

REDACTED

EXHIBIT B

030867-TL

1 Verizon's service territory were serving more than *REDACTED* lines over
2 their own facilities, more than 5,000 lines through UNE-P, and
3 approximately 28,000 lines through resale.

4 Verizon further demonstrated that, although most of this competition was
5 provided to business customers, alternative local exchange carriers were
6 also providing approximately **REDACTED** lines to residential customers
7 (through all three means identified above – i.e., facilities-based, UNE-P
8 and resale). Verizon explained that most of these lines provided to
9 residential customers – approximately 19,000 – were provided through
10 resale.

11 Verizon also demonstrated that competition is rapidly increasing from
12 alternative sources such as mobile wireless, IP telephony, e-mail, and
13 instant messaging. As Verizon explained, although this extensive
14 competition is not counted in traditional line counts, it is substituting for a
15 large and increasing share of the local telephone services that Verizon
16 provides.

17 **Q. DID VERIZON DEMONSTRATE THAT ALL FORMS OF COMPETITION**
18 **WERE THRIVING TO THE SAME DEGREE IN ITS SERVICE**
19 **TERRITORY IN FLORIDA?**

20 **A.** No. Verizon demonstrated that facilities-based competition in Verizon's
21 service territory in Florida has emerged more rapidly for business
22 customers than for residential customers. Verizon explained that while
23 significant facilities-based competition for residential customers has
24 emerged, it has come mainly from intermodal sources – such as wireless,
25 cable, and voice over IP networks.

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FPSC-DEPARTMENT OF

1 **ANALYSIS?**

2 A. With respect to the population of residential customers Verizon now
3 serves, the initial, static effect of Verizon’s plan will be to increase the
4 average telephone bill by about \$1.00/month. This result includes the
5 initial customer benefits (i.e., flow-through of access charge reductions
6 and elimination of long distance carrier monthly access fees), but not
7 any of the dynamic benefits over time that I described above – which are
8 an important focus of the legislation, and of Verizon’s plan. These
9 results are also more accurate than the preliminary results I discussed
10 at a deposition in this proceeding.

11
12 Existing Lifeline customers will see their bills reduced by \$3.15 per
13 month, and about 20,000 additional, new Lifeline subscribers will receive
14 not only that benefit, but an additional \$13.50/month for qualifying under
15 the expanded eligibility standards.

16
17 A similar calculation was performed that focused on the age distribution
18 of Verizon’s Florida customers. That calculation is set forth below:

19

20 Age Strata	21 Florida Lines	22 Net Change:
	(confidential)	(confidential)
23 18-25 years	REDACTED	REDACTED
24 26-35 years	REDACTED	REDACTED
25 36-45 years	REDACTED	REDACTED

1	46-55 years	REDACTED	REDACTED
2	56-65 years	REDACTED	REDACTED
3	66-75 years	REDACTED	REDACTED
4	76 + years	REDACTED	REDACTED
5	unknown	REDACTED	REDACTED

6

7 Finally, although we did not calculate this data, from experience I know
8 that every demographic group of customers will contain high, low, and
9 average bills that reflect the varying ways people use their telephones.
10 So, for example, there are certainly some low-income customers with
11 high bills who effectively subsidize some high-income customers with
12 low bills. Likewise, among individual customers the subsidies will flow in
13 every direction with respect to age groups, ethnicity, or any other
14 demographic characteristic. Additionally, given the large volume of long
15 distance calling that has moved to wireless phones, some low-bill
16 customers will merely be those who no longer use a wired phone for
17 these calls – and who have already received related benefits, as I noted
18 above.

19

20 **Q. SHOULD THE COMMISSION BE CONCERNED BY AN INITIAL**
21 **CHANGE IN AVERAGE RESIDENTIAL BILLS OF ABOUT \$1 PER**
22 **MONTH OCCURRING OVER A PERIOD OF MORE THAN TWO**
23 **YEARS?**

24 **A.** Based on my experience helping reach a wide variety of rate decisions
25 at the largest state commission in the country, a phased-in rebalancing