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July 22, 2010

VIA HAND DELIVERY

Hon. Mary Freeman, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

filed electronically in docket office on 07/22/10

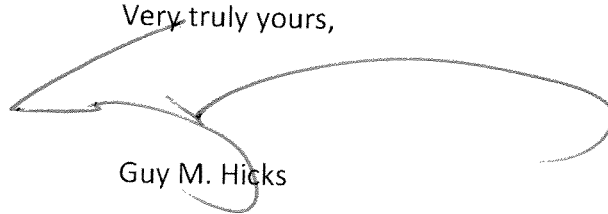
Re: *BellSouth Telecommunications, Inc. dba AT&T Tennessee Petition to Extend
Market Regulation to Rate Groups 1 and 2*
Docket No. 10-00108

Dear Chairman Freeman:

Enclosed for filing in the referenced docket are the original and four copies of the
Rebuttal Testimony of Paul Stinson on behalf of AT&T Tennessee.

A copy is being provided to counsel of record.

Very truly yours,



Guy M. Hicks

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1 AT&T TENNESSEE

2 REBUTTAL TESTIMONY OF PAUL STINSON

3 BEFORE THE TENNESSEE REGULATORY AUTHORITY

4 DOCKET NO. 10-00108

5 July 22, 2010

6
7 Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELL SOUTH TELECOMMUNICATIONS, INC.
8 dba AT&T TENNESSEE ("AT&T"), AND YOUR BUSINESS ADDRESS.

9
10 A. My name is Paul Stinson. I am an Area Manager External Affairs in the AT&T Tennessee
11 organization. As such, I am responsible for certain issues related to implementation of state
12 legislation. My business address is 333 Commerce Street, Nashville, Tennessee.

13
14 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

15
16 A. I have a Bachelors and Masters Degree in Electrical Engineering from Tennessee Technological
17 University.

18
19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20
21 A. To respond to the testimony of John Hughes regarding AT&T Tennessee's pricing. That
22 testimony presents a misleading picture of AT&T Tennessee's pricing and the impact on
23 consumers since election of market regulation. Specifically, I disagree with the conclusion in Mr.
24 Hughes' testimony that from the period January 2009 to July 2010 "all (100%) of AT&T's prices

1 charged to Rate Groups 3, 4, and 5 increased” and that “across the board price increases
2 averaged 59.37%.”

3
4 Q. WHY DO YOU DISAGREE?

5
6 A. Those conclusions are simply wrong. AT&T has hundreds of services available to customers in
7 these Rate Groups, yet Mr. Hughes’ analysis only looked at the 47 of these services regarding
8 which AT&T increased a price, the services which AT&T provided in its response to the
9 Consumer Advocate’s discovery request. Mr. Hughes’ analysis disregarded all of the services
10 for which there was no price increase. Therefore, it is clearly inaccurate to conclude that “all
11 (100%) of AT&T’s prices charged to Rate Group 3, 4 and 5 increased”. Further, and also because
12 of the failure to consider all of the services for which there were no price increases, Mr. Hughes’
13 conclusions dramatically overstate the percentage of AT&T’s retail price increases.

14
15 In addition, it is a misleading description because it does not correctly describe the impact of
16 price increases on the total monthly bill of any particular customer. For example, if a customer
17 has a total monthly bill of \$30 and AT&T raises the monthly price for an optional individual
18 service from \$1.00 to \$2.00, a 100% increase, the customer’s total monthly bill will increase
19 from \$30 to \$31, an increase of only 3.33%. Using the analysis in Mr. Hughes’ testimony,
20 however, this increase would be described as a 100% increase (which it is not) instead of an
21 increase of 3.33% (which it is).

22
23 Q. CAN YOU PROVIDE SOME EXAMPLES OF SERVICES IN RATE GROUPS 3, 4, AND 5 WHERE PRICES
24 WERE NOT INCREASED?

1
2 A. Yes. Following are examples of services in Rate Groups 3, 4 and 5 where prices were not
3 increased:

4 Prices for Basic residential service:

5
6 Flat Rate (1FR)

7 RG1 – \$8.62

8 RG2 - \$9.62

9 RG3 - \$10.23

10 RG4 - \$13.15

11 RG5 - \$13.50

12
13 Measured service (Usage based service with call allowances based on time talked and area
14 called. Usage rate is \$.04 for the initial minute and \$.02 per additional minute)

15
16 RG1 - \$3.67

17 RG2 - \$4.10

18 RG3 - \$4.30

19 RG4 - \$5.51

20 RG5 - \$5.62

21
22 Message Rate service (Usage based service – call allowance of 30 calls and then \$.10 per
23 additional call)

24
25 RG1 - \$4.51

26 RG2 - \$4.98

27 RG3 - \$5.30

28 RG4 – \$6.78

29 RG5 - \$6.93

30
31 The flat-rate price for AT&T's stand-alone basic residential service (1FR) has not been increased
32 in any Tennessee rate group since July, 2008. Similarly, the price for AT&T's residential message
33 rate service and measure service has not been increased since July, 2008.

34
35 AT&T offers hundreds of different retail services, each of which have prices, and many of these
36 services have not been the subject of any price increase since the election of market regulation.

37 Just a few examples of such services are:

1 Additional Listings
2 Non-List Listings
3 Non-Published Listings
4 Line Change charge,
5 Secondary Service Charge
6 Premises work charge
7 Ringmaster
8 MegaLink
9 Primary Rate ISDN
10 Channelized Trunks
11 Direct Inward Dial
12 Centrex Service
13 LightGate
14 SMARTPath
15 SMARTLink
16 Metro Ethernet
17

18 Mr. Hughes' calculations ignore the fact that so many services have had no price increase at all.
19 That is likely because the Consumer Advocate's discovery requests did not ask AT&T Tennessee
20 about prices that were not increased or that were lowered. Instead, the Consumer Advocate
21 looked only at the small subset of services where prices increased.
22

23 Q. DO THE PRICE INCREASES REFLECTED IN AT&T TENNESSEE'S DATA RESPONSE APPLY TO ALL
24 CUSTOMERS?
25

26 A. No. Customers who bundle services do not pay the same prices as those who order stand alone
27 services. In addition, customers who subscribed to services at times when promotional offers
28 provided benefits such a percentage discounts, cash back or gift cards also would not have been
29 impacted in the same manner.
30

31 Q. DO CUSTOMERS HAVE OPTIONS TO AVOID THE IMPACT OF THE PRICE INCREASES MR. HUGHES
32 REFERENCES?
33

1 A. Yes. Customers can generally avoid stand alone price increases by purchasing a bundled service
2 offering from AT&T. For example, over half of the price increases Mr. Hughes relies upon in his
3 testimony are for vertical services, which are optional services typically billed individually on a
4 monthly basis. Customers may purchase bundled service offerings that include numerous
5 vertical services for a flat monthly price, and the increases on the individual vertical services that
6 Mr. Hughes relies upon in his testimony will have no impact on the customer's monthly bill.

7
8 Also, all of the price increases exceeding "100%" that Mr. Hughes relies upon to form his
9 conclusion are for optional designer listings in the telephone directory, such as "Designer
10 Listing-Designer Line Bold," the monthly price of which was increased from 0 to \$2, which Mr.
11 Hughes cites as a "200%" price increase. Of course, customers who do not desire special
12 enhanced directory listings will obviously not be impacted by these price increases.

13
14 Finally, customers can also choose to purchase their telecommunication services from
15 competing service providers.

16
17 Q. DID AT&T LOWER ANY PRICES DURING THAT SAME TIME PERIOD?

18
19 A. Yes. AT&T offered many discounts and promotions to customers during that same period,
20 including, but not limited to:

21 Save A Line 2009
22 Local Trio Month Reward
23 AT&T Moves You
24 Line Connection Waiver
25 Remote Call Forwarding
26 \$5 Residence Access Line Retention Offer
27 Get 3 2009
28 Bus ADL

1 Select CCB Bonus
2 CCB Online
3 Select Line Redemption
4 Simple Savings
5 Bus Local Calling Assurance
6 CCB Preferred
7 CCB Advantage
8 PRI Advantage
9 Centrex Win/winback Combo
10 Centrex NRC Waiver
11 Centrex Add a Line
12 Centrex AT&T Reterm
13 Centrex 12 & 24 Month Extension
14 Centrex Thank You for Renewing
15 PRI Complete
16 Welcoming Rewards
17 AT&T Business Local Calling 2 Promotion
18 Exclusively 50
19 Exclusively 40
20 CompleteLink
21

22 These promotional and discount offers are described in detail on AT&T's website at
23 <http://tariff.bst.bls.com/pdf/tn/dtarnot/tndtarnot.htm>.
24

25 AT&T does extensive advertising to make customers aware of its bundled service offerings. This
26 is necessary in order to respond to promotional pricing and bundled service offerings marketed
27 by AT&T's competitors.
28

29 Q. HOW DID THE PRICE INCREASES THAT MR. HUGHES DESCRIBES IMPACT RESIDENTIAL END USERS
30 IN RATE GROUPS 3, 4, AND 5?
31

32 A. As noted above, none of the increases in Mr. Hughes' exhibit are for basic residential service.
33 In fact, the vast majority of increases in Mr. Hughes' exhibit are for either business services or
34 optional discretionary features such as vertical services or designer directory listings. None of

1 those services are necessary for a customer to have dial tone or access to long distance and 911
2 service.

3
4 Q. ARE ALL OF THE PRICE INCREASES ON WHICH MR. HUGHES' TESTIMONY IS BASED FOR SERVICES
5 THAT WERE REGULATED PRIOR TO ELECTION OF MARKET REGULATION?
6

7 A. No. Several of the increases are for services that have been "deregulated" for some time:

8 Line 2 – Voice Mail
9 Line 17 – Inside Wire Maintenance
10 Line 47 – Voice Mail
11

12
13 Q. ARE ALL OF THE PRICE INCREASES ABOUT WHICH MR. HUGHES TESTIFIES INCREASES IN THE
14 MONTHLY, RECURRING PRICE FOR SERVICES?
15

16 A. No. Many of the services on which his testimony is based are one-time charges, not monthly
17 recurring charges:

18 Line 26 – Line Connection Charge
19 Line 27 – Line Connection Charge – Additional Line
20 Line 28 – Returned Check Charge
21
22

23 Q. HOW WILL EXTENSION OF MARKET REGULATION IMPACT THE POLICY-BASED ISSUES (SUCH AS
24 POVERTY AND UNEMPLOYMENT) ABOUT WHICH MR. HUGHES TESTIFIES?
25

26 A. Although I am not an attorney, my understanding is that the General Assembly established a
27 specific competitive test, and not a policy evaluation, for extending Market Regulation to stand
28 alone residential services in Rate Groups 1 and 2. Consequently, I do not believe those policy

1 arguments are relevant to this case. Regardless of the relevance of those arguments, however,
2 I think it is important to recognize that Market Regulation does not alter or reduce the TRA's
3 jurisdiction over existing safety net services, such as Lifeline and LinkUp, nor does it take away
4 the TRA's ability to consider customer complaints.

5
6 Q DOES THIS CONCLUDE YOUR TESTIMONY?

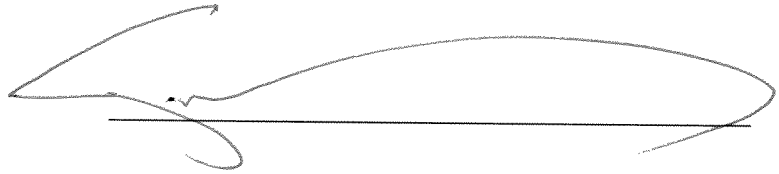
7
8 A. Yes.
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CERTIFICATE OF SERVICE

I hereby certify that on July 22, 2010, a copy of the foregoing document was served on the following, via the method indicated:

- ☐ Hand
- ☐ Mail
- ☐ Facsimile
- ☐ Overnight
- ☒ Electronic

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A handwritten signature in black ink, appearing to read "Mary Leigh White", is written over a horizontal line.