



REPORT ON THE EFFORTS OF THE

Florida Public Service Commission
to Reduce the
Regulatory Assessment Fee for
Telecommunications Companies

AS OF DECEMBER 2012

Florida Public Service Commission
Office of Telecommunications

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Introduction

During the 2011 legislative session House Bill CS/CS/HB 1231, the “Regulatory Reform Act” (Act), was passed and signed into law by the Governor, effective July 1, 2011. Under the Act, the Legislature eliminated most of the Florida Public Service Commission’s (PSC’s or Commission’s) retail oversight authority for the telecommunications wireline companies, yet maintained the PSC’s authority over wholesale intercarrier issues. The PSC was required to reduce its regulatory assessment fees charged to wireline telecommunications companies to reflect the concurrent reduction in PSC workload. Section 364.336(3), Florida Statutes, requires:

By January 15, 2012, and annually thereafter, the commission must report to the Governor, the President of the Senate, and the Speaker of the House of Representatives, providing a detailed description of its efforts to reduce the regulatory assessment fee for telecommunications companies, including a detailed description of the regulatory activities that are no longer required; the commensurate reduction in costs associated with this reduction in regulation; the regulatory activities that continue to be required under this chapter; and the costs associated with those regulatory activities.

As a result of this Act, last year the PSC reduced its telecommunications regulatory assessment fees (RAFs) 20%, from 0.0020 to 0.0016 of companies’ gross operating revenues derived from intrastate business. This change became retroactively effective July 1, 2011. Florida telecommunications statutes remained unchanged in 2012; the agency continues to eliminate activities no longer required by current statutes, while also continuing to streamline remaining responsibilities.¹

Regulatory Activities That Are No Longer Required

The 2011 Act eliminated most of the retail regulation of local exchange telecommunications services by the PSC, including the elimination of rate caps on all retail telecommunications services, elimination of telecommunications-related consumer protection and assistance duties of the PSC, and elimination of the PSC’s remaining oversight of telecommunications service quality. The bill also reformed the PSC’s certification processes, authority over intercarrier matters, and other general revisions.

¹ 364.107, F.S. (Public records exemption; Lifeline Assistance Plan participants) was amended to remove the sunset provision of the public records exemption and to preclude PSC employees from disclosing confidential information.

Consistent with the reduced authority of the PSC from the Act, the PSC ceased the following activities:

- The PSC no longer resolves non-basic retail consumer billing complaints.
- The PSC no longer addresses slamming or cramming complaints from consumers. The PSC continues to address slamming complaints that are reported by carriers under the Commission's wholesale authority.
- The PSC no longer publishes and distributes materials informing consumers on billing related matters or informative materials relating to the competitive telecommunications market.
- The PSC no longer designates wireless eligible telecommunications carriers (ETCs) in Florida for the federal universal service fund. Any wireless carrier seeking ETC status in Florida must petition the Federal Communications Commission (FCC) for that authority.
- The PSC no longer performs service evaluations on carriers, with the exception of payphones and telephone relay service, nor does it investigate and resolve service related consumer complaints except as they may relate to Lifeline service, Telephone Relay Service, and payphones.
- ILECs can no longer petition the PSC for recovery of storm damage related costs and expenses.
- The PSC no longer reviews non-access service tariff filings for content, form, or format. It is the carrier's choice whether to file its rate schedules with the PSC or publicly publish the schedules elsewhere, such as the companies' websites.

Savings

The PSC has been seeking cost savings and efforts to streamline regulatory processes for at least 12 years. The origin of these streamlining efforts is not limited to the emergence and evolution of

competition in the telecommunications industry. In fiscal year 1999/2000, the PSC had 401 full time positions. Through several reductions over a period of years, that number was reduced to 296 in the 2011/2012 fiscal year, a total reduction of 26.2 percent. For fiscal year 2012/2013, three additional PSC positions were eliminated; all three came as a result of projected workload reductions in the telecommunications area.

Effective July 2011, the PSC reduced the telecommunications RAF from 0.0020 to 0.0016 of the gross operating revenues derived from intrastate business. In addition, all local telephone service providers now pay \$600 as the minimum fee instead of varying rates based upon the service offered.² At the current 0.0016 rate, carriers will pay this minimum fee up to \$375,000 in gross intrastate operating revenues. The reduced RAF rate was determined assuming reduced responsibilities, projecting staff hours on continuing telecommunications workload, and projecting telecommunications company revenues. Taking into account the declining revenues of the telecommunications companies regulated by the PSC, the smaller number of regulated companies, the reduction in PSC workload, and the positions eliminated, the agency does not plan to further reduce the telecommunications RAF rate at this time.

The PSC continues to review its remaining telecommunications rules to eliminate or revise them as necessary to comply with the intent of the revised statutes and to reduce the agency's costs. The PSC began in 2011 with the repeal of 66 rules that related in large part to the retail authority that was eliminated. In 2012, an additional 18 rules were repealed. Of the remaining rules, 12 are in the rulemaking process for amendment, consolidation, or repeal. Rules in the rulemaking process deal with Lifeline, slamming, rate schedules, and other items. These rulemakings will meet the standards of the PSC's statutory responsibilities while further streamlining rules and eliminating company requirements that are obsolete or unnecessary to fulfill the agency's obligations. These activities were also included in the agency's projections.

Regulatory Activities That Continue To Be Required

The Commission continues to retain authority and responsibility in the following areas for telecommunications companies:³

² Previously, the minimum fee ranged from \$600 to \$1000, depending on the type of service offered. Payphone operators continue to pay a minimum fee of \$100.

³ There were 410 telecommunications companies regulated in some way by the PSC as of October 31, 2012.

- The PSC resolves intercarrier disputes involving interpretations and implementation of sections of the intercarrier agreements.
- The PSC processes arbitrations of intercarrier agreements when the companies cannot negotiate all the terms of the agreement and request the PSC to resolve issues the companies define.
- The PSC reviews interconnection agreements filed with the PSC in accordance with federal requirements.
- The PSC resolves cases involving area code relief, number conservation plans, number resource reclamation, local number portability, and other numbering issues.
- The PSC analyzes information for and produces several statutorily required reports: the *Annual Report on the Status of the Telecommunications Access System Act of 1991*, the *Annual Report on Lifeline Assistance*, the *Report on the Efforts of the Florida Public Service Commission to Reduce the Regulatory Assessment Fee for Telecommunications Companies*, and the *Annual Local Competition Report*.
- The PSC maintains oversight of the Florida Relay Service.
- The PSC maintains oversight of Florida's Lifeline Program including establishing eligibility criteria, automatic enrollment, and monitoring ETCs.
- The PSC issues certificates of authority for telecommunications companies to operate in Florida, evaluating the applicant's technical, financial, and managerial capability to provide service.
- The PSC resolves consumer complaints relating to Lifeline, Telephone Relay, and payphones.
- The PSC publishes network access tariff and company rate schedule information.

- The PSC publishes and distributes informative materials relating to the Lifeline program and conducts related consumer outreach.

Efforts to Reduce Costs

The PSC continues to find ways to reduce the costs of performing its continuing duties. During 2012, the technical staff responsible for continuing the statutory mandates were further consolidated and established as a stand-alone unit within the agency to maximize efficiency and minimize supervisory needs.

As reported last year, the PSC retained the National Regulatory Research Institute (NRRI) in May 2011 to review the PSC's organization structure and work flow processes to determine if any additional changes were needed in the telecommunications area.⁴ NRRI concluded that the structure of the PSC's telecommunications group compares favorably to those in other states. In addition, NRRI found that the current size of the telecommunications group is correct, but suggested specific areas where streamlining or cost reduction measures might be implemented.

The PSC implemented several of NRRI's suggestions in 2011 and continues to evaluate others. The agency's actions in 2012 included:

- The PSC further shifted responsibilities to the administrative staff for the competition report's document control and relay data collection functions.
- The PSC simplified the review process, analysis of data, and reduced the length of the competition report.
- The PSC encouraged and trained companies to submit tariffs and service schedules online.
- The PSC's staff continues to receive training on monitoring the companies' Operational Support Systems.

⁴ *Assessing the Structure and Cost of the Florida Public Service Commission Telecommunications Department*, Sherry Lichtenberg, Ph.D., National Regulatory Research Institute, August 31, 2011.

In addition to the above processes, the telecommunications staff conducts biweekly internal cross training on its remaining responsibilities. As staff become familiar with each other's duties, the requisite training time will be reduced should the need arise to further consolidate or transfer functions.

Summary

The PSC has proactively responded to the changes in its statutory authority as a result of the Act. The agency has assessed the appropriate staffing levels for the telecommunications staff, and will continue to monitor the workload and staffing needs. The PSC hired NRRI in 2011 to audit the PSC's telecommunications program to determine if additional changes need to be made. While the audit results reflected favorably upon the current program, it also challenged the agency to explore additional streamlining suggestions. The PSC continues to implement NRRI's suggestions and to study other areas. The PSC is also in the process of reviewing its telecommunications rules to eliminate any unnecessary or obsolete regulation. The agency continues to seek ways to economize its resources while maintaining a high quality work product for all industries under the PSC's authority, including telecommunications.