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December 23, 2003

Mrs. Blanca S. Bayó
Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No.: 030851-TP

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Request for Specified Confidential Classification for its Direct Testimony Exhibits of Pamela A. Tipton (PAT-1 through PAT-7), Direct Testimony and Exhibits of Debra J. Aron and Direct Testimony Exhibits of James W. Stegeman (JWS-1 through JWS-3) and, 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,



Nancy B. White

cc: All Parties of Record
Marshall M. Criser III
R. Douglas Lackey

DOCUMENT NUMBER 030851-TP
13426 DEC 23 8
FPSC-COMMISSION CLERK

**CERTIFICATE OF SERVICE
Docket No. 030851-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Electronic Mail, Hand Delivery* and FedEx® this 23rd day of December 2003 to the following:

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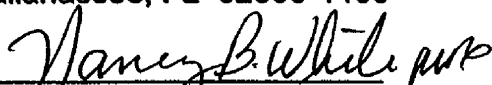
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Nancy B. White

(+)signed Protective Agreement
(*) via Hand Delivery
(⊗) via FedEx

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of requirements arising)
from Federal Communications Commission) Docket No. 030851-TP
triennial UNE review: Local Circuit Switching)
for Mass Market Customers.) Filed: December 23, 2003
_____)

**BELLSOUTH TELECOMMUNICATIONS, INC.'S
REQUEST FOR SPECIFIED CONFIDENTIAL CLASSIFICATION**

COMES NOW, BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to Rule 25-22.006, Florida Administrative Code, and Section 364.183, Florida Statutes, and files its Request for Specified Confidential Classification.

1. On December 4, 2003, BellSouth filed in the above-captioned proceeding, the Direct Testimony of Pamela A. Tipton, which included Exhibits PAT-1 through PAT-7. Exhibits PAT-5 and PAT-7 contain confidential third party information that is considered proprietary. BellSouth also filed the Direct Testimony of Debra J. Aron and Exhibits DJA-03 and DJA-04. Ms. Aron's testimony and these exhibits contain confidential business information that is considered proprietary to BellSouth. Additionally, BellSouth filed the Direct Testimony of James W. Stegeman and exhibits JWS-1 through JWS-3, as well as a proprietary CD-ROM containing a copy of the BellSouth Analysis of Competitive Entry (BACE) model. This model also contains confidential business information that is considered proprietary to BellSouth. BellSouth filed a Notice of Intent to Request Specified Confidential Classification on that same day.

2. BellSouth hereby files this Request for Specified Confidential Classification because the information contained in above-listed testimony and exhibits contain confidential business information that is proprietary to BellSouth. A more specific description of this information is contained in Attachment A. Public disclosure of this information would cause competitive harm to BellSouth and provide competitors with an unfair advantage in future

negotiations. The information discussed in Request for Specified Confidential Classification is valuable and BellSouth strives to keep it secret. Therefore, such information should be classified as confidential business information and customer proprietary information pursuant to Section 364.24 and Section 364.183, *Florida Statutes*. Accordingly, it should be held exempt from the public disclosure requirements of Section 119.07, Florida Statutes.

3. Attachment A to BellSouth's Request for Confidential Classification contains an explanation of the proprietary information along with a list that identifies the location of the information designated by BellSouth as confidential.

4. Attachment B to BellSouth's Request for Confidential Classification is redacted copies of the documents containing the confidential information.

5. Attachment C to BellSouth's Request for Confidential Classification is a highlighted copy of the document containing the confidential information.

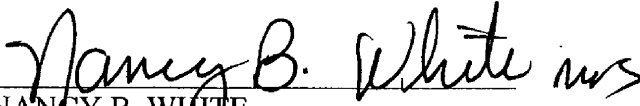
6. The information discussed in this Request for Specified Confidential Classification is valuable, BellSouth treats this information as confidential in all requests, and this information has not been generally disclosed.

7. The original of this Request was filed today with the Division of the Commission Clerk and Administrative Services and a copy was served on the Parties.

WHEREFORE, based on the foregoing, BellSouth respectfully requests that, pursuant to Section 364.183, Florida Statutes, the Commission enter an order declaring the information described above to be confidential, proprietary business information that is not subject to public disclosure.

Respectfully submitted this 23rd day of December, 2003.

BELLSOUTH TELECOMMUNICATIONS, INC.



NANCY B. WHITE

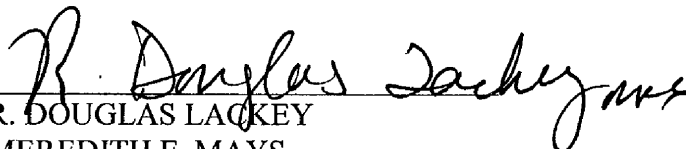
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BellSouth Telecommunications, Inc.
FPSC Docket No. 030851-TP
Request for Confidential Classification
Page 1 of 1
12/23/03

REQUEST FOR CONFIDENTIAL CLASSIFICATION OF EXHIBITS PAT-5 AND PAT-7 OF THE DIRECT TESTIMONY OF PAMELA A. TIPTON, DIRECT TESTIMONY OF DEBRA J. ARON AND EXHIBITS DJA-03 AND DJA-04, AND A CD-ROM CONTAINING THE BELL SOUTH ANALYSIS OF COMPETITIVE ENTRY (BACE) MODEL FILED WITH THE DIRECT TESTIMONY OF JAMES W. STEGEMAN FILED DECEMBER 4, 2003, IN FLORIDA DOCKET NO. 030851-TP

Explanation of Proprietary Information

1. This information contains business information related to competitive interests of BellSouth that is proprietary to BellSouth. Disclosure of this data would impair the competitive business and cause harm to BellSouth. Specifically, this information relates to revenue, and line counts for specific retail and wholesale services. Consequently, this information should be classified as proprietary, confidential business information pursuant to Section 364.183(3)(e), Florida Statutes and is exempt from the Open Records Act.

<u>Location</u>	<u>Reason</u>
EXHIBIT PAT-5	
Page 1 of 2, Column B, Lines 2-51	1
Page 2 of 3, Column B, Lines 1-33	1
EXHIBIT PAT-7	
All names identified	1
DIRECT TESTIMONY OF DEBRA J. ARON	
Page 29, Lines 2-4	1
Page 36, Line 12	1
Page 39, line 18	1

**REQUEST FOR CONFIDENTIAL CLASSIFICATION OF EXHIBITS PAT-5 AND
PAT-7 OF THE DIRECT TESTIMONY OF PAMELA A. TIPTON, DIRECT
TESTIMONY OF DEBRA J. ARON AND EXHIBITS DJA-03 AND DJA-04, AND A CD-
ROM CONTAINING THE BELLSOUTH ANALYSIS OF COMPETITIVE ENTRY
(BACE) MODEL FILED WITH THE DIRECT TESTIMONY OF JAMES W.
STEGEMAN FILED DECEMBER 4, 2003, IN FLORIDA DOCKET NO. 030851-TP**

<u>Location</u>	<u>Reason</u>
Exhibit DJA-03, Columns A-E	1
Exhibit DJA-04, Columns A-C	1
BACE MODEL ON CD	
Entire CD	1

ATTACHMENT B

**BellSouth Telecommunications, Inc.
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Request for Confidential Classification
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12/23/03**

**REQUEST FOR CONFIDENTIAL CLASSIFICATION OF EXHIBITS PAT-5 AND
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TWO REDACTED COPIES FOR PUBLIC DISCLOSURE

Public Disclosure Document

BellSouth Telecommunications, Inc.
 Florida Public Service Commission
 Docket No. 030851-TP
 Exhibit PAT-5

CLECS THAT MEET SELF-PROVISIONING TRIGGER (BASED ON CURRENTLY AVAILABLE DATA)

<u>A</u> <u>MARKET</u>		<u>B</u> <u>CLEC</u>
Daytona Beach, FL Zone2	1	1
	2	2
	3	3
	4	4
	5	4
Fort Lauderdale, FL Zone1	6	1
	7	2
	8	3
	9	4
	10	5
	11	6
	12	7
	13	8
Fort Lauderdale, FL Zone2	14	1
	15	2
	16	3
	17	4
	18	5
	19	6
	20	7
	21	8
	22	9
	23	10
	24	11
Jacksonville, FL-GA Zone1	25	1
	26	2
	27	3
	28	4
	29	5
	30	6
Jacksonville, FL-GA Zone2	31	1
	32	2
	33	3
	34	4
	35	5
	36	6
	37	7
	38	8
	39	9
Jacksonville, FL-GA Zone3	40	1
	41	2
	42	3
Miami, FL Zone1	43	1
	44	2
	45	3
	46	4
	47	5
	48	6
	49	7
	50	8
	51	9

Public Disclosure Document

BellSouth Telecommunications, Inc.
Florida Public Service Commission
Docket No. 030851-TP
Exhibit PAT-5

A		
Miami, FL Zone2	1	B
	2	
	3	
	4	
	5	
	6	
	7	
Orlando, FL Zone1	8 1	
	9 2	
	10 3	
	11 4	
Orlando, FL Zone2	12 1	
	13 2	
	14 3	
	15 4	
	16 5	
	17 6	
	18 7	
Pensacola, FL Zone2	19 1	
	20 2	
	21 3	
West Palm Beach-Boca Raton, FL Zone1	22 1	
	23 2	
	24 3	
	25 4	
	26 5	
	27 6	
West Palm Beach-Boca Raton, FL Zone2	28 1	
	29 2	
	30 3	
	31 4	
	32 5	
	33 6	

**PUBLIC
DISCLOSURE
DOCUMENT**

BellSouth Telecommunications, Inc.
Florida Public Service Commission
Docket No. 030851-TP
PAT-7

CLECs With Actual Deployment in Markets Where Triggers Not Met

1 spending customer locations at about twice the rate that would occur without
2 cream skimming *****PROPRIETARY*****.

3
4 **Q. BASED ON THIS INFORMATION, WHAT VARIATION IN PENETRATION**
5 **RATES DO YOU RECOMMEND ACROSS THE CUSTOMER SPEND**
6 **GROUPS?**

7
8 A. The evidence clearly supports the economically rational expectation that CLECs
9 engage in customer targeting. Such targeting is efficient and should be
10 considered as one of the "countervailing advantages" that the FCC requires state
11 commissions to consider in their impairment analyses. I recommend that
12 customer targeting be modeled in the residential and SOHO (1 to 3 line)
13 customer segments consistent with the evidence of BellSouth's experience.

14
15 **Q. YOU HAVE BEEN DISCUSSING THE PENETRATION RATES FOR CLECS IN**
16 **THE LOCAL VOICE MARKET. HOW DOES THE BACE MODEL ESTABLISH**
17 **WHETHER A PARTICULAR TYPE OF CUSTOMER WILL PURCHASE ONE**
18 **OR MORE SERVICES IN ADDITION TO LOCAL EXCHANGE SERVICE?**

19
20 A. The model considers the penetration calculation in two conceptual parts. The
21 first part produces the overall CLEC market share for local service that I have
22 been discussing above – in other words, the CLEC's success in attracting
23 customers in the marketplace. The second part quantifies the percentage of the
24 CLEC's customers in each customer segment who also subscribe to the other
25 services the CLEC offers, such as long distance, DSL, or a bundle. These two

1 "G&A" portion of expenses. I separately estimated the "Sales" (customer
2 acquisition) expenses.

3
4 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS WITH REGARD TO**
5 **CUSTOMER ACQUISITION (I.E., "SALES") COSTS.**

6
7 **A.** I recommend that customer acquisition costs for residence customers be no
8 higher than \$95 per subscriber, and that business acquisition costs be based on
9 a multiple of about *****PROPRIETARY***** times the first month's expected
10 average revenue for that particular segment of customer.

11
12 **Q. PLEASE EXPLAIN HOW YOU DETERMINED THE CUSTOMER ACQUISITION**
13 **COST RECOMMENDATION FOR RESIDENTIAL SUBSCRIBERS.**

14
15 **A.** I relied on reports available from Wall Street investment analysts regarding CLEC
16 customer acquisition costs. I also relied on information provided by CLECs in *ex*
17 *parte* presentations in other regulatory venues, and I considered the academic
18 literature to determine how to interpret these data. First, regarding the empirical
19 survey, I found a range of estimates and claims for customer acquisition costs,
20 as shown in Aron Exhibit No. DJA-6.

21
22 As the exhibit shows, analysts at Thomas Weisel Partners indicate that Z-Tel's
23 actual per customer acquisition costs were in the \$60-\$70 range. They conclude
24 that Z-Tel's target customer acquisition cost of \$50 per account has been
25 established as management seeks to improve efficiency by cutting back on

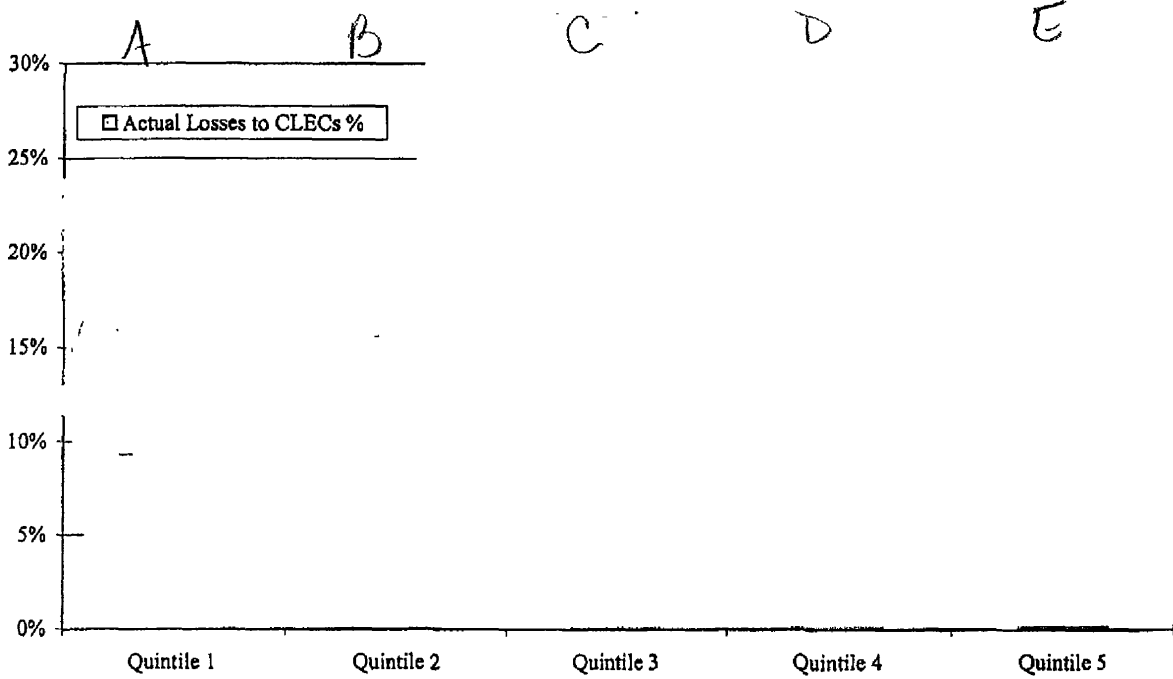
1 for investors, Mr. Steve Dubnik, Chairman and CEO of Choice One
2 Communications, estimated that his company's selling expenses were
3 approximately \$170 per line. I also estimate, based on data from a February 19,
4 2002 analyst report on Allegiance by Thomas Weisel Partners, that Allegiance's
5 customer acquisition costs were on the order of \$188 per line in 2001. According
6 to its website, Allegiance does not market to residential customers, so the
7 estimate applies to the types of business customers that are Allegiance's focus.

8
9 According to information from BellSouth, it pays its independent sales agents
10 approximately *****PROPRIETARY***** times the first month's revenue to acquire
11 Small Business Customers. CLECs also utilize sales agents and compensate
12 them in a similar fashion. Based on revenue estimates for the different business
13 segments, I conservatively estimated business customer acquisition costs per
14 line as shown in Exhibit DJA-7.

15
16 **Q. WHAT DO YOU RECOMMEND FOR G&A EXPENSES?**

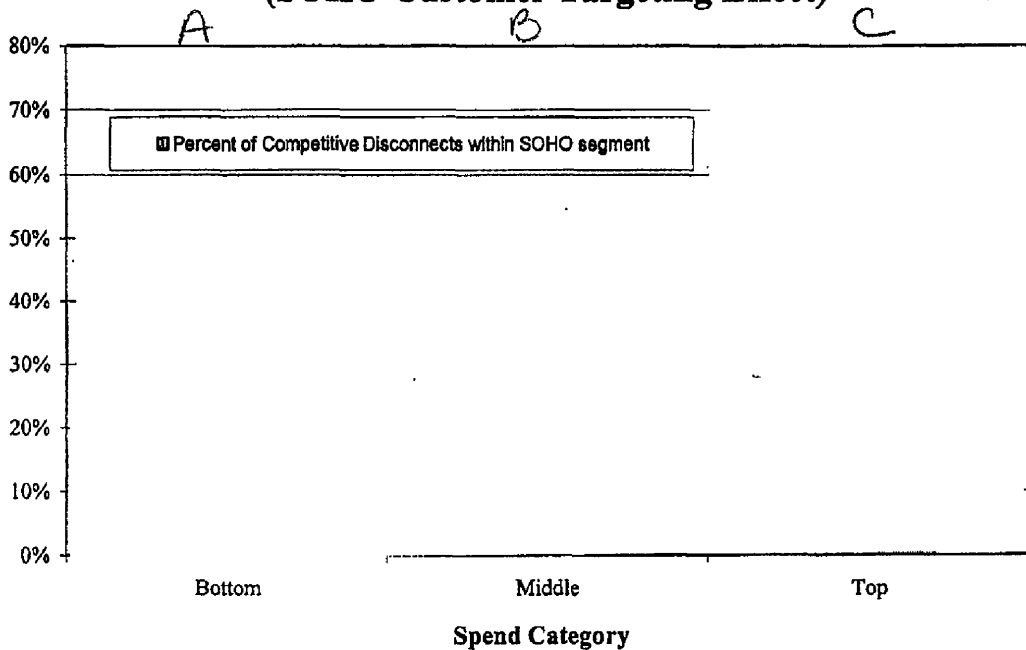
17
18 **A.** I recommend that G&A expenses be modeled as a percent of revenue. I further
19 recommend that G&A be computed as 15 percent of long-distance revenues and
20 28.4 percent of all other revenue.

**Actual versus Expected Competitive Losses of Residential Customers
to CLECs by Spending Quintile
(Consumer Targeting Effect)**



**PUBLIC DISCLOSURE
DOCUMENT**

**Actual versus Expected Competitive Losses of SOHO
Customers to CLECs
by Spending Tercile
(SOHO Customer Targeting Effect)**



**PUBLIC DISCLOSURE
DOCUMENT**

ATTACHMENT C

**BellSouth Telecommunications, Inc.
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ONE HIGHLIGHTED COPY