

SCANNED

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Verizon Florida Inc. to) DOCKET NO. 030867-TL
reform intrastate network access and basic)
local telecommunications rates in)
accordance with Section 364.164, Florida)
Statutes)

In re: Petition by Sprint-Florida,) DOCKET NO. 030868-TL
Incorporated to reduce intrastate switched)
network access rates to interstate parity in)
revenue-neutral manner pursuant to Section)
364.164(1), Florida Statutes.)

In re: Petition for implementation of) DOCKET NO. 030869-TL
section 364.164, Florida Statutes, by)
rebalancing rates in a revenue-neutral) Filed: October 31, 2003
manner through decreases in intrastate)
switched access charges with offsetting rate)
adjustments for basic services, by)
BellSouth Telecommunications, Inc.)

**TESTIMONY OF FELIX L. BOCCUCCI, JR.
ON BEHALF OF KNOLOGY OF FLORIDA, INC.**

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1 **Q: Please state your full name, business addresses, and titles.**

2 A: My name is Felix L. Boccucci, Jr., I am Vice President of Business
3 Development for Knology, Inc., which is the parent to Knology of Florida, Inc. My
4 business address is 1241 O.G. Skinner Drive, West Point, Georgia 31833.

5

6 **Q: What is the purpose of your testimony?**

7 A: The purpose of my testimony is to present the position of Knology of Florida,
8 (“Knology”), a competitive local exchange carrier, in support of the petitions subject
9 to this proceeding. The testimony will include a description of the company’s
10 operations including other markets it currently serves and will explain the impact that
11 granting these petitions will have on competitive telecommunication services
12 providers in Florida. Section 364.164 of the Florida Statutes sets forth four criteria the
13 Commission must consider in its decision to grant or deny a petition filed pursuant to
14 this statute. Knology will focus on the following specific criteria; (a) Remove current
15 support for basic local telecommunications services that prevents the creation of a
16 more attractive competitive local exchange market for the benefit of residential
17 consumers; and (b) Induce enhanced market entry.

18

19 **Q: Please describe your educational backgrounds and business experiences.**

20 A: I have served as Vice President of Business Development since August 1997,
21 and as the Chief Financial Officer, Treasurer and Secretary from November 1995
22 through August 1997. In addition, I currently serve as the Chief Financial Officer for
23 Interstate and Valley Telephone Companies. From October 1994 until December

1 1995, I served as Vice President Finance Broadband of ITC Holding. Prior to such
2 time, I worked for GTE Corporation, a telecommunications company, which merged
3 with Contel Corporation in March 1991. From May 1993 to October 1994, I served as
4 a Senior Financial Analyst for GTE. From 1991 to 1993, I served as Financial Director
5 for GTE's Central Area Telephone Operations. From 1987 to 1991, I was the Assistant
6 Vice President controller in charge of Contel's Eastern Region Telephone Operations
7 comprising 13 companies in twelve states.

8

9 **Q: Please describe the current corporate structure of Knology of Florida.**

10 A: Knology of Florida is a competitive local and long distance telephone company
11 certified by the Florida Public Service Commission. Knology of Florida is
12 incorporated under the laws of Delaware and is a subsidiary of Knology, Inc.

13

14 **Q: What is Knology's position on FL Statute 364.164 and the related petitions**
15 **filed in this proceeding?**

16 A: Knology believes that Florida Statute 364.164 creates the framework to
17 promote facility-based local exchange competition. Knology has made a substantial
18 investment in the Panama City market to provide competitive services and has been
19 operating its facility-based broadband network there since 1997. In addition to this
20 market, Knology operates in the following states: Georgia, Alabama, South Carolina
21 and Tennessee. In those states, Knology has made the strategic decision to continue to
22 deploy capital to expand its footprint due to the favorable regulatory framework for
23 competition. Previous legislation in these states restricted the Company's ability to

1 attract and deploy capital because investors were unwilling to invest in a market where
2 the rates for service were legislatively mandated. The new Florida legislation recently
3 signed by the Governor creates the regulatory environment necessary to attract capital
4 investment to expand telephone competition in Florida by allowing the Florida Public
5 Service Commission (FPSC) to begin the process of deregulating rates. Knology
6 believes that the petitions filed in these dockets should be granted, because that
7 decision will help to implement the policy underlying 364.14, and it will enhance the
8 competitive choices available to Florida citizens. Knology made the strategic decision
9 to expand its service offerings to other cities in Florida. Shortly after the passage of
10 this legislation, Knology entered into an agreement with Verizon Media Ventures, Inc.
11 to purchase its Cable and Data Asset (Verizon Media) in Pinellas County. This
12 acquisition will provide an additional opportunity for Knology to market voice, video
13 and data services to approximately 275,000 homes and businesses. Knology seeks a
14 market-driven competitive price structure when it makes a strategic decision to deploy
15 capital resources to bring the most updated technology to the marketplace. It is
16 Knology's opinion that granting these petitions will bring new capital investment and
17 additional jobs, in addition to new products and price competition to the State of
18 Florida.

19

20 **Q: Please provide a brief history of Knology, Inc.**

21 A: Interstate and Valley Telephone Company (IVT) has been providing telephone
22 service in rural Alabama and Georgia for over 100 years. Knology was formed in
23 1994 in anticipation of the emerging demand for bandwidth. The Company began in

1 the spring of 1995 with a small operation in Montgomery Alabama. In 1999, IVT and
2 Knology merged to combine their resources bringing the highest quality services and
3 the most advanced technology to its customers. Today Knology operates in five states
4 in the Southeastern United States and serves 8 metropolitan markets including Panama
5 City, Florida. Upon close of the aforementioned transaction with Verizon Media,
6 Pinellas County Florida will be our ninth market.

7

8 **Q: In what metropolitan markets does Knology, Inc. have operating**
9 **subsidiaries?**

10 A: Knology currently has broadband networks in Augusta, Columbus, and West
11 Point, Georgia; Huntsville and Montgomery, Alabama; Charleston, South Carolina;
12 Knoxville, Tennessee; and in Panama City, Florida and its surrounding cities.
13 Knology plans to commence operations in Pinellas County, Florida when all the
14 regulatory approvals are granted and the transaction with Verizon Media is complete.

15

16 **Q: Are any of Knology's current operations competing in the franchised**
17 **jurisdictions of the parties in this docket?**

18 A: Yes. Knology's Panama City Operations is located within the boundaries of
19 BellSouth's franchised service territory. The recently announced transaction with
20 Verizon Media is in Verizon of Florida's service territory in Pinellas County.

21

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23

1 **Q: What types of services does Knology provide to the markets it serves?**

2 A: Knology constructs broadband networks to provide voice, video and data
3 services. Knology has invested a minimum of \$100 million to construct networks in
4 each of the communities it serves. These two-way, high-capacity, hybrid fiber-coaxial
5 (HFC) and Fiber-to-the-Curb (FTTC) networks allow it to provide a product offering
6 that includes local and long-distance telephone service, video service that offers over
7 150 Channels of quality programming along with another 50 channels of CD quality
8 music, and data service that offers variable speed, high-bandwidth access to the
9 internet. Furthermore, from its network operations center (NOC) Knology monitors
10 virtually all elements of its network including the customer's set-top box and cable
11 modem as well as provides 24x7 customer service.

12

13 **Q: Does Knology offer a "bundled" service in its markets?**

14 A: Yes. Knology offers the "triple-play" bundle of voice, video and data services
15 over an HFC or FTTC network; all billed on a single bill to the customer. Knology
16 also offers these services on an ala-carte basis; however, the customer enjoys greater
17 discounts as they increase the number of services purchased from Knology.

18

19 **Q: Is there any advanced or new services that Knology offers in its markets?**

20 A: Yes. Knology utilizes its advanced networks to provide the latest in
21 technology to all its customers. Knology's Passive Optical Network (PON)
22 deployment allows Knology to deliver in excess of 100mps of scalable bandwidth to
23 business and schools at substantial cost savings to traditional circuit based services

1 such as frame relay service. The seamless fiber optic path from Knology's central
2 office to the customer premises significantly increases network reliability and allows
3 for the delivery of voice and video over the same network connection. The advanced
4 IP/Ethernet bandwidth services provide enhanced upstream and downstream speeds,
5 and it enables scalable access to additional bandwidth for more capacity when
6 business needs dictate (and not according to installation lead times). The Virtual
7 Private Network (VPN) service provides businesses with multiple site locations to
8 create an intranet network, enabling them to exchange information privately within
9 their organization by accessing remote locations or company networks over the public
10 Internet network.

11

12 **Q: Is Knology considered a competitive service provider or an incumbent**
13 **service provider in its markets?**

14 **A:** Knology is a competitive service provider that has built its network across the
15 territories of both the incumbent telephone companies and incumbent cable television
16 companies ("CATV") in the markets it serves. This network allows Knology to
17 compete with not only the local telephone company, but the CATV provider and the
18 internet service providers in that market; a virtual three-for-one for the consumers with
19 regards to competitive service offerings. Knology also operates two incumbent
20 independent telephone companies in rural Alabama and Georgia.

21

22

23

1 **Q: What is the reaction of the incumbent CATV and Telephone providers to**
2 **the entrance of Knology's into its markets?**

3 A: Knology's experience has been that the incumbent providers upgrade their
4 networks to enhance their own service offerings, implement new products and price
5 reductions and increase the level of customer service and marketing to compete with
6 Knology. Given the flexibility offered by this legislation, and should the related
7 petitions be granted, it is Knology's opinion that consumers will experience
8 competitive offerings and the newest technology not only from Knology, but also from
9 the incumbents who will improve their service and products to compete with Knology
10 as a new facilities-based competitor.

11

12 **Q: What is the residential versus business mix of Knology's customer base?**

13 A: Knology is currently a consumer-oriented company. Approximately 90% of
14 Knology's overall customer base is residential with the balance of 10% business
15 customers. This compares with traditional Competitive Local Exchange Companies
16 ("CLEC") mixes of 58%/42% Residential/Business as reported in United States
17 Telephone Association's Phone Facts Plus 2004.

18

19 **Q: How does Knology rank overall given the markets it serves?**

20 A: The first quarter 2003 Kagan report ranks Knology as the 26th largest cable
21 company. This report also ranks Knology number one as having the highest
22 percentage of telephone customers (66%) and internet customers (41%) as a factor of

1 cable customers. Knology's bundle of services and its one company, one bill, one call
2 approach contributes to this success.

3

4 **Q: Does Knology serve all customers in its franchised areas?**

5 A: Yes, Knology offers service to all customers in its service territories.

6

7 **Q: Does Knology only focus on customers in the "urban" setting?**

8 A: No. Knology's serves multiple tiers of cities including cities as small as Lynn
9 Haven, Calloway, Parker and Cedar Grove, Florida.

10

11 **Q: How does Knology's pricing for services compare with that of the
12 respective incumbent for that service?**

13 A: Knology offers a bundled package of services that is competitively priced and
14 includes telephone, internet, and cable services. While not its focus, Knology does
15 offer competitively priced a-la-carte services. However, Knology's bundled offering
16 provides incremental discounts as the customer purchases more services. Thus
17 Knology's customer has an opportunity to lower his or her overall bill for all
18 telecommunications services, while reaping the benefits of dealing with one company
19 and receiving a converged bill detailing all services purchased. In order for the bundle
20 to be successfully marketed and sold, it is necessary for the marketplace to determine
21 prices. Granting these petitions will provide the framework necessary to have market-
22 based prices without subsidies. In addition to price, it is my opinion that as result of

1 the grant of these petitions, competitive providers will deploy more capital
2 investments and hence create more jobs.

3

4 **Q: If Knology is pricing its individual services at or near the incumbent, how**
5 **is the consumer benefited by competition?**

6 A: Knology's bundled discount structure gives consumers a discount in direct
7 proportion to the number of services to which he or she subscribes. Basically, the
8 more the customer buys the greater the discount. It is Knology's experience that
9 consumers evaluate prices based on the value of the bundle, not on an a-la-carte basis.
10 Furthermore, additional benefits result from competitive offerings of voice, video *and*
11 data services and the customer's ability to choose from multiple service providers.
12 With the introduction of competitors, all consumers will experience higher levels of
13 customer service and will be offered the newest in technology more quickly.

14

15 **Q: How do the petitions filed in this proceeding affect Knology and its**
16 **business strategy?**

17 A: If these petitions are granted, Knology will be able to attract and deploy new
18 capital investment in Florida, thereby offering consumers a choice in facilities-based
19 providers for new and advanced high-tech services.

20

21 **Q: How is Knology perceived by its customers?**

22 A: Knology is perceived as a quality provider of bundled services (telephone,
23 internet, cable). A third-party firm hired to gather customer satisfaction statistics and

1 report the results to our senior management confirms this. These reports indicate that
2 approximately 92% of existing customers would recommend Knology to a friend,
3 which is certainly a statistic that the Company is proud to report.

4
5 **Q: Has Knology had any impact on local economic development in any of its**
6 **markets?**

7 A: Competitive providers of voice, video and data services bring investment and
8 jobs to the communities they serve. Typically Knology deploys capital in excess of
9 \$100 million and hires over 100 employees in a mid size market similar to Panama
10 City. Additional benefits include better customer service and new advanced products
11 coming to market more quickly.

12
13 **Q: Does Knology provide support to Schools, Libraries and other**
14 **governmental institutions in the markets it serves?**

15 A: Knology provides cable and data services to schools and libraries across its
16 markets. Knology provides connectivity between governmental facilities within the
17 markets it serves. Examples of these services include data services to the Autuga
18 County schools in Montgomery, Alabama, fiber connectivity between satellite offices
19 of the Augusta Medical College and Passive Optical Network service to the
20 Charleston Coliseum.

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1 **Q: Please summarize your testimony.**

2 A: Knology seeks and supports a competitive marketplace with a price structure
3 that reflects market value and imbedded costs. This environment will give the
4 incentive to Knology and other competitive providers to launch services, deploy
5 capital, create new jobs and provide consumers and businesses a choice of
6 telecommunication products with exceptional customer service at competitive prices.
7 For the aforementioned reasons, Knology believes that the grant of these petitions will
8 remove current support for basic local telecommunications services that prevents the
9 creation of a more attractive competitive local exchange market for the benefit of
10 residential consumers, will induce enhanced market entry and will create more capital
11 investment and provide more employment in the State of Florida.

12

13 **Q: Does this conclude your testimony?**

14 A: Yes.