

Nancy B. White
General Counsel - Florida

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(305) 347-5558

September 30, 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

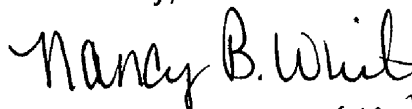
Re: Docket No. 030869-TP: Petition by BellSouth Telecommunications, Inc. to Reduce its Network Access Charges Applicable to Intrastate Long Distance in a Revenue-Neutral manner

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s *Revised* Direct Testimony of Steve Bigelow (confidential exhibits will be filed under separate cover), Jerry Hendrix, John Ruscilli and Dr. Kenneth Gordon, 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 (KA)

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

DNs 09405-03 BIGELOW
09406-03 HENDRIX
09407-03 RUSCILLI
09408-03 GORDON

CERTIFICATE OF SERVICE
Docket No. 030869-TL

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Electronic Mail, Hand Delivery* and Federal Express this 30th day of September, 2003 to the following:

Beth Keating, Staff Counsel
Felicia Banks, Staff Counsel
Patricia Christensen, Staff Counsel
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
Phone: (850) 413-6212
Fax: (850) 413-6250
bkeating@psc.state.fl.us
fbanks@psc.state.fl.us
pchriste@psc.state.fl.us

Charlie Beck *
Deputy Public Counsel
Office of Public Counsel
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
Phone: (850) 488-9330
Fax No. (850) 488-4491
Beck.Charles@leg.state.fl.us

Michael A. Gross
VP Reg. Affairs & Reg. Counsel
Florida Cable Telecomm. Assoc.
246 East 6th Avenue
Tallahassee, FL 32303
Tel. No. (850) 681-1990
Fax. No. (850) 681-9676
mgross@fcta.com

Richard A. Chapkis (+)
Verizon Florida, Inc.
One Tampa City Center
201 North Franklin Street (33602)
Post Office Box 110, FLTC0007
Tampa, Florida 33601-0110
Tel. No. (813) 483-2606
Fax. No. (813) 204-8870
Richard.chapkis@verizon.com


Verizon Florida, Inc.
Ms. Michelle A. Robinson
106 East College Avenue, Suite 810
Tallahassee, FL 32301-7704
Tel. No. (813) 483-2526
Fax. No. (813) 223-4888
Michelle.Robinson@verizon.com

Susan S. Masterton
Charles J. Rehwinkel
Sprint Comm. Co. LLP
1313 Blair Stone Road (32301)
P.O. Box 2214
MC: FLTLHO0107
Tallahassee, FL 32316-2214
Tel. No. (850) 847-0244
Fax. No. (850) 878-0777
Susan.masterton@mail.sprint.com
charles.j.rehwinkel@mail.sprint.com

John P. Fons (+)
Ausley & McMullen
227 South Calhoun Street
Tallahassee, FL 32301
Tel. No. (850) 224-9115
Fax. No. (850) 222-7560
jfons@ausley.com

Michael B. Twomey (+)
8903 Crawfordville Road
Tallahassee, FL 32305
Tel. No. (850) 421-9530
Fax No. (850) 421-8543
Email: miketwomey@talstar.com
Represents AARP

Mark Cooper (+)
504 Highgate Terrace
Silver Spring, MD 20904
Tel. No. (301) 384-2204
Fax. No. (301) 236-0519
markcooper@aol.com
AARP Witness



Nancy B. White (CA)

(+) Protective Agreement
(*) Hand Delivery

1 **BELLSOUTH TELECOMMUNICATIONS, INC.**
2 **REVISED DIRECT TESTIMONY OF E. STEVEN BIGELOW**
3 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
4 **SEPTEMBER 30, 2003**

5
6 **Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

7
8 A. My name is E. Steven Bigelow. My business address is 3535 Colonnade Parkway,
9 Birmingham, Alabama. I am a Director in the Pricing Strategy Department of
10 BellSouth Telecommunications, Inc. ("BellSouth"). My area of responsibility is
11 the provision of demand and revenue analysis in support of regulatory filings.

12
13 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL**
14 **BACKGROUND AND WORK EXPERIENCE.**

15
16 A. I attended the University of Alabama, graduating with a Bachelor of Science
17 Degree in 1975. I received a Masters of Business Administration from the
18 University of Alabama in 1976.

19
20 My career with BellSouth spans twenty-seven years. My initial employment was
21 with South Central Bell in 1976, where I held positions in Market Research,
22 Economic Analysis and Rates and Tariffs. In 1981 I accepted a transfer to AT&T
23 where I served as the coordinator for a tariff standardization project. After
24 divestiture, I transferred to BellCore where I worked on local exchange planning
25 and new service concepts. In 1984 I returned to BellSouth to work in the pricing

1 organization. I have been in my current assignment since 1989.

2

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4

5 A. The purpose of my testimony is to demonstrate that the revenue impacts of the
6 price changes proposed by BellSouth in this petition are calculated in compliance
7 with Section 364 of the Florida statutes. Section 364.164 contains specific rules
8 concerning which services are to be included in the new revenue category and how
9 the units of demand and revenues for the category are to be calculated. I will show
10 that the priceouts presented in Exhibits SB-1, SB-2, SB-3 and SB-4 (attached) are
11 in compliance with these rules.

12

13 **Q. WHAT REQUIREMENTS DOES THE STATUTE IMPOSE FOR**
14 **SERVICES TO BE INCLUDED IN THE NEW REVENUE CATEGORY?**

15

16 A. Section 364.164(2) states that:

17 If the commission grants the local exchange telecommunications company's
18 petition, the local exchange telecommunications company is authorized, the
19 requirements of s. 364.051(3) notwithstanding, to immediately implement a
20 revenue category mechanism consisting of basic local telecommunications
21 service revenues and intrastate switched network access revenues to achieve
22 revenue neutrality.

23 Section 364.02(1) further defines this authorization by stating that:

24 Basic local telecommunications service means voice-grade, flat-rate
25 residential, and flat-rate single-line business local exchange services which

1 provide dial tone, local usage necessary to place unlimited calls within a local
2 exchange area, dual tone multifrequency dialing, and access to the following:
3 emergency services such as "911," all locally available interexchange
4 companies, directory assistance, operator services, relay services, and an
5 alphabetical directory listing. For a local exchange telecommunications
6 company, such term shall include any extended area service routes, and
7 extended calling service in existence or ordered by the commission on or
8 before July 1, 1995.

9 While the statute does not provide a complete definition of "intrastate switched
10 network access service", Section 364.164(6) identifies the services to be used to
11 determine rate parity. These services are:

12 As used in this section, the term "intrastate switched network access rate"
13 means the composite of the originating and terminating network access rate for
14 carrier common line, local channel/entrance facility, switched common
15 transport, access tandem switching, interconnection charge, signaling,
16 information surcharge, and local switching.

17

18 **Q. DOES BELLSOUTH'S FILING COMPLY WITH THESE**
19 **REQUIREMENTS?**

20

21 A. Yes it does. Exhibits SB-1 and SB-2 contain all of the exchange services specified
22 by the legislation. Exhibit SB-3 contains all of the switched access services
23 identified for calculating parity. These are the services BellSouth proposes to
24 include in the new revenue category.

25

1 **Q. WHAT REQUIREMENTS DOES THE STATUTE IMPOSE FOR**
2 **CALCULATING THE REVENUES RECEIVED FROM SERVICES IN**
3 **THE NEW CATEGORY?**

4
5 **A.** Section 364.164(7) states that the:

6 Calculation of revenue received from each service before the implementation
7 of any rate adjustment must be made by multiplying the then-current rate for
8 each service by the most recent 12 months' actual pricing units for each service
9 within the category, without any adjustments to the number of pricing units.

10 Section 364.164(7) also states that:

11 Billing units associated with pay telephone access lines and Lifeline service
12 may not be included in any calculation under this subsection.

13

14 **Q. DOES BELLSOUTH'S FILING COMPLY WITH THIS REQUIREMENT?**

15

16 **A.** Yes it does. The demand data used to develop Exhibits SB-1, SB-2, SB-3 and
17 SB-4 are based on 12 months of historical data ending June 2003. All of this data
18 comes from BellSouth's billing records and are an accurate representation of the
19 actual demand for these services. These are the same sources of data that
20 BellSouth has been using to support tariff filings before the Commission since well
21 before the adoption of price regulation. The end user recurring monthly demand in
22 Exhibits SB-1 and SB-2 comes from a summarization of the monthly end user
23 billing records known as the STAT Master File. The source for the end user non-
24 recurring demand is a direct feed from the service order portion of the customer
25 billing records. The end user usage data is a summarization of a direct feed from

1 CRIS Usage Processing, which is the portion of the billing system responsible for
2 local usage billing.
3 The demand in Exhibits SB-1 and SB-2 is summarized at the tariff rate element
4 level, and where possible into retail units, concession units and resale units to
5 show actual billing units without any adjustments. Where BellSouth was unable to
6 separately identify demand units sold at a discount, the units are shown without
7 any adjustments and are presented as if they are billed at the full retail level.
8 In accordance with the statute's directive, access lines associated with pay
9 telephone service and Lifeline service are not included in any of the calculations.
10 The switched access demand in Exhibits SB-3 and SB-4 is a summarization of a
11 direct copy of the CABS carrier level billing data.

12

13 **Q. IN HIS TESTIMONY, BELLSOUTH WITNESS JOHN RUSCILLI STATES**
14 **THAT THE EXCHANGE PRICE INCREASES PROPOSED BY**
15 **BELLSOUTH TO OFFSET THE ACCESS REDUCTIONS FOR THE**
16 **"TYPICAL NETWORK" COMPOSITE ARE WORTH \$125.2 MILLION.**
17 **CAN YOU SUPPORT THIS STATEMENT?**

18

19 A. Yes. As shown in Exhibit SB-1, implementing the prices proposed in Exhibit
20 JAR- 1 to Mr. Ruscilli's testimony will produce an impact of \$125.2 million using
21 the demand and rate methodology specified by the legislation.

22

23 **Q. IN HIS TESTIMONY, BELLSOUTH WITNESS JOHN RUSCILLI STATES**
24 **THAT THE EXCHANGE PRICE INCREASES PROPOSED BY**
25 **BELLSOUTH TO OFFSET THE ACCESS REDUCTIONS FOR THE RATE**

1 **ELEMENT MIRROR ARE WORTH \$136.3 MILLION. CAN YOU**
2 **SUPPORT THIS STATEMENT?**

3

4 A. Yes. As shown in Exhibit SB-2, implementing the prices proposed in Exhibit
5 JAR- 1 to Mr. Ruscilli's testimony will produce an impact of \$136.3 million using
6 the demand and rate methodology specified by the legislation.

7

8 **Q. IN HIS TESTIMONY, BELLSOUTH WITNESS JERRY HENDRIX**
9 **STATES THAT THE REVENUE IMPACT FROM USING THE**
10 **MIRRORING METHODOLOGY IS \$136.4 MILLION. CAN YOU**
11 **SUPPORT THIS NUMBER?**

12

13 A. Yes. As shown in Exhibit SB-3, converting the current intrastate access rates to the
14 interstate rate in effect on January 1, 2003, produces an impact of \$136.4 million using
15 the demand and rate methodology specified by the legislation.

16

17 **Q. IN HIS TESTIMONY, BELLSOUTH WITNESS JERRY HENDRIX ALSO**
18 **STATES THAT THE REVENUE IMPACT FROM USING THE TYPICAL**
19 **NETWORK COMPOSITE METHODOLOGY IS \$125.2 MILLION. CAN**
20 **YOU SUPPORT THIS NUMBER?**

21

22 A. Yes. As shown in Exhibit SB-4, reducing the rate elements contained in the typical
23 network composite produces an impact of \$125.2 million using the demand and rate
24 methodology specified by the legislation.

25

1

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

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4 A. Yes it does.

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State: Florida
Basic

Market Basket Summary of Annual Revenues

Develop Date : 12 mos ending June 200
Page: 1 of 1
Run Date : 09/23/03

Exhibit SB1
WORKPAPER B

<u>SERVICE ID</u> <u>NUMBER</u> (1)	<u>SERVICE</u> <u>DESCRIPTION</u> (2)	<u>PRESENT</u> <u>REVENUE</u> <u>TOTAL</u> (3)	<u>PROPOSED</u> <u>REVENUE</u> <u>TOTAL</u> (4)	<u>\$</u> <u>REVENUE</u> <u>CHANGE</u> (5)	<u>PERCENT</u> <u>CHANGE</u> (6)
1001	FLAT RATE RESIDENTIAL SERVICE	\$315,867,346	\$423,633,445	\$107,766,099	34.12%
1002	FLAT RATE, SINGLE LINE BUSINESS SERVICE	\$23,335,464	\$24,492,439	\$1,156,975	4.96%
1006	CHRGs FOR CONNECTNG OR CHANGING SVCE-RES SING LN,AP,CC,AP/CC & BUS SING LN FL	\$97,538,599	\$113,833,379	\$16,294,780	16.71%
1007	ECS - RES BASIC	\$30,728,159	\$30,728,159	\$0	0.00%
1008	ECS - BUS BASIC	\$20,175,209	\$20,175,209	\$0	0.00%
1010	LCP - BASIC	\$5,366,042	\$5,366,042	\$0	0.00%
	TOTAL	\$493,010,818	\$618,228,672	\$125,217,853	25.40%

State: Florida
Basic

Market Basket Summary of Annual Revenues

Develop Date 12 mos ending June 2001
Page: 1 of 1
Run Date : 09/23/03

Exhibit SB2
WORKPAPER B

<u>SERVICE ID</u> <u>NUMBER</u> (1)	<u>SERVICE</u> <u>DESCRIPTION</u> (2)	<u>PRESENT</u> <u>REVENUE</u> <u>TOTAL</u> (3)	<u>PROPOSED</u> <u>REVENUE</u> <u>TOTAL</u> (4)	<u>\$</u> <u>REVENUE</u> <u>CHANGE</u> (5)	<u>PERCENT</u> <u>CHANGE</u> (6)
1001	FLAT RATE RESIDENTIAL SERVICE	\$315,867,346	\$434,717,194	\$118,849,848	37.63%
1002	FLAT RATE, SINGLE LINE BUSINESS SERVICE	\$23,335,464	\$24,492,439	\$1,156,975	4.96%
1006	CHRGs FOR CONNECTING OR CHANGING SVCE-RES SING LN,AP,CC,AP/CC & BUS SING LN FL	\$97,538,599	\$113,833,379	\$16,294,780	16.71%
1007	ECS - RES BASIC	\$30,728,159	\$30,728,159	\$0	0.00%
1008	ECS - BUS BASIC	\$20,175,209	\$20,175,209	\$0	0.00%
1010	LCP - BASIC	\$5,366,042	\$5,366,042	\$0	0.00%
	TOTAL	\$493,010,818	\$629,312,421	\$136,301,603	27.65%

Market Basket Summary of Annual Revenues

Exhibit SB3
 WORKPAPER B

SERVICE ID NUMBER (1)	SERVICE DESCRIPTION (2)	PRESENT REVENUE TOTAL (3)	PROPOSED REVENUE TOTAL (4)	\$ REVENUE CHANGE (5)	PERCENT CHANGE (6)
1810	CARRIER COMMON LINE ACCESS SERVICES	\$90,247,839	\$0	(\$90,247,839)	-100.00%
1811	SWITCHED ACCESS SERVICE (NON - BSE)	\$121,810,058	\$75,615,925	(\$46,194,133)	-37.92%
1812	SWITCHED ACCESS SERVICE (BSEs)	\$0	\$0	\$0	0.00%
1814	DIRECTORY ASSISTANCE ACCESS SERVICE	\$26,365	\$26,365	\$0	0.00%
1816	E016	\$0	\$0	\$0	0.00%
	TOTAL	\$212,084,261	\$75,642,289	(\$136,441,972)	-64.33%