

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **DIRECT TESTIMONY**

ORIGINAL

3 **OF**

4 **MICHAEL J. DECHELLIS**

5 **Q. Please state your name, occupation and business address.**

6 **A.** My name is Michael J. DeChellis and I am employed by Embarq
7 Corporation in the capacity of Director – Field Sales and Indirect Channels. My
8 business address is 555 Lake Border Drive, Apopka, FL 32703. In that capacity I
9 am responsible for directing Embarq’s activities relating to the promotion of
10 Embarq products to customers through third party sales partners. The Field Sales
11 team, located across Embarq’s 18 state territory, meets with developers, builders,
12 property managers, etc. to discuss plans for their communities and describe how
13 Embarq’s products and services can meet the communities’ needs.

14
15 **Q. Please describe your educational background and business experience.**

16 **A.** My current position is Director – Field Sales and Indirect Channels for
17 Embarq. I have 21 years of experience with Embarq and its predecessor, Sprint’s
18 local telephone division, including positions in Ohio, Kansas City and Florida.
19 Prior to my current position, my tenure with the company included positions in
20 call center management, product management/development and business outside
21 sales. I also have experience in the regulatory and network planning areas. I have
22 a Bachelor’s Degree in Applied Statistics from Bowling Green State University
23 and a Master’s Degree in Economics from The University of Akron.

1

2 **Q. What is the purpose of your testimony?**

3 A. The purpose of my testimony is to support Embarq's petition requesting a
4 waiver of its carrier-of-last-resort obligations in the Treviso Bay development
5 under the provisions of section 364.025(6)(d), Florida Statutes. More specifically,
6 my testimony provides:

- 7 1. An overview of Embarq's understanding of the planned development.
- 8 2. A summary of Embarq's interactions with the developer of the property
9 including representations made to Embarq by the developer concerning
10 arrangements entered into with a competitive service provider other than
11 Embarq to provide services to the property.
- 12 3. Analysis and documentation that supports the conclusion that the
13 competitive service provider will be offering voice telephone service to
14 customers in this development.
- 15 4. A description of the impacts on Embarq as a result of the developer's
16 arrangement with a competitive service provider.

17

18 **Q. Please provide an overview of the Teviso Bay Development.**

19 A. Treviso Bay is a proposed new subdivision located on the southwest side
20 of Tamiami Trail East, approximately 3 miles northwest of the intersection of
21 Collier Boulevard (aka Isle of Capri Road), Sections 29, 30, 31 and 32, Township
22 50 South, Range 26 East, Collier County, Florida. According to information
23 provided by the developer, the subdivision will encompass approximately 1,200

1 residential units by the time it is complete, currently scheduled for 2012. The
2 development is located in the geographic area served by Embarq's Naples
3 Southeast central office.

4
5 **Q. Please describe Embarq's interaction with the developer of Treviso Bay.**

6 A. A representative of Embarq's Developer Markets organization made initial
7 contact with Chris Gray, a representative of the developer Treviso Bay
8 Development LLC, in June 2005 to discuss the developer's vision for the
9 community. The developer's representative indicated they were in discussions
10 with the cable company to provide services to the development, but had not yet
11 made a commitment to anyone at that time. On August 29, 2005, the developer's
12 representative advised Embarq's account consultant via email that the developer
13 had indeed entered into a bulk agreement with Time Warner Cable for video and
14 high speed data.

15 Embarq continued discussions with the developer through December 2005
16 regarding the potential for a marketing relationship for local voice, features and
17 long distance services. The developer did not formally respond to Embarq's
18 overtures to discuss a marketing relationship to provide voice services to the
19 development. As a result, in July 2006, Embarq informed the developer that it
20 was not interested in pursuing such a relationship. The developer confirmed via
21 email (see Exhibit MJD-1) that they had signed an agreement with Time Warner
22 Cable to provide video and high-speed data services. The developer also
23 indicated they were still interested in Embarq providing "telephone" services to

1 Treviso Bay. On September 1, 2006, Embarq sent a letter (see Exhibit MJD-2) to
2 the developer outlining the terms and conditions under which it would be willing
3 to proceed with the provision of its facilities to the development. Chris Gray, a
4 representative of the developer, contacted me in response to this letter on or
5 around September 14. A subsequent conversation with Mr. Gray on this issue
6 occurred on October 5. Mr. Gray informed me during these conversations that the
7 developer had signed a bulk data and video agreement with the incumbent cable
8 company, Time Warner (which will transition to Comcast by virtue of their trade
9 of certain properties). Embarq's understanding is that the bulk agreement consists
10 of a bulk offering of high speed data and video services with the recurring service
11 fees included in the homeowners' dues.

12

13 **Q. What is your understanding of the availability of voice telephone service**
14 **from competitive supplier?**

15 A. Representations made by the developer are that the agreement with
16 Comcast provides for provision of video and high-speed data services to all
17 residents of the development through their homeowner's dues. In addition,
18 Comcast will have the ability to offer voice telephone services to the residents of
19 this development via the same facilities used to provide video and data services.
20 Comcast is actively marketing its "Triple Play" of digital cable video, high-speed
21 Internet and digital voice services (see Exhibit MJD-3) throughout Collier County
22 where this development is located. Querying the Comcast website utilizing an
23 address in very close proximity to the Treviso Bay development confirms that

1 Comcast offers voice telephone services in the immediate vicinity (see Exhibits
2 MJD-4 through MJD-6). With the certainty of providing 100% of the video and
3 high speed data services to the Treviso Bay residents via inclusion of the fees in
4 their homeowners association dues, coupled with evidence that Comcast is
5 providing voice services to other customers in the immediate vicinity, Comcast
6 will have the capability to provide voice services to all of the residents of Treviso
7 Bay. Not only will the residents have a triple-play opportunity from Comcast, but
8 they will also have the option to use other voice service providers such as
9 Vonage, Skype and more.

10
11 **Q. Please describe the impacts on Embarq from developer's agreement with**
12 **Comcast.**

13 A. With a 100 percent penetration of its video and data services to residents
14 of Treviso Bay via its bulk agreement with the developer, and its ability to offer
15 voice telephone services as an add-on, Comcast is in a strong position to garner a
16 vast majority of the Treviso Bay residents' voice telephone services as well.
17 Based on this scenario, if Embarq were required to place its facilities to provide
18 service to this development, its potential revenues would be limited to only voice
19 telephone services since Comcast has 100 percent penetration of video and data
20 services through its bulk billing of these services, ultimately paid by the residents
21 through their homeowners' dues. Embarq's voice telephone revenues would be
22 further limited to those derived from a small percentage of customers who might

1 choose not to subscribe to the voice services offered by Comcast as an add-on to
2 their video and data services.

3 Based on these factors, Embarq expects at most only [REDACTED] percent of the
4 residents of Treviso Bay would choose to subscribe to services from Embarq if it
5 were required to place facilities to serve this development. Further, Embarq's
6 revenues from this group of customers would be limited to only voice services.
7 The testimony of Kent Dickerson of Embarq utilizes these assumptions, and
8 others related to costs and investments, to estimate the negative financial
9 consequences to Embarq if it were required to place facilities to serve the Treviso
10 Bay development.

11

12 **Q. Does this conclude your testimony?**

13

14 A. Yes.

-----Original Message-----

From: Sanjay Kuttemperoor [mailto:sanjay@vkdevelopment.com]
Sent: Monday, July 31, 2006 8:03 AM
To: Cartwright, Harriet S [LTD]
Subject: RE: Marketing Agreement for Treviso Bay - Naples, Florida

Harriet:

We have signed an agreement with Time Warner regarding cable and high-speed data. That agreement was signed long before any meeting with both Bob and Kristen – or at least well before I was informed that Sprint would provide those services as well. We are interested in reviewing the terms of a relationship for telephone services with Embarq for Treviso Bay. We had not previously focused on it due to the timing of the end user units. However, if you are still interested, we are willing to address the issue at that point. Thanks.

Sanjay Kuttemperoor, Esq.
19275 W. Capitol Dr.
Brookfield, WI 53045
(262) 790-6000
(262) 790-6010 (fax)

From: Cartwright, Harriet S [LTD] [mailto:Harriet.Cartwright@embarq.com]
Sent: Thursday, July 27, 2006 2:33 PM
To: Sanjay Kuttemperoor
Cc: Chris Gray; Amico, Ray T [LTD]; Wareham, Ken J [LTD]; Misener, Robert E [LTD]
Subject: Marketing Agreement for Treviso Bay - Naples, Florida
Importance: High

Dear Sanjay and Chris,

I hope this finds you well. As you may know, your most recent Embarq representative, Kristen Pate, has moved to Washington, D.C. Her husband received a substantial promotion which will stand them both well over time. I was her manager during the time she spent with you and continue to be responsible for our Developer Markets activities throughout the State of Florida. I am reviewing all of her accounts to ensure everything stays on track and wanted to contact you regarding Treviso Bay and her submission of a draft Marketing Agreement in December, 2005.

Both she and Bob Misener, her predecessor, had kept me apprised of their discussions with the VK Development team regarding Treviso beginning in June, 2005. We had hoped to foster a strong alliance within the community, based upon Voice, Internet, Video and associated services. Unfortunately, we came to understand that your team was already in serious discussion with the local cable incumbent ultimately resulting in an executed agreement for bulk-billed Internet and Video services. We certainly respect your decision regarding that agreement and look forward to a future opportunity where we may align our brands and provide compelling services to your residents.

Now that our company has split from Sprint and we've launched as Embarq within our 18-state territories, we are reevaluating where we believe it makes sense to enter into these types of agreements. With the competitive landscape as it exists today and the time that has lapsed since our discussions began about a marketing opportunity together, we believe it makes sense to withdraw the potential marketing relationship at Treviso and look towards future discussions regarding the next VK Development project within our service territory.



Voice | Data | Internet | Wireless | Entertainment

Embarq Corporation
Mailstop: FLAPKA0210
555 Lake Border Drive
Apopka, FL 32703
EMBARQ.com

September 1, 2006

Treviso Bay Development, LLC
Attn: Sanjay Kutemperoor, Esq.
19275 W. Capitol Drive
Brookfield, WI 53045

RE: Treviso Bay

Dear Mr. Kutemperoor:

As a follow-up to discussions regarding Embarq's provisioning of service to Treviso Bay, following is information on the steps that need to be completed before we can begin construction. We thank you for considering Embarq and look forward to working with your team.

First, before Embarq incurs costs to prepare the property for Embarq services, an authorized representative of the developer or affiliated property owner must provide approval for Embarq to construct facilities to serve the development and agreeing to the below terms and conditions by signing and returning this agreement. Once we receive the signed letter authorizing Embarq to provide services to the development, Embarq will begin the planning and engineering activities necessary to serve the property.

Terms and Conditions:

- Treviso Bay, any affiliated property owner or other affiliated party, and any homeowner or condominium association will not restrict Embarq in any way from providing any service over its facilities that it elects to offer at the property.
- Treviso Bay, any affiliated property owner or other affiliated party, and any homeowner or condominium association have not entered into, and do not plan to enter into, an exclusive marketing agreement, exclusive service agreement, or a bulk service agreement (i.e., charges for services provided to residents are collected through rent, fees, dues, or other similar mechanism), with another service provider for any voice or data service.
- Treviso Bay agrees to promptly inform Embarq if the requirements herein are not met or if any limiting conditions have been imposed on Embarq's provisioning of services to the development.

Treviso Bay Development, LLC
September 1, 2006
Page 2

- If Embarq proceeds with engineering and construction work and is prevented from providing service to residents or such facilities are underutilized or terminated as a result of a violation of the above terms, Treviso Bay will be responsible for reimbursing Embarq for its engineering and construction costs in accordance with Embarq's tariffs.

Please sign below indicating concurrence in the terms and conditions and return an original signed copy to me at the above address. The person signing below must be a representative who is authorized to sign for the company and by signing below represents that he or she has that authority.

Again, thank you for considering Embarq. If you have any questions, please do not hesitate to contact me at 407-889-6465.

Sincerely,

Embarq Florida, Inc.

Mickey DeChellis

Accepted and Agreed by:

Treviso Bay Development, LLC

By: _____
(Authorized Representative)

Name: _____

Title: _____

Date: _____

Mickey DeChellis
DIRECTOR
FIELD SALES AND INDIRECT CHANNELS
Voice: (407) 889-6465
Wireless: (407) 310-7765
Fax: (407) 889-1211

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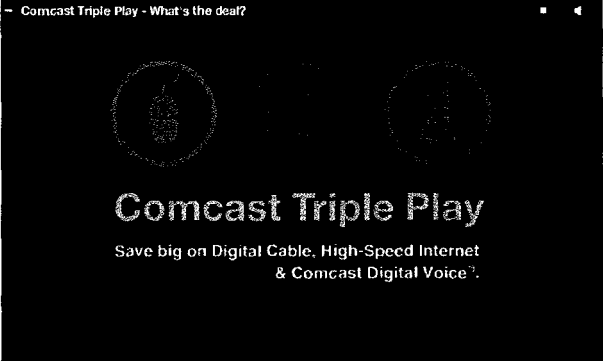
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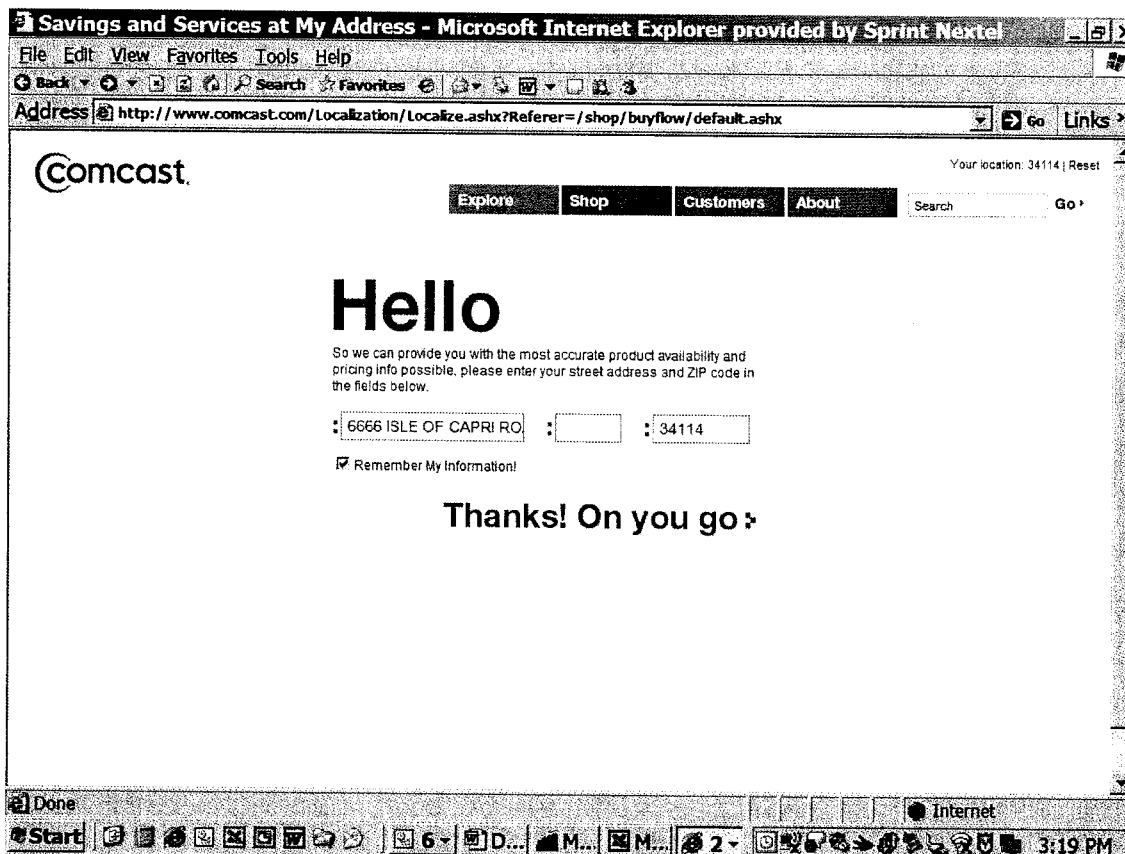


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