

ORIGINAL REDACTED

ATTACHMENT B

**BellSouth Telecommunications, Inc.
FPSC Docket No. 040353-TP
Request for Confidential Classification
Page 1 of 1
7/6/04**

**REQUEST FOR CONFIDENTIAL CLASSIFICATION OF BELLSOUTH'S RESPONSE
TO STAFF'S FIRST SET OF INTERROGATORIES, NOS. 3, 4 AND 11, AND FIRST
REQUEST FOR PRODUCTION, NO. 1, FILED JUNE 14, 2004, IN FLORIDA DOCKET
NO. 040353-TP**

2 COPIES OF PUBLIC DISCLOSURE DOCUMENT

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

REDACTED

BellSouth Telecommunications, Inc.
FPSC Docket No. 040353-TP
Staff's 1st Set of Interrogatories
May 28, 2004
Item No. 3
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PUBLIC

REQUEST: Please answer interrogatory 3, subparts a-n for the period of January 2, 2004 through April 30, 2004:

- a) How many customers signed up for the PreferredPack Plan?
- b) Of those customers identified in (a), how many disconnected their service after signing up for the PreferredPack Plan?
- c) Of those customers identified in (a), how many qualified to receive a waiver of the line connection charge?
- d) Of those customers identified in (a), how many were eligible to received a \$100 cash back coupon?
- e) Of those customers identified in (a), how many were eligible to receive a \$25.00 gift card?
- f) Of those customers identified in (c), how many were eligible to received a waiver of the line connection charge?
- g) Of those customers identified in (d), how many were eligible to receive the \$100 cash back coupon but not the waiver of the line connection charge?
- h) Of those customers identified in (d), how many completed and returned the applicable paperwork and coupons to receive the \$100 cash back coupon?
- i) Of those customers identified in (e), how many were not eligible to receive a waiver of the line connection charge?
- j) Of those customers identified in (e), how many completed and returned the applicable paperwork and coupons to receive the \$25 gift card?

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REQUEST: (Cont.)

- k) Of those customers identified in (e), how many were not eligible to receive the \$100 cash back coupon?
- l) Of those customers identified in (i), how many were not eligible to receive the \$100 cash back coupon?
- m) Does BellSouth have any promotions other than PreferredPack being offered to the same consumer group running concurrently during this period?
- n) If the response to (m) is affirmative, please describe each promotion.

RESPONSE:

- a) Upon information and belief, as of April 30, 2004, [REDACTED] customers in Florida are subscribing to the PreferredPack Plan, of which [REDACTED] are reacquisition customers acquired between January 2, 2004 and April 30, 2004.
- b) BellSouth is attempting to identify the number of PreferredPack Plan customers that have disconnected their service and, if successful, will supplement this response.
- c) [REDACTED] qualified for waiver of the line connection charge.
- d) and e)

All [REDACTED] reacquisition customers were eligible to receive \$100 cash back and \$25 gift card, assuming each customer complied with all applicable terms and conditions for each promotion. On a region wide basis 55% of reacquisition customers that receive cash back/gift card coupons redeem them.

RESPONSE: (Cont.)

- f) See (c).
- g) All [REDACTED] reacquisition customers were eligible for the waiver of the line connection charge and were eligible to receive \$100 cash back if they complied with all applicable terms and conditions of the promotion. BellSouth does not know how many of the eligible customers actually qualified for the \$100 cash back promotion.
- h) On a region-wide basis, approximately 55% of the reacquisition customers that receive cash back/gift card coupons redeem them.
- i) All [REDACTED] reacquisition customers were eligible for the line connection charge waiver.
- j) See (h)
- k) See (d) and (e)
- l) See (d) and (e)
- m) PreferredPack Plan is not a promotion but a tariffed service that is available to all customers. For a list of promotions see GSST §A.2.10.
- n) See response to (m)

REQUEST: Please answer interrogatory 4, subparts a-j, regarding the costs for the PreferredPack Plan:

- a) What are BellSouth's costs associated with providing the services offered in the PreferredPack Plan?
- b) What are the direct costs associated with the nonbasic services being offered in the PreferredPack Plan?
- c) What are BellSouth's installation costs associated with the PreferredPack Plan?
- d) Please describe how the costs identified in (a through c) were determined.
- e) Please identify all reports, documents and memoranda used to determine the costs identified in (a through c).
- f) Should a waiver of the installation charge be considered giving a free service? Please explain.
- g) Should offering cash back be considered as indirectly giving free service? Please explain.
- h) What is the anticipated average cost per customer receiving PreferredPack service for the \$100 cash back, \$25 gift card and waiver of installation charge promotion?
- i) Please describe how the price in (h) is calculated?
- j) Please identify all reports, documents and memoranda used to determine the price identified in (a through c)

RESPONSE:

- a) BellSouth's monthly cost is the statewide average 1FR rate [REDACTED] as of April 2003 plus the UNE composite feature cost [REDACTED] filed in Docket No. 990649-TP.
- b) BellSouth assumes that this request is referring to the features that are included in the PreferredPack Plan. Since the subscriber to this tariff offering is entitled to unlimited use of the features specified in this tariff, BellSouth used the composite UNE feature cost as a conservative estimate of the direct cost that would be incurred on average based on a particular customer's utilization of the offered features.
- c) The installation charges associated with the PreferredPack Plan are taken from Section A4 of the tariff. BellSouth's installation costs, which support the A4 Service Charges tariff, are [REDACTED] for the first line and [REDACTED] for each additional line.
- d) The statewide average 1FR rate is used as the cost for the flat rate access line component. The statewide average 1FR rate was determined by dividing the total 1FR revenues by the total 1FR lines in Florida as of April 2003. The UNE composite feature cost, filed in Docket No. 990649-TP, is used as a conservative estimate of the direct cost that would be incurred on average based on some utilization of the offered features. The UNE composite cost was designed to recover the cost of offering all generally available switch features and functions to Competitive Local Exchange Carriers. The installation costs are based on a Total Service Long Run Incremental Cost ("TSLRIC") analysis.
- e) An Average Rates Report, provided in response to Request for Production No. 1, was used to determine the statewide average 1FR rate. The documents used to derive the UNE composite feature cost (Element B.4.13) were filed in Docket No. 990649-TP. A TSLRIC study, summary is provided in response to Request for Production No. 1, was done to determine the installation costs.
- f) No. The waiver of installation charges is a one time waiver of the fees associated with establishing service which providers, including Supra, generally provide to new customers. Waiving such fees does not amount to free service because the average BellSouth customer stays with BellSouth for [REDACTED] months and the average winback customer stays for [REDACTED] months. Thus, BellSouth recovers all of its costs.

RESPONSE: (Cont.)

- g) No. BellSouth's cash back promotion is a one time offering for selected customers who meet certain eligibility criteria and who comply with the applicable terms and conditions of the cash back promotion. Promotions similar to the cash back promotion are common in the competitive telecommunications market. In fact, Supra has even offered a promotion that gave **free** service for one month. Further, providing \$100 cash back does not amount to free service because the average BellSouth customer stays with BellSouth for ■ months and the average winback customer stays for ■ months. Thus, BellSouth recovers all of its costs.
- h) The average monthly cost per customer receiving PreferredPack service and these promotions is \$■.
- i) BellSouth presumes that this question refers to the cost in (h). First, the total nonrecurring cash back and gift card amount that BellSouth would actually incur due to only 55% of eligible customers redeeming these offers is ■. Then the installation cost of ■ was added to the \$■ to produce the total one-time costs associated with this offer of \$■. The one-time costs were then divided by ■ months, which is a conservative figure representing the expected average life for all BellSouth customers, which produced an average monthly cost of \$■. (It should be noted that the average BellSouth winback customer, which is the only type of customer that is eligible for the subject promotions, stays with BellSouth for ■ months.) Finally, this average monthly cost was added to the statewide average 1FR rate ■ and the UNE composite feature cost ■ which resulted in the \$■ average cost per customer.
- j) See response to (e).

REQUEST: Please answer interrogatory 11, subparts a and b, regarding BellSouth's PreferredPack Plan:

- a) What is BellSouth's anticipated customer retention period for winback customers in the PreferredPack promotion?
- b) What is the basis for the estimation provided in (a)?

RESPONSE: a) BellSouth's actual customer retention period for all winback customers is ■ months.

- b) Average winback churn for 12 month period April 2003-March 2004 is ■%. This equates to a customer life of ■ months.