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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of the Revenue Requirements and Rate Stabilization Plan of Southern Bell Telephone and Telegraph Company) Docket No. 920260-TL
)
) Filed: 11-21-96

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PALM BEACH NEWSPAPERS, INC.'S
POST HEARING BRIEF

Palm Beach Newspapers, Inc. (PBNI) hereby files this its post-hearing brief in this proceeding.

PREFACE

In this proceeding, as reflected in Issue 1. E., PBNI has proposed to change the N11 tariff of BellSouth Telephone (BST). Specifically, so that the N11 customer pays a flat rate of \$0.01 per minute or the current monthly minimum, whichever is greater. PBNI takes no position with respect to any other proposal in this proceeding, and consequently this brief addresses only Issue 1. E.

The structure of this Brief is as follows. First, PBNI restates its basic position in this proceeding. Next, PBNI restates its position on Issue 1. E., and argues why the Commission should embrace PBNI's proposal. Finally, PBNI appends to the body of the brief an explanation of apparent flaws in certain data

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responses provided by BST.

BASIC POSITION

The charge for N11 service should be \$0.01 per minute or the current monthly minimum, whichever is greater. This approach would reduce the average per call cost to N11 customers, while assuring BST ample contribution. Making N11 service more cost-based is a low cost, no-risk, and high gain proposal.

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ISSUES

ISSUE 1: Below are listed the proposals of various interested parties to this proceeding with respect to the disposition of the scheduled 1996 unspecified rate reductions. Which, if any, should be approved?

E) Palm Beach Newspapers, Inc.: The rate should be changed so that the N11 customer pays a flat rate of \$0.01 or the current monthly minimum, whichever is greater.

PBNI's POSITION: *Approve. This proposal would reduce the average per call cost to N11 customers from roughly \$0.26 to a more cost-based level, while assuring BST ample contribution. Making N11 service more cost-based is a low cost, no-risk, and high gain proposal.*

ARGUMENT

Introduction

PBNI will show in this brief that the effective rate of N11 service to the N11 customer is so high and that the cost of providing the service is so low, that PBNI's proposal will reduce the N11 customer's costs without significantly affecting BST revenues. Specifically, PBNI will show that:

- (1) the average cost per message to the N11 customer is high;
- (2) the average cost per message for BST to provide the service is low;
- (3) the revenue impact of PBNI's proposal is minimal;
- (4) BST has received substantial contribution from N11 service;
- (5) BST has recovered N11 developmental costs from NRCs; and
- (6) N11 service is in the public interest.

Methodological Problems

There are three methodological problems that PBNI needs to address to avoid confusion in the presentation of its analysis. These methodological problems involve (a) cost-allocation, (b) non-record evidence known to PBNI, and (c) flawed data.

1. Cost Allocation Problem

The first issue involves the problem of cost and revenue allocation. N11 is an abbreviated dialing service with billing and collection ("B&C"). The N11 customer pays BST amounts that comprise separate charges for usage and B&C. For example, under the tariff the minimum charge the N11 customer would pay per message is \$0.14: i.e., \$0.10 for the message rate and \$0.04 for B&C. Similarly, there are separate non-recurring charges (NRCs) for N11 account set-up, B&C set-up, and monthly billing record set-up. Nevertheless, when BST stated the long run incremental costs associated with the first minute of N11 service, it included not only minute duration costs, but also set-up and B&C costs.

Based on BST's data responses, it is apparently BST's position that the \$0.04 per message B&C charge should not be matched with the B&C costs included in the first minute. Consequently, where PBNI would take the position that the minimum actual charge under the tariff is actually \$0.14, BST would apparently take the position that the minimum charge is actually \$0.10 for the usage and \$0.04 for the B&C, which is optional. More to the point, if, for example, the average amount the N11 customer paid for each N11 message with B&C was \$0.26, BST would most likely argue that the

average N11 message cost should be stated as \$0.22.¹

PBNI's goal in this proceeding is not to lower BST's N11 revenues, but to lower the average cost PBNI and other N11 customers must pay for the service. Thus, to PBNI the relevant number is \$0.26 per message. Nevertheless, PBNI recognizes that for the purpose of making price-cost comparisons, BST might argue that the relevant "price" number under this hypothetical would be \$0.22.

If this is in fact BST's approach, PBNI believes it to be incorrect. Nevertheless, PBNI believes that even with allocating B&C costs to N11 usage and not counting B&C revenues, the price of the service is grossly disproportionate to the cost. Thus, for the purpose of analysis in this brief, PBNI will acquiesce in BST's apparent allocation of costs and revenues. When making the initial price-cost comparisons, PBNI will not include the B&C revenues in the price. Nevertheless, where useful PBNI will note the effect of the B&C costs, because these costs are a significant part of what the N11 customer actually pays for the service.

PBNI is comfortable using BST's allocation method because PBNI's purpose is to establish an order of magnitude of the relationship between price and cost, not the precise ratio. This "order of magnitude" approach is particularly useful here because this record has not had the benefit of clarifying cross-examination. Estimates and ranges, which are fully supported in

¹For the purpose of this example, these are hypothetical numbers. As will be demonstrated, however, these numbers are not misrepresentative.

the record, will therefore lead the Commission to the inevitable conclusion that PBNI's proposed change to the N11 tariff is both modest and in the public interest.

2. Information Known to PBNI Not in Record

The second methodological problem is that there is certain information PBNI knows about its usage and experience under the current tariff that is not a part of the record. This information, however, did inform Mr. Freeman in the rendering of his testimony and PBNI in its analysis of BST data. For example, PBNI knows what its call volume is in each tier. Although this information is not essential to understanding the data in this record, it is certainly useful. Moreover, with this information certain points could be made in one sentence. Because this information is not in the record, however, it may take three or four steps to make the same point. Nevertheless to the best of PBNI's understanding, there is no proposition advanced by PBNI in this brief that cannot be supported through simple analysis and mathematics using the data provided by BST.

3. Flawed Data

The third problem is certain data responses filed by BST appear to be flawed. PBNI does not know what use BST intends to make of this data, or what use the Commission may make of it. Therefore, PBNI believes it incumbent to explain certain flaws in BST's responses to PBNI's interrogatories. This explanation is contained in the Appendix.

PBNI'S Case in a Nutshell

The current average cost per message to an N11 customer such as PBNI is between \$0.19 and \$0.28 a message². The current average cost to BST for providing the service is between [REDACTED] and [REDACTED] per message according to BST's statement of its costs. The N11 provider is therefore paying rates that are at least between [REDACTED] times the cost of providing the service.³ This high message cost is contrary to the public interest because it chills the further development of abbreviated dialing local information services, which the Commission has found to be in the public interest. (Order No. PSC-93-1620-FOF-TL, Docket No. 920913-TL, Issued: November 4, 1993). The average cost per message to the abbreviated dialing customer must be reduced to promote the development and delivery of local information services.

The reason the per message cost is so high is that the current tariff uses minimum monthly charges to guarantee BST generous contribution irrespective of call volume. For example in Tier 1 areas, the N11 customer must pay whichever is greater: \$3,300 or an effective rate of \$0.10 per message. Thus, in a Tier 1 area an N11 must provide 33,000 messages before paying more than \$3,300, i.e., before paying \$0.10 a message; however, since no N11 customer appears to have message volumes that high, the average cost per message to the N11 customer is not the minimum \$0.10, but much

²Between \$0.23 and \$0.32 a message including B&C charges.

³Between [REDACTED] times if B&C charges are included in the price.

higher, i.e., between \$0.19 and \$0.28.

PBNI believes that as a result of the current tariff, development of N11 products has been impeded. Nevertheless, among some N11 providers there is potential to provide call volumes greater than the cross-over point for the minimum charge. Even when these call volumes are reached, the incremental cost for each message remains not cost-based and repressive, and development of local information services will be further chilled.

PBNI's proposal in this proceeding solves the problem of repression by guaranteeing BST the same current level of revenues while reducing the N11 provider's average per message cost. To reiterate, PBNI proposes that the tariff be changed so that the N11 customer pays the minimum monthly charge or a message rate of one cent a minute. Since the average N11 call is between 1.5 minutes and 2.0, and BST rounds to the nearest minute in its billing, the new rate for each message would be \$0.02.⁴ As a result, under the current minimum monthly charge of \$3,300 the N11 customer will be able to handle roughly 165,000 calls in a Tier 1 area. This conservative change will allow the individual N11 customer to bring its average per message costs down from \$0.26 toward the cost of providing the message, thereby providing the N11 customer needed growing room. For example, even if an individual N11 provider were to more than double its Tier 1 call volume to 66,000 calls, its effective per message rate would be \$0.05, which more than covers BSTs costs in providing the service. Moreover, even if one accepts

⁴Plus a B&C charge of \$0.04.

BST's computation of the revenue effect of PBNI's proposal, BST would not experience reductions of more than \$99,500 per year.

PBNI believes that of all of the proposals before the Commission this should be the least controversial. As noted by Mr. Freeman in his testimony:

This proposed change would make N11 service more cost-based, which would eliminate the cross-subsidy being provided by N11 service customers to other ratepayers while guaranteeing BST a fair return. Additionally, this lower rate will create an appropriate environment for a unique, local-based information services to either flourish or fail based on their value to the market. From a policy perspective, making N11 service more cost-based as I propose is a low cost, no-risk, and potentially high gain proposal. (Freeman Testimony, page 13).

Record Supports PBNI's Proposal

1. THE AVERAGE COST PER MESSAGE TO THE N11 CUSTOMER IS HIGH

The cost of N11 service to the customer is a function of BST's tariff and the call volume that the N11 customer experiences. Mr. Freeman explained the N11 tariff as follows:

The tariff for N11 has three basic parts. The first part is a nonrecurring set up charge ("NRC"), which more than covers the actual cost of set up (with a 30% contribution). No one is proposing a change in the current NRCs. The second part of the N11 tariff sets a minimum monthly charge. The third part of the tariff is a minimum per call charge of \$.10 or \$.02 per minute, whichever is greater. This last charge kicks in only to the extent that per call charges exceed the minimum monthly charge. (Freeman Testimony, page 9.)

Because the typical N11 call is well below 5 minutes, the typical per call charge to the N11 customer cannot be less than \$0.10. Indeed, as already noted, because of the B&C charge of \$0.04 per message, the total typical call charge cannot be less than \$0.14.

As reflected in Table 1 below, the actual cost of the typical call is often more than twice the minimum. The data reflects that the actual tariff costs per message is between \$0.19 and \$0.28.

TABLE 1		
Minimum Tariff Cost per Call	\$.10 and .04 B&C	
Actual Average Cost per Call	(w/o B&C)	(w/B&C)
February 1996	.22	\$.26
March 1996	.28	.32
April 1996	.19	.23
May 1996	.20	.24
June 1996	.20	.24
July 1996 (est.)	.19	.23
Source: PBN Interrogatories Items No. 5, 9, and 11 ⁵		

2. The Average Cost for BST to Provide the Service is Low

In contrast to the high per message costs to the N11 customer, BST's costs in providing this service are low. Confidential Exhibit 23 provides certain cost data from BST on the provision of N11 service. According to BST the long run incremental cost (LRIC) of providing the first minute of N11 service does not exceed [REDACTED] while the long run incremental costs providing the second minute does not exceed [REDACTED]. The LRIC for the first

⁵The per message average for the months February through July 1996 were computed as follows. First the revenues (billing and collection charges plus service revenues) received each month for each tier by BST was totaled and then divided by the total number of calls for that month. The revenues reported in Item No. 11 for July 1996 is \$694.50. This number appears too low given the minimum monthly charge of \$3,300 per N11 customer. The revenue value for July 1996 was determined by multiplying the known N11 accounts times the monthly minimum charges for those accounts.

minute include the following elements: call set-up costs, call duration costs for one minute, billing (recording, assembling and editing and rating). The LRIC for the second minute includes only call duration costs. In other words, the difference between the first and second minute is the set-up costs and the billing costs, which costs allegedly amount to [REDACTED]

To compute the incremental costs to BST of handling an average N11 call is a simple matter of determining the length of the billed call and performing a simple computation. PBNI estimates that the average length per billed call is between 1.5 and 2.0 minutes.⁶

⁶The record supports this estimate of the average length of billed N11 calls in two ways. First, in the unrebutted testimony of Mr. Freeman at page 10, he evaluates the per call cost of providing N11 service based on data from a Georgia proceeding. In this evaluation he states that the average call duration is "slightly less than two minutes."

Second, Exhibit 18, Items No. 4, 5, and 10, support this estimate. Some computation is required, however. In Item 5 BST states for February 1996 through July 1996 by tier the total minutes logged for N11 calls, including short duration unbilled calls. In Item 10 BST states the average duration of Nil calls by tier for the same months. Finally, in Item 4, BST states the total number of billed calls by tier for the same months.

With this information, one can easily determine average call lengths for the respective months and tiers. For example, using the data from Tier 1 for the February 1996, the computation would be as follows:

Total Minutes	200,642
Average Duration (including unbilled calls)	0.83
Total Nil Calls (200,642/.83)	241,737
Total Billed Nil Calls	96,283
Total Unbilled Calls	145,454
Average Duration Unbilled Calls (est.)	0.15 - 0.3
Total Unbilled Minutes	21,818 - 43,636
Total Billed Minutes	178,824 - 157,006
Average Duration Billed Calls	1.63 - 1.85

Therefore, the average costs to BST per message is between [REDACTED] and [REDACTED]

TABLE II

BST N11 INCREMENTAL COSTS

BST 1st Minute Incremental Cost (inc. B&C)	[REDACTED]
BST Subsequent Minute Incremental Cost	[REDACTED]
Average Length per Billed Call (estimated)	1.5 to 2.0 min.
Average BST N11 Incremental Cost per Call	[REDACTED]
Source:	PBN Confidential Exhibit 22

3. THE CONTRIBUTION TO BST FROM N11 IS TOO HIGH

Given that the average per call payment to BST is between \$0.19 and \$0.28 per message and the average costs to BST for

Thus, for the month of February 1996, it appears that the average duration of billed N11 calls was between 1.63 and 1.85 minutes.

In the above computation, only the average duration of short unbilled calls has no record support. In Exhibit 18, Item 26, BST says it makes its revenue effect projections based on an assumed duration of unbilled calls of 8 seconds (almost 0.15 minutes). In Exhibit 22, POD 5, the Billing and Collection tariff requires that the end-user have up to 18 seconds (0.3 minutes) to disconnect without incurring charges. These two record references were used to bracket the average duration of the unbilled call.

Running this computation on other months sometimes produces averages greater than 2 minutes. For the purpose of establishing that PBNI's proposal guarantees BST full recovery of all its costs plus additional contribution, it does not matter whether the average is 1.5, 2.0, 2.5, or even 3.0 minutes. Nevertheless, because of Mr. Freeman's on the record estimate of less than 2 minutes based on his review in preparing his testimony, PBNI does not believe the average is above 2.0.

providing the service is between [REDACTED] per message, it is not surprising that the contribution to BST under the current tariff has been high. Indeed, the data supplied by BST for February through June of 1996 demonstrate a five-month contribution of between [REDACTED] based on costs of between [REDACTED]

[REDACTED] Table III below shows these figures.

TABLE III	
Computation of Contribution	
(a) Five Month Total	
Recurring Revenue Feb-June 96	\$159,476 ⁷
(b) Five Month Total	
Revenue Producing Calls Feb-June 96	671,294
(c) BST Incremental Cost for (b)	
if 2 min average	[REDACTED]
(d) BST Incremental Cost for (b)	
if 1.5 min average	[REDACTED]
Five Month Contribution	
for (c) (\$172,178 - 19,468) =	[REDACTED]
Five Month Contribution	
for (d) (\$172,178 - \$16,110) =	[REDACTED]
Source: Exhibit 18 Items No. 5, 11 ⁸	
Confidential Exhibit 22	

⁷If Billing and Collection revenues were included for the five month period Feb-June 96, the Recurring Revenue would be \$172,178 and the Five Month Contribution would be between [REDACTED]

⁸Computation as follows: (a) Five Month Total Recurring Revenue determined by adding all revenues all Tiers for applicable months from Exhibit 18, Item 11.; (b) Five Month Total Revenue Producing Calls determined by adding all calls from all tiers for applicable months from Exhibit 18, Item 4; (c) BST incremental cost for (b) if 2 minute call computed as follows. A 2 minute call will cost BST [REDACTED]; [REDACTED] per message x 671,294 = [REDACTED] (d) BST incremental cost for (b) if 1.5 minute call computed as follows. A 1.5 minute call will cost BST [REDACTED] per message x 671,294 = [REDACTED]

4. THE REVENUE IMPACT OF PBNI'S PROPOSAL IS LOW;

Given that (a) the high per-message costs to the N11 provider is mainly the result of the minimum monthly charge, (b) the costs to BST for handling each message are low, and (c) the contribution to BST from the current tariff structure is great, it is not surprising that the revenue impact of PBNI's proposal is low to non-existent. Indeed, because PBNI has not recommended that the minimum monthly charge be eliminated, BST is virtually guaranteed continuing high levels of contribution for the foreseeable future.

In its interrogatories, PBNI asked BST to state the revenue effect of PBNI's proposal. BST responded in part as follows:

The revenue effect in Florida of a reduction in N11 usage to \$0.01 per minute with the current minimum monthly effect is estimated to be a reduction of approximately \$99,500 in annual revenue. . . . (Exhibit 18, Item 26.)

PBNI, however, believes that this number is overstated. Simply put, for there to be an immediate revenue reduction, several N11 providers must be currently paying more than the minimum monthly charge. Call volume data does not support this proposition. For example, in response to Item No. 4 in PBNI's first set of interrogatories (Exhibit 18), BST reported that in May of 1996 in Tier 1 there were 57,610 calls billed. Given that an N11 provider would have to bill more than 33,000 calls to exceed the minimum monthly charge and given that there were at least four Tier 1 providers operating in that month, it is unlikely that any one provider was handling in excess of the minimum. If Tier 1 N11 customers are not handling more than 33,000 calls, then going to a different usage rate while maintaining the minimum charge will not

in fact reduce BST's revenues.

Table IV summarizes BST's and PBNI's respective position on revenue loss.

BST Annual Revenue Loss With N11 Flat Rate of \$.01 per minute and maintaining minimum monthly charge	\$99,500
Source: Exhibit 18, Item 26	
Approximate Current and Near Term BST Annual Revenue Loss PBN Proposal (estimated)	0

5. **BST HAS ALREADY RECOVERED ITS START UP COSTS FROM NRCS**

The record establishes that the minimum monthly charge has guaranteed BST a high level of contribution from N11 service, even with NTS costs loaded onto the first minute. To reiterate, in Confidential Exhibit 23, BST stated that developmental costs for N11 service (Florida only) amount to [REDACTED] per year. PBNI believes that the annual number reflects a roughly five to six year amortization of a capital investment of between [REDACTED] and [REDACTED]

Irrespective of the exact amount of this capital investment, BST has already recovered these developmental costs through the imposition of NRCs. Thus under the current tariff BST enjoys redundant recovery of NTS costs.

The BST tariff provides that each new N11 account must pay three fixed NRCs unrelated to use:

(1) an N11 set up charge, the amount of which currently depends on the location as follows: Tier 1 - \$30,00; Tier 2 - \$16,000; Tier 3 - \$6,300, and Tier 4 - 1,000;

(2) A billing and collection account set-up charge of \$3000 per account; and

(3) A N11 Monthly Service Report Charge of \$450.

Table IV below reflects PBNI's estimate of the amount of non-recurring charges BST has received since implementation of the service. PBNI's method of estimating is evident from the table. The number of accounts was determined from Exhibit 22. To ensure a conservative estimate, the Tier I N11 account establishment NRC is \$25,000, which was the initial level when service was begun in 1993.⁹

N11 Account Establishment		
Tier 1	15 x \$25,000	\$375,000
Tier 2	18 x 16,000	297,000
Tier 3	5 x 6,300	31,500
Tier 4	<u>1 x 1,000</u>	<u>1,000</u>
Total	39	704,500
B&C Account 39 x 3000		117,000
N11 Monthly Service Report 39 x 450		<u>17,550</u>
Total		\$839,000

Source: Tariff PBN Production of Documents Item No. 1

If PBNI is correct that BST's developmental costs allowable to

⁹Exhibit 23, POD 4 contains the relevant N11 tariff sheets from the initiation of the service. Although PBNI can identify when the Tier 1 account establishment fee went from \$25,000 to \$30,000, it does not know how many of the 15 Tier 1 N11 accounts paid the higher amount.

Florida were roughly [REDACTED] then it is clear that the N11 account establishment NRC alone has compensated BST for that investment. Moreover, given that the total of the NRC revenues exceeds \$800,000, PBNI believes that BST has overstated the LRIC of the first minute of providing N11 service. In any event, PBNI has not proposed to change the NRCs or the minimum monthly charge. BST is therefore guaranteed for the foreseeable future continued contribution under PBNI's proposal.

6. N11 SERVICE IS IN THE PUBLIC INTEREST.

N11 service remains a good idea for the same reason the BST proposed it and the Commission embraced it in 1993: it takes network facilities that would be otherwise used -- the five N11 numbers available in each local calling area throughout the state -- and allows information service providers to put them to work attempting to satisfy consumer demand for information services. Moreover, N11 service has produced and will continue to produce above the line revenues, which have and will directly benefit the general body of ratepayers.

Currently the only direct substitute for N11 service is a regular seven-digit number with pay-per-call and billing and collection services added on. Various forums are working on potential substitutes for N11 service codes. These potential substitutes should be utilized as they become available to replace any N11 services offered. But the future availability of other abbreviated dialing service turns on the viability and growth of N11 service.

In sum PBNI believes that under its proposal N11 will continue to:

- o help meet the enormous consumer demand for convenient access to information services;
- o promote the development of information services;
- o increase the availability of information services;
- o make it easier for consumers to reach and use information services without worrying about presubscription or having to establish relationships with information services providers;
- o spur competition in information services; and
- o generate above the line revenues which will benefit the general body of ratepayers.

PBNI therefore continues to believe that N11 service is in the public interest and that the Commission should take reasonable steps to promote its growth.

BST's Opposition

BST's opposition to PBNI's proposal is simply its opposition to N11 service being priced more on cost rather than value. For example, Mr. Varner is asked in his testimony whether he agrees with PBNI's proposal as explained by Mr. Freeman. Mr. Varner responds as follows:

No. As stated earlier, at the current price levels, demand exceeds capacity in the major markets. Therefore, we do not believe that the service is priced too high such that it is stifling the market. The current rate levels and structure are appropriate. [Varner Rebuttal Testimony, p. 12]

This is not the summary of BST's opposition to PBNI's proposal. Rather, this is BST's entire justification why it should

continue to receive excessive levels of contribution from N11 service while N11 customers pay rates that obviously repress the development of local information products. Unfortunately, what BST overlooks is that the current demand for N11 service does not prove that it is priced appropriately; rather the current demand proves that N11 service is in fact a monopoly service. And PBNI is not breaking new ground when it suggests that the Commission regulates monopolies to protect customers from rates that are unjust, i.e. from rates that are completely out-of-whack when compared to the cost of providing the service.

In sum, BST argues that because it can extract monopoly rents from N11 service, it should. This is flat wrong and ignores the very purpose of regulation. But even on the face of BST's wrong-headed approach, PBNI would not eliminate these monopoly rents; rather it would gradually scale these excess profits back to more modest levels while promoting the growth of information services. The Commission's choice here is therefore clear. If the Commission believes that monopoly services should be priced without regard to costs, then it should reject PBNI's proposal and leave the current rate and structure intact. On the other hand, if the Commission believes that it should move rates for monopoly services toward costs, then it should adopt PBNI's proposal. PBNI respectfully suggests that there is no reasonable debate as to which is the proper choice.

Moreover, in the context of N11 service, it is particularly important that the Commission make the proper choice. As the

Commission is aware, N11 is the precursor of other abbreviated dialing services, which offer a unique opportunity for the development of local based information services. The requested rate relief is needed to allow these services to more fully develop.

To reiterate briefly, the N11 customer currently pays roughly \$0.26 for a message that it costs BST [REDACTED] to [REDACTED] to provide. Under PBNI's proposal, the average message cost to the N11 customer will remain roughly the same until call volumes dramatically increase. The real difference between PBNI's proposal and the current tariff is that it will allow call volumes to dramatically increase, while the current tariff will not. Under PBNI's proposal, as call volumes do grow, the average cost per message will slope gently toward the cost of service, which in turn will give the N11 customers more growing room for the provision of their unique, local-based information service products.

CONCLUSION

For the reasons stated above, PBNI urges the Commission to adopt its proposal in this proceeding, i.e. that it order BST to change its N11 tariffs so that the N11 customer pays a usage rate of \$0.01 per minute or the current monthly minimum, whichever is greater.

Respectfully submitted this 21st day of November, 1996.



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APPENDIX

APPENDIX

IDENTIFICATION AND EXPLANATION OF APPARENT FLAWS IN THE RESPONSE OF BST TO CERTAIN PBNI INTERROGATORIES

In PBNI's view there are seven interrogatories key to an economic analysis of the costs and revenues associated with N11 Service. These are identified below, along with an explanation of PBNI's concerns about apparent flaws in some of BST's responses to these interrogatories. Copies of the discussed interrogatory responses follow these comments.

1. ITEM NO. 4 - TOTAL BILLED COSTS.

In this interrogatory BST states the total number of billed calls by Tier by month from February 1996 through July 1996. These numbers are important to several computations, and PBNI assumes that they are correct.

2. ITEM NO. 5 - TOTAL MINUTES.

In this interrogatory BST states the total number of minutes tracked for calls by Tier by month from February 1996 through July 1996. These numbers are also important to several computations, and PBNI assumes that they are correct. The only puzzling aspect about this response is that in June for Tier No. 4 BST reports no total minutes. Other than this discrepancy, the numbers seem consistent.

3. Item No. 9 - Billing and Collection Charges.

In this interrogatory BST states the total billing and collection charges by Tier by month from January 1995 through July 1996. The problem here is that in several months for Tier 1 BST

shows zero billing and collection charges. That is obviously incorrect because we know that every N11 customer, including PBNI, is paying billing and collection charges.

Also, it appears that BST has included the \$3,000 set up charges in the totals. There are several months, such as May 1995, where the only revenues are \$6,000. This amount obviously reflects set-up charges for two new accounts. The data for later months, however, reflect that no one is using the service. For example, in Tier 1, for September the amount stated is \$5.92. This is suspect because the collections in the preceding months reflect three \$3,000 contributions. i.e., three new users coming on line. There is clearly something wrong here.

4. ITEM NO. 11 - TOTAL REVENUES FROM N11.

In this interrogatory BST states the total N11 revenues for Florida by Tier by month from February 1996 through July 1996. The data looks okay until July 1996 where in Tier 1, for instance, the total revenues are \$6946.50. We know from POD #4 (a list of N11 customers in each Tier), that there are more than 2 N11 accounts generating the \$3300 monthly minimum charge. Thus the July number cannot be correct. Similarly, in Tier 4, the amounts collected are in the \$100 range. Given the minimums, these numbers are suspect.

5. ITEM NO. 12 - THE MINIMUM MONTHLY USAGE ADJUSTMENT.

In this interrogatory, we asked for the amount generated by the minimum monthly bill in each Tier for certain years. BST gave Florida specific responses rather than region-wide. Additionally

they provided something called the "minimum monthly usage adjustment." Whatever that amount is, it is not the minimum monthly bill as requested.

For example, in July 1996 the usage adjustment is \$3,091.22. Again, we know from POD #4 (a list of N11 customers in each Tier), that there are more than 2 N11 accounts generating the \$3300 monthly minimum charge; thus the \$3,091.22 number cannot be right.

6. ITEM NO. 13 -MONTHLY USAGE CHARGE

This is supposed to be the other half of PBNI's request in Item No. 12. PBNI asked how much revenue was produced by minute over and above the minimum monthly charge. As already noted in the text of the brief, it appears that no one in Tier 1 is over the monthly minimum from call volumes reported in Item no. 4. But this response shows that BST is getting substantial revenues beyond the monthly minimum bill. This is obviously incorrect.

7. ITEM NO. 14 - BILL PRINT LINE CHARGES.

In this interrogatory, PBNI asked BST to provide the revenues generated by bill print line charges. The responses provided are puzzling. There are some months where the amount is zero, which makes no sense. Also, for six months beginning in September 1995, the charges were stated as \$5.92, \$13.68, \$2.20, \$1.28, and \$2.48. Since we know that the charge is 4 cents per line (which is acknowledged in BST's response), BST's response means that in December 1995, for example, only 32 customers received a bill of line. This is obviously incorrect.


REQUEST: For each state in the BellSouth region, please provide the total number of N11 calls placed in each tier for each of the years 1992 through 1996. Indicate whether each response includes only those calls billed by BellSouth, or whether it also includes calls of short duration that were not billed. Please explain all assumptions and identify all documents used in responding to this interrogatory.

RESPONSE: Information is provided for Florida only for the latest 6 month period. This information was obtained from a mainframe output report created in job QA02P57. This report is retained by BellSouth for 6 months.

TOTAL BILLED CALLS

Month	Tier 1	Tier 2	Tier 3	Tier 4
February, 1996	96,283	60,956	11,138	236
March, 1996	64,443	51,017	11,716	255
April, 1996	57,663	54,732	11,742	577
May, 1996	57,610	51,099	11,016	523
June, 1996	62,992	56,552	10,744	0
July, 1996	59,545	56,344	11,989	201

BellSouth objects to a portion of this interrogatory on the grounds that some of the requested information is not relevant, and therefore, not calculated to produce admissible evidence in this proceeding. The requested information for markets outside the state of Florida is not relevant to this proceeding.


General Attorney

INFORMATION PROVIDED BY: Jackie Spann
Specialist
8 West - 600 N. 19th Street
Birmingham, Alabama 35203


REQUEST: For each state in the BellSouth region, please provide the total number of minutes logged for N11 calls placed in each tier for each of the years 1992 through 1996. Indicate whether each response includes only those calls billed by BellSouth, or whether it also includes calls of short duration that were not billed. Please explain all assumptions and identify all documents used in responding to this interrogatory.

RESPONSE: Information is provided for Florida only for the latest 6 month period. This information was obtained from a mainframe output report created in job QA02P57. This report is retained by BellSouth for 6 months.

TOTAL MINUTES *(Includes short duration calls that were not billed)*

Month	Tier 1	Tier 2	Tier 3	Tier 4
February, 1996	200,642	144,723	23,799	666
March, 1996	148,025	119,957	24,925	547
April, 1996	157,975	135,126	24,244	1,449
May, 1996	172,966	133,418	22,916	1,102
June, 1996	177,765	153,727	23,563	0
July, 1996	178,503	163,327	28,588	292

BellSouth objects to a portion of this interrogatory on the grounds that some of the requested information is not relevant, and therefore, not calculated to produce admissible evidence in this proceeding. The requested information for markets outside the state of Florida is not relevant to this proceeding.


General Attorney

INFORMATION PROVIDED BY: Jackie Spann
Specialist
8 West - 600 N. 19th Street
Birmingham, Alabama 35203

REQUEST: For each state in the BellSouth region, please provide the billing and collection revenues generated from N11 calls in each tier for each of the years 1992-1996. Please explain all assumptions and identify all documents used in responding to this interrogatory.


RESPONSE: Information is provided for Florida only for the period from January, 1995 through July, 1996. This represents the amounts billed to the vendors by BellSouth as documented in the Billing and Collection Service (A37) Tariff. The amounts shown include the .04 per bill print line as well as the one-time Billing Service Establishment Fee of \$3,000.00. This information was obtained from the individual settlement statements (MP-6260) created by N11 entity each month.

BILLING AND COLLECTION CHARGES

Month	Tier 1	Tier 2	Tier 3	Tier 4
January, 1995	0.00	630.48	3,009.04	3,000.00
February, 1995	0.00	6,811.20	48.24	2.88
March, 1995	0.00	3,808.72	133.44	10.96
April, 1995	0.00	915.521	140.72	14.16
May, 1995	6,000.00	3,745.52	102.32	9.52
June, 1995	54.48	731.12	94.72	6.80
July, 1995	3,167.60	309.92	47.12	2.88
August, 1995	363.57	104.70	0.00	0.00
September, 1995	5.92	2.00	0.00	0.00
October, 1995	346.80	3,002.72	0.00	0.00
November, 1995	2.20	.40	0.00	3,000.00
December, 1995	1.28	6,000.00	3,000.00	0.00
January, 1996	2.48	134.98	0.00	0.00
February, 1996	616.32	1,506.12	123.48	3.92
March, 1996	3,756.88	1,596.24	188.84	5.12
April, 1996	313.68	1,145.16	185.72	5.44
May, 1996	314.96	1,104.84	157.64	6.40
June, 1996	264.32	1,251.92	146.64	7.92
July, 1996	0.00	1,087.76	171.80	5.92

BellSouth Telecommunications, Inc.
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BellSouth objects to a portion of this interrogatory on the grounds that some of the requested information is not relevant, and therefore, not calculated to produce admissible evidence in this proceeding. The requested information for markets outside the state of Florida is not relevant to this proceeding.


General Attorney

INFORMATION PROVIDED BY: Jackie Spann
Specialist
8 West - 600 N. 19th Street
Birmingham, Alabama 35203

4


REQUEST: For each state in the BellSouth region, please provide the total BellSouth revenues generated from N11 service in each tier for each of the years 1992 - 1996. Please explain all assumptions used in responding to this interrogatory.

RESPONSE: Information is provided for Florida only for the latest 6 month period. These revenues were developed from customer specific files in addition to sources utilized to respond to #'s 9, 12, 13, and 14.

Month	Tier 1	Tier 2	Tier 3	Tier 4
January, 1995	3214.28	9371.34	3533.96	3450.00
February, 1995	6394.21	18793.42	291.44	57.78
March, 1995	6758.62	15384.54	665.06	92.24
April, 1995	10621.22	12942.38	760.54	121.30
May, 1995	18307.96	17510.10	600.58	104.24
June, 1995	12985.86	19855.72	587.04	89.80
July, 1995	23445.46	26262.37	1387.24	252.26
August, 1995	21522.40	14083.26	893.00	146.50
September, 1995	21360.66	11302.76	542.80	77.10
October, 1995	17038.76	23575.54	1094.00	146.50
November, 1995	23143.24	13998.46	1121.50	3604.88
December, 1995	23422.36	19774.06	4604.38	183.38
January, 1996	23274.54	13836.06	1616.68	184.84
February, 1996	24598.96	17098.24	2252.48	191.26
March, 1996	24616.56	16224.94	2306.60	112.80
April, 1996	14173.86	12671.42	1596.44	147.38
May, 1996	14176.42	12581.68	1540.28	211.76
June, 1996	14075.14	14894.22	1518.28	190.84
July, 1996	6946.50	8482.98	1568.60	186.84

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BellSouth objects to a portion of this interrogatory on the grounds that some of the requested information is not relevant, and therefore, not calculated to produce admissible evidence in this proceeding. The requested information for markets outside the state of Florida is not relevant to this proceeding.


General Attorney

INFORMATION PROVIDED BY: Dave Szczuka
Project Manager
ESG1 -1 - 3535 Colonnade Parkway
Birmingham, Alabama 35243

7

REQUEST: For each state in the BellSouth region, please provide the amount of BellSouth N11 revenues generated by the minimum monthly bill in each tier for each of the years 1992-1996. Please explain all assumptions and identify all documents used in responding to this interrogatory.


RESPONSE: Information is provided for Florida only for the period from January, 1995 through July, 1996. This information was obtained from the individual settlement statements (MP-6260) created by N11 entity each month.

MINIMUM MONTHLY USAGE ADJUSTMENT

Month	Tier 1	Tier 2	Tier 3	Tier 4
January, 1995	0.00	787.88	0.00	0.00
February, 1995	3,522.54	2,064.62	0.00	0.00
March, 1995	3,687.74	2,057.96	0.00	0.00
April, 1995	2,968.94	1,414.68	0.00	0.00
May, 1995	2,608.52	3,355.40	0.00	0.00
June, 1995	2,177.94	5,551.68	0.00	0.00
July, 1995	8,373.32	14,963.36	867.04	167.10
August, 1995	4,108.20	1,959.58	390.18	63.76
September, 1995	8,426.42	619.40	69.40	0.00
October, 1995	6,197.86	11,506.28	703.90	70.18
November, 1995	12,389.28	7,586.90	689.52	72.82
December, 1995	12,674.26	6,426.88	595.88	65.34
January, 1996	12,678.64	7,256.62	659.96	72.52
February, 1996	12,901.10	6,273.52	604.26	83.06
March, 1996	12,759.64	6,694.38	470.86	0.00
April, 1996	9,793.10	6,024.20	434.68	0.00
May, 1996	9,305.32	6,038.06	503.04	69.86
June, 1996	9,367.04	7,419.16	532.40	73.42
July, 1996	3,091.22	1,317.50	472.56	79.82

BellSouth Telecommunications, Inc.
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BellSouth objects to a portion of this interrogatory on the grounds that some of the requested information is not relevant, and therefore, not calculated to produce admissible evidence in this proceeding. The requested information for markets outside the state of Florida is not relevant to this proceeding.


General Attorney

INFORMATION PROVIDED BY: Jackie Spann
Specialist
8 West - 600 N. 19th Street
Birmingham, Alabama 35203

REQUEST: For each state in the BellSouth region, please provide the amount of BellSouth N11 revenues generated by per minute charge (over and above the minimum monthly bill) in each tier for each of the years 1992-1996. Please explain all assumptions and identify all documents used in responding to this interrogatory.


RESPONSE: Information is provided for Florida only for the period from January, 1995 through July, 1996. This information was obtained from the individual settlement statements (MP-6260) created by N11 entity each month.

MONTHLY USAGE CHARGE (*per minute charge*)

Month	Tier 1	Tier 2	Tier 3	Tier 4
January, 1995	2,221.28	6,733.00	19.38	0.00
February, 1995	2,685.67	8,470.40	101.96	5.52
March, 1995	2,884.88	8,476.64	305.18	23.82
April, 1995	7,466.28	9,464.16	386.10	46.48
May, 1995	9,513.44	8,981.16	302.94	38.70
June, 1995	10,512.96	12,562.80	304.60	29.70
July, 1995	11,550.94	10,400.17	332.96	32.90
August, 1995	16,501.06	11,635.28	409.82	36.24
September, 1995	12,736.40	10,400.36	380.40	30.60
October, 1995	10,294.42	8,784.82	297.10	29.82
November, 1995	10,460.06	5,999.76	310.48	35.56
December, 1995	10,502.54	5,586.18	408.50	43.04
January, 1996	10,290.94	5,166.48	731.72	37.32
February, 1996	10,165.22	6,622.98	1,176.26	25.36
March, 1996	7,043.16	5,552.08	1,233.06	27.56
April, 1996	3,406.90	3,570.90	565.32	61.50
May, 1996	3,894.68	3,547.94	496.96	54.10
June, 1996	3,832.96	4,185.22	467.60	26.58
July, 1996	3,508.78	4,203.96	527.44	20.18

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BellSouth objects to a portion of this interrogatory on the grounds that some of the requested information is not relevant, and therefore, not calculated to produce admissible evidence in this proceeding. The requested information for markets outside the state of Florida is not relevant to this proceeding.


General Attorney

INFORMATION PROVIDED BY: Jackie Spann
Specialist
8 West - 600 N. 19th Street
Birmingham, Alabama 35203

REQUEST: For each state in the BellSouth region, please provide the amount of BellSouth N11 revenues generated by line charges in each tier for each of the years 1992-1996. Please explain all assumptions and identify all documents used in responding to this interrogatory.

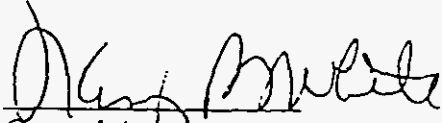
RESPONSE: Information is provided for Florida only for the period from January, 1995 through July, 1996. This represents the amounts billed to the vendors by BellSouth as documented in the Billing and Collection Service (A37) Tariff. The amounts shown include the .04 per bill print line and does not include the one-time Billing Service Establishment Fee of \$3,000.00. This information was obtained from the individual settlement statements (MP-6260) created by N11 entity each month.

BILL PRINT LINE CHARGES

Month	Tier 1	Tier 2	Tier 3	Tier 4
January, 1995	0.00	630.48	9.04	0.00
February, 1995	0.00	811.20	48.24	2.88
March, 1995	0.00	808.72	133.44	10.96
April, 1995	0.00	915.52	140.72	14.16
May, 1995	0.00	745.52	102.32	9.52
June, 1995	54.48	731.12	94.72	6.80
July, 1995	167.60	309.92	47.12	2.88
August, 1995	363.57	104.70	0.00	0.00
September, 1995	5.92	2.00	0.00	0.00
October, 1995	13.68	2.72	0.00	0.00
November, 1995	2.20	.40	0.00	0.00
December, 1995	1.28	0.00	0.00	0.00
January, 1996	2.48	134.98	0.00	0.00
February, 1996	616.32	1,506.12	123.48	3.92
March, 1996	756.88	1,596.24	188.84	5.12
April, 1996	313.68	1,145.16	185.72	5.44
May, 1996	314.96	1,104.84	157.64	6.40
June, 1996	264.32	1,251.92	146.64	7.92
July, 1996	0.00	1,087.76	171.80	5.92

BellSouth Telecommunications, Inc.
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BellSouth objects to a portion of this interrogatory on the grounds that some of the requested information is not relevant, and therefore, not calculated to produce admissible evidence in this proceeding. The requested information for markets outside the state of Florida is not relevant to this proceeding.


General Attorney

INFORMATION PROVIDED BY: Jackie Spann
Specialist
8 West - 600 N. 19th Street
Birmingham, Alabama 35203

CERTIFICATE OF SERVICE

Docket No. 920260-TL

I HEREBY CERTIFY that a copy of the foregoing Palm Beach Newspapers, Inc.'s Post Hearing Brief has been furnished by United States Mail this 21st day of November, 1996, to:

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