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99 APR 23 PM 4: 27

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Tallahassee, Florida 32301  
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RECORDS AND  
REPORTING

April 23, 1999

Mrs. Blanca S. Bayó  
Director, Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: 980253-TX ("Fresh Look") Docket

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Direct Testimony of C. Ned Johnston, 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,

*Michael P. Goggin* (kr)

Michael P. Goggin

Enclosures

cc: All parties of record  
Marshall M. Criser III  
William J. Ellenberg II  
Nancy B. White

- AFA \_\_\_\_\_
- APP Brown
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
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**CERTIFICATE OF SERVICE  
Docket No. 980253-TX**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via  
U.S. Mail this 23rd day of April, 1999 to the following:

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Michael P. Goggin (cc)  
Michael P. Goggin

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BELLSOUTH TELECOMMUNICATIONS, INC.  
DIRECT TESTIMONY OF C. NED JOHNSTON  
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 980253-TX  
APRIL 23, 1999.

Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH" OR "THE COMPANY").

A. My name is C. Ned Johnston. My business address is 701 Northpoint Parkway, Suite 400, West Palm Beach, Florida 33407. My position with BellSouth is Market Assessment Manager – Florida.

Q. PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from Ohio State University in 1968 with a Bachelor of Science degree in Business Administration. Since that time I have held several positions, starting with the Marketing Department at Ohio Bell, transferring to Southern Bell (now BellSouth) in 1978, where I held a variety of positions in the Rates and Marketing organizations. I have held my current position, Market Assessment Manager – Florida, since July, 1991.

Q. HAVE YOU PREVIOUSLY APPEARED BEFORE THE COMMISSION?

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2 A. Yes. I have appeared before the Florida Public Service Commission on  
3 numerous occasions on a variety of subjects.

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5 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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7 A. The purpose of my testimony is to comment on the amendments to  
8 Rules 25-4.300, Florida Administrative Code (F.A.C.), Scope and  
9 Definitions; 25-4.301 F.A.C., Applicability of Fresh Look; and 25-4.302,  
10 F.A.C. Termination of L.E.C. Contracts proposed in this Docket.

11

12 Q. WOULD YOU DESCRIBE YOUR UNDERSTANDING OF THE  
13 EFFECT OF THE PROPOSED RULE CHANGES AS THEY APPLY TO  
14 BELL SOUTH?

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16 A. As I understand it, the effect of the proposed rule changes as they  
17 apply to BellSouth would permit customers with tariff or Contract  
18 Service Arrangements (CSAs), contract term payment plans for  
19 ESSX®, MultiServ®, Centrex, Basic Rate ISDN, and Primary Rate  
20 ISDN as well as customers with CSAs for business lines and PBX  
21 trunks to elect to discontinue these contracts with minimal termination  
22 liabilities that are equivalent to the remaining uncollected nonrecurring  
23 charges, where applicable.

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25 Q. IN YOUR OPINION, ARE THESE RULE CHANGES APPROPRIATE?

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A. No, they are not.

Q. WHY ARE THE PROPOSED RULES INAPPROPRIATE?

A. There are several reasons why the proposed rules are inappropriate. First, the contracts that are proposed for coverage under these rule revisions were virtually all subject to competition at the time they were initially entered into. As specified in BellSouth's tariffs, CSAs can only be entered into in competitive situations. In addition, virtually all tariffed contract rate plans were developed as general responses to what BellSouth's competitors were offering. It is not appropriate to prematurely terminate these contracts for the purpose of promoting competition when these contracts were entered into under competitive circumstances.

Second, the "Fresh Look Window" specified in Section 25-4.301(2) is proposed to begin 60 days after the effective date of this rule. This is clearly inappropriate since it would involve contracts that BellSouth is competing for even today, as well as in the future. It should be noted that the vast majority of these contracts involve medium to large-sized business customers who are very aware of the competitive alternatives available to them when they enter into these types of agreements, whether those agreements are with BellSouth or with BellSouth's competitors.

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**Q. WOULD A DIFFERENT EFFECTIVE DATE FOR THIS "FRESH LOOK WINDOW" BE MORE APPROPRIATE?**

**A. Yes. While it should be understood that these amendments are inappropriate in their entirety, it should also be noted that if a "Fresh Look Window" were to be established, it would be more equitable to establish it as the date that the current forms of telecommunications competition were authorized in Florida Statutes. That date is July 1, 1995. BellSouth has been competing against ALECs since that time.**

**Q. ARE THE CONTRACTS REFERENCED HEREIN AVAILABLE FOR RESALE?**

**A. Yes, they are. If a customer so chooses, these contracts are available for transfer to a certificated ALEC for resale. The Commission-ordered business resale discounts of 16.81 per cent would apply. These contracts would be transferred without termination liability absent any disconnects of all or part of the service. Accordingly, this rule would not provide any additional benefits to resellers.**

**Q. ARE RESELLERS BELLSOUTH'S CHIEF COMPETITORS FOR LARGE BUSINESS CUSTOMERS?**



1 A. No. While many ALEC resellers compete in the marketplace,  
2 BellSouth's chief competitors in the large business market are facility-  
3 based ALECs. The bulk of these competitors are large, well-  
4 established, well-financed companies who have established track  
5 records as Alternative Access Vendors (AAVs) such as Intermedia,  
6 Inc., and TCG (now part of AT&T), Interexchange Carriers (IXCs) such  
7 as AT&T and MCI WorldCom, Cable Television (CATV) providers such  
8 as Time-Warner, MediaOne, Adelphia Cable and TCI (now part of  
9 AT&T), or a combination of the above. In addition many of the "startup"  
10 ALECs, such as Sprint Metro, are subsidiaries of or are backed by  
11 large well-established corporations.

12

13 Q. HAVE BELLSOUTH'S CUSTOMERS BEEN AWARE OF THESE  
14 COMPETITORS FOR QUITE SOME TIME?

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16 A. Yes. Not only are they aware of them but they have had the  
17 opportunity to entertain many proposals from them in the past as well  
18 as the present. BellSouth has been competing against facility-based  
19 ALECs since at least 1995.

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21 In many cases, customers advise BellSouth that they have received  
22 competitive proposals and ask BellSouth for a proposal in response to  
23 that provided by BellSouth's competitor. The competitors' proposals  
24 often "package" local service with inter and intraLATA long distance

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1 services. BellSouth cannot offer "packaged" proposals that include  
2 interLATA services at the present time.

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4 Q. CAN YOU PROVIDE ANY DATA ON WHAT THESE RULE  
5 REVISIONS WILL COST BELLSOUTH TO IMPLEMENT?

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7 A. BellSouth is still gathering that data as to the administrative and labor  
8 costs. It is likely that the costs will be more than the cost estimate that  
9 BellSouth originally provided to the Florida Public Service Commission  
10 Staff in this Docket, which was in excess of \$239,000. In addition,  
11 BellSouth faces substantial costs in the form of lost revenues and lost  
12 termination charges if the proposed rule change is enacted.

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14 Q. WHY WILL THESE ADMINISTRATIVE AND LABOR COSTS  
15 INCREASE?

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17 A. The change in proposed coverage from contracts entered into prior to  
18 January 1, 1997, to contracts entered into prior to the effective date of  
19 these rule revisions, has not only increased the number of contracts  
20 affected but has increased the number of service offerings that are  
21 included. In the prior date range, mostly ESSX® and MultiServ®  
22 contracts were included. In the date range encompassed by the  
23 current proposed rule revisions Primary Rate ISDN and Basic Rate  
24 ISDN are to be added to the list of services affected. This significantly  
25 increases the number of customers/contracts affected. Therefore, I

1 expect the costs to BellSouth to comply with these rule revisions to  
2 increase significantly as well.

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4 Q. GIVEN THE CONTINUED EXISTENCE OF THESE CONTRACTS,  
5 ARE BELLSOUTH COMPETITORS PRECLUDED FROM PROVIDING  
6 SERVICE TO THESE CUSTOMERS?

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8 A. No. Many customers today have contracted for services from various  
9 ALECs while continuing to receive services from BellSouth under  
10 existing agreements. It is important for the Commission to recognize  
11 that the overall market for telecommunications services is expanding  
12 and BellSouth's competitors, including resellers, are enjoying a very  
13 real role in that expansion. In addition, customers can switch carriers at  
14 the expiration of their agreements, or upon honoring the termination  
15 provisions. Also, as mentioned earlier, ALECs can resell existing  
16 agreements.

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18 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

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20 A. It is inappropriate for the Commission to enact these rule changes.  
21 These rules affect a market which is already fiercely competitive with  
22 large, well-established competitors vying for the business of large  
23 knowledgeable business customers. The affected contracts were  
24 entered into freely by customers who had a variety of competitive  
25 providers from which they could choose at the time. In addition, these

1 customers presently enjoy a wide range of competitive alternatives to  
2 the services provided by BellSouth. The intervention of the Commission  
3 in this marketplace simply is neither necessary nor appropriate.

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5 Q. DOES THAT CONCLUDE YOUR TESTIMONY?

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7 A. Yes.

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