

ORIGINAL

Legal Department

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July 31, 2007

Ms. Ann Cole
Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

**Re: Docket No. 070126-TL: Petition of AT&T Florida for Relief from
Carrier-of-Last-Resort Obligations Pursuant to Florida Statutes
§ 364.025(6)(d) (Avalon)**

Dear Ms. Cole:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc. d/b/a AT&T Florida's Direct Testimony of Larry Bishop and Elizabeth R. A. Shiroishi, which we ask that you file in the captioned docket.

Sincerely,

Manuel A. Gurdian /RN
Manuel A. Gurdian

CMP cc: All parties of record
 COM 5 Jerry Hendrix
 CTR original James Meza III
 ECR E. Earl Edenfield, Jr.
 GCL 3
 OPC
 RCA
 SCR
 SGA
 SEC
 OTH

Shiroishi
DOCUMENT NUMBER-DATE
06541 JUL 31 5
FPSC-COMMISSION CLERK

Bishop
DOCUMENT NUMBER-DATE

06540 JUL 31 5

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE
Docket No. 070126-TL

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via

(*) Electronic Mail and First Class U. S. Mail this 31st day of July, 2007 to the following:

Patrick Wiggins (*)
Rick Mann (*)
Adam Teitzman (*)
Theresa Tan (*)
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Jacksonville, FL 32224


Manuel A. Gurdian

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AT&T FLORIDA
DIRECT TESTIMONY OF LARRY BISHOP
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 070126-TL
JULY 31, 2007

**Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH AT&T
SOUTHEAST AND YOUR BUSINESS ADDRESS.**

A. My name is Larry Bishop. I am employed by BellSouth Telecommunications, Inc. d/b/a AT&T Southeast ("AT&T Southeast") as a Supervising Manager in the Southeast Outside Plant Engineering & Construction Support Staff for the nine-state AT&T Southeast region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

**Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND
AND EXPERIENCE.**

A. I graduated from Florida State University in 1998 with a Bachelor of Science degree in Electrical Engineering. I also graduated from the University of Florida in 2003 with a Masters in Business Administration. I began employment with AT&T Southeast in 1999 and have held various positions in the network organization including Outside Plant Engineer and Loop Capacity Manager. In

1 these positions, I was responsible for planning fiber optic cable, digital loop
2 electronics, broadband, and new greenfield deployment. I have also coordinated
3 with property developers regarding the placement of telecommunications facilities
4 for single family and multi-dwelling unit developments. Additionally, I have
5 dealt directly with developers, have planned the network architecture, and have
6 designed the Engineering Work Order that would be implemented by AT&T
7 Southeast construction forces to deploy facilities.

8

9 I have held my current position as a Supervising Manager since August 2005. In
10 this position, I am responsible for supporting the AT&T Southeast region in the
11 following fields: outside plant engineering, greenfield deployment planning, and
12 capital investment for the rehabilitation of outside plant. I have supervised
13 Subject Matter Experts that supported AT&T Southeast building industry
14 consultants and outside plant engineers that work with property developers to
15 place telecommunications facilities for single family and multi-dwelling unit
16 developments. In addition, I have also supervised a team of subject matter
17 experts that are responsible for supporting loop deployment planning, digital loop
18 electronics planning and provisioning, and proactive maintenance in the AT&T
19 Southeast region.

20

21 Specifically, with regard to the Villages of Avalon, Phase II development in
22 Hernando County, Florida ("Avalon, Phase II"), I have assisted the local

1 engineering team responsible for the development of the cost estimate to serve the
2 property as well as the network architecture chosen.

3

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**
5 **AGENCIES?**

6

7 A. Yes. I testified before the Florida Public Service Commission in Docket No.
8 060822-TL.

9

10 **Q. HAVE YOU ATTACHED ANY EXHIBITS TO YOUR TESTIMONY?**

11

12 A. Yes, I have attached the following exhibits to my testimony: Exhibit LB-1,
13 Exhibit LB-2, Exhibit LB-3, Exhibit LB-4, Exhibit LB-5 and Exhibit LB-6.

14

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16

17 A. In my direct testimony, I will describe on behalf of BellSouth
18 Telecommunications, Inc. d/b/a AT&T Florida (“AT&T Florida”) the anticipated
19 network deployment, associated costs and the five times annual exchange revenue
20 analysis performed by AT&T Florida for Avalon, Phase II. In addition, I will
21 discuss the status of negotiations between Avalon Development, LLC
22 (“Developer”) and AT&T Florida regarding the charges submitted by AT&T
23 Florida for the deployment of facilities in Avalon, Phase II.

1

2 **Q. WILL YOU PLEASE PROVIDE US WITH MORE DETAILS**
3 **REGARDING AVALON, PHASE II?**

4

5 A. Avalon, Phase II is a community under construction near Brooksville, Florida in
6 Hernando County that will have a total of approximately 476 single-family
7 homes.¹

8

9 **Q. WHAT IS AT&T FLORIDA'S UNDERSTANDING OF THE SERVICE**
10 **ARRANGEMENTS THAT THE DEVELOPER HAS MADE WITH AN**
11 **ALTERNATIVE PROVIDER?**

12

13 A. As Mrs. Shiroishi will describe in detail in her direct testimony, it is AT&T
14 Florida's understanding that the Developer (1) has entered into an agreement with
15 Connexion Technologies f/k/a Capitol Infrastructure ("Connexion") who in turn
16 contracted with "Smart Resorts a/k/a Beyond Communications" ("Beyond
17 Communications") for the provision of voice service at Avalon, Phase II; (2) has
18 entered into an agreement with Connexion who in turn entered into a bulk
19 agreement with Beyond Communications for video and data services to all homes

¹ At the time AT&T Florida filed its Petition, it understood that the total amount of homes that would be built in Avalon, Phase II was 446 homes. The Developer recently provided updated information that 476 homes will be built.

1 within the development; and (3) is only willing to provide AT&T Florida a voice-
2 only easement for Avalon, Phase II.²

3

4 **Q. HAS AT&T FLORIDA DEVELOPED A NETWORK DEPLOYMENT**
5 **STRATEGY FOR AVALON, PHASE II? IF SO, WHAT IS IT?**

6

7 **A.** Yes. The proposed network architecture for delivery of voice service in Avalon,
8 Phase II is fiber-to-the-curb (“FTTC”). A diagram illustrating this architecture is
9 attached hereto as Exhibit LB-1. This architecture involves the placement of a
10 remote terminal cabinet containing loop electronics to serve the development.
11 The remote terminal cabinet will be fed by a fiber optic cable that originates from
12 the serving central office for that area. Distribution fiber facilities are then placed
13 from the remote terminal to smaller enclosures that contain loop electronics
14 (known as optical network units) located throughout the proposed development.
15 From each optical network unit, buried copper service drops extend to the
16 residences served by a specific optical network unit. Service drop enclosures are
17 then placed in between the optical network units and the living units to provide
18 access points to the buried service drops.

² As background information, because of the unique circumstances present at the time, AT&T Florida acquiesced to a voice-only easement for “Villages of Avalon, Phase I.” In March 2006, after incurring approximately \$230,000 to install facilities in Phase I to provide all types of services and with the first expected service date quickly approaching, AT&T Florida first learned of the Developer imposed voice-only restriction for Avalon, Phase I. Prior to this time, the Developer did not advise AT&T Florida that it could only provide voice service. Further, the circumstances involving Avalon, Phase I occurred primarily prior to the enactment of Section 364.025(6). Thus, at the time that AT&T Florida learned of the voice-only restriction, AT&T Florida did not have the ability to petition the Commission for COLR relief.

1 Q. **IS THE PROPOSED NETWORK DEPLOYMENT STRATEGY**
2 **REASONABLE AND EFFICIENT?**

3

4 A. The proposed network deployment strategy described above is a reasonable and
5 efficient method of serving Avalon, Phase II. Avalon, Phase II will be fed from
6 an existing remote terminal cabinet that was placed to serve Villages of Avalon,
7 Phase I ("Avalon, Phase I"). The FTTC architecture was chosen to serve Avalon,
8 Phase I due to the size of the development and the lack of available spare copper
9 pairs in the geographical area of Avalon, Phase I. A backbone fiber cable was
10 located near the property which reduced some of the costs associated with FTTC.
11 Fiber distribution facilities will be placed from the existing remote terminal
12 cabinet placed to serve Avalon, Phase I to serve Avalon, Phase II.

13

14 Q. **WHY DID AT&T FLORIDA DEVELOP A DEPLOYMENT STRATEGY**
15 **TO SERVE 100% OF THE RESIDENTS IN AVALON, PHASE II WHEN**
16 **THE ANTICIPATED TAKE RATE IS 20% OR LESS?**

17

18 AT&T Florida's network facilities should be installed up-front for several
19 reasons. First, if AT&T Florida waited until a voice service request was received
20 before installing facilities, AT&T Florida would need to dig-up customer
21 driveways and landscaping that are already in place. These actions are generally
22 not received well by residents and lead to increased costs (in addition to those
23 discussed in my testimony) to deploy facilities. Second, AT&T Florida is unable

1 to forecast exactly which customers within the development will actually order
2 service from it. Therefore, the network facilities should be placed throughout the
3 development up-front in order to minimize costs and to provide voice service
4 within a reasonable time following a request, as required by Commission Rules.

5
6 The FTTC architecture was determined to be the most cost-efficient architecture
7 available to serve Avalon, Phase II, because much of the FTTC architecture,
8 including the remote terminal cabinet and the backbone fiber, were already in
9 place to serve Avalon, Phase I.

10
11 **Q. WHAT OTHER ARCHITECTURES DID AT&T FLORIDA REVIEW**
12 **PRIOR TO SELECTING FTTC?**

13
14 A Fiber-to-the-Node ("FTTN") architecture was also considered by AT&T
15 Florida to serve Avalon, Phase II. However, placing a FTTN architecture to serve
16 Avalon, Phase II would require a new remote terminal cabinet and backbone fiber
17 cable to be placed, in addition to the copper distribution facilities. As indicated
18 above, the FTTC architecture was determined to be the most cost-efficient
19 architecture available to serve Avalon, Phase II because much of the FTTC
20 architecture, including the remote terminal cabinet and backbone fiber, were
21 already in place to serve Avalon, Phase I. In addition, due to the rising cost of
22 copper, fiber distribution facilities are generally less expensive to install than
23 copper distribution facilities in many cases. See AT&T Florida's "Cost

1 Comparison Summary for Copper vs. FITL Distribution” attached hereto as
2 Confidential and Proprietary Exhibit LB-2. Although this Cost Comparison was
3 not specifically used in analyzing the costs associated with Avalon, Phase II, it
4 illustrates that the average cost per living unit for copper distribution is
5 approximately \$101 higher than fiber distribution facilities.

6
7 **Q. WHAT IS THE TOTAL ESTIMATED BUILD-OUT COST FOR AVALON,**
8 **PHASE II?**

9
10 **A.** The total estimated build-out cost for Avalon, Phase II is \$326,819. Spreadsheets
11 detailing and providing how the estimated costs for Avalon, Phase II were derived
12 are attached hereto as Confidential and Proprietary Exhibit LB-3. Generally
13 speaking, the costs include material, labor and overhead costs.

14
15 **Q. DOES THIS COST DIFFER FROM THE COST ESTIMATE AT&T**
16 **FLORIDA PROVIDED IN ITS PETITION? IF SO, CAN YOU EXPLAIN**
17 **WHY?**

18
19 **A.** Yes. The original cost estimate for labor and material used in AT&T Florida’s
20 Petition (\$244,966) was developed using an average cost per living unit
21 determined by analyzing the costs to deploy the same network in Avalon, Phase I.
22 As it was AT&T Florida’s understanding at the time the Petition was filed, the
23 original cost estimate was based upon a projected build-out of 446 units for

1 Avalon, Phase II. The updated cost estimate provided above projects a build-out
2 of 476 units for Avalon, Phase II based upon information recently provided by the
3 Developer. The original cost estimate also did not include overhead costs
4 (\$64,823), which have been added to the cost estimate provided to the developer
5 in accordance with AT&T Florida's Tariff – Section A5. The updated cost
6 estimate for labor and material (\$261,996) was developed using detailed design
7 requirements specific to Avalon, Phase II. The detailed design includes actual
8 cable footages, the updated number of units in the build-out plan, and actual
9 material costs. Overhead cost (\$64,823) was added to the labor and material cost
10 to reach the total estimated cost (\$326,819) used to determine the special
11 construction charge provided to the Developer.

12

13 **Q. WHAT TYPES OF ITEMS ARE INCLUDED IN MATERIAL COST?**

14

15 **A.** For Avalon, Phase II, material costs include the costs to place fiber distribution
16 facilities. The following material is required for the installation of fiber
17 distribution facilities: composite fiber/copper cable, conduit for roads and
18 driveways, handholes, optical network units, buried service wire closures, and
19 buried service wire(s) from the optical network unit to the buried service wire
20 closures. Plug-ins required for the remote terminal cabinet and optical network
21 units are not included in the material cost, since these types of plug-ins can be
22 recovered/reused.

23

1 Q. **WHAT TYPES OF LABOR ARE INCLUDED IN THE LABOR COST?**

2

3 A. For Avalon, Phase II, labor costs include the labor required to install the fiber
4 distribution facilities. The following labor is required to install fiber distribution
5 facilities: engineering and design, placement contractor, cable splicers, and
6 technicians/contractors required to place optical network units, copper terminals,
7 install plug-in electronics, and to activate and turn up distribution systems
8 including required performance testing and provisioning.

9

10 Q. **WHAT TYPES OF COSTS DOES OVERHEAD CAPTURE?**

11

12 A. While I am not a cost expert, it is my general understanding that overhead
13 captures costs that are incurred by AT&T Florida to produce all of its services,
14 but cannot be directly attributed to and are not caused uniquely by any single
15 service or combination of services (e.g. expenses of corporate operations and
16 investment related costs).

17

18 Corporate Operations costs are the costs incurred in administering the
19 Corporation. Included in these costs is a pro rata share of the cost of Human
20 Resources, Accounting & Finance, External Relations, Procurement, Legal,
21 Executive, Planning and Information Management.

22

1 Investment Related Costs are maintenance costs and other ownership costs
2 associated with corporate assets such as Land, Buildings, Office Equipment and
3 General Purpose Computers.

4
5 **Q. HAVE YOU REVIEWED THE ESTIMATED COSTS FOR AT&T**
6 **FLORIDA'S NETWORK DEPLOYMENT TO AVALON, PHASE II?**

7
8 A. Yes. AT&T Florida used its standard engineering pricing system OSPCM
9 (Outside Plant Construction Management) to determine the estimated costs to
10 install facilities to serve Avalon, Phase II. The OSPCM reports are attached
11 hereto as Confidential and Proprietary Exhibit LB-4. These estimated costs
12 encompass the necessary and reasonable work required for AT&T Florida to
13 deploy facilities to Avalon, Phase II. Further, the methodology used by AT&T
14 Florida to calculate its costs is consistent with AT&T Florida's policies and
15 procedures for determining special construction cost estimates pursuant to Section
16 A5 of AT&T Florida's Tariff.

17
18 **Q. WHAT AMOUNT, IF ANY, HAS AT&T FLORIDA REQUESTED FROM**
19 **THE DEVELOPER IN ORDER TO DEPLOY FACILITIES TO AVALON,**
20 **PHASE II?**

21
22 A. Pursuant to Rule 25-4.067, F.A.C. and AT&T Florida's Tariff – Section A5,
23 AT&T Florida has determined that the Developer is responsible for \$171,606 of

1 the estimated costs to deploy facilities to provide voice service to Avalon, Phase
2 II.

3

4 Q. **HOW WAS THE AMOUNT REQUESTED FROM THE DEVELOPER**
5 **CALCULATED?**

6

7 The amount requested from the Developer was determined by subtracting the
8 projected five times annual exchange revenue of \$155,213 from the build-out
9 costs of \$326,819 for Avalon, Phase II. On May 15, 2007, AT&T Florida
10 forwarded correspondence to the Developer requesting payment of this amount.
11 AT&T Florida's May 15, 2007 correspondence to the Developer is attached
12 hereto as Exhibit LB-5.

13

14 Q. **HOW WAS THE FIVE TIMES ANNUAL EXCHANGE REVENUE FOR**
15 **AVALON, PHASE II CALCULATED?**

16

17 A. The projected five year annual exchange revenue for Avalon, Phase II was based
18 upon consideration of the following factors: (1) Average Revenue per Unit
19 ("ARPU"), which is based upon actual historical revenue associated with
20 residential lines in Florida, which Mrs. Shiroishi explains further in her Direct
21 Testimony; (2) a 20% take rate, the rationale for which Mrs. Shiroishi explains in
22 detail; and (3) occupancy forecast based on when homes are expected to be
23 occupied based upon developer-provided information. A spreadsheet that details

1 AT&T's Florida's special construction analysis is attached hereto as Confidential
2 and Proprietary Exhibit LB-6.

3

4 Q. **WHAT IS THE STATUS OF AT&T FLORIDA'S NEGOTIATIONS WITH**
5 **THE DEVELOPER AND HAS THE DEVELOPER MADE A COUNTER-**
6 **PROPOSAL TO AT&T FLORIDA'S REQUEST?**

7

8 A. AT&T Florida contacted the Developer in order to schedule a meeting to discuss
9 the requested payment; however, the Developer did not respond to AT&T
10 Florida's attempts to schedule a meeting.

11

12 The Developer did not make a counter-offer to AT&T Florida's request for
13 payment and advised in a June 25, 2007 letter to the Commission that "Avalon
14 will not pay AT&T's requested fee for the deployment of AT&T's facilities to
15 provide communications services to Phase II of the development."

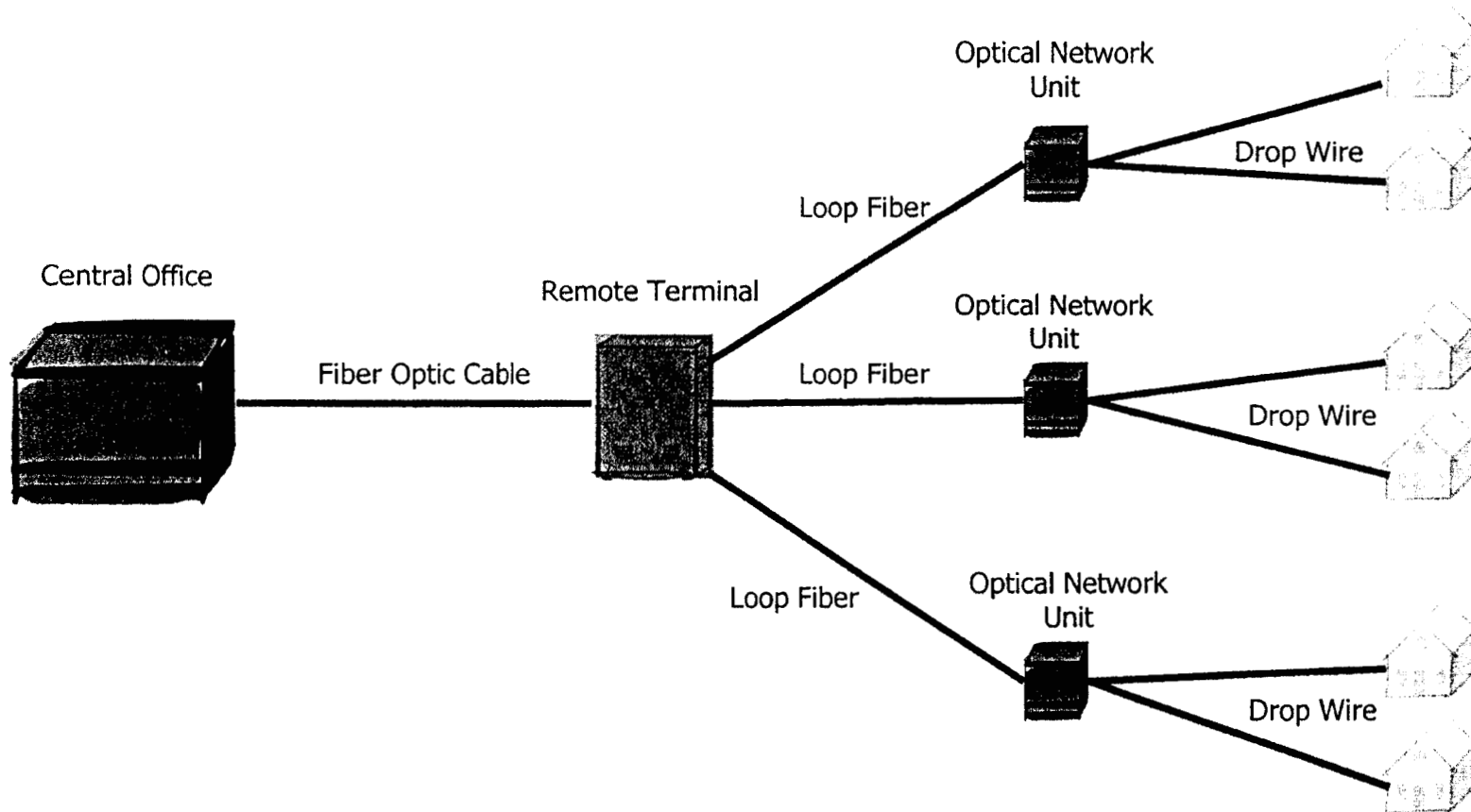
16

17 Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18

19 A. Yes.

Fiber to the Curb Architecture



Docket No. 070126-TL
Exhibit No. LB-2
(1 page)

THE ENTIRE EXHIBIT IS CONFIDENTIAL

Docket No. 070126-TL
Exhibit No. LB-3
(2 pages)

THE ENTIRE EXHIBIT IS CONFIDENTIAL

Docket No. 070126-TL
Exhibit No. LB-4
(8 pages)

THE ENTIRE EXHIBIT IS CONFIDENTIAL

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TRACEY CHESTON

PAGE 01



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May 15, 2007

VIA U.S. MAIL AND FACSIMILE

(813) 929-4020

Seth Boots, PE
Project Manager
Stokes Land Group
10329 Cross Creek Blvd
Suite M
Tampa, FL 33647

Re: Avalon, Phase II

Dear Mr. Boots:

This letter is in follow-up to various communications between you and representatives of BellSouth Telecommunications, Inc. d/b/a AT&T Florida regarding the above development, under construction in Hernando County, Florida. Since you have been the primary contact for AT&T Florida's Network Department regarding the development, we are sending this letter to you. We are also copying Ms. Holm with Avalon Development, LLC, since she is the person that submitted a March 9, 2007 letter with the Florida Public Service Commission on behalf of Avalon Development, LLC in the pending Docket No. 070126-TL, Petition of AT&T Florida for Relief from Carrier-of-Last-Resort Obligations Pursuant to Section 364.025(6)(d), Florida Statutes (the "Petition"). The letter from Ms. Holm objects to the petition and thus essentially asks AT&T Florida to place facilities to provide service to residents at the development.

As explained in the Petition, upon information and belief, the developer has entered into a non-exclusive agreement with Connexion Technologies f/k/a Capitol Infrastructure ("Connexion") who in turn contracted with "Smart Resorts a/k/a Beyond Communications" ("Beyond Communications") for the provision of voice service at Avalon Phase II. Moreover, upon information and belief, the developer has entered into an agreement with Connexion who in turn entered into a bulk agreement with Beyond Communications for video and data services to all homes within the development. The developer has thus offered AT&T Florida a



"voice only" easement that would allow AT&T Florida to provide voice service only. AT&T Florida has been informed that the same arrangements with other providers exist in Phase I of the development.

We understand that Phase II will have 476 residences and that the buildout will take place in phases - Phase 2B, 216 lots (first residents expected in September/October 2007); Phase 2A, 28 lots (first expected residents in 2008); and Phase 3, 232 lots (first expected residents in 2008). For the reasons described below, charges will apply to the developer for the placement of those facilities.

Florida Public Service Commission Rule 25-4.067(3), Florida Administrative Code provides that AT&T Florida may recover the costs for extensions of its lines to provide service that exceed five times annual exchange revenue pursuant to its tariffs. See Part A.5.2.1.B of AT&T Florida's General Subscriber Services Tariff.

AT&T Florida anticipates little or no service orders from residents for telecommunications service in Phase II in light of the arrangements the developer has entered into, directly and indirectly, with other providers. This expectation is supported by the fact that only 15.5% percent of built and occupied residences (according to the addresses designated as such in the developer's response to Commission Data Request No. VA-1 in the Petition proceeding) have ordered service from AT&T Florida. Accordingly, using a 20% take rate for AT&T Florida services for Phase II, AT&T Florida has calculated the anticipated five times annual exchange revenue at Phase II to be approximately \$155,213.

The extension/construction cost for facilities to serve Phase II is approximately \$326,819, which includes anticipated labor and material costs as well as overhead cost.

The above total cost amount less the five times annual exchange revenue is \$171,606. Accordingly, pursuant to the Commission Rule, AT&T Florida is requesting payment of this amount prior to extending its lines to serve Phase II.

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TRACEY CHESTON

PAGE 03



AT&T Florida is available to discuss the above sum with you at your convenience. We would like to schedule a meeting with you for this purpose. Please contact Tracey Cheston at 352.331.9199.

Sincerely,

A handwritten signature in black ink, appearing to read "John Stanley".

John Stanley

Cc: Avalon Development, LLC - Attention: Mallory Gayle Holm, VP,
4315 Pablo Oaks Court, Jacksonville, FL 32224

**Docket No. 070126-TL
Exhibit No. LB-6
(1 page)**

THE ENTIRE EXHIBIT IS CONFIDENTIAL