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BELLSOUTH TELECOMMUNICATIONS, INC.
REBUTTAL TESTIMONY OF W. BERNARD SHELL
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NOS. 020119-TP and 020578-TP
NOVEMBER 25, 2002

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is W. Bernard Shell. My business address is 675 W. Peachtree St., N.E., Atlanta, Georgia. I am a Manager in the Finance Department of BellSouth Telecommunications, Inc. (hereinafter referred to as "BellSouth"). My area of responsibility is the development of economic costs.

Q. ARE YOU THE SAME W. BERNARD SHELL THAT FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes. I filed direct testimony on October 23, 2002.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the testimony of Ms. Danyelle Kennedy, representing the Florida Competitive Carriers Association ("FCCA"). My testimony will address her claim regarding the waiver of installation charges.

Q. ARE MS. KENNEDY'S ASSERTIONS CONCERNING INSTALLATION

1 **CHARGES CORRECT?**

2

3 A. No. BellSouth evaluated the impact of the waiver of the installation charges in its
4 Key Customer offerings. The only installation charges waived by BellSouth are
5 the Line Connection charges contained in Section A4 of the General Subscriber
6 Service Tariff. The costs associated with these installation charges are included in
7 BellSouth's Key Customer margin analysis that is discussed in my direct
8 testimony, and the rates of the Key Customer service offerings are at or above
9 BellSouth's Total Service Long Run Incremental Cost ("TSLRIC") even with the
10 waiver of installation charges. Therefore, other customers or service offerings do
11 not subsidize the Key Customer offerings.

12

13 **Q. PLEASE DESCRIBE THE ANALYSIS CONCERNING THE WAIVER OF**
14 **INSTALLATION CHARGES.**

15

16 A. Installation charges (Line Connection charges as tariffed in Section A4 of the
17 Tariff) apply on a per customer request basis. For example, if a business customer
18 requests two lines, BellSouth would apply the appropriate charge for the first line
19 requested (\$56.00) and the additional line charge (\$12.00) for each additional line
20 requested at the same time to be provided on the same date on the same premises.
21 The costs associated with these installation charges were factored into the analysis
22 of the Key Customer offerings. Exhibit WBS-1, attached to my direct testimony in
23 this docket, demonstrates that the cost analysis includes the maximum per-line
24 Line Connection cost ****([REDACTED])**** because most customers who qualify for the
25 Key Customer offerings will have more than one line. The Line Connection costs

1 are the costs associated with the waived installation charges. If three or more lines
2 were used, the per-line cost would be less since the cost per additional line is less
3 than the cost for the first line. In other words, the additional line installed adds a
4 lower additional cost such that the per line average cost would be less. The
5 maximum per-line cost is then converted to a per-month, per-line cost by dividing
6 the maximum per-line cost by 36 months, which results in a per-month, per-line
7 cost of ** ■ **. Thirty-six months was used since this is the term of agreement
8 required to receive the maximum percent discount used in this analysis. Exhibit
9 WBS-1 evaluated the 1FB basic business service ("1FB") to ensure that it would
10 be above cost in all rate groups when discounted at the maximum level. Because
11 the resulting monthly 1FB margins after discounting at the maximum level are
12 significantly more than the Line Connection per-month cost of ** ■ **, it is
13 clear that the discounted 1FB is above cost, notwithstanding the waived
14 installation charges. Additionally, Exhibit WBS-3, attached to this testimony,
15 demonstrates that the margins for the individual rate elements or the margins
16 resulting from the development of a typical or minimal configuration are more than
17 the Line Connection per-month cost of ** ■ **. Thus, all of the Key Customer
18 offerings are above cost.

19

20 **Q. PLEASE DISCUSS MS. KENNEDY'S ASSERTION ABOUT WHOLESALE**
21 **NONRECURRING CHARGES.**

22

23 A. Because Ms. Kennedy did not explain what nonrecurring rates she relied upon to
24 quote the wholesale charges of \$254.62 and \$132.69, it is difficult to address them.
25 However, Ms. Kennedy seems to be implying that there are numerous nonrecurring

1 charges that BellSouth waives in the Key Customer promotion. As I have
2 explained above, BellSouth only waives the installation charges contained in
3 Section A4 of the Tariff. BellSouth does not waive the service-specific
4 provisioning nonrecurring charges found in the same section of the tariff where the
5 recurring/monthly charges for a service are located. For example, MegaLink
6 Service has a service-specific provisioning nonrecurring charge of \$350.00 located
7 in section B7.1.3 of the tariff. This charge is not waived. The Key Customer
8 offerings do not waive the service-specific nonrecurring charges related to a
9 particular service.

10

11 Exhibits WBS-1 and WBS-3 show that the rates for BellSouth's Key Customer
12 offerings are provided at or above TSLRIC after the waiver of the one-time
13 installation charge contained in Section A4 of the Tariff.

14

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16

17 A. Yes.

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