Legal Department

James Meza III
Attorney

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(305) 347-5561

February 5, 2002

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. 010774-TP

Dear Ms. Bayó:

Enclosed please find the original and fifteen copies of BellSouth Telecommunications, Inc.'s Comments, which we ask that you file in the captioned matter.

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,

James Meza III
James Meza III (LA)

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

CERTIFICATE OF SERVICE
Docket No. 010774-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via U.S. Mail this 5th day of February, 2002 to the following:

Martha Brown
Staff Counsel
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Stephen M. Presnell
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400
Attorney for Citizens
of the State of Florida
Tel. No. (850) 488-9330

Peter M. Dunbar, Esq.
Karen M. Camechis, Esq.
Pennington, Moore, Wilkinson, Bell
& Dunbar, P.A.
Post Office Box 10095 (32302)
215 South Monroe Street, 2nd Floor
Tallahassee, Florida 32301
Tel. No. (850) 222-3533
Fax. No. (850) 222-2126
pete@penningtonlawfirm.com

Ms. Carolyn Marek
Time Warner Telecom of Florida
233 Bramerton Court
Franklin, TN 37069
Tel. No. (615) 376-6404
Fax. No. (615) 376-6405
carolyn.marek@twtelecom.com

Virginia C. Tate
Senior Attorney
AT&T
1200 Peachtree Street
Suite 8100
Atlanta, GA 30309

ALLTEL, Florida, Inc.
c/o Ausley Law Firm
Jeffrey Wahlen
P.O. Box 391
Tallahassee, FL 32302
Tel. No. (850) 224-9115
Fax. No. (850) 222-7560
jwahlen@ausley.com

Assoc. of Comm. Enterprise
Andrew O. Isar
1401 K Street, N.W., Suite 600
Washington, D.C. 20005
Tel. No. (202) 835-9898
Fax. No. (202) 835-9893

Becker & Poliakoff Law Firm
Allison Hift
5201 Blue Lagoon Drive
Suite 100
Miami, FL 33126
Tel. No. (305) 262-4433
Fax. No. (305) 262-4504

Michael A. Gross
FCTA
246 E. 6th Avenue, Suite 100
Tallahassee, FL 32303
Tel. No. (850) 681-1990
Fax. No. (850) 681-9676
mgross@fcta.com

Joseph McGlothlin/Vicki Kaufman
FCCA
c/o McWhirter Law Firm
117 South Gadsden Street
Tallahassee, FL 32301
Tel. No. (850) 222-2525
Fax. No. (850) 222-5606

Angela Green, General Counsel
FPTA
2292 Wednesday Street
Suite 1
Tallahassee, FL 32308-4334
Tel. No. (850) 222-5050
Fax. No. (850) 222-1355

Holland Law Firm
Bruce May
P.O. Drawer 810
Tallahassee, FL 32302-0810
Tel. No. (850) 224-7000
Fax. No. (850) 224-8832
dbmay@hklaw.com

MCI WorldCom
Donna C. McNulty
325 John Knox Road
Suite 105
Tallahassee, FL 32303-4131
Tel. No. (850) 422-1254
Fax. No. (850) 422-2586
donna.mcnulty@wcom.com

Messer Law Firm
Norman H. Horton, Jr.
P.O. Box 1876
Tallahassee, FL 32302-1876
Tel. No. (850) 222-0720
Fax. No. (850) 224-4359
nhorton@lawfla.com

Northeast FL Telephone Co.
Deborah L. Nobles
P.O. Box 544
Macclenny, FL 32063-0544
Tel. No. (904) 259-0639
Fax. No. (904) 259-7722
dnobles@nefcom.net

Qwest Communications Corp.
Kathryn Ford
1801 California Street
49th Floor
Denver, CO 80202-2613
Tel. No. (303) 672-2776
Fax. No. (303) 296-4576
keford@uswest.com

Sprint-Florida, Inc.
Ben Poag
P.O. Box 2214, MCFLTLHO0107
Tallahassee, FL 32316-2214
Tel. No. (850) 599-1027
Fax. No. (850) 878-0777
Ben.Poag@mail.sprint.com

State Technology Office
Carolyn Mason/Winston Pierce
4030 Esplanade Way
Suite 235
Tallahassee, FL 32399-0950
Tel. No. (850) 922-7503
Fax. No. (850) 413-9529

Verizon
Michelle A. Robinson/Linda Rossy
One Tampa City Center
P.O. Box 110, FLTC0616
Tampa, FL 33601-0110
Tel. No. (813) 483-2526
Fax. No. (813) 223-4888
michelle.robinson@verizon.com

Nancy B. White (KA)
Nancy B. White

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of the Citizens of the State of Florida to Initiate Rulemaking which will require telephone companies to give customers reasonable notice before customers incur higher charges or change in services, and allow them to evaluate offers for service from competing alternative providers.	)	Docket No. 010774-TP Filed: February 5, 2002

BELLSOUTH TELECOMMUNICATIONS, INC.'S COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") submits the following comments regarding the Florida Public Service Commission Staff's ("Staff") and Office of Public Counsel's ("OPC") draft rules requiring that notice be given to customers prior to the implementation of any changes in rates or charges.

I. A Rule Is Not Necessary

As an initial matter, BellSouth does not believe that a price increase notification rule is necessary because BellSouth, on its own volition, currently notifies its customers in advance of any price increase. For example, in addition to notifying customers of price increases by filing tariffs, BellSouth generally notifies all customers of price increases 30 days in advance via a message on the customer's bill the month before the price increase becomes effective. Similarly, business CLUB and electronically billed customers are provided a bill insert, notifying them of the price increase, while customers who have chosen Internet billing are provided the notice via a link to a website. Likewise, when a price change involves a very small group of customers, BellSouth may utilize direct mail to notify these customers and bill inserts are used to notify customers of inside wire price changes. Consequently, there is no need for the Florida

Public Service Commission ("Commission") to promulgate a rule that requires BellSouth to do something that it already effectively does voluntarily.

Moreover, BellSouth provides notification to its customers because such a practice maintains, if not improves, customer relations and thus is a sound business decision. While BellSouth understands that some companies subject to Commission regulation may not have similar notification procedures or share in BellSouth's business practices, the remedy for a company's failure to provide its customers with advanced notice of a price increase is not to impose additional, unnecessary regulation on all companies. Rather, the remedy is to allow the natural effects of competition to occur. That is, if a customer is unhappy with a telecommunications company because it failed to notify him or her of a price increase, that customer can switch to a carrier that does provide notice. Through competition, the goal of the proposed rule is met – customers eventually migrate to carriers that provide notice, and carriers, in order to retain customers, decide to implement a notification process.

Furthermore, in a competitive environment, competitors need to be able to respond quickly to changes in the marketplace, including the prices a competitor charges for services. The rules proposed by Staff and OPC would stymie the development of competition because they limit a company's ability to quickly respond to the marketplace and thus should be rejected.

For these reasons, BellSouth submits that the Commission should not adopt any rule requiring telecommunications companies to provide advanced notice of a price increase.

II. Draft Rules by OPC and Staff

A. Staff's Rule Is Generally Acceptable

Notwithstanding and without waiving the above argument, if the Commission is inclined to adopt a rule regarding the notification of price increases, the Commission should adopt Staff's draft rule, with one minor revision. Said rule is acceptable and less onerous than OPC's draft rule because its notice requirement is flexible by requiring only that the notice be "reasonable" and by providing that certain types of notices will be presumed reasonable. The only revision Staff should make would be to clarify that the term "customer" does not refer to wholesale customers. Prices of services to wholesale customers are set forth in interconnection agreements. These prices can only be changed by amendments to the contract negotiated with the wholesale customer and approved by the Commission or by reason of a Commission order changing prices. Accordingly, there is no need for the rule to apply to wholesale customers.

B. OPC's Rule Is Unacceptable.

In no circumstances, however, should the Commission adopt OPC's draft rule. Generally speaking, OPC's rule would require BellSouth to notify customers of any price change that **<u>may</u>** increase the cost of service at least 30 days in advance via first class mail. The notice must include, in all caps, 12-point type, and bolded, "**NOTICE OF PRICE INCREASE**", and the envelope containing the notice must contain, in all caps and bolded, "**NOTICE OF PRICE INCREASE ENCLOSED**." In addition, OPC's rule would also require BellSouth to notify customers of any price decrease. Further, no tariff revisions would be effective unless the required notice was provided to customers.

As stated above, BellSouth has implemented several effective, different processes in which to provide its customers with notice of upcoming price changes, including but not limited to bill messages, direct mailings, and links to websites. Nevertheless, as established below, OPC is attempting to require BellSouth to limit its notification process to a single, inflexible, and cost-prohibitive manner that has no corresponding consumer benefits in return. Simply put, OPC's rule, at least as it applies to BellSouth, is a perceived solution without a problem.

1. Notification Via First Class Mail

First, OPC's rule, which requires that notice be in a specific font, bolded, and in all caps, unnecessarily increases BellSouth's costs in providing the notice to its customers.[1] This is so because BellSouth's billing information system and software would have to be modified to identify those customers that would receive a notice. Further, once identified, the billing information would be fed to the data servers in the bill distribution centers. If customers are co-mingled in one feed, the enclosing equipment in the bill distribution centers will have to have print heads installed on them to do the actual printing of the notice, thereby increasing capital costs.

In addition, there would an approximate 15-30 percent increase in the processing resources necessary to make the required format changes in the notice. There also would be additional capital equipment expenses if some of the equipment is not print-head compatible and other miscellaneous material expenses that would become necessary in order to comply with the rule (i.e. ink, etc.).

Additionally, OPC's rule requires that BellSouth send the notice via first class mail, without exception. Accordingly, BellSouth would have to purchase the necessary postage to send this notice, despite the fact that some of BellSouth's customers do not receive their bill via first class mail. Indeed, BellSouth has a substantial percentage of customers that receive their bills via the Internet or electronically. Requiring the notice to be sent via first class mail only, notwithstanding a customer's decision to receive his/her bill through some other means, provides no benefit to these customers and only increases the risk that the customer does not receive the notice because he/she is expecting any communication from BellSouth to come through a different medium. In this advancing technological age, any rule adopted by the Commission should be flexible and cost-sensitive, thus allowing BellSouth to communicate to its customers and provide effective notice via mediums other than through regular mail.

Moreover, OPC's rule appears to require that BellSouth send the notice separate from the monthly bill. Accordingly, BellSouth could find itself in the position of paying double postage for those customers who will experience a price increase – one stamp for the bill and one stamp for the notice. Such a

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[1] BellSouth will provide the Commission with a more detailed description of the approximate costs associated with complying with OPC's and Staff's proposed

requirement is cost prohibitive and unnecessarily duplicative, especially if BellSouth is required to give notice to customers who experience a price decrease in addition to those customers who will experience a price increase.

A separate, direct mailing also ignores other effective, less expensive mediums to provide the notice, including bill messages and bill inserts. Messages directly on the consumer's bill or bill inserts are relatively inexpensive and can be inserted quickly. Further, because BellSouth currently provides notice through bill messages and inserts, consumers are accustomed to looking at and in their bills for all types of information, including notification of any price increases.

2. Notice on the Envelope

OPC's rule would also require BellSouth to place a specific, bolded and capitalized notice on the envelope. Such a requirement is unnecessary and extremely cost-prohibitive. BellSouth currently purchases its envelopes in bulk from a vendor. BellSouth's envelopes are not tailored for a geographic area or customer base. Attempts to tailor certain envelopes to comply with the rule would be costly and administratively burdensome. For example, if the customers are separated into two bill streams – those receiving notice and those not receiving notice—the envelopes would have to come to the bill distribution centers preprinted by the current envelope vendor. This would raise the price of the envelopes and require the bill distribution centers to maintain or develop (1) separate inventories for envelopes; (2) dedicated equipment operators; and (3) potential software system changes, thereby further increasing operational costs.

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rules in the SERC questionnaire.

In addition, there may be limitations as to the size/type of font that can be used on the envelope. For instance, if the notice is on the back of the envelope, current consumer advertising space or billing instructions could be jeopardized. Similarly, if the notice is placed on the front of the envelope, there could be conflicts with bar codes, window placements, and addressing.

3. 30 Day Advance Notice Requirement

OPC's rule would require BellSouth to provide a 30-day notice of any increase in the cost of service. The rule further provides that any changes in tariffs, price lists, or terms and conditions are only effective if notice is given. Such a rule violates Section 364.051(6)(a), which provides that 15 days notice is only required for tariff revisions for nonbasic service. Accordingly, OPC's rule conflicts with Section 364.051(6)(a) because it would require 30 days advance notice before a tariff revision for nonbasic service is effective while Section 364.051(6)(a) only requires 15 days notice.

4. Notification of Price Decreases

Inexplicably, OPC's rule would require BellSouth to notify its customers of any price decrease. The purpose of any rule requiring carriers to provide advanced notice of any price increase is to warn consumers of upcoming price increases, thereby giving them an opportunity to avoid the increased cost by switching to another carrier. This same rationale does not apply when a carrier decreases prices because the customer gets a benefit when a rate or price is decreased. Consequently, there is no rational basis for extending the requirement to provide customer notice when a carrier decreases prices.

III. Conclusion

For the foregoing reasons, BellSouth submits that the Commission should not adopt any rule requiring telecommunications companies to provide advance notice prior to the implementation of any changes in rates or charges. In the event that the Commission decides that such a rule is needed, BellSouth requests that it adopt Staff's rule with the proposed revision and not OPC's proposed rule.

Respectfully submitted this 5th day of February, 2002.

BELLSOUTH TELECOMMUNICATIONS, INC.

Nancy B. White

NANCY B. WHITE (LA)
JAMES MEZA III
c/o Nancy H. Sims
150 So. Monroe Street, Suite 400
Tallahassee, FL 32301
(305) 347-5558

R. Douglas Lackey

R. DOUGLAS LACKEY (LA)
Suite 4300
675 W. Peachtree St., NE
Atlanta, GA 30375
(404) 335-0747

431563