

030867-TL

ANALYSIS?

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

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

A similar calculation was performed that focused on the age distribution of Verizon's Florida customers, and produces the results below. These results are only approximate, because age data was not available for a significant proportion of customers (as the table shows).

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| Age Strata | Florida Lines (confidential) | Net Change (confidential) |
|-------------|------------------------------|---------------------------|
| 18-25 years | 18,566 | +\$0.53 |
| 26-35 years | 125,006 | +\$0.34 |
| 36-45 years | 234,234 | +\$0.38 |

DECLASSIFIED

DN 6/17/05

declass 6-17-05 appeal

This confidentiality request was filed by or for a "telco" for DN 12272-03. No ruling is required unless the material is subject to a request per 119.07, FS, or is admitted in the record per Rule 25-22.006(8)(b), FAC. (See DN 11654-03)

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|---|-------------|-----------|----------|
| 1 | 46-55 years | 247,925 | + \$0.49 |
| 2 | 56-65 years | 187,186 | + \$0.83 |
| 3 | 66-75 years | 195,577 | + \$1.25 |
| 4 | 76 + years | 245,751 | + \$1.51 |
| 5 | unknown | 422,995 | + \$1.53 |
| 6 | | 1,677,240 | + \$1.00 |

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.

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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

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43

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