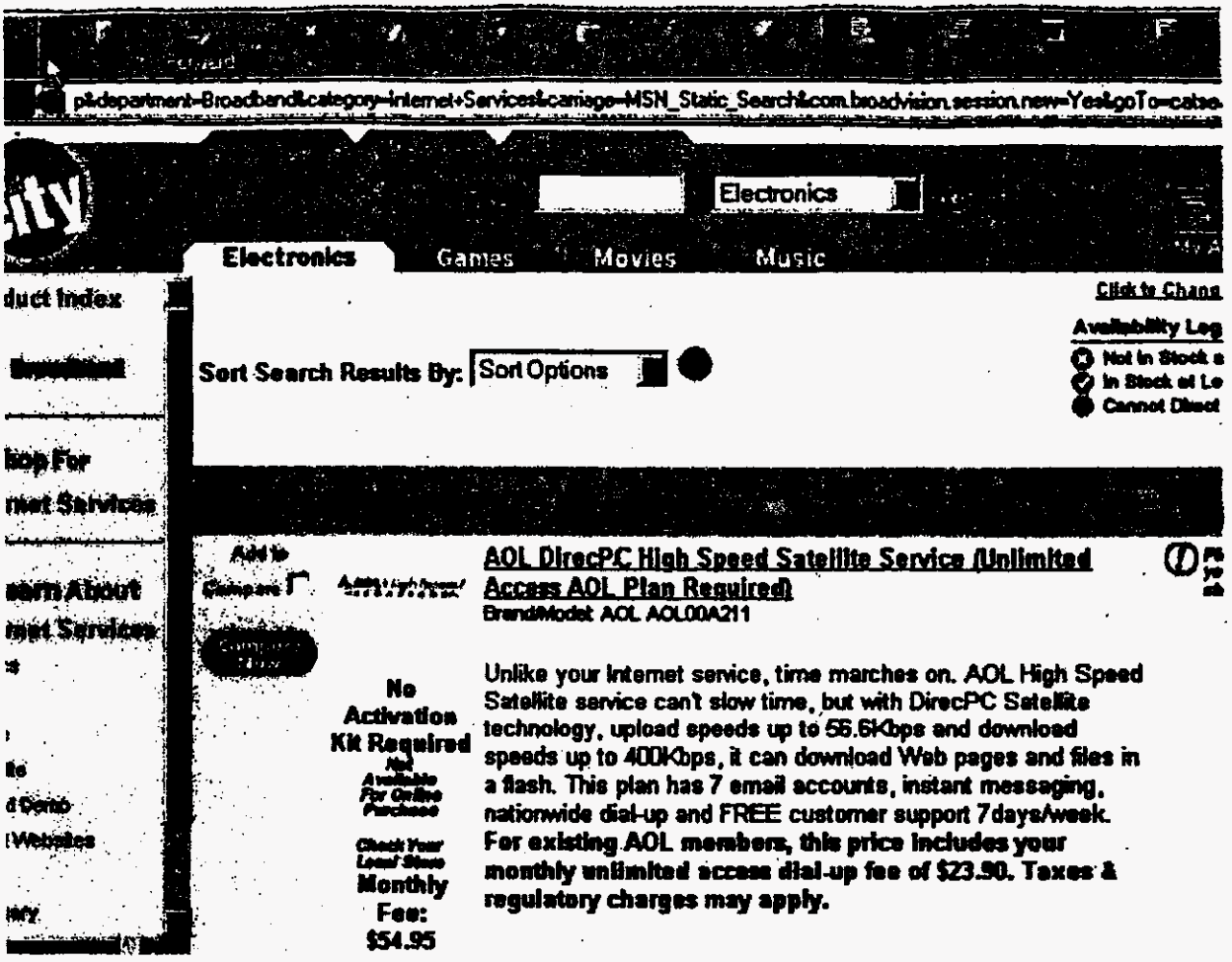
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Cannot Direct
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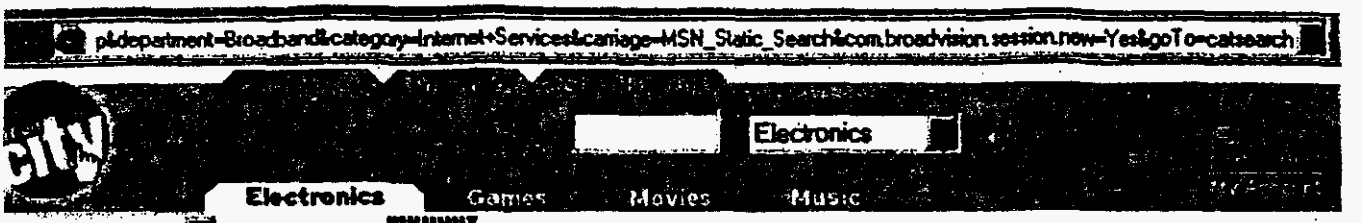
Sort Options
AOL DirecPC High Speed Satellite Service (Unlimited Access AOL Plan Required)
Brand/Model: AOL AOL00A211
No Activation Kit Required
Not Available For Online Purchase
Check Your Local Store
Monthly Fee: $54.95
Unlike your Internet service, time marches on. AOL High Speed Satellite service can't slow time, but with DirecPC Satellite technology, upload speeds up to 56.6Kbps and download speeds up to 400Kbps, it can download Web pages and files in a flash. This plan has 7 email accounts, instant messaging, nationwide dial-up and FREE customer support 7days/week. For existing AOL members, this price includes your monthly unlimited access dial-up fee of $23.90. Taxes & regulatory charges may apply.



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AT&T Broadband Internet Kit
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Not Available For Online Purchase
Check Your Local Store
Monthly Fee:
$54.95

AT&T Broadband Internet Cable Modem Service
Brand/Model: ATB 758

Please check your local store.

$50 credit-$10/mo for 5 mos of HSD service
Digital Cable Cust. get $10 off broadband fee
$10 rebate with cable modem purchase!
$80 rebate with activation!

- Modem purchased separately
- Up to 300Kbps Upstream & 1500Kbps Downstream
- New and current cable customers only
- Basic installation - see details for additional charges
- No contract required

http://orderdsl.net/pricing_dtv.htm

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DSL Pricing

DIRECTV DSL

DIRECTV DSL™ is the leading provider of residential DSL services. For a limited time only, DIRECTV DSL™ is offering a Special Promotion that includes:

- $29.99/mo for 3 months! Then only $49.99 after that with annual commitment.
- WAIVED Activation FEE!
- INCLUDES Use of DIRECTV DSL™ Gateway (DSL modem)
- INCLUDES Unlimited Surfing!
- INCLUDES 24 Hour Tech Support!

Special Offer
Residential DSL

Special Offer

Welcome to the Premier One-Stop DSL Service Provider on the Internet... We bring you a suite of DSL service solutions from America's leading DSL service providers. Our DSL providers are all names that you have come to know and trust with being leaders in the high speed Internet and DSL business.

OrderDSL.net

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Preferred Business DSL Provider

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Surf Faster
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Plans start at $39.95*
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Get It Today!

> MSN Broadband—Now Available Nationwide! Plans starting at $39.95*

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Click here for important offer details

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&T Consumer Home

to Jupiter.

AT&T DSL Service

York and Texas

With AT&T DSL Service, you can visit Jupiter, watch the latest movie trailers, and swap family photos and videos in seconds, not minutes. We go beyond ordinary DSL to bring you a better online experience. And best of all, if you're not satisfied with the speed and reliability of AT&T DSL, you can cancel at any time with no penalty.*

Get the power of AT&T DSL

$39.95 month

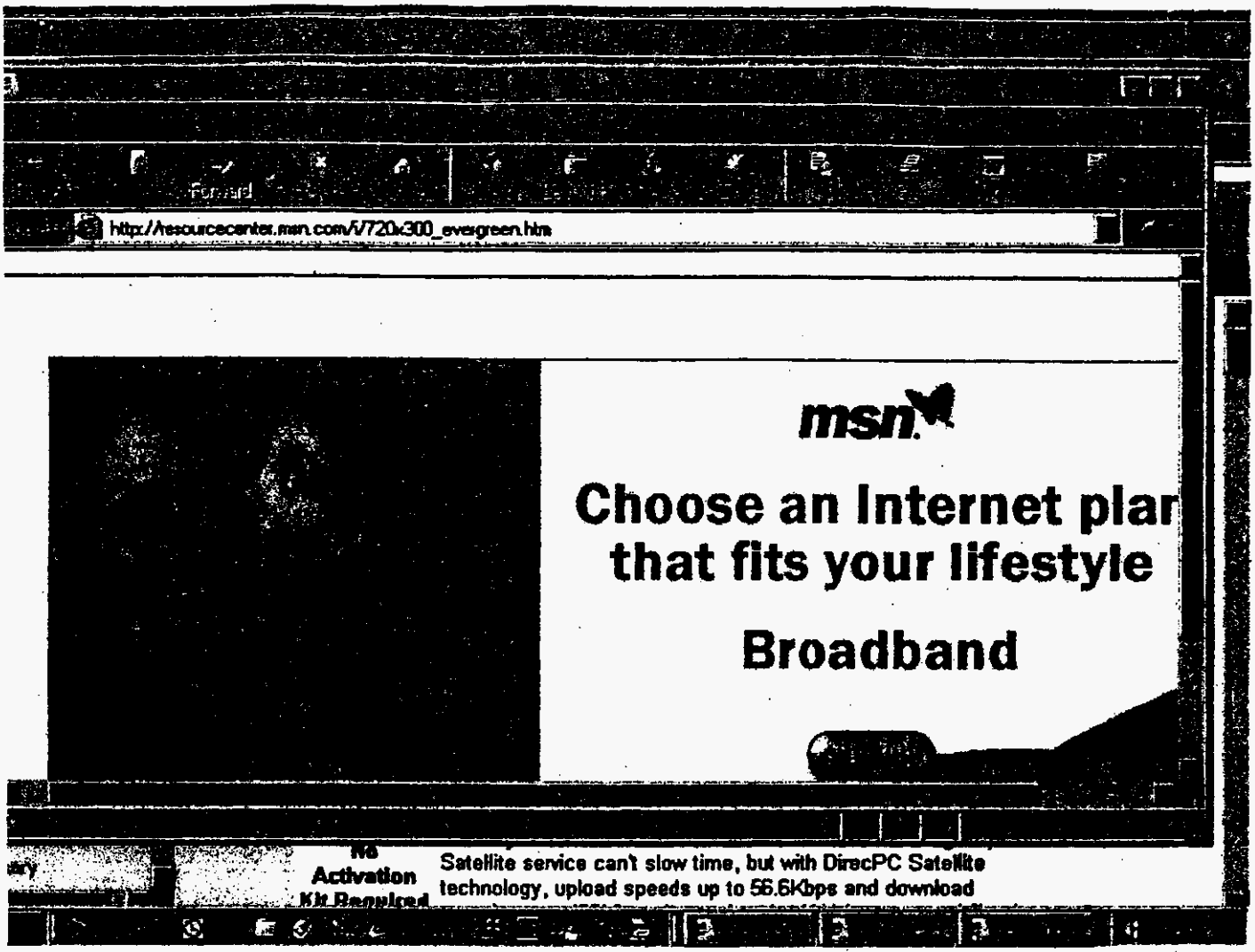
GUARANTEED

T&T DSL info in easy-to-print format

PRINT IT

Order Today!

Call 1 800 800-0271 and place your order.


Forward
http://resourcecenter.msn.com/v720x300_evergreen.htm
msn
Choose an Internet plan
that fits your lifestyle
Broadband
No
Activation
Satellite service can't slow time, but with DirecPC Satellite
technology, upload speeds up to 56.6Kbps and download

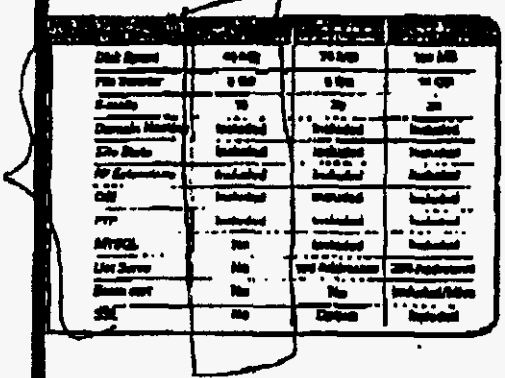
Mpower Communications

Mpower Web Hosting Service

Mpower Shared Web Hosting Service
The power to choose a package designed especially for your business.

Define your online presence with Mpower's Web Hosting solutions.

Choose the Web Hosting features that matter most to your business now and in the future.



Mpower Shared Web Hosting Features — Tools to strengthen your online presence.

Customer Control Panel
Mpower offers a web-based interface giving you access directly into your Web and e-mail accounts. Change settings, create usernames for staff members, setup password protected subdirectories, add and delete custom e-mail address for employees all directly through the site.

FrontPage Extensions
FrontPage Extensions allow users to utilize Microsoft Front Page 98 & 2000 to create their Web site. This provides webmasters with a quick and easy way to load or update their pages with a development tool. All of our packages support the use of Microsoft FrontPage.

Backup/Restore Files
Do your own site backups! Download and secure web content directly onto your machine, or direct files to another host, such as a staff member's computer.

Large disk space allowance
Small Business — 40MB, enough to store more than 1,200 average web pages

Commercial — 70MB, enough to store more than 2,100 average web pages

eCommerce — 100MB, enough to store more than 3,000 average web pages (average page size 30 KB)

Large monthly data transfer allowance
Small Business — 3GB, enough to serve more than 99,000 page hits per month

Commercial — 6GB, enough to serve more than 198,000 page hits per month

eCommerce — 10GB, enough to serve more than 330,000 page hits per month (average page size 30 KB)

E-mail Accounts included
Small Business — 10 POP3 addresses included

Commercial — 20 POP3 addresses included

eCommerce — 20 POP3 addresses included

eCommerce capabilities
Included with the eCommerce plan is Miva Merchant Storefront or Shopping Cart providing unlimited products & categories, the capability for real-time credit card processing, store creation and setup wizards. The shopping cart also has the ability to create up-sell products based on basket contents, related products, QuickBooks export, E-mail notification of orders, SSL, integration for ordering and reporting, database driven, modular architecture, and API-based add-in-modules.

Mailing List Manager
Maintain staff and authorized customer mailing lists for easy mail distribution. Mpower's Commercial & e-Commerce Web hosting plan provides this service at no additional charge.

www.mpowercom.com

Exhibit 1

mpower
Communications

Ed Velez
305 498 7377

$665.95
10 lines

MpowerOffice Velocity

Simplify your operations and trim your business communications bill!

High-Speed Internet Service and Business Class Local and Long Distance Service on One Bill!

MpowerOffice Velocity has been designed to meet your business communication needs today and in the future as your business grows! Velocity's integration of broadband Internet connectivity and business class voice services provides a comprehensive and flexible all-in-one solution.

- Choose the number of phone lines you need!
- Choose the Internet access speed you need!
- Choose the calling features and packages you need!

MpowerOffice Velocity Package

Basic Package Includes:

- Local service: 8 to 16 business voice lines
- Internet Access: 3 tiers of speed to choose from
  - 512Kbps
  - 768Kbps
  - 1Mbps
- Long Distance: Optional — flat rate (interstate and intrastate per minute rates)

Features Included with Every MpowerOffice Package!

Voice Service Features
Hunting
Caller ID
Call Number Delivery Blocking (Caller ID Block)
Intra LATA wide calling
Call Blocking (900, 3rd Party, Collect, etc.)
Toll Restrictions
Internet Features
E-Mail
20 e-mail accounts (username@mpowerman.net)
or 16 Dedicated email accounts
Newsgroups
1 Domain Name Hosted (DNS)
8 Usable static IP Addresses
40 MB – Web Hosting Space (Shared)
8 Dialup Internet Access Accounts

10 voices

A La Carte Feature Options —

Choose from any of the features below to enhance your MpowerOffice Accelerator Package!

A La Carte Feature Options

Local Service Features
Call Forwarding
Call Forward busy (optional)
Call Forward Busy
Call Forward No Answer
Call Forward Busy
Call Forward Busy No Answer
Remote Access to Call Forwarding
3-Way Calling
Repeat dialing
Call Waiting / Cancel Call Waiting
Return Call
Speed Call 8
Internet Features
Dedicated Mail Option (10 Addresses)
Additional E-mail Addresses
Domain Name Hosting
10 MB Additional Storage Space
30 MB Additional Storage Space
Voice Mail Features
Standard Voice Mail Box
Enhanced Voice Mail Box
Pager Notification
Escape to Operator
Business Message Center
Greet-only Box

Business Consulting

Our professionally trained Account Managers will review your specific business objectives and issues to help you decide on the best MpowerOffice Velocity package for your needs.

www.mpowercom.com

Exhibit 1

Our Experience

And where it's gotten us.

US LEC is an integrated telecommunications company, founded on extensive experience. Every member of our management team has an impressive background in the telecom industry. Our dynamic environment attracts top talent in every discipline, from engineering to sales and marketing.

Where has it gotten us? Our telecom savvy and "smart build" approach have enabled us to expand quickly. Since opening our first switch in Charlotte, North Carolina, we have expanded into major cities throughout the Eastern United States.

What our customers are saying about US LEC

"The easiest phone company to do business with..."

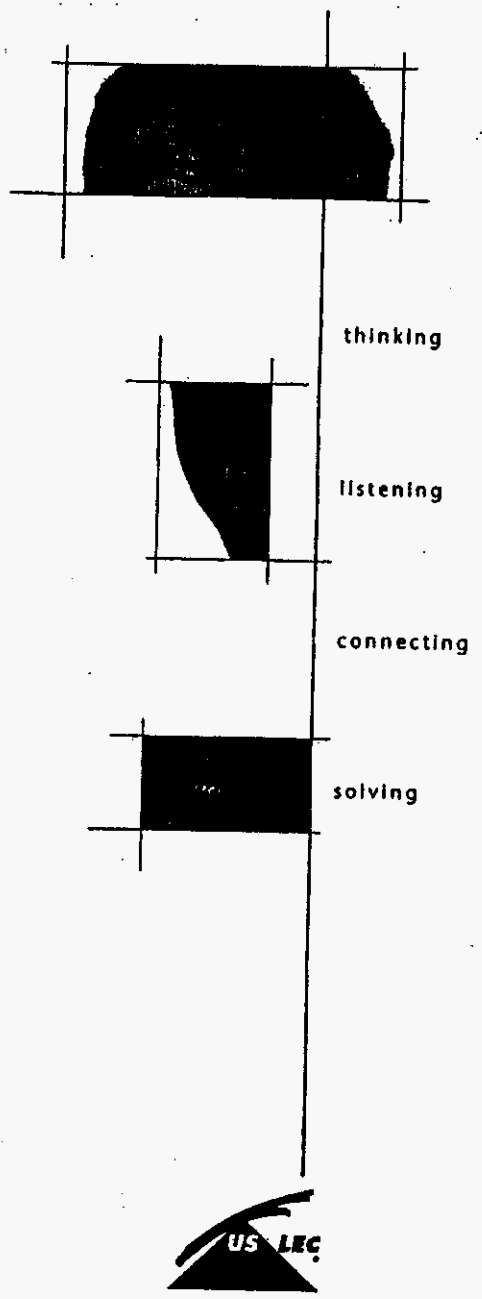
"Their pricing is the best out there."

"Call once and it's taken care of."

"Finally, a phone company that's focused on us."

US LEC Corp.
A publicly traded company
(Nasdaq: CLEC)
800.588.7280
www.uslec.com

Local Long Distance Internet Data



Local Long Distance Internet Data

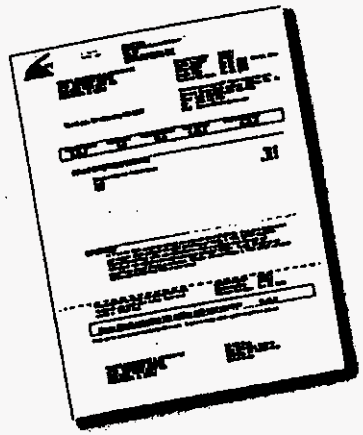
Customer Care

The connection starts with you.

When you call US LEC, you get problem solving, not a sales pitch. Whether your business needs local, long distance, data or Internet, we'll find the most efficient, cost-effective way to build your service. Sure you want to save money, but you also want service that fits now and as you grow. We'll work with you every step of the way, and even give you a Service Guarantee. Best of all, we're nearby. You call, we're there.

Services

Voice, data and Internet designed around you.



US LEC offers a full suite of services, and often they can be bundled on a single T1 facility. You get a single point of contact—and a single bill.

We develop and deliver innovative services for diverse applications, at very competitive prices. Our customers represent many kinds of businesses, from ISPs, technology companies and professional firms to hotels and auto dealerships. Specialized solutions can be created for your business needs.

Technology

The savvy behind our service.

Unlike providers who are merely resellers of phone services, US LEC owns its own switches and operates its own network. Take a tour through the US LEC facilities in any of the markets we serve. We'll help you understand the technology, so you can feel confident in your choices.

At US LEC, we make our products reliable before we make them available. And the result is one of the highest customer retention rates in the industry.

US LEC

[redacted]

US LEC has done things differently from the start. It's good to be different, to stand out in a crowd.

"Our Mission Statement is; To be the preferred provider of Telecommunications services.....with a team of highly qualified employees who are totally committed to our customers and the success of our company."

Please check our website at WWW.USLEC.COM
"Providing Voice and Data"
And contact me with any questions:

Rhonda Puotinen
rpuotinen@uslec.com
305-779-6614

Guess Who is Still Zagging.....

US LEC's goal is to be the preferred provider of integrated voice, data and Internet telecommunications services that exceed customers' expectations.

US LEC currently provides telecommunications services to more than 6000 mid-to-large-sized, T1-based, on-net customers in over 70 markets throughout the southeastern and mid-Atlantic United States.

US LEC provides reliable local and long distance services including:

- Toll Free Service (800/888/877/866/855)
- Local Toll Free Service
- Long Distance Only T-1 Service
- Directory Listings
- 911, Directory Assistance & Operator Services
- Long Distance Invoice Reports

US LEC offers data and Internet solutions including:

- Frame Relay
- Digital Private Line
- Dedicated Internet
- Web Hosting

US LEC's sales professionals can tailor solutions for customers through:

- Calling Cards
- AIN Account Codes
- ADVANTAGE Long Distance
- ADVANTAGE T - **US LEC's** Flat Rate Integrated T-1

US LEC is committed to providing the best possible customer care service through:

- Face-to-face meetings with a team of local, experienced professionals
- A personal representative
- Cost-effective solutions
- Creative service and support programs
- Experienced management
- A Network Operations Center (NOC) providing 24 X 7 customer service support and network monitoring
- One monthly bill for all **US LEC** services

US LEC is committed to building the most technologically advanced network possible. US LEC's network of 26 digital switching centers consists of Lucent 5ESS® AnyMedia™ digital switches, Lucent CBX500 ATM data switches, Juniper M20™ Internet Gateway routers and an Alcatel MegaHub® 600ES.

US LEC's 5ESS switches use Lucent's long distance platform software and Intelligent Network technology. This gives US LEC:

- a platform for future advanced toll features
- the ability to configure any of its 5ESS switches to function as long distance hubs and local voice centers
- more resiliency, redundancy and survivability
- increased capacity and reliability
- the ability to deliver an even higher quality of service

US LEC's CBX500 ATM switching backbone provides strong quality of service controls for optimum service levels by:

- integrating voice and data solutions on high bandwidth networks that are redundant and resilient
- using a series of interlocking high capacity rings assuring the availability of multiple routes for traffic in and out of each switch location
- providing data products such as digital private line, high speed dedicated Internet access, and frame relay

US LEC's Internet Gateways using M20™ routers from Juniper Networks® Inc. improve **US LEC's** carrier-grade data network by:

- expanding the product offerings
- increasing the speed of our customers' Internet connections
- improving reliability and efficiency of the network

US LEC's MegaHub platform in Charlotte is a high capacity, universal switching platform using a distributed architecture that offers:

- reliability
- enhanced capacity
- flexibility
- trunk capacity

Locations

US LEC's network of 26 digital switching centers consists of:

- Lucent 5ESS® AnyMedia™ digital switches
- Lucent CBX500 ATM data switches
- Juniper M20™ Internet Gateway routers
- an Alcatel MegaHub® 600ES

Sampling of the customers US LEC is proud to serve:

Automotive Dealerships
Craig Zinn Dealership - Miami, FL
Crest Cadillac - Nashville, TN
Crown Ford - Nashville, TN
Franklin Pontiac GMC - Nashville, TN
Gossett Motors - Memphis, TN
Grayson Automobiles - Knoxville, TN
Jerry Hamm Chevrolet - Jacksonville, FL
LaPointe Honda and Mitsubishi - Charlotte, NC
Page Auto - Richmond, VA
Scott Clark Toyota City - Charlotte, NC

Educational Institutions
ECPI - Regional
Emory University - Atlanta, GA
McDonogh School - Baltimore, MD
North Carolina State University
University of Memphis
University of North Carolina
University of Richmond
University of Tennessee
Virginia Tech

Financial Institutions
Baltimore Washington Financial Advisors, Inc. - MD
Foodtrader.com - Miami, FL
Optimum Mortgage - Charleston, SC
The Jacksonville Bank - FL
The Pfefferkorn Company - Winston Salem, NC

General Business
Appalachian Network Services - Philadelphia, PA
AV Imports - Baltimore, MD
Baltimore Steel Erectors - MD
Barber Martin Advertising - Richmond, VA
Ben Craig Center - Charlotte, NC
Caldwell Travel - Nashville, TN
Chattanooga Telephone - TN
Chattanooga Area Convention & Visitors Bureau - TN
Floyd Sewell Insurance Agency - Jacksonville, FL
Harmon Pro North America - Nashville, TN
Helpmenow.com - Miami, FL
Inter-Tel - West Palm Beach, FL

General Business - cont'd
Knoxville Executive Suites - TN
Knoxville News-Sentinel - TN
Lifestyle Family Fitness Center - Tampa, FL
McIntosh Law Firm - Charlotte, NC
Miami Office Systems - FL
Moore, Ingram, Johnson & Steele - Atlanta, GA
MRA Inc. - Baltimore, MD
Nylstar - Greensboro, NC
Prudential Carolinas - NC
Seminole Electric Corporation - Tampa, FL
Service Merchandise - Nashville, TN
Shared Office Services - Birmingham, AL
Shea Homes - Charlotte, NC
Signal, Voice & Data - Chattanooga, TN
Sneed Companies - Memphis, TN
Softplay, L.L.C. - Charlotte, NC
Tennessee Smokies - Knoxville, TN
Tire Distributors Inc. - Baltimore, MD
Tropic Fasteners - Orlando, FL

Health Care
American Home Patient - Nashville, TN
American Red Cross - Miami, FL
Asthma, Immunology & Allergy Assoc. - Chattanooga, TN
Care First Blue Cross & Blue Shield - Baltimore, MD
Epworth Village - Miami, FL
Health Care Management Resource - Nashville, TN
Helen Ellis Memorial Hospital - Tampa, FL
Heritage Medical - Nashville, TN
Palmed - Miami, FL
St. Mary's Hospital - Knoxville, TN

Hospitality
Best Western - Miami, FL
Clarion Hotel - Chattanooga, TN
Doubletree Guest Suites - Nashville, TN
Holiday Inn - Nashville, TN
La Quinta - Regional
Omni Hotel - Jacksonville, FL
Omni Hotel - Newport News, VA
Sheraton Imperial Hotel - Raleigh, NC
SREE Hospitality Group - Charlotte, NC

usiness - Total Solution Plus

TOTAL SOLUTION PLUS℠ - 1 LINE

$42.95

Compare with BellSouth® Area Plus® with Complete Choice®*

$64.00

Order Now

Keep your existing number(s)♦ No conversion fees♦ No disruption in service♦ Free Voice Mail.♦ Free Local Long Distance.♦ Same network you have always relied upon.

The **Total Solution Plus® One Line Plan** is the full-service answer to your business telephone needs. Included in the plan is a phone line with unlimited local telephone service. In addition, you also receive unlimited local long distance calls (Area Plus) in your Expanded Calling Area, Free Voice Mail and up to 30 convenient calling features to help your business run more smoothly--and all for one low flat monthly rate.

Here's what it can do for you:

- Expand Your Market — With Total Solution Plus, you can increase your potential customer base without having to incur any inflated charges.
- Up to 30 Convenient Calling Features.
- Flexibility – Individually designed plans means you can design the calling features to fit the needs of your business. Great Value.
- One Flat Rate — You don't have to worry about additional charges each month.

Learn more about some of our most popular convenient calling features

Try our **Total Solution Plus** Plan today and save up to 30% or more compared to your BellSouth® Area Plus® with Complete Choice® monthly phone bill.

Share the joy with your business associates!

Note: Prices do not include applicable taxes.

**BellSouth® offer does not include Free MemoryCall.*

Legal Notice

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PRODUCTS & SERVICES - BUSINESS

Supra Telecom Basic Business Line - 1 Line $34.95

SUPRA℠ EXECUTIVE BASIC LINE is an affordable and reliable answer to your business telephone needs, with unlimited local telephone service, unlimited local long distance and free voice mail.

Compare BellSouth® with $45.17

Total Solution Plus for business - 1 Line $42.95

Total Solution Plus℠ is our best value, with local telephone service, unlimited local long distance, 30 convenient calling features and free voice mail.

Compare BellSouth® Complete Choice® with $64.00

Total Solution Plus for business - 2 Lines $69.95

Total Solution Plus℠ for Business - 2 Lines offers your business all the convenient features and services of the single-line plan on two telephone lines for one low price.

Compare with BellSouth® Complete Choice® - 2 lines $102.00

Total Solution Plus for business - 3 Lines $99.95

Total Solution Plus℠ for Business - 3 Lines offers your business all the convenient features and services of the single-line plan on two telephone lines for one low price.

Compare with BellSouth® Complete Choice® - 3 lines $151.00

Supra ExecutiveCents Long Distance Plan 5¢/7¢/min

Supra Executive¢ents Long Distance Plan... Your simple and affordable business solution. Expand your boundaries and be assured that your business will enjoy the best rates on National and International calls.

Other Products and Services

- Total Solution Plus℠ - 5 Lines
- Internet Service
- Calling Features
- Inside Wire Maintenance
- Online Customer Care

Note: BellSouth® prices identified herein are subject to change and may not include applicable taxes and surcharges.

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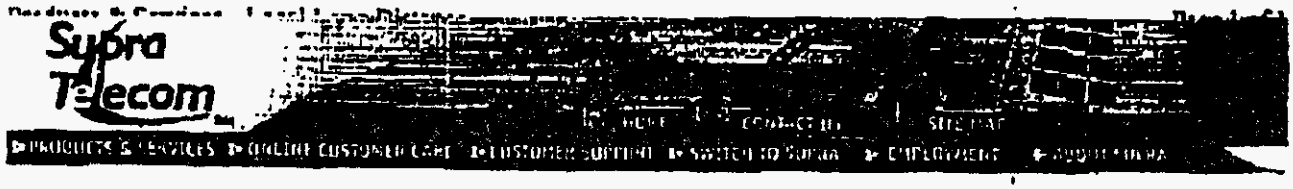
Exhibit IV



LOCAL LONG DISTANCE

Free*

Compare with BellSouth® Area Plus® **

$30.00

Order Now

Supra Telecom℠ is delighted to offer customers the ability to connect with friends and family and the rest of the community for a minimal cost. But we want to go one better!

Subscribers to Supra Telecom's Total Solution Plus℠ plan get local long distance calls in their expanded calling area for FREE! The Unlimited Local Long Distance service is an IntraLATA calling package that lets customers call almost everywhere in Dade, Broward, Monroe or even Palm Beach County at no additional cost (as part of the Total Solution Plus℠ plan).

Talk as long as you want, any time of the day or night, to your family, friends and community — all FREE!

*This product is included at no extra charge when you purchase **Total Solution Plus℠**

Note: BellSouth® prices identified herein are subject to change and may not include applicable taxes and surcharges.

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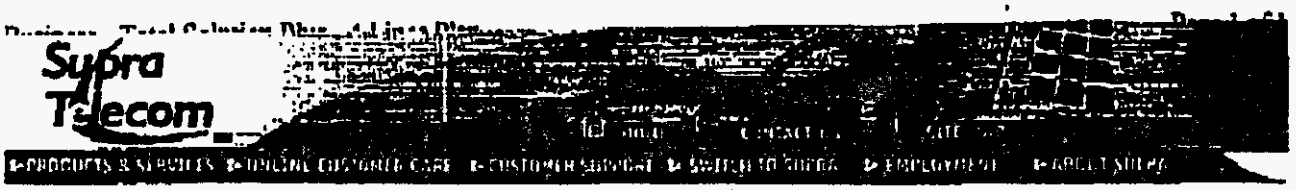
Exhibit 4



TOTAL SOLUTION PLUS℠ 4 LINES

$129.95

Compare with BellSouth® Area Plus® with Complete Choice® (4 Lines)*

$177.00

Order Now

Keep your existing number(s)♦ No conversion fees♦ No disruption in service♦ Free Voice Mail.♦ Free Local Long Distance.♦ Same network you have always relied upon.

You need the most you can get out of your telephone service-your business has four or more lines and you use them! Why pay more than you have to for quality business telephone service? The Total Solution Plus℠ Plan (4 lines) is just what you need to maintain that telephone presence while cutting telephone costs. Get complete local service and unlimited local long distance calling in your Expanded Calling Area, as well as Free Voice Mail and up to 30 convenient calling features, including Hunting/Rollover. You can even configure each line to best suit the style and needs of your business. Best of all it's available for one affordable, monthly rate!

Here's what it can do for you:

- Expand Your Market – With Total Solution Plus℠ Plan (4 lines), you can increase your potential customer base without having to incur any inflated charges.
- Up to 30 Convenient Calling Features.
- Flexibility – Individually designed plans means you can design the calling features to fit the needs of your business. Great Value.
- One Flat Rate – You don't have to worry about additional charges each month.

Learn more about some of our most popular convenient calling features

Try our Total Solution Plus℠ Plan (4 lines) today and save up to 30% or more compared to your BellSouth® Area Plus® with Complete Choice® (4 lines) monthly phone bill.

Share this way with your business associates!

*Note: BellSouth® prices identified herein are subject to change and may not include applicable taxes and surcharges.

**BellSouth® offer does not include Free MemoryCalls.

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Exhibit 4

FREE

UNLIMITED LOCAL & LOCAL TOLL CALLING FOR YOUR BUSINESS

$26
monthly per line
FLAT RATE

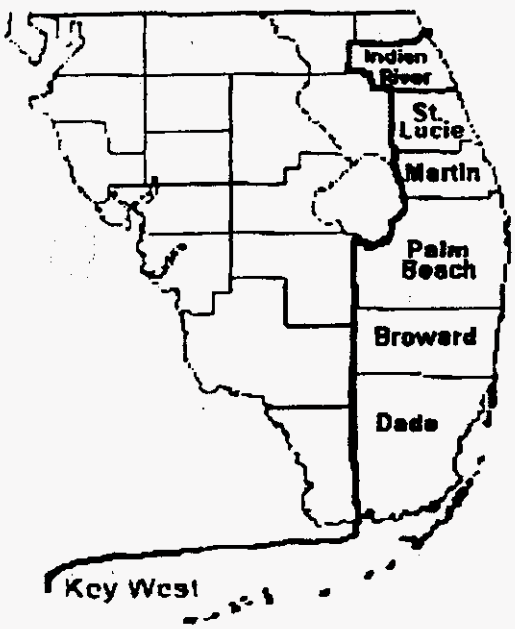
YES

Free calling from Key West to Sebastian
Covering area codes 305-561-786-954+

FREE unlimited local calls (Zones 1, 2, & 3)
FREE unlimited local toll calls (LATA)
Customer Service 24 hours/7days
Month to month agreement

NO

Number changes - keep your numbers
Change in service – same lines
Hidden fees or surcharges



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Fx: 888-600-9739

Steve Sommer
Regional Director

Ft. Lauderdale
Florida

www.local4free.com

ENERGY SAVERS TELECOM
LOCAL TO GLOBAL - VOICE TO DATA

ENERGY SAVERS TELECOM

Local to Global — Voice to Data

Business Comparison

Local Service			Bell South	EST
Local Toll Calls	1st Min .10	2nd Min .06	150 3-Min calls= $ 33.00	Free
Business Line			$ 31.46	$ 26.00
Subscriber Line Charge			$ 7.84	$ 6.12
Total			$ 72.30	$ 32.12

Annual Savings $ 482.16

Long Distance	Areas	EST
Direct 1+ Dialing	SE Florida 305-561-786-954	Free
6 Second Billing		
Same Rates - 24/7	Florida	7.9¢ per minute
NO Monthly Fees	Nationwide	6.5¢ per minute
NO Minimum Usage	800 Numbers	Same Rates

Agents needed — *International Rates* — Agents needed

Antigua	0.3833	Bolivia	0.4034	Costa Rica	0.1678	Haiti	0.3918	Panama	0.2944
Argentina	0.1624	Brazil	0.2054	Dom.Rep.	0.1413	Honduras	0.5806	Paraguay	0.3871
Bahamas	0.1880	Cayman IL	0.2109	Ecuador	0.2779	Jamaica	0.3474	Peru	0.2417
Barbados	0.3198	Chile	0.0770	El Salvador	0.2372	Martinique	0.2743	Uruguay	0.3232
Belize	0.5223	Columbia	0.1690	Guatemala	0.3309	Nicaragua	0.3900	Venezuela	0.3029

Steve Sommer • Regional Director • Ft.Lauderdale • Florida

Please provide additional information via: **NAME:** _____

☐ **Ph:** _____ ☐ **FX:** _____ ☐ **Email:** _____

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Local to Global — Voice to Data

Customers

Name	Locations	Lines	Account Name	Locations	Lines
Century 21	86	1402	Select Personnel	24	186
Remax Real Estate	38	810	Fantastic Sams	48	121
All State Insurance	79	490	Jack in the Box	24	86
State Farm	98	596	Round Table Pizza	31	159
Farmers Insurance	68	340	Seven Eleven	44	103
Goodyear Tire	47	350	Subway	41	162
AAMCO	23	97	Dominos	46	168
Midas	28	175	Taco Bell	56	160
Valvoline	37	88	Mail Boxes etc.	27	101
Union 76	56	285	Postal Annex	39	130

References

Provided from existing customers upon request.
They are available by industry type as well as area.

Who Is EST?

Energy Savers Telecom EST is a full service telecom broker dedicated to serving its customers interests. EST obtains the best rates while utilizing major carriers with a full spectrum of services to meet the needs of its customers from local to global and voice to data since 1998.

The EST Guarantee

1. EST will bring you lower rates as they become available.
2. If you are offered a rate that is lower, EST will match that rate, and send you a check for the difference in the previous month.

100% Satisfaction Guaranteed (Risk Free).

Steve Sommer * Regional Director * Ft. Lauderdale * Florida

PH: (800) 664-2436 FX: (888) 600-9739 www.local4free.com Email: info@local4free.com

Service Locations:

	Recurring	Long Dist.	Misc/Oper	Taxes	Total
	72.48	12.35	2.16	8.14	95.13
	37.98	1.68	1.88	3.18	43.91
	46.48	4.30	47.53	7.90	106.20
Total	$156.94	$18.32	$50.77	$19.71	$245.24
Grand Total	$156.94	$18.32	$50.77	$19.71	$245.24

REDACTED

36 Business Line Flat Rate-(07/15-08/14)	1	24.46	24.46

Total New/Change Charges $42.69

Long Distance Charges :-

See Page 6 for call detail. $1.30

Misc. Charges :-

Date	Time		Charge
17 07/19/2002	08:40 am	Call Return (*69)	$0.99
18 07/19/2002	09:29 am	Directory Assistance	0.36
19 08/01/2002	01:31 pm	Call Return (*69)	0.99
20 08/06/2002	02:08 pm	Call Return (*69)	0.99
21 08/13/2002	11:54 am	Directory Assistance	0.36
22 08/13/2002	11:55 am	Directory Assistance	0.36
23 08/13/2002	01:38 pm	Directory Assistance	0.36
24 08/14/2002	09:54 pm	Call Return (*69)	0.99

Total Directory Assistance & Usage $5.04

Service Taxes and Surcharges :-

Tax	Amount
25 Federal Excise Tax	$2.27
26 Puc Fee	0.11
27 Local Telecommunication Tax	4.62
28 Telecom Relay Systems Surcharge	0.08
29 Local 911 Tax	0.50
30 Federal Universal High Cost Fund	0.31

Total Taxes $7.89

Total Directory Assistance & Usage $1.08

Service Taxes and Surcharges :-

Tax	Amount
10 Federal Excise Tax	$0.80
11 Puc Fee	0.04
12 Local Telecommunication Tax	1.63
13 Telecom Relay Systems Surcharge	0.08
14 Local 911 Tax	0.50
15 Federal Universal High Cost Fund	0.12

Total Taxes $3.18

Recurring Charges :-

Product	Qty	Charge	Amount
1 Business Line Flat Rate-(08/15-08/14)	1	24.00	$24.00
2 Call Forwarding Busy Line-(08/15-08/14)	1	1.00	1.00
3 Call Forwarding No Answer-(08/15-08/14)	1	1.00	1.00
4 FCC Local Network Charge-(08/15-08/14)	1	7.84	7.84
5 FCC Local Number Portability-(08/15-08/14)	1	0.35	0.35
6 Fed Universal Service Charge, multi-line-(08/15-08/14)	1	0.48	0.48
7 Hunting/Rollover Service-(08/15-08/14)	1	7.50	7.50
8 Loop charge-(08/15-08/14)	1	0.00	0.00
9 National Long Distance Network Fee-(08/15-08/14)	1	4.31	4.31
10 Transfer Hollow-(08/15-08/14)	1	0.00	0.00

Total Recurring $46.48

Blue and/or Related Products :-

Product	Qty	Charge	Amount
31 FCC Local Network Charge-(07/15-08/14)	1	7.58	7.58
32 Call Forwarding Busy Line-(07/15-08/14)	1	1.02	1.02
33 Call Forwarding No Answer-(07/15-08/14)	1	1.02	1.02
34 Hunting/Rollover Service-(07/15-08/14)	1	7.64	7.64
35 FCC Local Number Portability-(07/15-08/14)	1	0.36	0.36

Payments

1	08/05/2002 Payment - Check No.035954	$230.77

Recurring Charges -

	Activity	Qty	Charge	Amount
1	Business Line Flat Rate-(08/15-08/14)	1	24.00	$24.00
2	30 Code Speed Calling-(08/15-08/14)	1	1.00	1.00
3	Call Block (*60)-(08/15-08/14)	1	1.00	1.00
4	Call Forward Var w/ remote activation-(08/15-08/14)	1	1.00	1.00
5	Call Forwarding No Answer-(08/15-08/14)	1	1.00	1.00
6	Call Return (*69)-(08/15-08/14)	1	1.00	1.00
7	Call Selector (*61)-(08/15-08/14)	1	1.00	1.00
8	Call Tracing (*57)-(08/15-08/14)	1	1.00	1.00
9	FCC Local Network Charge-(08/15-08/14)	1	7.84	7.84
10	FCC Local Number Portability-(08/15-08/14)	1	0.35	0.35
11	Fed Universal Service Charge, multi-line-(08/15-08/14)	1	0.48	0.48
12	Hunting/Rollover Service-(08/15-08/14)	1	7.50	7.50
13	Memory/Call Voice Mail Flat Rate-(08/15-08/14)	1	12.95	12.95
14	Message Waiting - Stutter Dial Tone-(08/15-08/14)	1	0.75	0.75
15	National Long Distance Network Fee-(08/15-08/14)	1	4.31	4.31
16	Preferred Call Forwarding-(08/15-08/14)	1	1.00	1.00
17	Repeat Dialing (*66)-(08/15-08/14)	1	1.00	1.00
18	Star56 Voice Mail per line-(08/15-08/14)	1	1.00	1.00
19	Three-Way Calling, non-packaged-(08/15-08/14)	1	3.50	3.50
	Total Recurring			$72.48

Long Distance Charges -

See Page 6 for call detail. $12.35

Misc. Charges -

	Date	Time		Charge
20	07/15/2002	12:27 pm	Directory Assistance	$0.36
21	07/18/2002	11:09 am	Directory Assistance	0.36
22	07/19/2002	10:52 am	Directory Assistance	0.36
23	07/22/2002	09:43 am	Directory Assistance	0.36
24	08/02/2002	01:27 pm	Directory Assistance	0.36
25	08/07/2002	02:21 pm	Directory Assistance	0.36
	Total Directory Assistance & Usage			$2.16

Service Taxes and Surcharges -

	Tax	Amount
26	Federal Excise Tax	$2.16
27	Puc Fee	0.11
28	Local Telecommunication Tax	4.48
29	Telecom Relay Systems Surcharge	0.08
30	Local 911 Tax	0.50
31	Federal Universal High Cost Fund	0.90
	Total Taxes	$8.14

Recurring Charges -

	Activity	Qty	Charge	Amount
1	Business Line Flat Rate-(08/15-08/14)	1	24.00	$24.00
2	Call Forwarding No Answer-(08/15-08/14)	1	1.00	1.00
3	FCC Local Network Charge-(08/15-08/14)	1	7.84	7.84
4	FCC Local Number Portability-(08/15-08/14)	1	0.35	0.35
5	Fed Universal Service Charge, multi-line-(08/15-08/14)	1	0.48	0.48
6	National Long Distance Network Fee-(08/15-08/14)	1	4.31	4.31
	Total Recurring			$37.98

Long Distance Charges -

See Page 6 for call detail. $1.08

Misc. Charges -

	Date	Time		Charge
7	07/15/2002	09:20 pm	Directory Assistance	$0.36
8	07/15/2002	09:25 pm	Directory Assistance	0.36
9	07/25/2002	03:51 pm	Directory Assistance	0.36

Payments

1 10/15/2002 Payment - Check No.3431		$48.74

Recurring Charges -

	Qty	Charge	Amount
1 Complete Choice Plan-(10/15-11/14)	1	39.00	$39.00
2 Call Block (*60)-(10/15-11/14)	0		0.00
3 Call Forwarding-(10/15-11/14)	0		0.00
4 Call Return (*69)-(10/15-11/14)	0		0.00
5 Call Tracing (*57)-(10/15-11/14)	0		0.00
6 Call Waiting-(10/15-11/14)	0		0.00
7 Caller ID Deluxe-(10/15-11/14)	0		0.00
8 FCC Interstate Network Charge-(10/15-11/14)	1	5.00	5.00
9 FCC Local Number Portability-(10/15-11/14)	1	0.35	0.35
10 Federal Universal Service Charge, 1st	1	0.55	0.55
11 Repeat Dialing (*66)-(10/15-11/14)	0		0.00
12 Three-Way Calling, non-packaged-(10/15-11/14)	9		0.00
13 Vertical Services Bill-(10/15-11/14)	1	0.00	0.00
Total Recurring			$39.90

Long Distance Charges -

See Page 4 for call detail.

$10.51

Recurring Taxes and Surcharges -

Tax	Amount
14 Federal Excise Tax	$1.22
15 Pac Fee	0.06
16 Local Telecommunication Tax	2.64
17 State Excise Tax	0.96
18 Telecom Relay Systems Surcharge	0.08
19 Local 911 Tax	0.59
20 Federal Universal High Cost Fund	0.77
Total Taxes	$6.32

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COMMUNICATIONS

ACCOUNT NAME	ACCT NUMBER	SERVICE THRU	DUE DATE	PAGE
		7/18/02	8/18/02	38

MANAGEMENT REPORTS

CALL I.D. SUMMARY

0000078282000?1 00000000	CALLS	MINUTES	AMOUNT
08			
10-0XX	25	4	
		17	
		10	
	23	9	
		28	
		24	
		110	
-BOND			
-TECH2			
-DIR			
-CENTR	11	28	40
	14	26	
-JAN			
-PTACS	2	5	
		10	
	51	210	
	72	184	
-DLDCH		1	
-TRFC	48	130	
-TRFC		1	
800/252-4364	150	277.0	24.57
800/458-0828		1	
800/883-0837	23	178	
*** CUSTOMER TOTAL FOR GEMINI WAREHOUSE INC	2572	8547.8	787.29

8.74
83.10
113.72
196.82
26.05
787.29

PRODUCT SUMMARY:	AMOUNT	MINUTES	VOLUME DISCOUNTS	CHARGES/ CREDITS	NET AMOUNT
	401.15	3248.70	.00	.00	401.15
Switched Single T - Canad	1.20	10.10	.00	.00	1.20
Long Distance Service	1.20	7.00	.00CR	.00	1.20CR
Directory Assistance	4.75	10	.00	.00	4.75
Switched Single T	288.45	837	.00	.00	288.45
Toll Inbound	88.04	884	.00	.00	88.04
Toll Inb.-Canad	1.40	10	.00	.00	1.40
GRAND TOTAL	787.49	8547.80	.50CR	.00	786.99

23.14 plus

DETAIL LISTING OF DISCOUNTS, CHARGES, AND CREDITS	AMOUNT
Directory Asst. Credit	.50CR
Local Line Charge	244.80
Long Line Factors	23.67
Fed. Primary Inc Charge	35.17
1-800 MONTHLY CHARGE	10.00
GRAND TOTAL	317.14

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COMMUNICATIONS

ACCOUNT NAME	ACCT NUMBER	SERVICE THRU	DUE DATE	PAGE
		7/18/02	8/18/02	61

MANAGEMENT REPORTS

XTRA	ITEM CHARGE INFORMATION	FROM DATE	TO DATE	QTY	AMOUNT
	Directory Number Hunting	7/18/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Directory Number Hunting	7/18/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				20.75
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				20.75
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				20.75
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Directory Number Hunting	7/18/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Call Forward - Universal	7/18/02	8/18/02	1.00	2.07
	Directory Number Hunting	7/18/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				27.97
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Directory Number Hunting	7/18/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/18/02	8/18/02	1.00	.25
	Business Line Charge(8-50 lines)	7/18/02	8/18/02	1.00	20.40
	TOTAL				20.75
TOTAL ITEM CHARGE					277.47

intermedia COMMUNICATIONS

ACCOUNT NAME	ACCT NUMBER	SERVICE THRU	DUE DATE	PAGE
		7/18/02	8/18/02	82

MANAGEMENT REPORTS

Term Plan Report
Intermedia Business Savings Plan (IBSP)
Summary Report for Account No.
Intermedia Communications

IBSP Monthly Revenue Commitment Amount	$500
IBSP Start Date	03/2000
IBSP Term Length	3 Years
Current Month Revenue Commitment Shortage	$.00

intermedia™
COMMUNICATIONS

ACCOUNT NAME	ACCT NUMBER	SERVICE THRU	DUE DATE	PAGE
		7/18/02	8/18/02	80

MANAGEMENT REPORTS

CALL SUMMARY ***	CALLS	MINUTES	AMOUNT
INTRA-LATA	21	31.1	2.73
INTRASTATE	843	2175.5	152.74
INTERSTATE	1088	3021.8	248.43
CANADA	3	19.1	1.30
INTERNATIONAL	302	837.4	298.42
TRAVEL/CALLING CARD	0	.0	.00
DIRECTORY ASST.	50	10.0	4.78
OTHER CARRIERS	0	.0	.00
TOTAL	2419	6508.2	707.92

TOLL FREE CALLS			
INTRA-LATA	114	224.4	19.04
INTRASTATE	28	118.1	8.80
INTERSTATE	148	294.4	93.19
CANADA	4	1.2	.88
INTERNATIONAL	0	.0	.00
TOTAL	292	637.9	85.42

GRAND TOTAL	2585	8540.5	785.74

RECURRING/NONRECURRING CHARGES	QUANTITY	AMOUNT
Local Number Portability		2.50
Call Forward - Universal		2.97
Directory Number Hunting		25.00
Business Line Charge(5-50 lines)		244.80
TOTAL CHARGES		277.47

ITEM	ITEM CHARGE INFORMATION	FROM DATE	TO DATE	QTY	AMOUNT
	UNIFIED VOICE				.35
	Local Number Portability	7/19/02	8/18/02	1.00	20.40
	Business Line Charge(5-50 lines)	7/19/02	8/18/02	1.00	
	TOTAL				20.75
	UNIFIED VOICE				.35
	Local Number Portability	7/19/02	8/18/02	1.00	20.40
	Business Line Charge(5-50 lines)	7/19/02	8/18/02	1.00	
	TOTAL				20.75
	UNIFIED VOICE				.35
	Local Number Portability	7/19/02	8/18/02	1.00	4.00
	Directory Number Hunting	7/19/02	8/18/02	1.00	20.40
	Business Line Charge(5-50 lines)	7/19/02	8/18/02	1.00	
	TOTAL				25.00
	UNIFIED VOICE				.35
	Local Number Portability	7/19/02	8/18/02	1.00	.35

intermedia COMMUNICATIONS

ACCOUNT NAME	ACCT NUMBER	SERVICE THRU	DUE DATE	PAGE
		7/18/02	8/18/02	2

MANAGEMENT REPORTS

TAXES/FEES/SURCHARGES DETAIL

Federal Taxes, Fees And Surcharges

Description	Billed Lines	Tax Rate	Amount
UNIV SRV FUND SURCHG		.09900	80.68
TEL RELAY SRV SURCHG		.00073	.48
FEDERAL EXCISE TAX		.03000	24.37
		Federal Total:	95.48

State Taxes, Fees And Surcharges

State	Description		Billed Lines	Tax Rate	Amount
FL	FL STATE COM SVC TAX			.09170	99.48
FL	ST TEL RELAY SRV SUR	B	18	.12000	2.18
				State Total:	101.82

Local Taxes, Fees And Surcharges

Community, State	Description		Billed Lines	Tax Rate	Amount
DUVAL, FL	COUNTY 911 TAX	B	18	.44000	7.92
JACKSONVILLE, FL	FL LOCAL COM SVC TAX			.05820	63.13
				Local Total:	71.05
				Report Total:	268.35

BILL DATE 04/20/02

VOA Miami

BILLING DETAIL

Current Account Activity

Balance From Previous Month	1,142.72
Payment 04/15/02	-571.36
*** OUTSTANDING BALANCE ***	-571.36
Current Basic Telephone Service - See Page 3	701.74
Current Amount Due	701.74
TOTAL AMOUNT DUE	1,278.30

Detail of Current Basic Telephone Service

Service for Period: 04/20/02 - 05/19/02

Description	Quantity	Rate	Amount
Basic Voicemail	1	7.50	7.50
Call Forward Busy Line	2	3.25	6.50
Call Forward Don't Answer	2	3.25	6.50
Basic Voicemail Pkg.	1	7.50	7.50
Federal Line Charge	18	7.84	101.92
Business Line FR	9	28.00	252.00
Business Line FR	4	22.50	90.00
		TOTAL SERVICE	471.92

443.92

Detail of Other Charges and Credits

Description	NOTATION			BTN	WORK ORDER	Amount
Labor Charge	032702 - 032702				MIAMS0002211	75.00
Business Line FR	03/27	TO	04/19			17.24
Federal Line Charge	03/27	TO	04/19			6.01
Business Line FR	03/27	TO	04/19			17.24
Federal Line Charge	03/27	TO	04/19			6.01
					TOTAL OCC'S	-121.50

TOTAL SERVICE CHARGES	471.92
OTHER CHARGES AND CREDITS	-121.50
Federal Tax 3.00%	17.90
State Communications Services Tax	54.42
Local Communications Services Tax	34.54
Florida Telecom. Relay - TRS	1.56
Total Basic Telephone Charges	701.74

11300818

RECYCLED PAPER

LONG DISTANCE SUMMARY OF USAGE BY TYPE AND RATE PERIOD

SERVICE: LD TYPE 1AS

SUMMARY OF INTRALATA USAGE BY RATE PERIOD:

RATE PERIOD	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
DAY	12	28.70	5.07
INTRALATA TOTAL	12	28.70	5.07

10

SUMMARY OF INTRASTATE USAGE BY RATE PERIOD:

RATE PERIOD	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
DAY	198	444.40	44.44
NIGHT	7	19.30	1.93
INTRASTATE TOTAL	205	463.70	46.37

10.2

SUMMARY OF INTERSTATE USAGE BY RATE PERIOD:

RATE PERIOD	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
DAY	34	100.30	8.42
INTERSTATE TOTAL	34	100.30	8.42

.05

DOMESTIC USAGE TOTAL 251 892.70 59.83

SUMMARY OF DOMESTIC USAGE BY RATE PERIOD / BAND:

RATE PERIOD	BAND	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
DAY	1	244	813.46	58.90
		244	813.46	58.90

LONG DISTANCE SUMMARY OF USAGE BY TYPE AND RATE PERIOD

VOA Miami

SERVICE: LD TYPE 162

RATE PERIOD	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
NIGHT	7	19.30	1.93
	7	19.30	1.93

DOMESTIC USAGE TOTAL / BAND:

BAND	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
1	251	632.70	58.83
	251	632.70	58.83

AVERAGE CALL DURATION: 2.52

SUMMARY OF OTHER USAGE BY TYPE:

USAGE TYPE	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
CANADA	1	1.50	.15
NON-U.S. CARIBBEAN	2	11.70	5.00
OTHER USAGE TOTAL	3	13.20	5.71
SERVICE TOTAL	264	645.70	64.68

LONG DISTANCE TRAFFIC MANAGEMENT SUMMARY: ALL PRODUCTS

PRODUCT	TOTAL CALLS	TOTAL MINUTES	TOTAL AMOUNT
LD TYPE 162	251	632.70	58.83
INTERNATIONAL	3	13.00	5.71

9.3
7.5

IDS Telcom offers the best choice for your company's local and long distance needs, with No Contract or Commitments. Receive just one extremely low phone bill for all your services. Your calls will be carried on the same reliable network as Bell South with the same technicians to handle your service request. The only change you will notice is a lower phone bill each and every month!

100% SATISFACTION GUARANTEED

- IDS Telcom covers all switching fees
- All your services will remain the same
- Keep all your same numbers
- Receive just one bill for all your services
- Great Domestic & International rates

The following is a comparison of your most recent Bell South monthly fees, features and savings IDS Telcom provides.

Type of Service	BellSouth	IDS Telcom	Monthly Savings
1 Complete Choice 6 Line Package	$452.00	$181.50	$270.50
1 Memory Call Voicemail Service	$12.95	$10.36	$2.59
Federal Universal Service Charge	$2.94	$2.94	$0.00
FCC Local Number Portability	$2.10	$2.10	$0.00
FCC Charge for Network Access	$47.04	$47.04	$0.00
TRI-COUNTY CALLING	.10 cents 1st min/ .06 cents each add'l min.	FREE	UNLIMITED
Total Monthly Savings	$517.03	$243.94	$273.09

The same taxes will apply no matter the carrier you use.

30 % OFF Bell South's line charges and features

3.9 Cents Per Minute Long Distance

THE POWER TO CHOOSE THE RIGHT TO SAVE!

IDS TELCOM covers all conversion costs, and ensures a responsive, customer friendly transition. In order to take advantage of the above mentioned savings contact your account manager immediately! Respond via e- fax @ (954) 978-9975, so that we may implement your savings for the upcoming billing cycles! If you should have any additional questions feel free to contact me anytime at (954) 738-3306,

SILAS N. BROWN • E-MAIL: SBROWN@IDSTELCOM.COM

IDS TELCOM

Page ___ of ___

Telecommunications Service Sales Order And Letter of Authorization

CUSTOMER

CONTACT

CONTACT PH

FAX

STREET/PO

SUITE/FL

CITY ST

ZIP COUNTY

E-MAIL

BILLING ADDRESS (If Other Than Service Address)

STREET/PO

CITY ST

ZIP COUNTY

BILLING TELEPHONE NO. (954) 584-8577

ADDITIONAL TELEPHONE NUMBERS (Check One for Business or Res for Residential)

Bus	Res	Local	Local Toll	Long Dist	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	
☐	☐	☐	☐	☐	

ACCOUNT CODE/PIN ☐ YES ☐ VERIFIED (SEE ATTACHED) ☐ UNVERIFIED

TOLL FREE NUMBERS

New ☐ Existing ☐ ___-___-____ ring to ___

New ☐ Existing ☐ ___-___-____ ring to ___

TYPE OF BUSINESS: Auto Sales YRS IN BUSINESS: ___

FEDERAL ID #: ___

ESTIMATED MONTHLY USAGE:

LOCAL	L.D.	TOLL FREE	INTERNET

CURRENT LOCAL CARRIER: BellSouth

LONG DISTANCE CARRIER: ___

TERM: ☐ MONTH TO MONTH ☐ 1 YR ☐ 2 YR

BILLING INSTRUCTIONS (Management reports will NOT be included in your bill unless indicated here)

☐ YES, Include all management reports in my bill

CALLING CARDS ☐ YES ☐ NO How many cards do you want? ___

RATES

BUSINESS	RESIDENTIAL (NO DISCOUNT OFF GALLERY RATES)
INTERSTATE 3.9¢/min	INTERSTATE ___
INTRASTATE 3.9¢/min	INTRASTATE ___
LOCAL LD FREE	LOCAL LD ___
TOLL FREE 45¢/min / MRC 10.00	TOLL FREE ___ / MRC ___
CALLING CARD .09¢/min	CALLING CARD ___
INTERNET RATE PLAN 850	INTERNET RATE PLAN ___

ADDITIONAL SERVICES (CHECK ALL THAT APPLY)

☐ UNIPLED MESSAGING ☐ VOICE MAIL ☐ 128K ☐ 384K ☐ 384K

COMMENTS: ___

LETTER OF AUTHORIZATION

On this ___ day of ___, 20___, I/we, on behalf of the above named customer, ("Customer") have entered into an agreement with BellSouth, LLC ("BSI") to act as Customer's agent for telecommunications services. Pursuant to applicable federal, state, and local law, including customer proprietary network information ("CPNI") regulations, Customer hereby authorizes BSI to view, monitor, and receive all CPNI and Billing Information that is provided to Customer by BellSouth. This authorization will remain in effect until revoked by Customer in writing. Customer may revoke this authorization at any time by providing written notice to BSI. Customer agrees that to prevent total revocation of this authorization, Customer must provide BSI with a written notice of revocation at least thirty (30) days prior to the end of the billing cycle in which Customer wishes to revoke this authorization. Customer understands that BSI is not responsible for any charges incurred by Customer prior to the effective date of revocation

Mpower Communications

Mpower POTS & SDSL Proposal
Date: June 26, 2002

CLIENT:

	BELLSOUTH				MPOWER		
	QTY	COST	MONTHLY	YEARLY	COST	MONTHLY	YEARLY
Business Line	8	$37.88	$340.92	$4,091.04	$24.00	$216.00	$2,592.00
Hunting	8	$10.00	$80.00	$960.00	n/c	n/c	n/c
FCC Charges	8	$7.84	$70.56	$846.72	$7.84	$70.56	$846.72
Voicemail	1	$9.00	$9.00	$108.00	$6.00	$6.00	$72.00
TOTAL COST			$500.48	$6,005.76		$292.56	$3,678.72

* This savings does not include the savings achieved from calls made to the following area codes: 305, 786, 954 and 561 that are FREE with MPower

	BELLSOUTH			MPOWER			
	RATE	MONTHLY	YEARLY	RATE	MONTHLY	YEARLY	% SAVINGS
Interstate	$0.13			$0.039			70%
Intrastate	$0.16			$0.039			76%
Intra-lata	$0.16			Free			100%
800 Number				$0.070			
International							
Surcharges:							
One Savings for small Business plan		$4.95					
International Calling plan		$3.95					
Carrier Access Charge		22.56					
Total Surcharges:		$31.46					100%

Note: Mpower pricing reflects 3-year contractual figures for long distance and line charges

mpower Communications

PREPARED BY MARK FRIEDLANDER 561-723-5883	QUANTITY	BELLSOUTH	Mpower	BELLSOUTH MONTHLY	BELLSOUTH YEARLY	Mpower MONTHLY	Mpower YEARLY	SAVINGS MONTHLY	SAVINGS YEARLY
CALL FWDG BUSY LINE	1	$4.75	$0.00	$4.75	$57.00	$0.00	$0.00	$4.75	$57.00
CALL FWDG DON'T ANSWER	4	$4.75	$0.00	$18.00	$228.00	$0.00	$0.00	$19.00	$228.00
ANONYMOUS CALL REJECTION	1	$4.00	$0.00	$4.00	$48.00	$0.00	$0.00	$4.00	$48.00
HUNTING/ROLLOVER	4	$10.00	$0.00	$40.00	$480.00	$0.00	$0.00	$40.00	$480.00
BUSINESS LINES	10	$36.95	$26.00	$369.50	$4,434.00	$260.00	$3,120.00	$109.50	$1,314.00
MESSAGE WAITING - STUTTER	1	$0.75	$0.00	$0.75	$9.00	$0.00	$0.00	$0.75	$9.00
CALL RETURN	1	$6.50	$5.00	$6.50	$78.00	$5.00	$60.00	$1.50	$18.00
VOICEMAIL	1	$7.95	$6.00	$7.95	$95.40	$6.00	$72.00	$1.95	$23.40
MPOWER provides FREE CALLS Sebastian to the Keys	1	???	$0.00	???	???	$0.00	$0.00	???	????
		???	FREE	???	???	FREE	FREE		
					$5,429.40		$3,252.00	$181.45	$2,177.40
							40.1% Savings		

	QUANTITY	CURRENT	Mpower	Current Carrier MONTHLY	Current Carrier YEARLY	Mpower MONTHLY	Mpower YEARLY	SAVINGS MONTHLY	SAVINGS YEARLY
PICC CHARGES $4.31 PER LINE	10	$43.10	$0.00	$43.10	$517.20	$0.00	$0.00	$43.10	$517.20
					$517.20		$0.00		
							100% Savings		

BELLSOUTH CHARGES
LONG DISTANCE CARRIERS
AN INTEREXCHANGE CHARGE=PICC

Mpower TOTAL YEARLY SAVINGS $2,694.60
Mpower SAVINGS PERCENTAGE 43% -

DOES NOT INCLUDE TAXES OR OTHER REGULATED CHARGES.
ADDITIONAL SAVINGS ON LONG DISTANCE WILL BE PROVIDED UPON REVIEW OF CALLING

Invisible charge 242 -

3/26/02

LOCAL & LONG DISTANCE COST ANALYSIS

Prepared for Prospect

Ric Brehmer
Direct: 954.450.3900
Miami: 305.612.4229
Fax: 954.450.6584

MIAMI Location	# of Lines	BellSouth Charge	BellSouth Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
Business Flat-Rate Multiline	4	$ 36.95	$ 147.80	$ 25.17	$ 100.68	$ 47.12
9 - Line Complete Choice	2	$ 359.00	$ 718.00	$ 255.75	$ 511.50	$ 206.50
FCC Network Access Chg.	22	$ 7.84	$ 172.48	$ -	$ -	$ 172.48
MIAMI Location	TOTAL LOCAL MONTHLY SAVINGS					$ 426.10
	TOTAL LOCAL YEARLY SAVINGS					$ 5,113.20

Fort Lauderdale Location	# of Lines	BellSouth Charges	BellSouth Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
9 - Line Complete Choice	1	$ 359.00	$ 359.00	$ 255.75	$ 255.75	$ 103.25
Business Flat-Rate Multiline	4	$ 36.95	$ 147.80	$ 25.17	$ 100.68	$ 47.12
FCC Network Access Chg.	13	$ 7.84	$ 101.92	$ 7.84	$ 101.92	$ -
Fort Lauderdale Location	TOTAL LOCAL MONTHLY SAVINGS					$ 150.37
	TOTAL LOCAL YEARLY SAVINGS					$ 1,804.44

West Palm Beach Location	# of Lines	BellSouth Charges	BellSouth Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
Business Flat-Rate Multiline	5	$ 36.95	$ 184.75	$ 25.17	$ 125.85	$ 58.90
Remote Call Forwarding	3	$ 10.00	$ 30.00	$ 8.00	$ 24.00	$ 6.00
Hunting Rollover	1	$ 10.00	$ 10.00	$ 8.00	$ 8.00	$ 2.00
FCC Network Access Chg.	5	$ 7.84	$ 39.20	$ 7.84	$ 39.20	$ -
West Palm Beach Location	TOTAL LOCAL MONTHLY SAVINGS					$ 66.90
	TOTAL LOCAL YEARLY SAVINGS					$ 802.80
	TOTAL LOCAL MONTHLY SAVINGS FOR ALL LOCATIONS					$ 642.37
	TOTAL LOCAL YEARLY SAVINGS FOR ALL LOCATIONS					$ 7,708.44

* Same taxes apply no matter what carrier you use

Estimated Average Minutes of Usage with Current Long Distance Carrier - Long Distance Monthly Amount Unknown

Estimated Usage for ALL Locations - Dollar Amount	# Minutes	Total Amount	$ Per Min	Estimated 250 minutes per location (10 Locations)
Intrastate (Local)	750.00	$ 60.00	$ 0.080	Equal to 12.5 minutes per line per day
InState to State	750.00	$ 75.00	$ 0.100	Florida Net Pay - Total Talk Time
State to State	750.00	$ 75.00	$ 0.100	Interstate and Intrastate Calculated at .5
	TOTAL	$ 210.00		

Estimated Usage for Long Distance Only	# Total	Month to Month		1 Year Term		2 Year Term	
INTERSTATE	750.00	$ 0.049	$ 36.75	$ 0.045	$ 33.75	$ 0.039	$ 29.25
INTRASTATE	750.00	$ 0.049	$ 36.75	$ 0.045	$ 33.75	$ 0.039	$ 29.25
INTRALATA (Local)	750.00	$ 0.049	$ 36.75	$ 0.029	$ 21.75	Free	$ -
IDS Long Distance Charges:			$ 110.25		$ 67.50		$ 58.50
Current Monthly Long Distance Charges			$ 210.00		$ 210.00		$ 210.00
Estimated Long Distance Usage			Mo. to Mo.		1 Year		2 Year
TOTAL MONTHLY LONG DISTANCE SAVINGS			$ 99.75		$ 142.50		$ 151.50
TOTAL YEARLY LONG DISTANCE SAVINGS			$ 1,197.00		$ 1,710.00		$ 1,818.00
TOTAL YEARLY SAVINGS (Local and Long Distance)			$ 8,917.44		$ 9,430.44		$ 9,538.44

Extended Savings over a 5-Year Period with IDS Telcom

	Month - Month	One YOU	Two YOU
2 - Years Savings with IDS Telcom	$ 17,834.88	$ 18,860.88	$ 19,076.88
3 - Years Savings with IDS Telcom	$ 26,752.32	$ 28,291.32	$ 28,615.32
4 - Years Savings with IDS Telcom	$ 35,669.76	$ 37,721.76	$ 38,153.76
5 - Years Savings with IDS Telcom	$ 44,587.20	$ 47,152.20	$ 47,692.20

[redacted]

Ric Brehmer
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Miami: 305.612.4229
Fax: 954.450.6584

LOCAL & LONG DISTANCE COST ANALYSIS

Integrated T-1 Comparison

Ric Brehmer
Direct: 954.450.3900
Miami: 305.612.4229
Fax: 954.450.6584

Miami Location	# of Lines	BellSouth Charge	BellSouth Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
Business Flat-Rate Multiline	4	$ 36.95	$ 147.80	$ -	$ -	$ 147.80
9 - Line Complete Choice	2	$ 359.00	$ 718.00	$ -	$ -	$ 718.00
ADSL Virtual Circuit	1	$ 85.00	$ 85.00	$ -	$ -	$ 85.00
Integrated T-1 3-year term	1	$ -	$ -	$ 899.00	$ 899.00	$ (899.00)
FCC Network Access Chg.	5	$ -	$ -	$ 7.84	$ 39.20	$ (39.20)
FCC Network Access Chg.	22	$ 7.84	$ 172.48	$ -	$ -	$ 172.48
Miami Location			TOTAL LOCAL MONTHLY SAVINGS			$ 1,083.08
			TOTAL LOCAL YEARLY SAVINGS			$ 12,996.96

Fort Lauderdale Location	# of Lines	BellSouth Charge	BellSouth Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
9 - Line Complete Choice	1	$ 359.00	$ 359.00	$ 255.75	$ 255.75	$ 103.25
Business Flat-Rate Multiline	4	$ 36.95	$ 147.80	$ 25.17	$ 100.68	$ 47.12
FCC Network Access Chg.	13	$ 7.84	$ 101.92	$ 7.84	$ 101.92	$ -
Fort Lauderdale Location			TOTAL LOCAL MONTHLY SAVINGS			$ 150.37
			TOTAL LOCAL YEARLY SAVINGS			$ 1,804.44

West Palm Beach Location	# of Lines	BellSouth Charge	BellSouth Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
Business Flat-Rate Multiline	5	$ 36.95	$ 184.75	$ 25.17	$ 125.85	$ 58.90
Remote Call Forwarding	3	$ 10.00	$ 30.00	$ 8.00	$ 24.00	$ 6.00
Hunting Rollover	1	$ 10.00	$ 10.00	$ 8.00	$ 8.00	$ 2.00
FCC Network Access Chg.	5	$ 7.84	$ 39.20	$ 7.84	$ 39.20	$ -
West Palm Beach Location			TOTAL LOCAL MONTHLY SAVINGS			$ 66.90
			TOTAL LOCAL YEARLY SAVINGS			$ 802.80
			TOTAL LOCAL MONTHLY SAVINGS FOR ALL LOCATIONS			$ 1,300.35
			TOTAL LOCAL YEARLY SAVINGS FOR ALL LOCATIONS			$ 15,604.20

* Same taxes apply no matter what carrier you use

Estimated Average Minutes of Usage with Current Long Distance Carrier & Long Distance Provider Options

Estimated Usage - All Locations	Minutes	Total Amount	Per Min.	Estimated 250 minutes per location will equate to 12.5 minutes of phone usage for each local area with in state and state to state areas.
Intra LATA (Local)	750.00	$ 60.00	$ 0.080	
In State	750.00	$ 75.00	$ 0.100	
State to State	750.00	$ 75.00	$ 0.100	
		$ 210.00		

Estimated Usage - 3 Locations	Total	1 Year Term		2 Year Term		3 Year Term	
INTERSTATE	750.00	$ 0.039	$ 29.25	$ 0.035	$ 26.25	$ 0.029	$
INTRASTATE	750.00	$ 0.039	$ 29.25	$ 0.035	$ 26.25	$ 0.029	$
INTRALATA (Local)	750.00	$ 0.010	$ 7.50	Free	$	Free	$
IDS Long Distance Charges:			$ 66.00		$ 52.50		$
Current Long Distance Charges			$ 210.00		$ 210.00		$ 210.00
Estimated Long Distance Usage			One Year		Two Years		Three Years
TOTAL MONTHLY LONG DISTANCE SAVINGS			$ 144.00		$ 157.50		$ 168.00
TOTAL YEARLY LONG DISTANCE SAVINGS			$ 1,728.00		$ 3,780.00		$ 6,048.00
TOTAL YEARLY SAVINGS (Local & Long Distance)			$ 6,556.20		$ 8,608.20		$ 10,876.20

Extended Savings over a 5-Year Period with IDS Telcom

	Month - Month	One Year	Two Years	Three Years
2 - Years Savings with IDS Telcom	$ 13,112.40	$ 13,436.40	$ 17,216.40	$ 21,756.40
3 - Years Savings with IDS Telcom	$ 19,668.60	$ 20,154.60	$ 25,824.60	$ 32,634.60
4 - Years Savings with IDS Telcom	$ 26,224.80	$ 26,872.80	$ 34,432.80	$ 43,512.80
5 - Years Savings with IDS Telcom	$ 32,781.00	$ 33,591.00	$ 43,041.00	$ 54,391.00

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LOCAL & LONG DISTANCE COST ANALYSIS

Ric Brehmer
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Miami: 305.612.4229
Fax: 954.450.6584

[redacted] & Data T Comparison

MIAMI Location	# of Lines	BellSouth Charge	BellSouth Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
VOICE T-1 3-year term	1	$ 1,500.00	$ 1,500.00	$ 650.00	$ 650.00	$ 850.00
DATA T-1 3-year term	1	$ 1,750.00	$ 1,750.00	$ 699.00	$ 699.00	$ 1,051.00
FCC Network Access Chg.	5	$ 7.84	$ 39.20	$ 7.84	$ 39.20	$ -
MIAMI Location			TOTAL MONTHLY SAVINGS			$ [redacted]
			TOTAL TOTAL YEARLY SAVINGS			$ [redacted]

Fort Lauderdale Location	# of Lines	BellSouth Charge	BellSouth Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
9 - Line Complete Choice	1	$ 359.00	$ 359.00	$ 255.75	$ 255.75	$ 103.25
Business Flat-Rate Multiline	4	$ 36.95	$ 147.80	$ 25.17	$ 100.68	$ 47.12
FCC Network Access Chg.	13	$ 7.84	$ 101.92	$ 7.84	$ 101.92	$ -
Fort Lauderdale Location			TOTAL MONTHLY SAVINGS			$ [redacted]
			TOTAL TOTAL YEARLY SAVINGS			$ [redacted]

West Palm Beach Location	# of Lines	BellSouth Charge	BellSouth Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
Business Flat-Rate Multiline	5	$ 36.95	$ 184.75	$ 25.17	$ 125.85	$ 58.90
Remote Call Forwarding	3	$ 10.00	$ 30.00	$ 8.00	$ 24.00	$ 6.00
Hunting Rollover	1	$ 10.00	$ 10.00	$ 8.00	$ 8.00	$ 2.00
FCC Network Access Chg.	5	$ 7.84	$ 39.20	$ 7.84	$ 39.20	$ -
West Palm Beach Location			TOTAL MONTHLY SAVINGS			$ [redacted]
			TOTAL TOTAL YEARLY SAVINGS			$ [redacted]
			TOTAL MONTHLY SAVINGS FOR ALL LOCATIONS			$ 2[redacted]
			TOTAL TOTAL YEARLY SAVINGS FOR ALL LOCATIONS			$ 25,419.24

Estimation Average Minutes of Usage with Current Long Distance Carrier Long Distance Provider Information

Estimated Usage ALL Locations	Minutes	Total Amount	Per Min.	Estimated 250 minute spread all over the
Intralata (local)	750.00	$ 60.00	$ 0.080	equal to 12.5 minutes of usage (each call
In State	750.00	$ 75.00	$ 0.100	for each local area within IDS Local
State to State	750.00	$ 75.00	$ 0.100	and state to state usage is
	Total	$ 210.00		

Estimated Usage 3-Locations	Total	1 Year Term w/ IDS		2 Year Term w/ IDS		3 Year Term w/ IDS	
INTERSTATE	750.00	$ 0.039	$ 29.25	$ 0.035	$ 26.25	$ 0.029	
INTRASTATE	750.00	$ 0.039	$ 29.25	$ 0.035	$ 26.25	$ 0.029	
INTRALATA (Local)	750.00	$ 0.010	$ 7.50	Free	$ -	Free	
IDS Long Distance Charges			$ 66.00		$ 52.50		
[redacted]			$ 210.00		$ 210.00		
Estimated Long Distance Usage			One Year		[redacted]		[redacted]
[redacted] MONTHLY LONG DISTANCE SAVINGS			$ 144.00		$ 157.50		[redacted]
[redacted] TOTAL YEARLY LONG DISTANCE SAVINGS			$ 1,728.00		$ 1,890.00		[redacted]
TOTAL YEARLY SAVINGS [redacted] Long Distance			$ 27,147.24		$ 27,309.24		[redacted]

Extended Savings over a 5-Year Period with IDS Telcom

	Month - Month	[redacted]	[redacted]
2 - Years Savings with IDS Telcom	$ 54,294.48	$ [redacted]	$ [redacted]
3 - Years Savings with IDS Telcom	$ 81,441.72	$ [redacted]	$ [redacted]
4 - Years Savings with IDS Telcom	$ 108,588.96	$ [redacted]	$ [redacted]
5 - Years Savings with IDS Telcom	$ 135,736.20	$ [redacted]	$ [redacted]

Customer will have ALL Features available on ALL lines at No Additional charge.
PBX should have T-1 card in order for ALL features and lines to work. If not sure customer must check with their phone vendor [redacted]

Mpower Communications

$665.95 10 lines

MpowerOffice Velocity

Simplify your operations and trim your business communications bill!

High-Speed Internet Service and Business Class Local and Long Distance Service on One Bill!

MpowerOffice Velocity has been designed to meet your business communication needs today and in the future as your business grows! Velocity's integration of broadband Internet connectivity and business class voice services provides a comprehensive and flexible all-in-one solution.

- Choose the number of phone lines you need!
- Choose the Internet access speed you need!
- Choose the calling features and packages you need!

MpowerOffice Velocity Packages

Basic Package Includes:

- Local service: 9 to 16 business voice lines
- Internet Access: 3 tiers of speed to choose from
  - 512Kbps
  - 768Kbps
  - 1Mbps
- Long Distance: Optional — flat rate (interstate and intrastate per minute rates)

Features Included with Every MpowerOffice Package!

Hunting
Caller ID
Call Number Delivery Blocking (Caller ID Block)
Intra LATA voice calling
Call Blocking (900, 3rd Party, Collect, etc.)
Toll Restrictions
E-Mail
20 e-mail accounts (username@mpowerdomain.net)
or 10 Domained email accounts
Aliasgroups
1 Domain Name Hosted (DNS)
5 Usable static IP Addresses
40 MB — Web Hosting Space (Shared)
5 Start-up Internet Access Accounts

10 Voices

A La Carte Feature Options —

Choose from any of the features below to enhance your MpowerOffice Accelerator Package!

A La Carte Feature Options

Call Forwarding
Call Forward busy (separated)
Call Forward Busy
Call Forward No Answer
Call Forward Group Busy
Call Forward Group No Answer
Remote Access to Call Forwarding
3-Way Calling
Repeat Dialing
Call Waiting / Cancel Call Waiting
Return Call
Speed Call 8
Domained Mail Drops (20 addresses)
Additional E-mail Addresses
Foreign Name Hosting
10 MB Additional Storage Space
20 MB Additional Storage Space
Standard Voice Mail Box
Enhanced Voice Mail Box
Pager Notification
Escape to Operator
Business Message Center
Greet-and-Transfer

Business Consulting

Our professionally trained Account Managers will review your specific business objectives and issues to help you decide on the best MpowerOffice Velocity package for your needs.

www.mpowercom.com

BellSouth Telecommunications, Inc.
FPSC Docket No. 020578-TP
Florida Competitive Carriers Association
and Mpower Communications Corp.
First Set of Interrogatories
August 13, 2002
Item No. 8a
Page 1 of 2

REQUEST: (a) How many of the business customers identified in (7) above has BellSouth contacted directly regarding their eligibility for the "Key Customer" program?

RESPONSE: BellSouth has used both in-bound and out-bound calls in an effort to offer the January and June Key Customer offerings to all potentially-eligible customers (with certain exceptions such as customer not having a dialable telephone number, customers with unlisted or non-published numbers, and customers on "do not call" lists), but BellSouth does not keep track of these telephone contacts.

Additionally, BellSouth sent direct mail to potentially eligible customers per the following schedule.

Date Mailed	Number of Pieces Mailed in Florida
February 22, 2002	54,661
March 8, 2002	380
June 6, 2002	37,304
February 22, 2002	57,524
March 8, 2002	57,524
May 30, 2002	51,515
August 19, 2002	34,538
July 29, 2002	42,205
August 17, 2002	Approx. 16,000

BellSouth notes that not all of the business customers identified in (7) above would be eligible for the January and June Key Customer offerings.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 21
COMPANY/ WITNESS. BellSouth/Carlos Garcia
DATE: 2/19/03
DOCUMENT NUMBER-DATE
12959 NOV 25 02
FPSC-COMMISSION CLERK

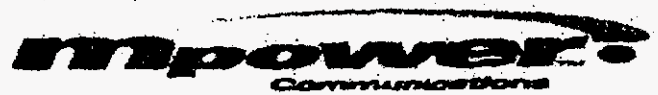
CG 5-CG7

BellSouth Telecommunications, Inc.
FPSC Docket No. 020578-TP
Florida Competitive Carriers Association
and Mpower Communications Corp.
First Set of Interrogatories
August 13, 2002
Item No. 8a
Page 2 of 2

RESPONSE: (Continued)

RESPONSE PROVIDED BY:

Amy Britt
Marketing Manager
1057 Lenox Park Boulevard
Atlanta, Georgia 30319

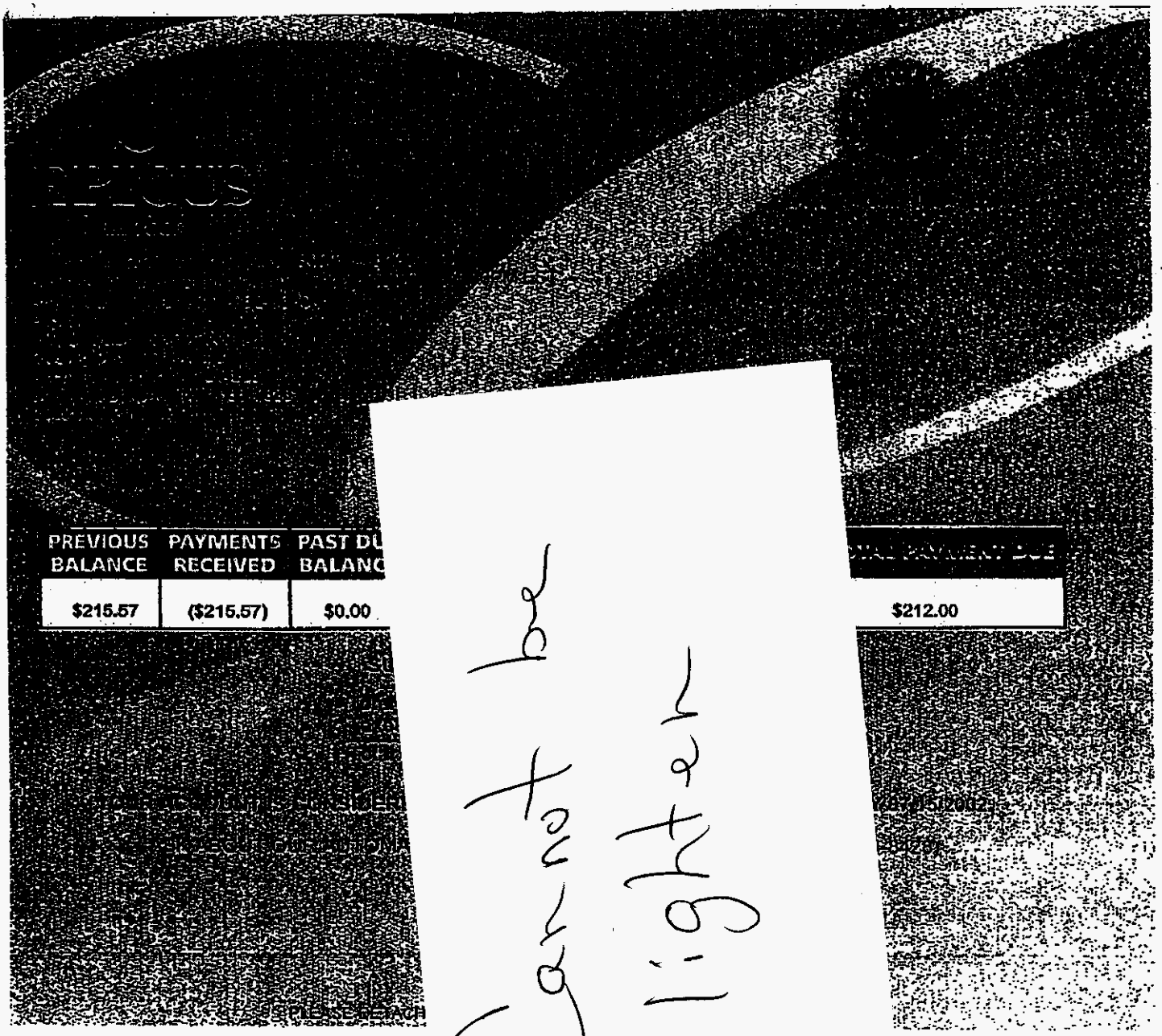


PREPARED BY MARK FRIEDLANDER 561-723-5883				BELLSOUTH		Mpower		SAVINGS	
	QUANTITY	BELLSOUTH	Mpower	MONTHLY	YEARLY	MONTHLY	YEARLY	MONTHLY	YEARLY
CALL FWDG BUSY LINE	1	$4.75	$0.00	$4.75	$57.00	$0.00	$0.00	$4.75	$57.00
CALL FWDG DON'T ANSWER	4	$4.75	$0.00	$19.00	$228.00	$0.00	$0.00	$19.00	$228.00
ANONYMOUS CALL REJECTION	1	$4.00	$0.00	$4.00	$48.00	$0.00	$0.00	$4.00	$48.00
HUNTING/ROLLOVER	4	$10.00	$0.00	$40.00	$480.00	$0.00	$0.00	$40.00	$480.00
BUSINESS LINES	10	$36.95	$26.00	$369.50	$4,434.00	$260.00	$3,120.00	$109.50	$1,314.00
MESSAGE WAITING - STUTTER	1	$0.75	$0.00	$0.75	$9.00	$0.00	$0.00	$0.75	$9.00
CALL RETURN	1	$6.50	$5.00	$6.50	$78.00	$5.00	$60.00	$1.50	$18.00
VOICEMAIL	1	$7.95	$6.00	$7.95	$95.40	$6.00	$72.00	$1.95	$23.40
"MPOWER provides FREE CALLS"	1	???	$0.00	???	???	$0.00	$0.00	???	????
Sebastian to the Keys		???	FREE	???	???	FREE	FREE		
					$5,429.40		$3,252.00	$181.45	$2,177.40
							40.1% Savings		
				Current Carrier		Mpower		SAVINGS	
		CURRENT	Mpower	MONTHLY	YEARLY	MONTHLY	YEARLY	MONTHLY	YEARLY
PICC CHARGES $4.31 PER LINE	10	$43.10	$0.00	$43.10	$517.20	$0.00	$0.00	$43.10	$517.20
					$517.20		$0.00		
							100% Savings		
BELLSOUTH CHARGES									
LONG DISTANCE CARRIERS									
AN INTEREXCHANGE CHARGE=PICC	Mpower TOTAL YEARLY SAVINGS							$2,694.60	
	Mpower SAVINGS PERCENTAGE							43%	

DOES NOT INCLUDE TAXES OR OTHER REGULATED CHARGES.
ADDITIONAL SAVINGS ON LONG DISTANCE WILL BE PROVIDED UPON REVIEW OF CALLING

"mpower choice" 242-

3/28/02



PREVIOUS BALANCE	PAYMENTS RECEIVED	PAST DU BALANC	[illegible] PAYMENT DUE
$215.57	($215.57)	$0.00	$212.00

Count by eight

Page: 3 of 4
Invoice Date: 06/30/2002
Closing Date: 06/30/2002
Account Number:
Billing Telephone No:

DETAIL SUMMARY OF CURRENT CHARGES

Previous Balance					$215.57
Payments Received					
	06/06/2002	Check	00000003804	($215.57)	
				($215.57)	($215.57)
Past Due Balance					$0.00

Adjustments

Current Charges

* - Include prorated amount From : To:

Regulated Charges Recurring

FCC Charge - Network Access	4 @ $7.85	$31.40
Complete Choice - Bus	1 @ $142.00	$142.00
Complete Choice - Bus (Discount)	1 @ ($21.30)	($21.30)
3 Way Calling	2 @ $0.00	$0.00
30 Code Speed Calling	2 @ $0.00	$0.00
8 Code Speed Calling	1 @ $0.00	$0.00
Remote Activation of Call Forwarding	3 @ $0.00	$0.00
Hunting/Rollover Service	2 @ $0.00	$0.00
FCC Local Number Portability	4 @ $0.35	$1.40
Business Line (Multi)	3 @ $0.00	$0.00
Business Line (Multi)	1 @ $29.95	$29.95
Business Line-Multi Line (Discount)	1 @ ($4.49)	($4.49)
Call Selector	3 @ $0.00	$0.00
Repeat Dialing (*66)	3 @ $0.00	$0.00
Call Return	3 @ $0.00	$0.00
Call Tracing (*57)	3 @ $0.00	$0.00
Call Block	3 @ $0.00	$0.00
Caller ID & Number Delivery w/Anonymous Call	2 @ $0.00	$0.00
Inside Wire Maintenance	4 @ $5.00	$20.00
Total Regulated Charges		$198.96

Usage Based Charges

Local Usage	$0.00
Long Distance Usage	$0.00
PICC	$0.00
Total Usage Based Charges	$0.00

Total Current Charges $198.96

Taxes & Surcharges

Type	Tax Amount
Sales Tax	$3.79
Federal Excise Tax	$1.58
E911 Tax	$2.05
Statutory Gross Receipts	$1.32
Utility Users Tax	$3.70
Telecommunications Relay Service Surcharge	$0.60

Total Taxes & Surcharges $13.04

Invoice Date: 06/30/2002
Closing Date: 06/30/2002
Account Number:
Billing Telephone No:

TOTAL PAYMENT DUE $212.00

intermedia™ COMMUNICATIONS

ACCOUNT NAME	ACCT NUMBER	SERVICE THRU	DUE DATE	PAGE
		7/18/02	8/18/02	61

MANAGEMENT REPORTS

ITEM	ITEM CHARGE INFORMATION	FROM DATE	TO DATE	QTY	AMOUNT
	Directory Number Hunting	7/19/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Directory Number Hunting	7/19/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				20.75
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				20.75
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				20.75
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Directory Number Hunting	7/19/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Call Forward - Universal	7/18/02	8/18/02	1.00	2.97
	Directory Number Hunting	7/19/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				27.97
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Directory Number Hunting	7/19/02	8/18/02	1.00	4.25
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				25.00
	UNIFIED VOICE				
	Local Number Portability	7/19/02	8/18/02	1.00	.35
	Business Line Charge(8-50 lines)	7/19/02	8/18/02	1.00	20.40
	TOTAL				20.75
TOTAL ITEM CHARGE					277.47

05/16/02 09:07 [illegible] 002/007

BILL DATE 04/20/02

BILLING DETAIL

Current Account Activity

Balance From Previous Month	1,142.72
Payment 04/15/02	571.36
*** OUTSTANDING BALANCE ***	571.36
Current Basic Telephone Service See Page 3	701.74
Current Amount Due	701.74
TOTAL AMOUNT DUE	1,278.10

Detail of Current Basic Telephone Service

Service for Period: 04/20/02 - 05/19/02

Description	Quantity	Rate	Amount	
Basic Voicemail	1	7.50	7.50	
Call Forward Busy Line	2	3.25	6.50	
Call Forward Don't Answer	2	3.25	6.50	
Basic Voicemail Pkg.	1	7.50	7.50	
Federal Line Charge	13	7.84	101.92	443.92
Business Line FR	9	28.00	252.00	
Business Line FR	4	22.50	90.00	
		TOTAL SERVICE	471.92	

Detail of Other Charges and Credits

Description	NOTATION			WTN	WORK ORDER	Amount
Labor Charge	032702	-	032702		MIAMS0002211	75.00
Business Line FR	03/27	TO	04/19			17.24
Federal Line Charge	03/27	TO	04/19			6.01
Business Line FR	03/27	TO	04/19			17.24
Federal Line Charge	03/27	TO	04/19			6.01
					TOTAL OCC'S	-121.50

	471.92
TOTAL SERVICE CHARGES	-121.50
OTHER CHARGES AND CREDITS	17.80
Federal Tax 3.00%	54.42
State Communications Services Tax	34.54
Local Communications Services Tax	1.56-
Florida Telecom. Relay - TRS	
Total Basic Telephone Charges	701.74

11306616

RECYCLED PAPER

10/14/2002 16:42

ORDER #: 30 TYPE: N - New 1YR CUSTOMER:
Billing Acct /

LOCATION ADDRESS INFORMATION:
CONTACT :
PHONE :
FAX :
ADDR:

BILLING ADDRESS INFORMATION:
CONTACT :
PHONE :
FAX :
ADDR:

Order Summary

Qty		Description		MRC	NRC
Local					
1	SDS02	Call Forward Busy Line		0.00	$0.00
2	SDS03	Call Forward Dont Answer		0.00	$0.00
3	CREXN	Call Restriction-976		0.00	$0.00
12	CREX4	Call Restriction-976/900		0.00	$0.00
15	LFB1	Complete Voice Line-WACP		178.70	
1	COM18	Complete Voice WACP-6		289.55	
1	COM19	Complete Voice WACP-9		0.00	$0.00
4	HTG5	Hunting - Complete Voice		0.00	$0.00
1	SDS13	Message Waiting Indicator		7.20	
1	COMP4	Voice Messaging Flat Rate Service		0.00	$0.00
15	WACP	Wide Area Calling Plan		5.25	
		Local Number Portability	15 * $0.35	117.60	
		FSLC Per Line Fee - Multi	15 * $7.84	$570.30	$0.00
				$570.30	0.00

ACCOUNT LEVEL

		MRC	NRC	Description
N	FL226			IntraLATA LD Plan-7 cents per min
N	FL251			IntraState LD Plan-7 cents per min
N	FL276			InterState LD Plan-7 cents per min

*for non-domestic rates, terms, and conditions please visit http://www.floridadigital.net/rates.html

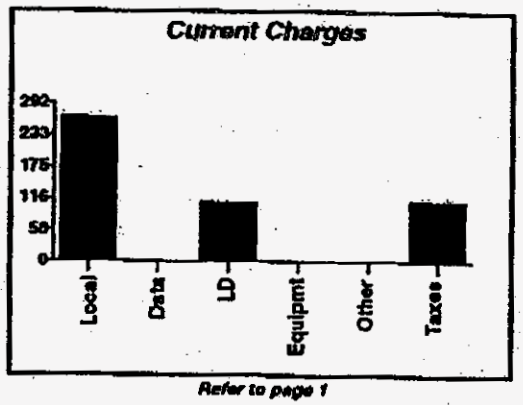
FLORIDA Digital Network

NewSouth communications

Account Number
Invoice Number
Invoice Date

Detail of Services, Local

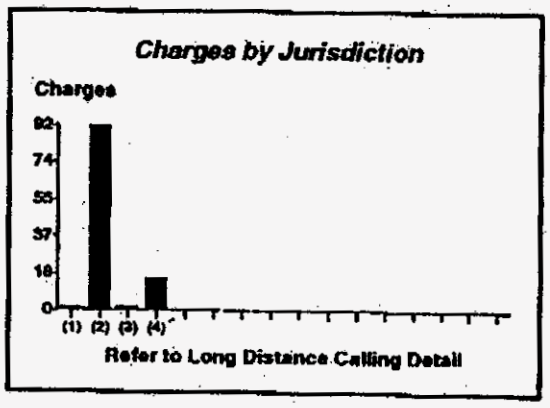
	Qty	Price	Total
Small Business Solutions			
July 11, 2002 through August 10, 2002			
Emergency Services	7	4.48	
FCC Network Access	7	64.40	
Hunting	4	36.00	
Local DSO Line	7	159.74	
Telecommunications Relay	7	0.84	
			265.46
Call Return (*69 per use) 1 0.75			
Call Return (*69 per use)	1	0.75	
			0.75
Total Small Business Solutions			*266.21*
Total Local Services			$266.21



Refer to page 1

Detail of Services, Long Distance Calling

Outbound	Calls	Minutes	Charges	Total
Dir Assistance (1)	1	0.0	0.85	
Interstate Calling (2)	529	1,375.6	92.79	
Intrastate Calling (3)	11	24.3	1.70	
Intrastate Calling (4)	91	229.1	16.04	
				111.38
Total Long Distance Calling Services				$111.38



Detail of Taxes and Surcharges

Federal Taxes	12.45
Gross Receipts Tax	9.62
Local Number Portability	2.45
Local Taxes	23.62
PICC	30.17
State Taxes	27.59
USF	6.76
Total Taxes and Surcharges	$112.66
Total Current Charges	$490.25

~~LOCAL & LONG DISTANCE COST ANALYSIS~~

[redacted]

	Qty Lines	Current Charge	Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
Business Flat-Rate Multiline	4	$ 36.95	$ 147.80	$ 25.17	$ 100.68	$ 47.12
9 - Line Complete Choice	2	$ 359.00	$ 718.00	$ 255.75	$ 511.50	$ 206.50
FCC Network Access Chg.	22	$ 7.84	$ 172.48	$ -	$ -	$ 172.48

[redacted]

	Qty Lines	Current Charge	Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
9 - Line Complete Choice	1	$ 359.00	$ 359.00	$ 255.75	$ 255.75	$ 103.25
Business Flat-Rate Multiline	4	$ 36.95	$ 147.80	$ 25.17	$ 100.68	$ 47.12
FCC Network Access Chg.	13	$ 7.84	$ 101.92	$ 7.84	$ 101.92	$ -

[redacted]

	Qty Lines	Current Charge	Current Amount	IDS Unit Charge	IDS Amount	Total Monthly Savings
Business Flat-Rate Multiline	5	$ 36.95	$ 184.75	$ 25.17	$ 125.85	$ 58.90
Remote Call Forwarding	3	$ 10.00	$ 30.00	$ 8.00	$ 24.00	$ 6.00
Hunting Rollover	1	$ 10.00	$ 10.00	$ 8.00	$ 8.00	$ 2.00
FCC Network Access Chg.	5	$ 7.84	$ 39.20	$ 7.84	$ 39.20	$ -

[redacted]

* Same taxes apply no matter what carrier you use

[redacted]

	750.00	$ 60.00	$ 0.080		
	750.00	$ 75.00	$ 0.100		
	750.00	$ 75.00	$ 0.100		
INTERSTATE	750.00	$ 0.049	$ 36.75	$ 0.045	$ 0.039 / $ 29.25
INTRASTATE	750.00	$ 0.049	$ 36.75	$ 0.045	$ 0.039 / $ 29.25
INTRASTATE (Local)	750.00	$ 0.049	$ 36.75	$ 0.029	Free / $ -

[redacted]

Extended Savings over a 5-Year Period with IDS Telcom

	Month-Month
3 - Years Savings with IDS Telcom	$ 17,834.88
3 - Years Savings with IDS Telcom	$ 26,752.32
4 - Years Savings with IDS Telcom	$ 35,669.76
5 - Years Savings with IDS Telcom	$ 44,587.20

IDS Telcom offers the best choice for your company's local and long distance needs, with No Contract or Commitments. Receive just one extremely low phone bill for all your services. Your calls will be carried on the same reliable network as Bell South with the same technicians to handle your service request. The only change you will notice is a lower phone bill each and every month!

100% SATISFACTION GUARANTEED

- IDS Telcom covers all switching fees
- All your services will remain the same
- Keep all your same numbers
- Receive just one bill for all your services
- Great Domestic & International rates

The following is a comparison of you most recent Bell South monthly fees, features and savings IDS Telcom provides.

Type of Service	BellSouth	IDS Telcom	Monthly Savings
1 Complete Choice 6 Line Package	$452.00	$181.50	$270.50
1 Memory Call Voicemail Service	$12.95	$10.36	$2.59
Federal Universal Service Charge	$2.94	$2.94	$0.00
FCC Local Number Portability	$2.10	$2.10	$0.00
FCC Charge for Network Access	$47.04	$47.04	$0.00
TRI-COUNTY CALLING	.10 cents 1st min/ .06 cents each add'l min.	FREE	UNLIMITED
Total Monthly Savings	$517.03	$243.94	$273.09

The same taxes will apply no matter the carrier you use.

30 % OFF Bell South's line charges and features
3.9 Cents Per Minute Long Distance

THE POWER TO CHOOSE THE RIGHT TO SAVE!

IDS TELCOM covers all conversion costs, and ensures a responsive, customer friendly transition. In order to take advantage of the above mentioned savings contact your account manager immediately! Respond via e- fax @ (954) 978-9975, so that we may implement your savings for the upcoming billing cycles! If you should have any additional questions feel free to contact me anytime at (954) 738-3306.

SUSAN BROWN • E-MAIL: SBROWN@IDSTELCOM.COM

GA
5/22/02

Allegiance Telecom Proposal for Service
Miami, FL

Proposal received on 05/22/02

Monthly Charges With Allegiance			
Features/Options	Qty	Price Per Line	Total
FIXED CHARGES			
Business Lines	12	$ 25.17	$ 302.04
Hunting Arrangement	4	$ -	$ -
Primary Rate Interace (PRI)		$ 731.00	$ 731.00
Features			
3-way calling		$ 5.50	$ 5.50
Auto Attendant		$ 10.00	$ 10.00
Voice Mail Package		$ 7.50	$ 7.50
Call Forwarding Variable		$ 3.96	$ 3.96
Call Forward Don't Answer		$ 2.36	$ 2.36
Call Forward No Answer		$ 2.36	$ 2.36
Call Waiting Originating		$ 3.96	$ 3.96
Call Waiting Terminating		$ 3.96	$ 3.96
Auto callback calling		$ 3.96	$ 3.96
DID 20 No. Block	20	$ 3.00	$ 3.00
Dedicated Internet Access			
Local Loop		$ -	$ -
Full Data T-1	1	$ 650.00	$ 650.00
512k		$ 483.00	$ 483.00
384k		$ 356.00	$ 356.00
256k		$ 250.00	$ 250.00
128k		$ 199.00	$ 199.00
VPN and Web Hosting			
VPN Remote Access	12	$ 25.20	$ 302.40
VPN Connectivity			
128K		$ 159.99	$ 159.99
384K		$ 349.99	$ 349.99
Web Hosting		$ 19.95	$ 19.95
E-Commerce Web Hosting		$ 39.00	$ 39.00
Local Number Portability Charges			
LNP Charge	12	$ 0.33	$ 3.96
Federal Universal Service Fund	12	$ -	$ -
FCC Charge per PRI	1	$ 39.20	$ 39.20
FCC Charge for Network Access	12	$ 94.08	$ 62.72
Variable Charges			
Intra-lata/ Extended Calling Service		$ 0.08	$ -
State-to-State Long Distance($.059/min)	1000	$ 0.059	$ 59.00

95 includes 50 MB disk space, 4 GB Monthly bandwidth, and 5 email accounts

.00 per month includes 100 MB disk space, 10 GB monthl bandwidth, 25 email accounts and e-commerce options (up to 25 items)

There are no equipment charges passed on to customers.

Pricing based on a two-year contract term

Miami

May 2002.

Monthly Charges with BellSouth			
Service Features/Options	Qty	Unit Price	Total
FIXED CHARGES			
Business Lines	8	$ 36.95	$ 295.60
Hunting Arrangement	2	$ 10.00	$ 20.00
BellSouth T-1	1	$ 1,100.00	$ 1,100.00
Internet Provider	1	$ 20.00	$ 20.00
Local Number Portability Charges			
LNP Charge	8	$ 0.35	$ 2.80
Federal Universal Service Fund	8	$ 0.50	$ 4.00
FCC Charge for Network Access	8	$ 7.84	$ 62.72
Variable Charges			
Intra-lata		$ 0.24	$ -
Extended Calling Service ($.08/min)		$ 0.08	
State-to-State Long Distance ($.09/min)	1000	$ 0.09	$ 90.00
Total for BellSouth			$ 1,595.12

Monthly Charges With Allegiance			
Service Features/Options	Qty	Unit Price	Total
FIXED CHARGES			
Business Lines	8	$ 25.17	$ 201.36
Hunting Arrangement	2	$ -	$ -
Full Data T-1	1	$ 650.00	$ 650.00
Local Number Portability Charges			
LNP Charge	8	$ 0.33	$ 2.64
Federal Universal Service Fund	8	$ -	$ -
FCC Charge for Network Access	8	$ 62.72	$ 62.72
Variable Charges			
Intra-lata/ Extended Calling Service		$ 0.08	$ -
State-to-State Long Distance($.059/min)	1000	$ 0.059	$ 59.00
Total for Allegiance Telecom			$ 975.72

8 Lines/1.544 Data Comparison

Monthly Savings:	$	**619.40**
First Year Savings:	$	**7,432.80**
Second Year Savings:	$	**14,865.60**
Third Year Savings:	$	**22,298.40**
Percent Savings:		**39%**

CG-6
Page 13 of 28

CG
5/2002

NOV-15-2002 15:41 FROM: ID: 404 529 6587 P.002/003

TIME WARNER TELECOM

	Service	36 Mo	Install
7	Flat Business Lines	$210.00	Waived
1	256 k Dedicated Internet	$440.00	Waived
	Long Distance Inter/Intra state	$0.059	Waived
	800 Long Distance	$0.059	
1	Versi Pak installation		$300.00
Total Monthly		$650.00	
Total Install			$300.00 waived

Our Service Includes:

- IP Addresses and Hosting of your Primary and Secondary DNS.
- 24/7 Service and support.
- OSPF designates traffic routing based upon an algorithm of the shortest path, equaling the smallest hop count.
- BGP is available for load sharing and balancing.
- MPLS (multiprotocol label switching) creates labeled paths similar to ATM PVC's to create single hops and greatly minimize hop count. This positively affects Public Peering points, and further reduces latency, available 1st Quarter 2001.
- Packet over SONET Architecture improves network stability and scalability.
- Diverse paths out of Orlando.
- All Applicable taxes are in addition to the above rates.

Call before September 15 to take advantage of these great offers!
1-866-[illegible]-8528
AT&T Broadband
Call 1-866-278-8528
or visit attbroadband.com

AT&T Broadband Business Services lets you design the plan that works best for you. It's a simple, 3 step process:

1. Choose a package that meets your needs and price
2. Customize your package by choosing only those features you use
3. Save money as you add more features

To order call 1-888-824-8105

Pricing For Jacksonville Area

Features	Package		
To see details about a speed or feature, move your mouse over the ?	**Business Bonus Bundle** ? **AT&T Long Distance All Features $0 installation $32.95 per month**	**Business Bundle** ? **AT&T Long Distance No Features $ installation $23.95 per month**	**Business Basic** ? **No AT&T Long Distance No Features $0 installation $25.95 per month**
Wire Maintenance ?	$3.00 per month	$3.00 per month	$3.00 per month
FCC Line Charge - single line customer **tariffed ?	$5.00	$5.00	$5.00
FCC Line Charge - multi-line customer **tariffed ?	$7.84	$7.84	$7.84
Services ?			
Directory Services ?			
Simple White & Yellow Page Listing ?			
Additional DA Listing ?	$1.50	$1.50	$1.50
DA - Call Completion ?	$0.50	$0 50	$0.50

DA Caption or Single Line Indent	?		$1.50 per textline/month		$1.50 per textline/month		$1.50 per textline/month
Directory Assistance Listing	?		$1.20		$1.20		$1.20
DA - Outside Local and LATA/NPA Serving Area	?		$1.99		$1.99		$1.99
DA Per Call Charge	?		$0.40 /call with 1 free		$0.40 /call with 1 free		$0.40 /call with 1 free
Foreign Listing	?		$1.50		$1.50		$1.50
Non-Listed	?		$0.60 per month		$0.60 per month		$0.60 per month
Non-Published	?		$1.45 per month		$1.45 per month		$1.45 per month
Non-Recurring Charges	?						
Directory Listing Change	?	$19.00		$19.00		$19.00	
Feature (add, change, remove)	?	$19.00		$19.00		$19.00	
Hunting Configuration Change	?	$19.00		$19.00		$19.00	
PIC Change	?	$5.00		$5.00		$5.00	
Service Activation	?	$56.00		$56.00		$56.00	
Telephone Number Change	?	$19.00		$19.00		$19.00	
Wiring & Jacks (add, move, change)	?	$30.00		$30.00		$30.00	
Optional Calling Plans	?						
AT&T IntraLata LD	?	$0.07 /min		$0.07 /min		$0.07 /min	
Inter LATA, State LD	?	$0.07 /min		$0.07 /min		$0.07 /min	
Service Call Charge per Hour	?						
Overtime R&M							

Mon-Sat 8 p.m.-8 a.m	?	$175.00 /hr		$175.00 /hr		$175.00 /hr	
Pemium Time > Sunday & National Holiday	?	$230.00 /hr		$230.00 /hr		$230.00 /hr	
Repair & Maintenance Mon-Sat 8 a.m.-8 p.m	?	$115.00 /hr		$115.00 /hr		$115.00 /hr	
Features	?		Included		$4.00 for 1, $6.50 for 2, $9 for 3		$4.00 for 1, $6.50 for 2, $9 for 3
Anonymous Call Rejection	?						
Call Forwarding - Remote Access	?						
Call Forwarding - Variable	?						
Caller ID (Name and Number)	?						
Caller ID Blocking Per Call	?						
Caller ID Blocking Per Line	?						
Caller ID with Call Waiting	?						
Call Return Per Call	?	$0.50 /call - $4.00 cap	$4.50 cap	$0.50 /call - $4.00 cap	$4.50 cap	$0.50 /call - $4.00 cap	$4.50 cap
Call Return Per Line	?						
Custom Ring Service >>Call Selector<<	?						
Call Screening	?						
Call Trace Per Call	?	$3.00 /call - $6.00 cap		$3.00 /call - $6.00 cap		$3.00 /call $6.00 cap	
Call Waiting	?						
Call Waiting - Long Distance Alert	?						
LD Alert	?						
Repeat Dialing (a.k.a. Continuous	?						

Redial)							
Repeat Dialing Per Call	?	$0.75 /call - $5.00 cap	$4.50 cap	$0.75 /call - $5.00 cap	$4.50 cap	$0.75 /call - $5.00 cap	$4.50 cap
Selective Call Forwarding	?						
Speed Dial 30	?						
Speed Dial 8	?						
Three Way Calling	?						
Voice Messaging	?						
Basic	?		$10.95 per month		$10.95 per month		$10.95 per month
Deluxe	?		$14.95 per month		$14.95 per month		$14.95 per month
Toll Restriction	?						
0 + 7 Digit Long Distance	?						
00+	?						
00-	?						
01+	?						
011+	?						
1 + 10 Digit Long Distance	?						
1 + 7 Digit Long Distance	?						
1010XXX	?						
Local Operator Services	?						
Busy Line Interrupt	?		$1.65		$1.65		$1.65
Busy Line Verification	?		$1.25		$1.25		$1.25
Bill to 3rd Party	?		$1.50		$1.50		$1.50
Customer Dialed Calling Card Station	?		$0.50		$0.50		$0.50
Extended Referral at Disconnect	?		$2.00		$2.00		$2.00
Operation Station	?		$1.25		$1.25		$1.25

Person - to - Person	$3.00	$3.00	$3.00
Call Blocking			
Toll Restriction - Bill to 3rd Party and Collect	FREE	FREE	FREE
Toll Restriction - Bill to Collect	FREE	FREE	FREE
Toll Restriction - Prohibit Bill to 3rd Party	FREE	FREE	FREE
Hunting			
Integrated w/Voice Messaging	$2.00	$2.00	$2.00
Simple - No Voice Messaging			
International Calling			
AT&T International Value Plan	$2.00 per month/account	$2.00 per month/account	$2.00 per month/account

Features

To see details about a speed or feature, move your mouse over the ?

Pricing For Jacksonville Area Package

Reserve Line

$0 installation

$12.95 per month

Wire Maintenance	$3.00 per month
FCC Line Charge - single line customer **tariffed	$5.00
FCC Line Charge - multi-line customer **tariffed	$7.84
Services	
Directory Services	
Simple White & Yellow Page Listing	
Additional DA Listing	$1.50
DA - Call	

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Page 20 of 28

Completion	?		$0.50
DA Caption or Single Line Indent	?		$1.50 per textline/month
Directory Assistance Listing	?		$1.20
DA - Outside Local and LATA/NPA Serving Area	?		$1.99
DA Per Call Charge	?		$0.40 /call with 1 free
Foreign Listing	?		$1.50
Non-Listed	?		$0.60 per month
Non-Published	?		$1.45 per month
Non-Recurring Charges	?		
Directory Listing Change	?	$19.00	
Feature (add, change, remove)	?	$19.00	
Hunting Configuration Change	?	$19.00	
PIC Change	?	$5.00	
Service Activation	?	$56.00	
Telephone Number Change	?	$19.00	
Wiring & Jacks (add, move, change)	?	$30.00	
Optional Calling Plans	?		
AT&T IntraLata LD	?	$0.07 /min	
Inter LATA, State LD	?	$0.07 /min	
Service Call Charge per Hour	?		

Overtime R&M Mon-Sat 8 p.m.-8 a.m	?	$175.00 /hr
Pemium Time > Sunday & National Holiday	?	$230.00 /hr
Repair & Maintenance Mon-Sat 8 a.m.-8 p.m	?	$115.00 /hr
Features	?	Unavailable
Anonymous Call Rejection	?	Unavailable
Call Forwarding - Remote Access	?	Unavailable
Call Forwarding - Variable	?	Unavailable
Caller ID (Name and Number)	?	Unavailable
Caller ID Blocking Per Call	?	Unavailable
Caller ID Blocking Per Line	?	Unavailable
Caller ID with Call Waiting	?	Unavailable
Call Return Per Call	?	Unavailable
Call Return Per Line	?	Unavailable
Custom Ring Service >>Call Selector<<	?	Unavailable
Call Screening	?	Unavailable
Call Trace Per Call	?	Unavailable
Call Waiting	?	Unavailable
Call Waiting - Long Distance Alert	?	Unavailable
LD Alert	?	Unavailable
Repeat Dialing (a.k.a. Continuous Redial)	?	Unavailable
Repeat Dialing Per	?	Unavailable

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Page 22 of 28

Call		
Selective Call Forwarding	?	Unavailable
Speed Dial 30	?	Unavailable
Speed Dial 8	?	Unavailable
Three Way Calling	?	Unavailable
Voice Messaging	?	Unavailable
Basic	?	Unavailable
Deluxe	?	Unavailable
Toll Restriction	?	
0 + 7 Digit Long Distance	?	
00+	?	
00-	?	
01+	?	
011+	?	
1 + 10 Digit Long Distance	?	
1 + 7 Digit Long Distance	?	
1010XXX	?	
Local Operator Services	?	
Busy Line Interrupt	?	$1.65
Busy Line Verification	?	$1.25
Bill to 3rd Party	?	$1.50
Customer Dialed Calling Card Station	?	$0.50
Extended Referral at Disconnect	?	$2.00
Operation Station	?	$1.25
Person - to - Person	?	$3.00
Call Blocking	?	
Toll Restriction -		

Bill to 3rd Party and Collect	?	FREE
Toll Restriction - Bill to Collect	?	FREE
Toll Restriction - Prohibit Bill to 3rd Party	?	FREE
Hunting	?	
Integrated w/Voice Messaging	?	$2.00
Simple - No Voice Messaging	?	
International Calling	?	Unavailable
AT&T International Value Plan	?	Unavailable

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Page 24 of 28

3. EXCHANGE SERVICES

3.3 BASIC EXCHANGE SERVICE (CONT'D)

3.3.5 AT&T BROADBAND BUSINESS SERVICE [1] (N)

AT&T Broadband Business Service provides the customer with an access line and usage within a Local Calling Area for the transmission of two-way interactive switched voice or data communications. The Company's services are furnished in multi-dwelling units where facilities and equipment are available, and are subject to the terms and conditions of this Price List.

AT&T Broadband Business Service is offered as a stand-alone local offer or in conjunction with an associated long distance service provided by AT&T.

AT&T Broadband Business Service is subject to monthly recurring charges, usage rates, and, for certain call types, service charges on a per access line basis.

A. Broadband Business Basic

The Broadband Business Basic offer provides the customer with an access line, touch-tone service, one commercial white page listing, one simple yellow page listing, 900/976 call blocking, and unlimited calling within the customer's Local Calling Area. Customers may order optional features individually or as part of a feature package, as shown in D., following.

B. Broadband Business Bundle

The Broadband Business Bundle provides the customer with services available in the Broadband Business Basic offer, as specified above, together with AT&T long distance service options as described in the appropriate AT&T Tariff. Customers may order optional features individually or as part of a feature package, as shown in D., following.

C. Broadband Business Bonus Bundle

The Broadband Business Bonus Bundle provides the customer with services available in the Broadband Business Bundle offer, as specified above, with the Full Feature Package as described in D., following. Hunting is also included in this offer for multi-line customers. (N)

[1] AT&T Broadband Business Service will be available on August 15, 2001.

3. EXCHANGE SERVICES

3.3 BASIC EXCHANGE SERVICE (CONT'D)

3.3.5 AT&T BROADBAND BUSINESS SERVICE (CONT'D) [1] (N)

D. Optional Features

The customer may choose to subscribe to any one of the following feature packages per line. Monthly recurring charges associated with each feature package are applied per access line, and are in addition to any other applicable charges.

1. One Feature Selected

   The One-Feature Package provides the customer with a choice of one feature from those listed in E.4.b., following.

2. Two Features Selected

   The Two Feature Package provides the customer with a choice of two features from those listed in E.4.b., following.

3. Three Features Selected

   The Three Feature Package provides the customer with a choice of three features from those listed in E.4.b., following.

4. Four or More Features Selected

   If the customer has selected the Broadband Business Basic offer, feature charges over the third selection are free; if the Broadband Business Bundle is selected, the customer will be automatically upgraded to the Broadband Business Bonus Bundle that includes all features in the monthly charge. (N)

[1] AT&T Broadband Business Service will be available on August 15, 2001.

3. EXCHANGE SERVICES

3.3 BASIC EXCHANGE SERVICE (CONT'D)

3.3.5 AT&T BROADBAND BUSINESS SERVICE (CONT'D) [1] (N)

E. Rates and Charges

	NONRECURRING CHARGE	MONTHLY RATE	
1. Broadband Business Basic	[2]	$35.99	
2. Broadband Business Bundle	[2]	26.99	
3. Broadband Business Bonus Bundle	[2]	42.99	
4. Optional Features			
a. One Feature Selected	[3]	[4]	
b. Two Features Selected	[3]	6.50	
c. Three Features Selected	[3]	9.00	
d. Four or More Features Selected	[3]	[5]	(N)

[1] AT&T Broadband Business Service will be available on August 15, 2001.
[2] Nonrecurring charges apply as set forth in Section 3.1, preceding.
[3] Nonrecurring charges apply as set forth in Section 3.2.1, preceding. Nonrecurring charge does not apply if installed on the same order, at the same time as an associated primary line.
[4] Price for one feature selected is as specified in 4.b., following, for the feature selected.
[5] If the customer has selected the Broadband Business Basic offer, feature charges over the third selection are free; if the Broadband Business Bundle is selected, the customer will be automatically upgraded to the Broadband Business Bonus Bundle that includes all features in the monthly charge.

3. EXCHANGE SERVICES

3.3 BASIC EXCHANGE SERVICE (CONT'D)

3.3.5 AT&T BROADBAND BUSINESS SERVICE (CONT'D) [1] (N)

E. Rates and Charges (Cont'd)

4. Optional Features (Cont'd)

	NONRECURRING CHARGE	MONTHLY RATE
b. Individual Features		
(1) Anonymous Call Rejection	[2]	$4.00
(2) Call Forwarding Remote Access	[2]	4.00
(3) Call Forwarding Selective	[2]	4.00
(4) Call Forwarding Variable	[2]	4.00
(5) Call Return	[2]	4.00
(6) Call Screening	[2]	4.00
(7) Call Waiting	[2]	4.00
(8) Caller ID	[2]	4.00
(9) Caller ID with Call Waiting [3]	[2]	8.00
(10) Caller ID Blocking Per Line	[2]	0.00
(11) Distinctive Ring	[2]	4.00
(12) LD Alert	[2]	N/A
(13) Repeat Dialing	[2]	4.00
(14) Speed Dialing 8	[2]	4.00
(15) Speed Dialing 30	[2]	4.00
(16) Three-Way Calling	[2]	4.00
c. Hunting	[2]	N/A

	PER USE	MONTHLY CAP
d. Usage Sensitive Features		
(1) Call Return	$0.75	$5.50
(2) Call Trace	3.00	6.00
(3) Repeat Dialing	0.75	5.00 (N)

[1] AT&T Broadband Business Service will be available on August 15, 2001.
[2] Nonrecurring charges apply as set forth in Section 3.2.1, preceding. Nonrecurring charge does not apply if installed on the same order, at the same time as an associated primary line.
[3] Customers subscribing to Caller ID with Call Waiting receive the Call Waiting and Caller ID features at no additional charge.

October 08, 2002

Florida Digital Network achieves 100,000 voice and data lines in service

Focusing exclusively on sales and service in Florida – the fourth largest telecom market in the country – the 3½-year-old Florida Digital Network continues to surpass sales milestones. FDN succeeds by offering competitive technology – buttressed by aggressive pricing and locally based service – that gives customers a better deal than what's offered by incumbent carriers.

Orlando, FL, October 8, 2002 – Florida Digital Network announced today that it now serves more than 100,000 voice and Internet lines throughout the state of Florida. CEO Mike Gallagher said Florida Digital has achieved this significant sales milestone in just 3½ years of operation thanks to the company's 350-member workforce and strict adherence to the company's tightly focused business plan.

"Given where we stand today – and the fact that many of the telecom companies that were around 3½ years ago are now out of business – I think this stands out as one of the most remarkable success stories in American business," Gallagher said. "Not only have we survived, but we continue to meet the high expectations that we've set for ourselves."

According to FDN's technical support department, the 100,000th line was installed at Sanders Realty & Appraisal Corp. in south Tampa. Owner John Sanders said he chose Florida Digital to provide service because the company offers state-of-the-art telecom service with a local touch.

"It's nice knowing that my local phone company really is a local phone company," Sanders said. "My telephone service provider lives in my own back yard, so to speak."

Florida Digital Network is a full-service Integrated Communications Provider (ICP), offering a complete suite of telecom services, including local telephone service, long-distance, Internet access and related services. FDN is a facilities-based carrier, providing service with its own telecommunications switching gear, which it installs in the central offices of incumbent carriers.

With 100,000 lines in service throughout the state, Florida Digital has achieved a critical mass that will increasingly demonstrate the unique benefits of its Florida-focused switching network. For example, Gallagher said, many Florida Digital customers already are enjoying the benefits of the company's Sundial™ long-distance service. With Sundial™, Florida Digital customers calling other Florida Digital customers pay only a penny a minute in long-distance charge. As long as those customers stay "on-

net" using only Florida Digital's network – meaning their signals don't travel on the networks of other carriers – they won't incur any extra charges.

"SunDial™ is just one of the many advantages we can offer because our home base is here in Florida," Gallagher said. "The biggest is that our customers know that whenever they need to talk to us, they're dealing with someone who's practically in their back yard, not in some distant location several states away. For telecom consumers – using a local company really makes a difference."

Florida Digital launched service in Orlando in April 1999; in Fort Lauderdale in May 1999 and in Jacksonville in June of the same year. In each of those markets, Florida Digital installed Class 5 telephone switching gear, providing the underlying engineering foundation upon which the company offers service. From those beginnings, Florida Digital has steadily expanded its reach into more Florida markets than any other alternative telephone carrier in the state.

In addition to its original three markets, Florida Digital now serves Miami, West Palm Beach and the Treasure Coast cities of Vero Beach, Stuart and Fort Pierce; the Tampa Bay market, including Tampa, St. Petersburg, Clearwater and surrounding neighborhoods; the Space Coast cities of Melbourne, Cocoa and Titusville and numerous First Coast communities lying outside Jacksonville such as Ponte Vedra Beach and St. Augustine.

The company's exclusive focus on serving Florida business customers means that Florida Digital – in many cases – offers the only alternative to incumbent carriers in many of the markets it serves. And, thanks to Florida Digital's unique proprietary back-office management system, Florida Digital can more nimbly serve its telecom and Internet-service customers than the competition, Gallagher said.

Further – buoyed by a $35 million infusion of capital in July 2002, allowing Florida Digital to retire all outstanding bank debt – Florida Digital is readying additional expansion plans throughout the state. Specific announcements will be made as Florida Digital moves the resources in place to offer service.

"We've come a long way in a short amount of time," Gallagher said. "And we've got many more exciting milestones ahead of us."

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Meredith E. Mays
Regulatory Counsel

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(404) 335-0750

February 21, 2003

Ms. Blanca S. Bayó
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 021252-TP**
In re: Petition for expedited review and cancellation or suspension of BellSouth Telecommunications, Inc.'s Key Customer tariff filed 12/16/02, by Florida Digital Network, Inc.

: **Docket No. 020119-TP**
Petition of Florida Digital Network, Inc. for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth Telecommunications, Inc.'s Promotional Pricing and Marketing Practices

Docket No.: 020578-TP
Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc 's Key Customer Promotional Tariffs

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Exhibit CG-6 page 1 of 28 inadvertently omitted from the Rebuttal Testimony for Carlos Garcia, that was filed on November 25, 2002 which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

Meredith E. Mays (RA)

Meredith E. Mays

Enclosure
cc: All Parties of Record
Marshall M. Criser III
R. Douglas Lackey
Nancy B. White

DOCUMENT NUMBER-DATE
01837 FEB 21 03
FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE
DOCKET NO. 021252-TP, 020119-TP and 020578-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Electronic Mail and U.S. Mail this 21st day of February, 2003 to the following:

Felicia Banks
Linda Dodson
Staff Counsel
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
Tel. No. (850) 413-6216
fbanks@psc.state.fl.us
ldodson@psc.state.fl.us

Matthew Feil (+)
Florida Digital Network
390 North Orange Avenue
Suite 2000
Orlando, FL 32801
Tel. No. (407) 835-0460
Fax. No. (407) 835-0309
mfeil@floridadigital.net

Meredith E. Mays (EA)
Meredith E. Mays

(+) Signed Protective Agreement

Mpower Communications

Mpower POTS & SDSL Proposal
Date: June 26, 2002

CLIENT:

	QTY	BELLSOUTH COST	BELLSOUTH MONTHLY	BELLSOUTH YEARLY	MPOWER COST	MPOWER MONTHLY	MPOWER YEARLY
Business Line	9	$37.88	$340.92	$4,091.04	$24.00	$216.00	$2,592.00
Hunting	9	$10.00	$80.00	$960.00	n/c	n/c	n/c
FCC Charges	9	$7.84	$70.56	$846.72	$7.84	$70.56	$846.72
Voicemail	1	$9.00	$9.00	$108.00	$6.00	$6.00	$72.00
TOTAL COST			$500.48	$6,005.76		$292.56	$3,678.72

* This savings does not include the savings achieved from calls made in the following area codes: 305, 786, 954 and 561 that are FREE with MPower

	BELLSOUTH RATE	BELLSOUTH MONTHLY	BELLSOUTH YEARLY	MPOWER RATE	MPOWER MONTHLY	MPOWER YEARLY	% SAVINGS
Interstate	$0.13			$0.039			70%
Intrastate	$0.16			$0.039			76%
Intra-lata	$0.16			Free			100%
800 Number				$0.070			
International							
Surcharges:							
One Savings for small Business plan		$4.95					
International Calling plan		$3.95					
Carrier Access Charge		22.56					
Total Surcharges:		$31.46					100%

Note: Mpower pricing reflects 3-year contractual figures for long distance and line charges

6/26/2002

Florida **Digital** Network

ORIGINAL

February 11, 2003

Ms. Blanca Bayó, Director
Division of the Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

via Overnight Mail

Re: Docket No. 0201252-TP Petition for Expedited Review and Cancellation or Suspension of BellSouth Telecommunications, Inc.'s Key Customer Tariff filed 12/16/02, by Florida Digital Network, Inc.

Re: Docket No. 020119-TP Petition of Florida Digital Network Inc., for Expedited Review and Cancellation of BellSouth's Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth Telecommunications, Inc.'s Promotional Pricing and Marketing Practices.

Re: Docket No. 020578-TP Petition of the Florida Competitive Carriers Association for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs.

Dear Ms. Bayó,

Please find enclosed for filing in the above dockets an original and seven (7) copies of Florida Digital Network, Inc.'s (1) Notice of Intent to Request Confidential Classification for Supplemental Response to BellSouth Telecommunications, Inc.'s Second Set of Interrogatories (Interrogatory No. 33) and (2) Second Motion to Compel.

If you have any questions regarding the enclosed, please call me at 407-835-0460.

Sincerely,

Matthew Feil
Florida Digital Network
General Counsel

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP
COMPANY/ WITNESS: Florida Digital Network
DATE: 2-19-03
EXHIBIT NO. 22

LOCAL LONG DISTANCE INTERNET
390 North Orange Ave Suite 2000 Orlando, Florida 32801
407 835 0300 Fax 407 835 0309 www.fdn.com

DOCUMENT NUMBER-DATE
01437 FEB 12 03
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Expedited Review and Cancellation or Suspension of BellSouth Telecommunications, Inc.'s Key Customer Tariff filed 12/16/02, by Florida Digital Network, Inc.	Docket No. 021252-TP
In Re: Petition of Florida Digital Network, Inc., for Expedited Review and Cancellation of BellSouth's Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth Telecommunications, Inc.'s Promotional Pricing and Marketing Practices.	Docket No. 020119-TP
In re: Petition of the Florida Competitive Carriers Association for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs.	Docket No. 020578-TP

FLORIDA DIGITAL NETWORK, INC.'S NOTICE OF INTENT TO REQUEST SPECIFIED CONFIDENTIAL CLASSIFICATION

Florida Digital Network, Inc. ("FDN" or "Company"), pursuant to Rule 25-22.006, Florida Administrative Code, files this Notice of Intent to Request Specified Confidential Classification and says the following:

1) On February 11, 2003, FDN served its Supplemental Interrogatory Response to BellSouth Telecommunications, Inc.'s Second Set of Interrogatories (Interrogatory No. 33).

2) The information contained in the attachment to the Supplemental Response to Interrogatory

DOCUMENT NUMBER-DATE
01437 FEB 12 8
FPSC-COMMISSION CLERK

No. 33 includes confidential business information and customer specific information that is proprietary to FDN.

3) Because this information is proprietary, FDN is now filing this Notice of Intent to Request Specified Confidential Classification pursuant to Rule 25-22.006(3)(a), Florida Administrative Code, in order to allow the Commission to take possession of the documents without delay.

4) The original of this notice has been filed with the Division of Records and Reporting, and a copy has been served on all parties of record.

Respectfully submitted this 11th day of February 2003.

Matthew Feil, General Counsel
Florida Digital Network, Inc.
390 N. Orange Avenue
Suite 2000
Orlando, FL 32801
(407) 835-0460

Florida Digital Network, Inc.
FPSC Dkt No. 0201252/020119/020578-TP
BellSouth's 2nd Set of Interrogatories
February 11, 2003
Item No. 33
ATTACHMENT

PROPRIETARY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was sent by e-mail and regular mail to the persons listed below, other than those marked with an (*) who have been sent a copy via overnight mail, this 11th day of February, 2003.

BellSouth Telecommunications, Inc.*
Nancy White/Meredith Mays
C/O Ms. Nancy H. Sims
150 S. Monroe Street
Suite 400
Tallahassee, FL 32301-1556
nancy.sims@bellsouth.com

Ms. Felicia Banks
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
fbanks@psc.state.fl.us

Time Warner Telecom of Florida LP
C/O Carolyn Marek
233 Bramerton Court
Franklin, TN 37069-4002
carolyn.marek@twtelecom.com

XO Florida, Inc.
Ms. Dana Shaffer
105 Molloy Street, Suite 300
Nashville, TN 37201-2315
dshaffer@xo.com

Rutledge Law Firm
Ken Hoffman/MartinMcDonnell/M.Rule
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Pennington Law Firm
Karen M. Camechis
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Tallahassee, FL 32302-2095
karen@penningtonlawfirm.com

Florida Competitive Carriers Assoc.
C/O McWhirter Law Firm
Joseph McGlothlin/Vicki Kaufman/Perry
117 S. Gadsden Street
Tallahassee, FL 32301
vkaufman@mac-law.com

US LEC of Florida, Inc.
Mr. Greg Lunsford
6801 Morrison Blvd
Charlotte, NC 28211-3599
glunsford@uslec.com

Matthew Feil
Florida Digital Network
390 North Orange Avenue
Suite 2000
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(407) 835-0460
mfeil@floridadigital.net

Legal Department

Meredith Mays
Regulatory Counsel

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(404) 335-0750

February 25, 2003

Mrs. Blanca S. Bayó
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 021252-TP**
In re: Petition for expedited review and cancellation or suspension of BellSouth Telecommunications, Inc.'s Key Customer tariff filed 12/16/02, by Florida Digital Network, Inc.

Docket No. 020119-TP
Petition of Florida Digital Network, Inc. for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth Telecommunications, Inc.'s Promotional Pricing and Marketing Practices

Docket No.: 020578-TP
Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc 's Key Customer Promotional Tariffs

Dear Ms. Bayó:

Today, BellSouth Telecommunications, Inc.'s served its Late Filed Hearing Exhibit No. 23 to the Florida Public Service Commission, Staff in the above listed docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

Meredith Mays (LA)

Meredith Mays

cc: All Parties of Record
Marshall M. Criser III
R. Douglas Lackey
Nancy B. White

DOCUMENT NUMBER-DATE
01945 FEB 25 03
FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP & 020578-TP & 021252-TP
COMPANY/ WITNESS: BellSouth
DATE: 03/19/03
EXHIBIT NO. 23

CERTIFICATE OF SERVICE
DOCKET NO. 021252-TP, 020119-TP and 020578-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Electronic Mail and FedEx this 25th day of February, 2003 to the following:

Felicia Banks
Linda Dodson
Staff Counsel
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
Tel. No. (850) 413-6216
fbanks@psc.state.fl.us
ldodson@psc.state.fl.us

Matthew Feil (+)
Florida Digital Network
390 North Orange Avenue
Suite 2000
Orlando, FL 32801
Tel. No. (407) 835-0460
Fax. No. (407) 835-0309
mfeil@floridadigital.net

Meredith E. Mays (CCH)
Meredith E. Mays

(+) Signed Protective Agreement

Legal Department

Meredith E. Mays
Regulatory Counsel

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(404) 335-0750

February 25, 2003

By Electronic Mail and Hand Delivery
Felicia Banks
Staff Counsel
Florida Public Service Commission
Division of Legal Services
250 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 021252-TP**
In re: Petition for expedited review and cancellation or suspension of BellSouth Telecommunications, Inc.'s Key Customer tariff filed 12/16/02, by Florida Digital Network, Inc.

Docket No. 020119-TP
Petition of Florida Digital Network, Inc. for Expedited Review and Cancellation of BellSouth Telecommunications, Inc.'s Key Customer Promotional Tariffs and For an Investigation of BellSouth Telecommunications, Inc.'s Promotional Pricing and Marketing Practices

Docket No.: 020578-TP
Petition for Expedited Review and Cancellation of BellSouth Telecommunications, Inc 's Key Customer Promotional Tariffs

Dear Staff Counsel:

Enclosed is BellSouth Telecommunications, Inc.'s Late Filed Hearing Exhibit No. 23 in the above listed docket.

Sincerely,

Meredith E. Mays

Enclosures
cc: All Parties of Record
Marshall M. Criser III
R. Douglas Lackey
Nancy B. White

BellSouth Telecommunications, Inc.
Florida Public Service Commission
Docket Nos. 020119-TP, 020578, and 021252
Late Filed Hearing Exhibit 23
Club Billing Information

REQUEST: If a BellSouth CLUB billed Key Customer adds or deletes services midstream in a contract can BellSouth accurately adjust the billing for the added or deleted services on a location specific basis? If so, how? Are there any charges associated with that?

RESPONSE: BellSouth cannot adjust CLUB (Customized Large User Bill) billing on a location specific basis. BellSouth customers that receive CLUB bills have multiple locations consolidated for billing purposes, and the rewards associated with the Key Customer offerings are adjusted based on additions or deletions to the total billed revenue rather than based on additions or deletions made to a specific location. CLUB billing is not designed to make distinctions based on additions or deletions at a wire center level.

CONFIDENTIAL

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 24
COMPANY/ WITNESS. BellSouth
DATE: 02/19/03

CONFIDENTIAL

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 020119-TP
NO 020578-TP & 021252-TP EXHIBIT NO 25
COMPANY/
WITNESS. BellSouth
DATE: 02/19/03

CONFIDENTIAL

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 020119-TP
NO.020578-TP & 021252-TP EXHIBIT NO. 26
COMPANY/ BellSouth
WITNESS:
DATE: 2/19/03

CONFIDENTIAL

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. O20119-TP
020578-TP & 021252-TP
EXHIBIT NO. 27
COMPANY/
WITNESS: Florida Digital Network
DATE: 2/20/03

BIOGRAPHICAL INFORMATION

ROBERT PITOFSKY

2001 – Present	Professor of Law, Georgetown University Law Center; Of Counsel, Arnold & Porter
1995 – 2001	Chairman, Federal Trade Commission
May 1981 – June 1983, and July 1989 – 1995	Professor of Law, Georgetown University Law Center; Of Counsel, Arnold & Porter
July 1983 – June 1989	Dean and Executive Vice President for Law Center Affairs, Georgetown University Law Center
July 1978 – April 1981	Commissioner, Federal Trade Commission
1973 – 1978	Professor of Law, Georgetown University Law Center; Of Counsel, Arnold & Porter
1970 – 1973	Director, Bureau of Consumer Protection, Federal Trade Commission
1963 – 1970	Professor Law, New York University School of Law
1957 – 1963	Attorney, Dewey, Ballantine, Bushby, Palmer and Wood, New York City
1956 – 1957	Attorney, Department of Justice, Washington, D.C.

EDUCATION

New York University, B.A., 1951; Phi Beta Kappa, Honors in English and History.

Columbia Law School, LL. B., 1954; Columbia Law Review.

OTHER ACADEMIC EXPERIENCE

Guest Scholar, Brookings Institution, 1989 - 1990.

Resident Scholar, Rockefeller Study and Conference Center, Bellagio, Italy, 1990.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP / 020578-TP & 021252-TP EXHIBIT NO. 28
COMPANY/ WITNESS: BellSouth
DATE: 2-20-03

Visiting Professor of Law, Harvard Law School, 1975 – 1976.

Faculty Member, Salzburg Seminar in American Studies, Salzburg, Austria, 1975.

HONORS

Doctor of Laws (Honorary), Georgetown University, 1989.

Selected by Time Magazine as one of ten outstanding mid-career law professors, 1977.

Distinguished Service Award, Federal Trade Commission, 1972.

PUBLICATIONS

Co-author of Cases and Materials on Trade Regulation (with Milton Handler, Harlan M. Blake, Harvey Goldschmid), Foundation Press (4th ed. 1995) (Supplement 2001).

Co-author of Cases and Materials on Antitrust (with Harlan M. Blake), Foundation Press 1967 (Supplement 1969).

Co-author of Antitrust Division and Federal Trade Commission Antitrust Policy, Chapter 3 in Changing America: Blue Prints for the New Administration (with Eleanor Fox), New Market Press (1992).

Co-editor of Revitalizing Antitrust in its Second Century (with Eleanor Fox and Harry First), Quorum Press (1992).

Federal Trade Commission Investigations, Chapter 48 in Antitrust Counseling and Litigation Techniques (with Merrick Garland) (vonKalinowski, ed., 1984).

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Co-author of Antitrust Merger Policy and the Reagan Administration, (with Thomas G. Krattenmaker) 33 Antitrust Bulletin 211 (1988).

Introduction to the Antitrust Alternative (with Eleanor M. Fox), 62 N.Y.U. Law Review 931 (1987).

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Change in Administration, Change in Antitrust, Antitrust Magazine 24 (Winter, 1987).

A Framework for Antitrust Analyses of Join Ventures, 74 Geo. L.J. 1605 (1986), also published in 54 Antitrust L.J. 893 (1985).

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Competition and Regulation, 77 Conference Bd. Bulletin 7 (1980).

Experience Curve Strategies and Antitrust, 90 Conference Bd. Bulletin 10 (1980).

The Political Content of Antitrust, 127 U. Pa. L. Rev. 1051 (1979).

The Sylvania Case: Antitrust Analysis of Non-Price Vertical Restrictions, 78 Colum. L. Rev. 1 (1978).

Beyond Nader: Consumer Protection and the Regulation of Advertising, 90 Harv. L. Rev. 1 (1978).

The FTC Improvements Act, 45 Antitrust Law Journal 117 (1976).

Advertising Regulation and the Consumer Movement, Part One of Issues in Advertising (AEI Publication, Tuerck ed., 1975)

Changing Focus in the Regulation of Advertising, Chapter 7 in Brozen, Advertising and Society, University Press, 1974.

Regulation Under Fire; Consumers, the Environment, the Economy, and the Impact of Change: A Panel, 8 Columbia Journal of Law & Policy Problems 33 (1971).

Arbitration and Antitrust Enforcement, 25 Arbitration Journal 40 (1970).

Marketing and Franchising: Antitrust Prognosis for the 70's: A Panel, 39 A.B.A. Antitrust Law Journal 502 (1969-1970).

Chairman of the Advisory Board, Georgetown Study of Private Antitrust Litigation (1984 – 1985).

Member of the Council, Antitrust Section of the ABA (1986 - 1989).

Member of the Board of Directors, Craig Corporation (1986 – 1992).

Member of the Special Committee on Gender Bias in the Courts, District of Columbia Bar Association (1987 – 1990).

Member of the Committee on the FTC, Antitrust Section of the ABA (1988 – 1989).

Chair, Clinton Administration Transition Team Reporting on Antitrust Division of the Department of Justice, Jan. 1993.

Chair, Defense Science Board Task Force on Antitrust Aspects of Defense Industry Downsizing, March 1994.

Member, Washington Advisory Committee to Lawyers Committee on International Human Rights (1992 – 1995).

Member, American Law Institute (1983 - Present).

Fellow, American Academy of Arts and Sciences (2000 – Present).

WILLIAM E. TAYLOR

BUSINESS ADDRESS

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Dr. Taylor received a B.A. *magna cum laude* in Economics from Harvard College, an M.A. in Statistics and a Ph.D. in Economics from the University of California at Berkeley. He has taught economics, statistics, and econometrics at Cornell and the Massachusetts Institute of Technology and was a post doctoral Research Fellow at the Center for Operations Research and Econometrics at the University of Louvain, Belgium.

At NERA, Dr. Taylor is a Senior Vice President, heads the Cambridge office and is Director of the Telecommunications Practice. He has worked primarily in the field of telecommunications economics on problems of state and federal regulatory reform, competition policy, terms and conditions for competitive parity in local competition, quantitative analysis of state and federal price cap and incentive regulation proposals, and antitrust problems in telecommunications markets. He has testified on telecommunications economics before numerous state regulatory authorities, the Federal Communications Commission, the Canadian Radio-Television and Telecommunications Commission, federal and state congressional committees and courts. Recently, he was chosen by the Mexican Federal Telecommunications Commission and Telmex to arbitrate the renewal of the Telmex price cap plan in Mexico. Other recent work includes studies of the competitive effects of major mergers among telecommunications firms and analyses of vertical integration and interconnection of telecommunications networks. He has appeared as a telecommunications commentator on PBS Radio and on The News Hour with Jim Lehrer.

He has published extensively in the areas of telecommunications policy related to access and in theoretical and applied econometrics. His articles have appeared in numerous telecommunications industry publications as well as *Econometrica*, the *American Economic Review*, the *International Economic Review*, the *Journal of Econometrics*, *Econometric Reviews*, the *Antitrust Law Journal*, *The Review of Industrial Organization*, and *The Encyclopedia of Statistical Sciences*. He has served as a referee for these journals (and others) and the National Science Foundation and has served as an Associate Editor of the *Journal of Econometrics*.

EDUCATION

UNIVERSITY OF CALIFORNIA, BERKELEY
Ph.D., Economics, 1974

UNIVERSITY OF CALIFORNIA, BERKELEY
M.A., Statistics, 1970

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 020119-TP
020578-TP & 021252-TP EXHIBIT NO. 29
COMPANY/ WITNESS: Bell South
DATE: 2-20-03

DOCUMENT NUMBER-DATE
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HARVARD COLLEGE
B.A., Economics, 1968
(Magna Cum Laude)

EMPLOYMENT

NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC. (NERA)
1988- Senior Vice President, Office Head, Telecommunications Practice Director.

BELL COMMUNICATIONS RESEARCH, INC. (Bellcore)
1983-1988 Division Manager, Economic Analysis, formerly Central Services Organization, formerly American Telephone and Telegraph Company: theoretical and quantitative work on problems raised by the Bell System divestiture and the implementation of access charges, including design and implementation of demand response forecasting for interstate access demand, quantification of potential bypass liability, design of optimal nonlinear price schedules for access charges and theoretical and quantitative analysis of price cap regulation of access charges.

BELL TELEPHONE LABORATORIES
1975-1983 Member, Technical Staff, Economics Research Center: basic research on theoretical and applied econometrics, focusing on small sample theory, panel data and simultaneous equations systems.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
Fall 1977 Visiting Associate Professor, Department of Economics: taught graduate courses in econometrics.

CENTER FOR OPERATIONS RESEARCH AND ECONOMETRICS
Université Catholique de Louvain, Belgium.
1974-1975 Post Doctoral Research Associate: basic research on finite sample econometric theory and on cost function estimation.

CORNELL UNIVERSITY
1972-1975 Assistant Professor, Department of Economics. (On leave 1974-1975.) taught graduate and undergraduate courses on econometrics, microeconomic theory and economic principles.

MISCELLANEOUS

1985-1995 Associate Editor, *Journal of Econometrics*, North-Holland Publishing Company.
1990- Board of Directors, National Economic Research Associates, Inc.
1995- Board of Trustees, Treasurer, Episcopal Divinity School, Cambridge, Massachusetts.

PUBLICATIONS

"Smoothness Priors and Stochastic Prior Restrictions in Distributed Lag Estimation," *International Economic Review*, 15 (1974), pp. 803-804.

"Prior Information on the Coefficients When the Disturbance Covariance Matrix is Unknown," *Econometrica*, 44 (1976), pp. 725-739.

"Small Sample Properties of a Class of Two Stage Aitken Estimators," *Econometrica*, 45 (1977), pp. 497-508.

"The Heteroscedastic Linear Model: Exact Finite Sample Results," *Econometrica*, 46 (1978), pp. 663-676.

"Small Sample Considerations in Estimation from Panel Data," *Journal of Econometrics*, 13 (1980) pp. 203-223.

"Comparing Specification Tests and Classical Tests," Bell Laboratories Economics Discussion Paper, 1980 (with J.A. Hausman).

"Panel Data and Unobservable Individual Effects," *Econometrica*, 49 (1981), pp. 1377-1398 (with J.A. Hausman).

"On the Efficiency of the Cochrane-Orcutt Estimator," *Journal of Econometrics*, 17 (1981), pp. 67-82.

"A Generalized Specification Test," *Economics Letters*, 8 (1981), pp. 239-245 (with J.A. Hausman).

"Identification in Linear Simultaneous Equations Models with Covariance Restrictions: An Instrumental Variables Interpretation," *Econometrica*, 51 (1983), pp. 1527-1549 (with J.A. Hausman).

"On the Relevance of Finite Sample Distribution Theory," *Econometric Reviews*, 2 (1983), pp. 1-84.

"Universal Service and the Access Charge Debate: Comment," in P.C. Mann and H.M. Trebing (editors), *Changing Patterns in Regulation, Markets, and Technology: The Effect on Public Utility Pricing*. The Institute of Public Utilities, Michigan State University, 1984.

"Recovery of Local Telephone Plant Costs under the St. Louis Plan," in P.C. Mann and H.M. Trebing (editors), *Impact of Deregulation and Market Forces on Public Utilities*. The Institute of Public Utilities, Michigan State University, 1985.

"Access Charges and Bypass: Some Approximate Magnitudes," in W.R. Cooke (editor), *Proceedings of the Twelfth Annual Telecommunications Policy Research Conference*, 1985.

"Federal and State Issues in Non-Traffic Sensitive Cost Recovery," in *Proceedings from the Telecommunications Deregulation Forum*. Karl Eller Center, College of Business and Public Administration, University of Arizona, Tucson, Arizona, 1986.

"Panel Data" in N.L. Johnson and S. Kotz (editors), *Encyclopedia of Statistical Sciences*. John Wiley & Sons, New York, 1986.

"An Analysis of Tapered Access Charges for End Users," in P.C. Mann and H.M. Trebing (editors), *New Regulatory and Management Strategies in a Changing Market Environment*. The Institute of Public Utilities, Michigan State University, 1987 (with D.P. Heyman, J.M. Lazorchak, and D.S. Sibley).

"Efficient Estimation and Identification of Simultaneous Equation Models with Covariance Restrictions," *Econometrica*, 55 (1987), pp. 849-874 (with J.A. Hausman and W.K. Newey).

"Alternative NTS Recovery Mechanisms and Geographic Averaging of Toll Rates," in *Proceedings of the Thirteenth Annual Rate Symposium: Pricing Electric, Gas, and Telecommunications Services*. The Institute for the Study of Regulation, University of Missouri, Columbia, 1987.

"Price Cap Regulation: Contrasting Approaches Taken at the Federal and State Level," in W. Bolter (editor), *Federal/State Price-of-Service Regulation: Why, What and How?*, Proceedings of the George Washington University Policy Symposium, December, 1987.

"Local Exchange Pricing: Is There Any Hope?", in J. Alleman (editor), *Perspectives on the Telephone Industry: The Challenge of the Future*. Ballinger Publishing Company, Cambridge, Massachusetts, 1989.

"Generic Costing and Pricing Problems in the New Network: How Should Costs be Defined and Assessed," in P.C. Mann and H.M. Trebing (editors) *New Regulatory Concepts, Issues, and Controversies*. The Institute of Public Utilities, Michigan State University, 1989.

"Telephone Penetration and Universal Service in the 1980s," in B. Cole (editor), *Divestiture Five Years Later*. Columbia University Press, New York, New York, 1989 (with L.J. Perl).

"Regulating Competition for IntraLATA Services," in *Telecommunications in a Competitive Environment*, Proceedings of the Third Biennial NERA Telecommunications Conference, 1989, pp. 35-50.

"Costing Principles for Competitive Assessment," in *Telecommunications Costing in a Dynamic Environment*, Bellcore-Bell Canada Conference Proceedings, 1989 (with T.J. Tardiff).

"Optional Tariffs for Access in the FCC's Price Cap Proposal," in M. Einhorn (ed.), *Price Caps and Incentive Regulation in the Telecommunications Industry*. Kluwer, 1991 (with D.P. Heyman and D.S. Sibley).

"Alternative Measures of Cross-Subsidization," prepared for the Florida Workshop on Appropriate Methodologies for the Detection of Cross--Subsidies, June 8, 1991.

"Predation and Multiproduct Firms: An Economic Appraisal of the Sievers-Albery Results," *Antitrust Law Journal*, 30 (1992), pp. 785-795.

"Lessons for the Energy Industries from Deregulation in Telecommunications," *Proceedings of the 46th Annual Meeting of the Federal Energy Bar Association*, May 1992.

"Efficient Price of Telecommunications Services: The State of the Debate," *Review of Industrial Organization*, Vol. 8, pp. 21-37, 1993.

"Status and Results of Regulatory Reform in the U.S. Telecommunications Industry," in C.G. Stalon, *Regulatory Responses to Continuously Changing Industry Structures*. The Institute of Public Utilities, Michigan State University, 1992.

"Post-Divestiture Long-Distance Competition in the United States," *American Economic Review*, Vol. 83, No. 2, May 1993 (with Lester D. Taylor). Reprinted in E. Bailey, J. Hower, and J. Pack, *The Political Economy of Privatization and Deregulation*. London: Edward Elgar, 1994.

"Comment on 'Pricing of Inputs Sold to Competitors,' by W.J. Baumol and J.G. Sidak," *Yale Journal on Regulation*, Vol. 11, Issue 1, 1994, pp. 225-240 (with Alfred E. Kahn).

"Comments on Economic Efficiency and Incentive Regulation," Chapter 7 in S. Globerman, W. Stanbury and T. Wilson, *The Future of Telecommunications Policy in Canada*. Toronto: Institute for Policy Analysis, University of Toronto, April 1995.

"Revising Price Caps: The Next Generation of Incentive Regulation Plans," Chapter 2 in M.A. Crew (ed.) *Pricing and Regulatory Innovations under Increasing Competition*. Boston: Kluwer Academic Publishers, May 1996 (with T. Tardiff).

"An Analysis of the State of Competition in Long-Distance Telephone Markets," *Journal of Regulatory Economics*, May 1997, pp. 227-256 (with J.D. Zona).

"An Analysis of the Welfare Effects of Long Distance Market Entry by an Integrated Access and Long Distance Provider," *Journal of Regulatory Economics*, March 1998, pp. 183-196 (with Richard Schmalensee, J.D. Zona and Paul Hinton).

"Market Power and Mergers in Telecommunications," *Proceedings of the Institute of Public Utilities; 30th Annual Conference: Competition in Crisis: Where are Network Industries Heading?* The Institute of Public Utilities, Michigan State University, 1999.

"The Baby and the Bathwater: Utility Competition, But at What Price?," Public Utilities Fortnightly, Vol. 137, No.21, November 15, 1999, pp. 48-56 (with Anne S. Babineau and Matthew M. Weissman).

TESTIMONIES

Access Charges

Florida Public Service Commission (Docket No. 820537-TP), July 22, 1983.

Arkansas Public Service Commission (Docket No. 83-042-U), October 7, 1985.

Public Utility Commission of Texas (Docket No. 8585), December 18, 1989.

Mexican Secretariat of Communications and Transport, affidavit filed October 18, 1995 (with T. Tardiff).

Federal Communications Commission (CC Docket No. 96-98), affidavit July 8, 1996; *ex parte* letters filed July 22, 1996 and July 23, 1996.

Federal Communications Commission (CC Docket No. 96-262 et. al.) with Richard Schmalensee, January 29, 1997). Rebuttal February 14, 1997.

New York Public Service Commission (Case 94-C-0095 and 28425), Panel Testimony, May 8, 1997. Rebuttal Panel Testimony July 8, 1997.

Pennsylvania Public Utility Commission (Docket No. I-00960066), June 30, 1997. Rebuttal July 29, 1997. Surrebuttal August 27, 1997.

Connecticut Department of Public Utility Control (Docket No. 96-04-07), October 16, 1997.

Federal Communications Commission (*ex parte* CC Docket No. 96-262 *et. al.*), with Richard Schmalensee, January 21, 1998.

Federal Communications Commission (CCB/CPD 98-12), March 18, 1998.

Federal Communications Commission (CC Docket Nos. 96-262, 94-1, 97-250 and RM 9210), October 26, 1998. Reply November 9, 1998.

Federal Communications Commission (Docket No. 99-24), with Karl McDermott, January 20, 1999. Reply April 8, 1999.

Vermont Public Service Board (Docket No. 6167), May 20, 1999. Supplemental May 27, 1999.
Virginia State Corporation Commission, (Case No. PUC 000003), May 30, 2000.
Maryland Public Service Commission (Case No. 8745), March 23, 2001. Rebuttal May 21, 2001. Surrebuttal June 11, 2001.

Incentive and Price Cap Regulation

Federal Communications Commission (Docket No. 87-313), March 17, 1988.
Florida Public Service Commission (Docket No. 880069-TL), June 10, 1988.
Federal Communications Commission (Docket No. 87-313), August 18, 1988. Rebuttal November 18, 1988.
New Hampshire Public Service Commission (Docket 89-010), March 3, 1989.
Federal Communications Commission (Docket No. 87-313), June 9, 1989.
Federal Communications Commission (Docket No. 87-313), August 3, 1989. (2 filings)
New York State Public Service Commission (Case 28961 - Fifth Stage), September 15, 1989.
Georgia Public Service Commission (Docket No. 3882-U), September 29, 1989.
Federal Communications Commission (Docket 87-313), May 3, 1990.
Federal Communications Commission (Docket 87-313), June 8, 1990 (2 filings).
State of Maine Public Utilities Commission (Docket No. 89-397), June 15, 1990.
Montana Public Service Commission (Docket No. 90.8.46), October 4, 1990.
Federal Communications Commission (Docket 87-313), December 21, 1990.
Tennessee Public Service Commission, February 20, 1991.
Federal Communications Commission (Docket 87-313) with Alfred E. Kahn), June 12, 1991.
California Public Utilities Commission (Phase II of Case 90-07-037) with Timothy J. Tardiff, August 30, 1991. Supplemental testimony January 21, 1992.
Rhode Island Public Utilities Commission (Docket No. 1997), September 30, 1991.
Montana Public Service Commission (Docket No. 90.12.86), November 4, 1991. Additional testimony January 15, 1992.
Federal Communications Commission (Pacific Bell Tariff F.C.C. No. 128, Transmittal No. 1579) with T.J. Tardiff, April 15, 1992. Reply comments July 31, 1992.
California Public Utilities Commission (Docket No. I.87-11-033), with T.J. Tardiff, May 1, 1992.
Delaware Public Utilities Commission (Docket No. 33), June 22, 1992.
Florida Public Service Commission (Docket No. 920260-TL), December 18, 1992.
California Public Utilities Commission (Docket No. I.87-11-033), with T.J. Tardiff, April 8, 1993, reply testimony May 7, 1993.
Canadian Radio-Television and Telecommunications Commission (Docket No. 92-78), with T.J. Tardiff, April 13, 1993 (2 filings).
Federal Communications Commission (Petition for Declaratory Ruling and Related Waivers to Establish a New Regulatory Model for the Ameritech Region), April 16, 1993. Reply Comments, July 12, 1993.
Delaware Public Utilities Commission (Docket No. 33), June 1, 1993. Supplementary statement, June 7, 1993. Second supplementary statement," June 14, 1993.
Vermont Public Service Board (Dockets 5700/5702), September 30, 1993. Rebuttal testimony July 5, 1994.

Pennsylvania Public Utility Commission (Docket No. P-009350715), October 1, 1993. Rebuttal January 18, 1994.

Massachusetts Department of Public Utilities (Docket No. D.P.U. 94-50), April 14, 1994. Rebuttal October 26, 1994.

Federal Communications Commission (CC Docket 94-1), May 9, 1994. Reply June 29, 1994.

Federal Communications Commission (CC Docket 94-1) with R. Schmalensee, May 9, 1994. Reply June 29, 1994.

New York State Public Service Commission (Case 92-C-0665), panel testimony, October 3, 1994.

State of Maine Public Utilities Commission (Docket Nos. 94-123/94-254), December 13, 1994. Rebuttal January 13, 1995.

Canadian Radio-Television and Telecommunications Commission (Application of Teleglobe Canada for Review of the Regulatory Framework of Teleglobe Canada Inc.), December 21, 1994.

Kentucky Public Service Commission, testimony re concerning telecommunications productivity growth and price cap plans, April 18, 1995.

California Public Utilities Commission (U 1015 C), May 15, 1995. Rebuttal January 12, 1996.

State of Connecticut, Department of Public Utility Control (DPUC Docket No. 95-03-01), June 19, 1995.

Louisiana Public Service Commission (Docket No. U-17949, Subdocket E), July 24, 1995.

California Public Utilities Commission (Investigation No. I.95-05-047), with R.L. Schmalensee and T.J. Tardiff, September 8, 1995. Reply September 18, 1995.

Mississippi Public Service Commission (Docket No. 95-UA-313), October 13, 1995.

Louisiana Public Service Commission (Docket No. U-20883), November 21, 1995.

Federal Communications Commission (CC Docket No. 94-1), with T. Tardiff and C. Zarkadas, December 18, 1995. Reply March 1, 1996.

North Carolina Utilities Commission (Docket No. P-7, Sub 825; P-10, Sub 479), February 9, 1996.

Rhode Island Public Utilities Commission (Docket No. 2370), February 23, 1996. Rebuttal June 25, 1996.

Pennsylvania Public Utility Commission (Docket No. P-00961024), April 15, 1996. Rebuttal July 19, 1996.

Canadian Radio-Television and Telecommunications Commission, in response to CRTC Telecom Public Notice CRTC 96-8 (2 filings), June 10, 1996.

Federal Communications Commission (CC Docket 96-262 et al.), *ex parte* March 1997.

Federal Communications Commission (CC Docket Nos. 93-193, Phase 1, Part 2, 94-65), May 19, 1997.

Vermont Public Service Board (Docket no. 6000), January 19, 1998.

Colorado Public Utilities Commission (Docket No. 97A-540T, January 30, 1998. Rebuttal May 14, 1998.

California Public Utilities Commission, affidavit on economic principles for updating Pacific Bell's price cap plan. Filed February 2, 1998.

California Public Utilities Commission, reply comments on Pacific proposal to eliminate vestiges of ROR regulation and inflation minus productivity factor formula/index, filed June 19, 1998.

Pennsylvania Public Utility Commission (Docket No. P-00981410), October 16, 1998. Rebuttal February 4, 1999.

Comisión Federal de Telecomunicaciones de México ("Cofetel"), "Economic Parameter Values in the Telmex Price Cap Plan," arbitrator's report regarding the renewal of the price cap plan for Telmex, February 15, 1999.

Kentucky Public Service Commission (Docket No. 98-292), April 5, 1999.

Federal Communications Commission (Docket Nos. 94-1, 96-26), January 7, 2000. Reply comments filed January 24, 2000, Ex parte comments filed May 5, 2000.

New Mexico Public Regulation Commission, direct testimony filed December 10, 1999.

Arizona Corporation Commission (Docket No. T-01051B-99-105), rebuttal filed August 21, 2000; rejoinder filed September 19, 2000.

Connecticut Department of Public Utilities (Docket No. 00-07-17), filed November 21, 2000.

Pennsylvania Public Utility Commission (Docket No. P-00981449), filed October 31, 2000. Rebuttal testimony filed February 20, 2001.

NERA Report: Economic Assessment of the Consumer Choice and Fair Competition Telecommunications Amendment (Proposition 108) (with Aniruddha Banerjee and Charles Zarkadas), November 2000.

Canadian Radio-Television and Telecommunications Commission, in response to CRTC Telecom Public Notice CRTC 2000-108, oral panel testimony, January 11, 2001.

Maine Public Utilities Commission (Docket No. 99-851, January 8, 2001. Rebuttal filed February 12, 2001.

Before the Massachusetts Department of Telecommunications and Energy, April 12, 2001. Rebuttal testimony September 21, 2001.

New York Public Service Commission, (Case 00-C-1945), May 15, 2001.

Canadian Radio-Television and Telecommunications Commission (Public Notice CRTC 2001-37), filed May 31, 2001, rebuttal evidence filed September 20, 2001.

The New Jersey Board of Public Utilities (Docket No. TO01020095), February 15, 2001. Rebuttal filed June 15, 2001. Supplemental rebuttal filed September 25, 2001.

Utah Public Service Commission, October 5, 2001. Rebuttal filed November 22, 2001.

New York Public Service Commission, (Case 00-C-1945), (panel testimony), filed February 11, 2002.

State of Rhode Island And Providence Plantations Public Utilities Commission (Docket Nos. 3179 and 3445). Direct testimony filed July 1, 2002 (Docket No. 3179). Rebuttal testimony filed October 22, 2002 (Docket No. 3445).

Massachusetts Department of Telecommunications and Energy (D.T.E. 01-31, Phase II (Track B)). Direct testimony filed August 28, 2002. Rebuttal testimony filed September 18, 2002.

Payphone

California Public Utilities Commission (Case 88-04-029), July 11, 1988.

Illinois Commerce Commission (Docket No. 88-0412), August 3, 1990. Surrebuttal December 9, 1991.

Michigan Public Service Commission (Case No. U-11756), October 9, 1998.

South Carolina Public Service Commission (Docket No. 97-124-C), December 7, 1998.

New Jersey Board of Public Utilities (OAL DOCKET Nos. PUCOT 11269-97N, PUCOT 11357-97N, PUCOT 01186-94N AND PUCOT 09917-98N), March 8, 1999. Surrebuttal June 21, 1999.
Louisiana Public Service Commission (Docket No. U-22632), July 17,2000.
Tennessee Regulatory Authority, Docket No. 97-00409, October 6, 2000.

Economic Costing and Pricing Principles

Florida Public Service Commission (Docket No. 820400-TP), June 25, 1986.
Delaware Public Service Commission (Docket No. 86-20, Phase II), March 31, 1989. Rebuttal November 17, 1989.
Delaware Public Service Commission (Docket No. 89-24T), August 17, 1990.
Florida Public Service Commission (Docket No. 900633-TL), May 9, 1991.
Maryland Public Service Commission (Case No. 8584, Phase II), December 15, 1994. Additional direct testimony May 5, 1995. Rebuttal testimony filed June 30, 1995.
Canadian Radio-Television and Telecommunications Commission, Response to Interrogatory SRCI(CRTC) 1Nov94-906, "Economies of Scope in Telecommunications," January 31, 1995.
Pennsylvania Public Utility Commission (Docket Nos. A-310203F0002, A-310213F0002, A-310236F0002 and A-310258F0002), March 21, 1996.
State of Connecticut, Department of Public Utility Control (DPUC Docket No. 95-06-17), July 23, 1996.
New Jersey Board of Public Utilities (Docket No. TX95120631), August 15, 1996. Rebuttal filed August 30, 1996.
Florida Public Service Commission (Docket No. 980000-SP), September 24, 1998.
Nebraska Public Service Commission, (Application No. C-1628), October 20, 1998. Reply November 20, 1998.
Florida Public Service Commission (Docket No. 980000-SP), November 13, 1998.
Wyoming Public Service Commission (Docket No. 70000-TR-99), April 26, 1999.
New Mexico Public Regulation Commission (Utility Case No. 3147), December 6, 1999, rebuttal testimony filed December 28, 1999.
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