

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate increase by UNITED  
TELEPHONE COMPANY OF FLORIDA.  
DOCKET NO. 910980-TL

Petition by Bonita Springs residents for extended  
area service between Bonita Springs and the Fort  
Myers and Naples exchanges.  
DOCKET NO. 910027-TL

Request by PASCO COUNTY BOARD OF COUNTY  
COMMISSIONERS for extended area service between all  
Pasco County exchanges.  
DOCKET NO. 910529-TL

BEFORE:

CHAIRMAN THOMAS M. BEARD  
COMMISSIONER BETTY EASLEY  
COMMISSIONER TERRY J. DEASON  
COMMISSIONER SUSAN F. CLARK  
COMMISSIONER LUIS J. LAUREDO

DATE:

Tuesday, June 30, 1992

ITEM NO.

22

LOCATION:

Florida Public Service Commission  
Fletcher Building, Room 106  
101 East Gaines Street  
Tallahassee, Florida

REPORTED BY:

JANE FAUROT  
Notary Public in and for the  
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P R O C E E D I N G S

CHAIRMAN BEARD: Item No. 22.

MS. BUCHAN: Commissioners, the next item is Item No. 32, and it is the last half -- I'm sorry 22. It is the last half of the United rate case. On June 12th you voted on the accounting type issues. And these are the rate issues.

I do want to mention to you that earlier today, I believe we handed out several revisions to the numbers. These were really small minor revisions that didn't amount to much. But since we had more accurate numbers, we felt like we need to go ahead and hand them out. They affected Issue 32b and d pertaining to EAS. They will be discussed or mentioned a little more when they come to those items when they come up. The first item or issue within Item No. 22 is Issue No. 31, and Mr. Brown will introduce that item.

COMMISSIONER DEASON: Commissioners, before we get started with the issue-by-issue approach to this item, I would like to make a comment. And, first of all, I would like to preface this by saying this is no reflection upon Staff, because I think they have done an outstanding job analyzing all the rate issues. And the recommendation reflects a lot of hard work and good thought on their part.



1 But the fact of the matter is that the revenue  
2 change in this case, while a million dollars is  
3 significant, still in comparison to the request is not  
4 that much different from zero. It is slightly  
5 negative. And in this case we also reviewed the  
6 depreciation rates, the two are handled hand-in-hand.

7 And when I was reviewing Staff's recommendation  
8 and going over the various items, nothing really jumped  
9 out at me as being something that needed to be cured at  
10 this time. And I don't necessarily mean to say that  
11 what Staff's recommending is wrong; it is just that we  
12 had a rate case not too long ago, and I think that the  
13 rates were structured properly at that time. And there  
14 doesn't seem to be any blatant inequities in the rate  
15 structure as it exists today. Now, that is not to say  
16 that certain things may not need to be modified.

17 But the bottom line I'm getting to is that perhaps  
18 what we should consider is not changing rates at all in  
19 this case, and taking the \$1,065,000 and handling it in  
20 depreciation. I'm not recommending that. I'm really  
21 just throwing that out to get some feedback from my  
22 fellow Commissioners. Obviously, if we, as  
23 Commissioners, could talk behind closed doors, I would  
24 have suggested this, but we can't do that. So, I am  
25 not trying to catch anybody off guard. I am proposing



1 this as something that I would like to get some  
2 feedback from my fellow Commissioners if this is a  
3 viable alternative. There were certain areas in the  
4 depreciation case where there was a lot of subjectivity  
5 used. We made certain assumptions; one that jumps out  
6 right away is the assumption about fiber-to-the-curb  
7 and the time frames involved in that. If we were going  
8 to pursue this seriously, obviously we need input from  
9 our depreciation section as to whether there were areas  
10 where this 1,065,000 could be applied. But before we  
11 go through these issues item-by-item, I wanted to just  
12 throw that out, explore it and see what the reaction  
13 is, as to whether that may be a viable alternative for  
14 the resolution of the change in revenue requirements  
15 for this Company. Don't everybody jump up at once.

16 COMMISSIONER LAUREDO: I like the idea of  
17 discussing this. Could you explain to me exactly what  
18 you mean by applying it to depreciation.

19 COMMISSIONER DEASON: Well --

20 COMMISSIONER LAUREDO: In nonaccounting terms.

21 COMMISSIONER DEASON: Okay. In very simple terms,  
22 we have got \$1,065,000 which we need to handle in some  
23 manner. And Staff has analyzed that and gone  
24 issue-by-issue and recommended modifications in the  
25 rate structure of this Company. Some things were going



1 up, some things were going down, some things were  
2 recommended not to be changed at all. In fact, most  
3 things were recommended not to be changed, not changing  
4 local rates which is the biggest component. In the  
5 depreciation case there were areas there where we just  
6 -- we used judgment. And what I'm saying is that we  
7 may be putting in a degree of accuracy that may not  
8 exist, and that it could be that the 1,065,000 is  
9 within a toleration of acceptance that we could apply  
10 that to depreciation. In other words, just increase  
11 depreciation expense on an annual basis by \$1,065,000  
12 and not bother with the rate structure, unless there  
13 are particular items in the rate structure that exists  
14 today that Staff just feels compelled that there is  
15 some inequity that adjustments need to be made at this  
16 time.

17 CHAIRMAN BEARD: I wouldn't mind hearing Staff's  
18 reaction to that.

19 COMMISSIONER EASLEY: And then I have a slightly  
20 different version.

21 CHAIRMAN BEARD: Oh. Well, do you want to do your  
22 slightly different version first, and then we'll get  
23 Staff's reaction?

24 COMMISSIONER EASLEY: Well, yes, why don't we do  
25 that, because I think in a way you and I were looking



1 at the same sort of thing, Commissioner, but not the  
2 same solution. Okay?

3 I looked at Issue 32a, and looked at the  
4 alternative recommendation, that instead of using it to  
5 reduce BHMOC. The last time we did a \$15 million  
6 increase, when we did the last rate case and we raised  
7 local rates. This time we are doing albeit a minor  
8 decrease, and we are leaving local rates the same or  
9 raising them. And what is going to be difficult to  
10 explain, and the only thing about yours that is still  
11 difficult to explain is everybody has seen in the  
12 newspaper, well, they have cut United's revenue  
13 requirement by a million, but my rates are going to  
14 stay the same. And I was going to suggest that we use  
15 a million to apply to the residential only local rates,  
16 which is only a nickel, but, nevertheless, is  
17 commensurate with the amount of reduction, and was, if  
18 you will, at least an acknowledgment that we reduced  
19 the rates in this case. And, you know, you and I think  
20 we are going the same way. I saw a different way to  
21 use it with a different approach, but now we can talk  
22 about both of them.

23 CHAIRMAN BEARD: You are talking about a nickel,  
24 in essence, off the local residential telephone rate?

25 COMMISSIONER EASLEY: Yes. As I understand it,



1       that works out with Staff's new figures. It comes up  
2       right at about a nickel.

3               CHAIRMAN BEARD: And their current rate in their  
4       highest class is?

5               COMMISSIONER EASLEY: I don't remember. Somebody?

6               MR. BROWN: 10.20.

7               CHAIRMAN BEARD: 10.20, well --

8               COMMISSIONER CLARK: That's pretty -- how does  
9       that compare with other --

10              MR. BROWN: It is fairly low for Rate Group 6.

11              COMMISSIONER EASLEY: By the way, I am prepared  
12       for the argument. I do know that local rates are  
13       already low, but I counter that with we didn't  
14       particularly worry about that when we raised the rates.  
15       And I think when you decrease them, you ought to at  
16       least acknowledge it.

17              CHAIRMAN BEARD: Well, it is not whether rates are  
18       low or not. It is whether the rates are also above or  
19       below cost. And, granted, you can take anywhere from  
20       fully embedded to short-term incremental and make it  
21       say what you want it to say. But, the real bottom line  
22       is there are continuing additional pressures of  
23       competition in various pieces and parts of this  
24       business. And those pressures are going to continue to  
25       grow, they are going to continue to erode other revenue



1 options, and the last bastion, in my opinion, of that  
2 revenue option will be local residential service.

3 COMMISSIONER EASLEY: I knew where you would be  
4 coming from, Mr. Chairman.

5 CHAIRMAN BEARD: And that is the absolutely wrong  
6 signal to send. It is a nit, I appreciate that, and I  
7 appreciate the thought about dropping it. The other  
8 piece of that that I would suggest is sometimes you can  
9 take these revenues, and you can put them someplace  
10 where, in fact, they hopefully will create stimulation,  
11 which will create additional revenues, which you can  
12 then in turn do something else with.

13 COMMISSIONER EASLEY: I understand.

14 CHAIRMAN BEARD: We've had some success with that  
15 with the 25 cent plan. And if nothing else is offset,  
16 it leaves those revenues to be used again. And so they  
17 are kind of -- so, they are self-duplicating in that  
18 sense. And to me --

19 COMMISSIONER LAUREDO: Why don't you stop for my  
20 sake. You are going a little too fast.

21 CHAIRMAN BEARD: Okay.

22 COMMISSIONER LAUREDO: Because you are throwing  
23 out a lot of interesting new concepts. You stopped and  
24 you think that it's a good point that lowering local  
25 basic rate, residential rate, in the long-term, in the



1 big picture, in the deregulation environment which we  
2 are moving into is taking, even though it is a nickel,  
3 one of the few bastions of basic service that is  
4 relatively protected.

5 CHAIRMAN BEARD: In my opinion, you are lowering  
6 the price of something that, in my opinion, is already  
7 below cost, priced below cost.

8 COMMISSIONER LAUREDO: I agree. And so,  
9 therefore, you would, on that basis alone, you would  
10 favor doing the depreciation route?

11 CHAIRMAN BEARD: I would favor something other  
12 than dropping local rates a nickel.

13 COMMISSIONER LAUREDO: All right. And so what was  
14 the other thing that you were alluding to that created  
15 all of these generations.

16 CHAIRMAN BEARD: Well, what I'm suggesting, maybe  
17 not in this instance, but I am suggesting that we can  
18 do something with depreciation which net effect, as  
19 years go on, decreases rate base that much more rapidly,  
20 and decreases revenue requirements, ultimately to the  
21 next rate case. That is an option that tends to create  
22 revenues in its own way.

23 You can take some of these monies and use them in  
24 various kinds of EAS plans. Hopefully, one -- and one  
25 that we have had some success with is this 25 cent



1 plan, or 20 cent plan, depending on where you are, and  
2 you create stimulation. And the stimulation we  
3 estimated today is in the 50 and 60 percent range. But  
4 we have had cases where stimulation, correct me if I am  
5 wrong, has been in excess of 100 percent. So, you  
6 spent that money, but you got it all back and some  
7 more, which you, in turn, then, could spend on  
8 something else and could further benefit the ratepayers  
9 as you go down the road. And spending a nickel on  
10 local rates will not generate an additional penny in  
11 stimulation, okay, and growth in revenues. It will  
12 decrease revenues, just that simple. And I think we  
13 are --

14 COMMISSIONER LAUREDO: I have one little gap.  
15 And, actually, I was going to ask the question of  
16 Commissioner Easley, but I guess either one of you,  
17 because she started her proposition by saying that she  
18 looked at the alternative on 32a.

19 COMMISSIONER EASLEY: That's what got me there.

20 COMMISSIONER LAUREDO: Okay. So, why don't you  
21 try to go over for me this idea and how it relates to  
22 this stimulation on the extended area service.

23 COMMISSIONER EASLEY: Well, the Staff alternative,  
24 as I understand it, would apply to the BHMOC. It was a  
25 further reduction in BHMOC, which has been a goal and,



1 granted, it has been a goal. And I have no problem  
2 with that goal. And had we been talking about \$10  
3 million, I probably would not have come up with this,  
4 to be perfectly truthful with you. But --

5 COMMISSIONER LAUREDO: How does it mechanically  
6 work? How do we, now having to reduce revenue by 1.65,  
7 put it -- apply it to the EAS? Can someone explain  
8 that?

9 CHAIRMAN BEARD: Well, depending on how you apply  
10 it to EAS, Staff correct me, you may or may not  
11 stimulate additional usage and revenues. So, it is not  
12 only using it for EAS, it is how you use it. Some of  
13 Staff's recommendations in here I do not think will  
14 stimulate additional revenues. Some I think probably  
15 will.

16 COMMISSIONER LAUREDO: For example?

17 CHAIRMAN BEARD: For example, the Clermont EAS  
18 additive, if you eliminate that, you won't stimulate  
19 any additional revenues. Staff, you correct me, if you  
20 think I'm wrong but, I think that is a fair assessment.

21 MS. BUTLER: That's correct.

22 CHAIRMAN BEARD: The Toll-Pac EAS adjustment, and  
23 if that is 32 billion, that's the one I think it is,  
24 that's moving to a 25 cent plan, I think you will  
25 probably see some significant revenue stimulations



1       there relative to Toll-Pac and historically what it's  
2       produced. Okay. So, there is a positive one that I  
3       think will work.

4               Bonita Springs EAS additive, I don't think that  
5       will stimulate any revenue. It will simply decrease  
6       revenues.

7               The OEAS Trilacoochee adjustments, I'm not sure --  
8       MS. BUTLER: Probably not.

9       CHAIRMAN BEARD: Okay.

10      MR. BROWN: You have a combination there.

11      CHAIRMAN BEARD: As you go down the list of how  
12      some will, some won't.

13              MS. BUTLER: There were other routes on that same  
14      issue that Trilacoochee is in that we have recommended  
15      moving to the 25 cent plan. So, those would --

16              COMMISSIONER EASLEY: And, Commissioner, let me be  
17      assured that I make myself clear. I agree with  
18      Commissioner Beard, that long-term, anything that  
19      provides additional revenue will ultimately benefit the  
20      residential ratepayer, long-term. But it is hard to  
21      explain that to the residential ratepayer. And I saw  
22      this as an opportunity to, for instance, to do  
23      something that people could see with a minimum impact  
24      on the Company and a minimum impact on future revenue  
25      enhancements.



1 CHAIRMAN BEARD: Well, if it would give you  
2 comfort, I have on my desk a letter from a citizen in  
3 the Orlando area congratulating us on the fine job of  
4 fine-tuning that we did to the \$56 million request, and  
5 to keep up the good work. So, there is at least one  
6 out there.

7 COMMISSIONER EASLEY: But that was based on the  
8 million dollars. They don't know what we are going to  
9 do with the rates yet.

10 COMMISSIONER LAUREDO: I agree. If you can walk  
11 me through this. I agree with the premise of your  
12 proposition, where you have reasonably priced service,  
13 and you are always going to have people who are going  
14 to have a complaint. That I am not afraid of. And if  
15 there is any way that we can apply this amount to  
16 stimulate more revenues, particularly in light of all  
17 that you put it in, exactly as you put it in, the very  
18 competitive environment, sometimes they are at a  
19 competitive disadvantage. The LECs are at a  
20 competitive disadvantage because of the competitive  
21 environment. You can imagine that semantically, but it  
22 is happening more and more. I would like to follow  
23 that trend to its practical application. And you will  
24 have to tell me where to go.

25 CHAIRMAN BEARD: Well, let me carry you a step



1 further, and I'll try to give you some history in this  
2 as well. I've been a pretty strong advocate of  
3 reduction of BHMOC, because that reduces access charges  
4 and, then, in theory, these long distance companies  
5 ought to reduce the charges that they charge other  
6 customers. And people who use long distance service,  
7 which is not everybody, but most people benefit from  
8 that. And to that extent, it ought to stimulate more  
9 revenue. Quite frankly, the application of a million  
10 dollars to BHMOC in this case will probably have the  
11 equivalent of about zero stimulation. Will that be a  
12 fair assessment? And that is a long way, Jill, for me  
13 to come to even say that publicly. You know about  
14 that.

15 MS. BUTLER: Yes.

16 CHAIRMAN BEARD: So, I'm trying to compromise on  
17 this thing. What I would like to find is a way to  
18 maximize -- it's not but a million dollars, but that  
19 million dollars can grow to be more revenues, to have  
20 the opportunity to keep prices down. Depreciation may  
21 well have the same effect. And that is what I would  
22 like to hear a little bit from Staff on, as to some  
23 opinion on if you put the million on depreciation or  
24 you put it on --

25 COMMISSIONER LAUREDO: That includes you, by the



1 way, just in case.

2 CHAIRMAN BEARD: Where does Staff think we get the  
3 most bang for our buck?

4 MS. BUCHAN: I would like to start out answering  
5 one question that Commissioner Deason had asked an  
6 earlier, and that was is there any one thing that we  
7 felt burning that we needed to do. The answer is no.  
8 The only thing that we see, obviously, by our open EAS  
9 dockets, we are doing something with EAS. Anyway, we  
10 will have to address it one way or the other in the  
11 near future. If you choose to do what Commissioner  
12 Deason has said, it will not cause us any problem.

13 Going back to your comment -- your comment,  
14 Commissioner Beard, I believe the 25 cent plan would  
15 probably produce the most amount of stimulation of what  
16 has been discussed here. And we are basing that on our  
17 experience with the 25 cent plan in Florida already, as  
18 well as United's experience with 25 cent plan. Also,  
19 it takes care of EAS problems before we have to deal  
20 with them in a sole standing docket.

21 COMMISSIONER LAUREDO: Jill, you don't have to sit  
22 back there next to -- we don't mind you being up here.

23 MR. D'HAESELEER: I told her she can't go up  
24 there.

25 CHAIRMAN BEARD: That's never stopped her before.



1 MR. D'HAESELEER: I'm getting control.

2 CHAIRMAN BEARD: Have you been watching me,  
3 Walter?

4 COMMISSIONER EASLEY: I think the truth of the  
5 matter is Jill got him to promise if she sat back  
6 there, he'd sit back there.

7 COMMISSION STAFF: We've got them both handcuffed.

8 CHAIRMAN BEARD: I was going to try to find out  
9 who had the leash on who?

10 Any comment, Dale?

11 MR. MAILHOT: The question about how much benefit  
12 you would get from putting the money into the  
13 depreciation reserve, I think. Is that the question?

14 CHAIRMAN BEARD: Well --

15 MR. MAILHOT: How beneficial was that?

16 CHAIRMAN BEARD: The ultimate bang for the buck,  
17 as far as investing a million dollars, where do you  
18 invest it? Do you invest it in depreciation? Do you  
19 invest it in the 25 cent plans where we get the maximum  
20 bang for our buck to minimize potential upward price  
21 pressures on -- I don't want to use the term  
22 "stranded," but on more pure monopoly services.

23 MR. MAILHOT: I think if you are looking truly at  
24 just revenue requirements and revenues of the Company,  
25 that, you know, assuming you get something like 50



1 percent stimulation, that you would get more benefit in  
2 terms of, you know, in holding down the pressure on  
3 local rates in the future. If you put it into  
4 depreciation reserves, say, you put a million dollars  
5 into there, you reduce revenue requirements  
6 approximately 1,200,000 annually. Okay. Now, if you  
7 actually -- if you put the money -- if you put a  
8 million dollars into something that gives you \$500,000  
9 worth of stimulation, then you get, I guess, in effect,  
10 like \$1.5 million worth of benefit versus, say, 1.2  
11 million in depreciation. So, in terms of strict  
12 revenue requirements, you probably get a little bit --  
13 you probably get some additional benefit out of  
14 something that produces true stimulation versus  
15 reducing revenue requirements.

16 COMMISSIONER EASLEY: Let me ask if I said what I  
17 said correctly. What I was talking about was taking  
18 the money from the EAS proposals that you were  
19 proposing to go to BHMOC. And it isn't the same  
20 million, I don't think, is it, that Commissioner Deason  
21 is talking about? So, you get stimulation with my  
22 proposal and still get the five cents, wouldn't you?  
23 Let me make sure I'm saying this right. Because if  
24 stimulation is the issue, if I understand it, we might  
25 get both. If I don't understand it, Jill, just yell at



1 me, and I will lean back and be quiet again.

2 MS. BUTLER: The million dollars that we are  
3 talking about is without any kind of rate changes at  
4 all. But I thought that the money you were talking  
5 about was -- it's the bucks without us making any other  
6 changes at all.

7 COMMISSIONER EASLEY: It is the accumulation, I  
8 thought, of the -- like the 25/25 in 32a, which is  
9 434 --

10 MS. BUTLER: No.

11 COMMISSIONER LAUREDO: I thought it was a  
12 reduction of the rate base, of the revenues.

13 MS. BUTLER: It is the change in the revenue  
14 requirement --

15 COMMISSIONER EASLEY: It is the total million, so  
16 it is the same million that --

17 COMMISSIONER LAUREDO: 1.65 million, right?

18 MS. BUTLER: But I believe what Commissioner Beard  
19 was -- well, at one point what somebody was talking  
20 about was if you go with the alternative Staff  
21 recommendations on Clermont, Bonita Springs and  
22 Trilacoochee, what we are saying is right now those  
23 people have -- well, Clermont, in any case, Clermont  
24 and Bonita Springs have an additive on their rates.  
25 And the primary Staff recommendation says take that



1 additive away. So, that is a negative. That says the  
2 Company is going to get less money.

3 COMMISSIONER EASLEY: Okay. So, in the alternate  
4 you don't take the negative away. And the alternate  
5 says put it in BHMO. What Commissioner Deason is  
6 saying is taking that and doing depreciation with it.

7 MS. BUTLER: I thought -- no.

8 COMMISSIONER DEASON: In the revenue requirement  
9 section of this case, we decided on a number, and that  
10 was that there should be a 1.065 million reduction in  
11 revenue requirements. And mine was simply that number  
12 and saying, "Let's don't change rates. Let's just  
13 basically increase depreciation rates by the tune of  
14 1,065,000." So the effect of this case is that there  
15 is zero revenue requirements up or down. There is zero  
16 change in rates.

17 COMMISSIONER EASLEY: Okay. You and I are talking  
18 about the same million applied a different way.

19 COMMISSIONER LAUREDO: Jill, follow -- continue  
20 your logic there.

21 MS. BUTLER: Well, if you took that -- if you took  
22 the million away --

23 COMMISSIONER LAUREDO: A million.

24 MS. BUTLER: The million away. I think part of  
25 Commissioner Deason's premise is you should make no



1 change in rates. But you could, if you wanted to do  
2 that, I suppose take the million and put it in  
3 depreciation and still make other rates changes and be  
4 able to do some other things. Because I think part of  
5 where you are confused, or the confusion lies with  
6 Commissioner Easley is that we've recommended  
7 increasing some rates, as Commissioner Beard said, and  
8 decreasing some rates. And it is the net effect that  
9 you are kind of looking at. So, you could still do  
10 some of that netting in the rate part and still do what  
11 Commissioner Deason is talking about in the  
12 depreciation part. Not as much, you know, but that is  
13 still a possibility.

14 CHAIRMAN BEARD: Let me ask a question and take an  
15 example. The Clermont additive is what?

16 MS. SHELFER: \$2.36.

17 CHAIRMAN BEARD: It's currently \$2.36? Do we have  
18 any -- let me make a note, so I don't get lost.

19 MR. BROWN: It comes out to 500 --

20 CHAIRMAN BEARD: Pardon me?

21 MR. BROWN: 592,863 annually.

22 CHAIRMAN BEARD: I want to do this on a per  
23 customer basis for right now.

24 MR. BROWN: No, 434 -- excuse me. 434,381  
25 annually.



1 CHAIRMAN BEARD: Well, bear with me. I want to do  
2 this on a per customer basis for the moment. 2.36 per  
3 customer, right?

4 MR. BROWN: Yes, sir.

5 CHAIRMAN BEARD: Now, do we have any kind of  
6 traffic study information on an average that a customer  
7 actually calls? In other words, calls from Clermont to  
8 the Orlando area, what they are paying that additive  
9 for, how many calls they make in a month? (Pause)

10 COMMISSIONER LAUREDO: They weren't quite ready  
11 for this.

12 MS. SHELFER: It went into effect on December  
13 15th. So, it is local now; we don't have any  
14 information on it. Are you talking about historic?

15 CHAIRMAN BEARD: Yes. What I'm trying to figure  
16 out is did the average customer make ten calls a month?

17 MS. SHELFER: I'll have to check the traffic  
18 study.

19 CHAIRMAN BEARD: You have them up to --

20 MR. BROWN: Up to December we do have them. But  
21 once it went into place, we don't have anything because  
22 it became local at that point in time.

23 MS. SHELFER: It's not in the record.

24 CHAIRMAN BEARD: Okay. And once it goes local, it  
25 may be a problem. Where I was coming from is the



1 average customer, if they made ten calls a month to  
2 Orlando, it cost them 23 cents, 23.6 cents a call. So,  
3 if you, in effect, offer them a 15 cent plan, okay,  
4 then short-term you potentially are reducing revenues.  
5 But I think the stimulation would far more than offset  
6 that. I'm just trying to find some ways to look at  
7 maximizing the bang for the buck. And it may be too  
8 late to do it in this case. But you see where I am  
9 headed?

10 MS. BUTLER: Yes. I can give you my recollection  
11 of some historical information on going to flat rate  
12 EASSs, that stimulation is typically about 600 percent.  
13 That is going from a toll to flat, flat rate, two-way.  
14 That is --

15 CHAIRMAN BEARD: This is the nonoptional?

16 MS. BUTLER: Right, this is the nonoptional stuff.

17 CHAIRMAN BEARD: And so, Clermont in this instance  
18 is already flat rate, two-way nonoptional.

19 MS. BUTLER: Right.

20 COMMISSIONER EASLEY: All right. Now, I may have  
21 missed this because -- but let me ask. The 32a primary  
22 recommendation, removing the additive of \$2.36, annual  
23 revenue impact is \$434,000, you do anticipate that that  
24 results in stimulation?

25 MS. BUTLER: (Indicating no.)



1 COMMISSIONER EASLEY: Why not?

2 MS. BUTLER: It is a flat rate plan. It is flat  
3 rate like, almost like regrouping.

4 COMMISSIONER EASLEY: Removing the additive isn't  
5 going to increase anything.

6 MS. BUTLER: It will increase the people's number  
7 of calls probably, or it may increase the people's  
8 number of calls, actually, maybe not. But it will not  
9 increase revenues.

10 COMMISSIONER EASLEY: All right. So, going to 15  
11 cents isn't going to do anything, either.

12 MS. BUTLER: I think what Commissioner Beard is  
13 talking about is changing the flat rate plan to now a  
14 usage-sensitive plan.

15 COMMISSIONER EASLEY: Oh, okay.

16 CHAIRMAN BEARD: Which would not fly --

17 COMMISSIONER EASLEY: Which would not fly.

18 CHAIRMAN BEARD: -- at this stage. And I am just  
19 really thinking out loud, and I am talking  
20 hypothetically, as well. I am not going to try to go  
21 from flat rate back to some kind of message rate.

22 MS. BUCHAN: Yes. I believe what Chairman Beard  
23 was talking about was on 32b and 32d, those are the two  
24 items that you identified that stimulation would occur  
25 from. So, if you wanted to look at that --



1 COMMISSIONER EASLEY: Okay. I've got the wrong  
2 issue. You're right.

3 CHAIRMAN BEARD: What I guess I'm trying to say is  
4 32b and 32d, if we did -- even if we did some  
5 depreciation, those that we can clearly identify that  
6 will create some significant stimulation, I would like  
7 to hang onto those, if we didn't do anything else,  
8 because I think they will pay their way and probably  
9 then some. Now, I --

10 COMMISSIONER DEASON: The numbers that Staff  
11 recommends for those two issues, 32b and 32d, are those  
12 numbers with or without stimulation? The 746,000 and  
13 the 903,000, are those with or without stimulation?

14 MS. BUTLER: The 746,000 is without stimulation;  
15 856 is without stimulation. We have presented -- we've  
16 given you the numbers both ways.

17 COMMISSIONER EASLEY: Yes. See, this is why I  
18 didn't understand why if you took the revenue from  
19 those, and maybe I was using the wrong issue, if you  
20 took the revenue from those that you were going to  
21 apply to BHMOC under your recommendation, and you  
22 anticipated there would still be stimulation, why there  
23 wouldn't be stimulation if you applied it to the five  
24 seats on the residential rate.

25 CHAIRMAN BEARD: It would be stimulation of those



1 revenues, but the money you then took and applied to  
2 the local rates, that wouldn't create any additional  
3 stimulation.

4 COMMISSIONER EASLEY: I understand that.

5 CHAIRMAN BEARD: Why not spend that money on  
6 something that further creates stimulation, especially  
7 when you have service that is below --

8 COMMISSIONER EASLEY: Okay. We are back to the  
9 basic argument. But I just wanted to be sure that I  
10 was not at least incorrect, that the five cents could  
11 potentially, potentially, result in miniscule  
12 stimulation, for the miniscule, miniscule stimulation,  
13 because it is tied to the same thing that is going to  
14 produce miniscule stimulation if you use it for BHMOC.  
15 If doing it for BHMOC produces stimulation on the EAS  
16 side, I do not understand that.

17 CHAIRMAN BEARD: No.

18 COMMISSIONER EASLEY: Okay. If I don't  
19 understand that, I don't understand it, but that is it.

20 MS. BUCHAN: Would you like for me to try to  
21 explain.

22 COMMISSIONER EASLEY: No. I can count. There is  
23 no point in belaboring it.

24 COMMISSIONER DEASON: Are the numbers on  
25 stimulation? Is that of stimulation?



1 MR. BROWN: Attachment B? You are looking at the  
2 revised?

3 COMMISSIONER DEASON: Revised, yes.

4 MR. BROWN: Attachment B is with stimulation.

5 COMMISSIONER DEASON: I'm sorry, it is what?

6 MR. BROWN: With.

7 COMMISSIONER DEASON: With stimulation. So, for  
8 Issue 32b, the 592,000, it considers stimulation?

9 MR. BROWN: Yes, with what was on the record. The  
10 31.8 percent stimulation is what we used.

11 COMMISSIONER DEASON: And the 794,000 for Issue  
12 32d also considers stimulation?

13 MR. BROWN: Yes, sir.

14 COMMISSIONER DEASON: And if we add those two  
15 numbers together we are in excess of 1.065 million?

16 MR. BROWN: Yes, sir.

17 COMMISSIONER DEASON: So, to do both of those and  
18 nothing else, we actually would be reducing rates more  
19 than the 1,065,000, assuming stimulation is 31 percent.  
20 It could be more; it could be less, we don't know.

21 MR. BROWN: Yes. If those were the only two  
22 things you did.

23 COMMISSIONER DEASON: What would the stimulation  
24 have to be for it to approximately equal a million  
25 dollars for those two issues? It would have to be



1 something more than 31, 32 percent, right?

2 MS. SIMMONS: Commissioner Deason, I did do some  
3 calculations involving the 32b and 32d. Now, I did not  
4 take into account the Trilacoochee when I did that, but  
5 with some more aggressive stimulation figures that  
6 aren't actually on the record --

7 COMMISSIONER DEASON: Are or are not on the  
8 record?

9 MS. SIMMONS: Are not.

10 COMMISSIONER DEASON: Well, we can't do anything  
11 that is not on the record.

12 MS. SIMMONS: Okay. All right. Well, I guess  
13 what I was trying to allude to is if you do look on,  
14 basically, the summary that is specific to 32b and 32d,  
15 you can see that the set of the routes that are  
16 involved that are currently Toll-Pac, right now those  
17 are -- if those were converted to the 25 cent plan, and  
18 we included stimulation, you can see the 529,863  
19 figure. And then the other routes that we are  
20 recommending in 32d to convert to 25 cent would be  
21 747,239, which is basically what Mr. Brown already  
22 alluded to you, produces a greater revenue reduction  
23 than desired. I could see those numbers going down  
24 somewhat under a more aggressive stimulation. When I  
25 say somewhat, once again it is off the record, but



1 maybe something on the order of 145,000 less of a  
2 revenue reduction than might be indicated on these  
3 charts.

4 CHAIRMAN BEARD: Help me out for just a minute.  
5 The third page of this thing that I got this morning  
6 was called Attachment G, is that correct?

7 MR. BROWN: Yes, sir.

8 CHAIRMAN BEARD: Okay. And on Attachment G I have  
9 a Clermont EAS additive of zero.

10 MR. BROWN: Yes, sir.

11 CHAIRMAN BEARD: I have a negative revenue impact  
12 for the Toll-Pac EAS adjustment, which I assume is  
13 migrating to the 25 cent plan. Is that accurate?

14 MR. BROWN: Yes, sir.

15 CHAIRMAN BEARD: And the Bonita Springs EAS  
16 additive is zero. I guess that means we leave it where  
17 it was. There is no negative impact. And the OEAS  
18 Trilacoochee adjustment is a 794,000 negative  
19 adjustment. And the figure you just gave me was  
20 747,000, I assume, so there is -- that contains some  
21 stimulation at that point. The bottom line being when  
22 you isolate down to that, your figure is a negative  
23 1.387 million, which is below the amount that we have  
24 to work with, number one. Number two, I think that the  
25 31 percent, that is still 31 percent stimulation?



1 MR. BROWN: Yes, sir.

2 CHAIRMAN BEARD: Or whatever the figure was.

3 MR. BROWN: 31.8.

4 CHAIRMAN BEARD: Which is not an unreasonably  
5 aggressive stimulation figure. I think it is one that  
6 we could certainly hope to achieve.

7 MS. SIMMONS: That's right. Commissioner Beard,  
8 that 31.8 percent is what United experienced in the  
9 zero to ten mileage band when they converted those  
10 routes to the 25 cent plan. And in that particular  
11 case, the average revenue per message under toll on the  
12 zero to ten mileage band routes was like 26.1 cents.  
13 So, going to 25 cents was a very small reduction and  
14 did result in the 31.8 percent stimulation. So, here  
15 you are looking at potentially much greater reductions  
16 in price and potentially considerably more stimulation.

17 CHAIRMAN BEARD: I guess what I am doing, is I'm  
18 just looking at the figures you all used in the  
19 assumption. Are you telling me that you don't think  
20 the 31 percent stimulation figure is the appropriate  
21 one to use?

22 MS. SIMMONS: Well, we used it because that is the  
23 information on the record.

24 CHAIRMAN BEARD: That is not what I asked you.

25 MS. SIMMONS: Do I feel it's appropriate. I think



1       it's conservative, based on the other information I  
2       have.

3           CHAIRMAN BEARD: Okay. So, we probably could  
4       expect to see even greater revenue stimulation than 31  
5       percent?

6           MS. SIMMONS: Yes. I feel so.

7           CHAIRMAN BEARD: So, if I have, then, a net effect  
8       of \$1.387 million, I am, number one, still below the  
9       1.696, or whatever it was, that I've got to work with.  
10      I have comfort with the stimulation, number one. And I  
11      still have perhaps a few dollars to work with,  
12      depending on how artistic we want to get, or roll the  
13      rest of it into depreciation. I don't know. I am just  
14      trying to explore some things. (Pause) And there was  
15      silence.

16          COMMISSIONER CLARK: Mr. Chairman, what is your  
17      proposal, then?

18          CHAIRMAN BEARD: I guess my proposal is that we  
19      target the dollars where they generate the greatest  
20      number of additional dollars, or we think they will, so  
21      that we will have those revenues to work with in the  
22      future to combat the other pressures that I see coming  
23      down the road.

24          COMMISSIONER EASLEY: Does that mean they have to  
25      come back to us, or do you have something in mind?



1 CHAIRMAN BEARD: I don't think we are necessarily  
2 talking short-term. I think we are talking longer term  
3 pressure on local rates, on small business rates. I  
4 think that comes because of other pressures or  
5 competition comes into large business where bypass  
6 becomes more of a factor. I don't think it is a  
7 short-term deal.

8 COMMISSIONER CLARK: No.

9 COMMISSIONER LAUREDO: Do you want to defer for  
10 them to go back?

11 COMMISSIONER EASLEY: No. That's all I was  
12 asking, are you asking them to come up with the most  
13 efficient way to do this, or did you have something in  
14 mind?

15 CHAIRMAN BEARD: Well, I think off the top of my  
16 head, my gut reaction is to target the 32b and 32d  
17 issues for the Staff's recommendation, which is the  
18 conversion to the 25 cent plan. I would have a  
19 tendency to not target 32a and 32c because they,  
20 frankly, don't stimulate revenues; they simply reduce  
21 them. And --

22 COMMISSIONER DEASON: In other words, you would  
23 keep the additives?

24 CHAIRMAN BEARD: I would keep the additives in  
25 place. That takes care of about -- well, it takes care



1 of what, almost \$1.4 million. That would leave what to  
2 deal with?

3 MR. BROWN: Well, if you go back, and you look at  
4 Attachment G there; if you follow through on Staff's  
5 recommendation on the other issues, at the bottom of  
6 that you come up with \$952,000. Now, what we have done  
7 in BHMOC is, basically, with the time of day discounts  
8 being changed, we have netted that with the BHMOC  
9 reduction. Okay. And then the other changes, you  
10 would still have that million, approximately a million  
11 dollars to address.

12 CHAIRMAN BEARD: I guess what I am kind of  
13 thinking, God forbid I would ever say this, but that we  
14 not take and net against the BHMOC, but then perhaps  
15 use that, as Commissioner Deason has suggested, for  
16 depreciation.

17 COMMISSIONER CLARK: You are suggesting we not  
18 address the BHMOC?

19 CHAIRMAN BEARD: Yes.

20 COMMISSIONER CLARK: I would have -- I think I  
21 would have concerns with that, because isn't one of our  
22 long-term objectives always been to reduce the BHMOC?

23 CHAIRMAN BEARD: I think one of our long-term  
24 objectives is to reduce the BHMOC, as many times as I  
25 hammered about the small companies and the theory until



1 I was bloody. But I think what I am saying is that  
2 Commissioner Deason's suggestion on depreciation as a  
3 short-term step may free us up to truly get at a bigger  
4 reduction of BHMOC toward the future. I think it would  
5 have much greater stimulation in revenue reduction --  
6 revenue requirement reduction -- let me be careful --  
7 than a minimal amount of stimulation that will occur if  
8 you tie this to BHMOC at this stage of the game.

9 COMMISSIONER DEASON: What you are saying is if we  
10 put those dollars to the BHMOC at this point, it would  
11 just be a drop in the bucket, so to speak, and there  
12 would probably, in effect, be no stimulation, probably  
13 no recognizable effect on long distance rates in the  
14 state. Whereas, if you use it another way, you know  
15 there is going to be a recognizable benefit maybe on  
16 the longer term, but, nevertheless, it is going to be  
17 recognizable at some point?

18 COMMISSIONER EASLEY: I had that million in my  
19 hand there for about two seconds, you realize that,  
20 just two seconds.

21 CHAIRMAN BEARD: Yes. And I think that just gets  
22 us at the most bang for our buck in the long term.

23 COMMISSIONER LAUREDO: And it is consistent with  
24 the -- well, the arguments that -- on the EAS  
25 alternative recommendation that appealed to me was the



1 fact that people, in fact, voted for the additives and  
2 they expected fully to pay for them. And they  
3 shouldn't get a windfall just because of circumstances  
4 that have nothing to do with it. So, I think that  
5 should be part of the reasoning behind that. And,  
6 also, I don't think we're --

7 CHAIRMAN BEARD: I think that is part of it.  
8 Hopefully, also, what you are doing here, if you  
9 generate revenues that keep the basic local rate  
10 stable, not increasing, then, they are, in fact,  
11 reaping some benefit from that revenue stimulation, as  
12 well. Now, they have still got an additive on there,  
13 but that additive is on top of whatever the basic local  
14 rate is. And if we continue to add, potentially add --  
15 I have to be careful -- upward pressure on the basic  
16 local rate, it's the basic local plus the additive,  
17 whatever that is?

18 COMMISSIONER LAUREDO: Well, I'll tell you what,  
19 you know, if you are ready to make specific proposals,  
20 I'm ready to vote.

21 MS. BUCHAN: Commissioner, I would like to mention  
22 one other thing. In our recommendation on those two  
23 issues, 32b and d, we do suggest that we come back in  
24 six months to true-up the revenues and the dollars.

25 So, in answer to your question, Commissioner



1 Easley, you asked would we come back. Well, it was our  
2 plan to come back if you did approve those two items.  
3 It will probably generate additional revenues. That's  
4 what we're anticipating, and we can do something with  
5 that money at the time.

6 COMMISSIONER LA'REDO: Let me ask you a question,  
7 the get-in-trouble type of question. I mean, you know,  
8 I can't talk to anybody until I get on this podium, so  
9 I might as well. If you could wear, any one of you  
10 could wear the Company's perspective in terms of the  
11 safe and soundness, financial safe and soundness, in  
12 light of this rate case, which would be the best  
13 approach that you would recommend?

14 MS. BUTLER: If I was the Company, I would go with  
15 Commissioner Deason's suggestion, put it under  
16 depreciation. Because if you reconsider any of your  
17 votes -- I mean, you should never -- you should not  
18 vote like you might change your mind later. You should  
19 vote like you are right and go on from there. But the  
20 Company hopes that you may reconsider some of your  
21 votes that led to the bottom line revenue requirement  
22 of 1.065 million. And if you do, they hope that you  
23 will reconsider them in their favor. So, they would  
24 rather not put rates in that reduce, you know, that are  
25 at reduced levels and then have you come back later on,



1 change your mind, you know, reconsider your vote, come  
2 up with a higher level of revenue requirements for the  
3 Company, and then where are you on rates? Now you have  
4 put in lower rates somewhere, and you have got to  
5 increase them again. I mean, that is certainly --

6 COMMISSIONER LAUREDO: So, did you say  
7 Commissioner Deason's or Commissioner Beard's position?

8 MS. BUTLER: Commissioner Deason's recommendation  
9 changes no rates to end users that have no impact.

10 COMMISSIONER LAUREDO: And it also includes the  
11 alternative recommendation, right? Because it leaves  
12 that intact on EAS?

13 MS. BUTLER: Yes, sir, because it would leave it  
14 status quo.

15 COMMISSIONER LAUREDO: If we had not had a rate  
16 case, these people would be paying for the additive  
17 they voted for?

18 MS. BUTLER: Right. Correct.

19 COMMISSIONER LAUREDO: And they voted for it.

20 CHAIRMAN BEARD: Let me ask --

21 COMMISSIONER LAUREDO: Okay. And how do you  
22 address Mr. Beard's suggestion of the other -- his  
23 methodology may increase the stimulation and,  
24 therefore, revenues?

25 MS. BUTLER: Well, I can give you my opinion.



1 COMMISSIONER LAUREDO: Well, I'm trying to have  
2 you wear a corporate hat for a minute.

3 MS. BUTLER: All I can do is give you my opinion.  
4 EAS is a constantly tough issue for you, Commissioners.  
5 It's a tough issue for us Staff, but you are the ones  
6 that end up having to make the decisions all the time.  
7 And you are the ones that end up with the county  
8 commissioners and the senators and everybody else  
9 coming in here saying that they need EAS for their  
10 area. And I don't disagree that having local calling  
11 between areas has an impact on how those areas develop  
12 together. So, one of the things that I think of when,  
13 you know, we get to this situation where we may have a  
14 little bit of money to play with, is let's see if we  
15 can head them off at the pass and try to take care of  
16 some EAS problems before they rear their ugly heads as  
17 dockets.

18 Now, the other side of that is that EAS tends to  
19 breed more EAS. People see what everybody else has  
20 got, and they want it, too. So, the more you put it  
21 in; the more requests you are going to get. And there  
22 is that aspect of it.

23 In a way, I see that the 25 cent plan is a good  
24 compromise to the flat rate, because, while it has an  
25 impact on the Company, it doesn't have as great an



1 impact, and it gives the Company the opportunity to  
2 perhaps benefit from what the people enjoy in their  
3 increased calling. So, you know, I think Commissioner  
4 Beard's plan has got merit, too.

5 COMMISSIONER LAUREDO: Has what?

6 MS. BUTLER: I think it has merit, as well. But  
7 it -- well, from the Company's perspective, you put in  
8 the lower rates, and then you go back and reconsider.

9 CHAIRMAN BEARD: Jill, let me ask you a question  
10 here. If I'm trying to balance this out, and I am on  
11 Attachment G, and the net effect is we would deny Staff  
12 on 32a. If we denied Staff on 32c, we would then  
13 approve Staff the rest of the way down the list. We  
14 would still have just short of a million dollars to  
15 apply to depreciation, is that correct? 952,000  
16 ballpark figure?

17 MR. BROWN: Yes, sir, if you followed Staff the  
18 rest of the way. And, see, that nets the BHMOC against  
19 the time of day restructure.

20 CHAIRMAN BEARD: What we have done is, I guess as  
21 I see it, we have changed some rates, yes. But the net  
22 effect, as I see it, is the same because we are -- let  
23 me be careful -- we are zeroing this out. You've got  
24 some stimulation potentially still coming. It is in  
25 depreciation. Instead of just having the 1. -- putting



1 1.6 million depreciation and walking away, we are  
2 actually giving 1.3 million in revenue reductions,  
3 almost a million and still coming out the same way.  
4 So, it just seems like we get more bang for the buck.

5 COMMISSIONER LAUREDO: Walter wants to say  
6 something.

7 MR. D'HAESELEER: I just want to -- you know, you  
8 are always talking about precedential value and  
9 historical perspective. I have got to give it to you  
10 on EAS. There is no doubt that any time you have a  
11 usage-sensitive rate, and you reduce that rate, you  
12 should see some stimulation. So, if you have toll  
13 rates, and you reduce them, whether you call it a 25  
14 cent plan, whether you call it some optional toll plan,  
15 theoretically and usually, you are going to stimulate  
16 revenues.

17 My problem has always been with EAS is the have  
18 and the have-nots. And people, once they perceive that  
19 call is local in nature, that they are entitled to it,  
20 that their neighbors have it; I think that anytime you  
21 have any kind of add-on, it's a temporary solution.  
22 Obviously, those people in Bonita Springs may be happy,  
23 but only for a short period of time, because their  
24 total bill is going to be reduced because the rates are  
25 going to be reduced. But it isn't going to take them



1 long to think about, "Gee whiz, why isn't that a local  
2 rate? Why do I have that add-on. Look at what happens  
3 in Miami. Look at what happens in Lauderdale."

4 COMMISSIONER CLARK: Well, I thought the  
5 suggestion is we just -- you know, our action today  
6 would not preclude us from doing that sometime in the  
7 further.

8 MR. D'HAESELEER: Well, my problem is historically  
9 we have taken care of these EAS problems in rate cases.  
10 And this would be, in my estimation, an ideal time to  
11 remove these add-ons.

12 CHAIRMAN BEARD: And, generally, I agree. Bonita  
13 Springs is very fresh. Bonita Springs, the case could  
14 be made, did not meet all the tests. So, there is some  
15 extenuating circumstances with Bonita Springs that  
16 might say, hold it to the next rate case. Okay. Or  
17 until some other revenues show up that need to be dealt  
18 with.

19 COMMISSIONER LAUREDO: Okay. What do you say,  
20 Walter, to my fairness doctrine that I try to apply  
21 when I look at these things? Well, you know, everybody  
22 -- they voted for it under certain conditions.  
23 Everybody who, prior to this rate case, bit the bullet  
24 on that. They are benefiting. What was another case?  
25 They are getting a benefit for something that's



1 incidental to everything they have done. How do you  
2 counter that argument?

3 MR. D'HAESELEER: I can't argue with you that  
4 those people think they are getting a big deal because  
5 they are getting a reduction in their toll bill, and  
6 they voted for it. But on the other hand, when they  
7 start looking around and seeing, "Hey, some of these  
8 other guys have a larger calling scope than I do and  
9 they don't have this add-on. Why?" And I would argue  
10 that --

11 COMMISSIONER LAUREDO: But they did vote on it on  
12 that basis?

13 MR. D'HAESELEER: Sure, because --

14 COMMISSIONER LAUREDO: If you assume that the  
15 voter is intelligent and informed, you know, we  
16 shouldn't be taking away the burden that they adopted  
17 when they voted for the system or nothing they have  
18 done.

19 MR. D'HAESELEER: If you were going to take my  
20 point of view and be consistent, you would restructure  
21 local exchange pricing, so that everybody would look  
22 alike.

23 COMMISSIONER LAUREDO: How do we do that?

24 MR. D'HAESELEER: Well, I don't know if we should.

25 COMMISSIONER LAUREDO: We are getting to the point



1       where we may have to stop piecemealing things and find  
2       time in our light schedule to --

3               MR. D'HAESELEER: I don't know if you want to tell  
4       your compadres down in Miami you want to reduce their  
5       calling scope, and then if they want to increase it,  
6       there is going to be an add-on.

7               CHAIRMAN BEARD: Trust me, you don't.

8               COMMISSIONER CLARK: I had a question with regard  
9       to truing this up six months from now.

10              MS. BUCHAN: Right. But the question was that --  
11       I think Ms. Simmons commented that while we use the 31  
12       percent stimulation, we kind of, at our gut level, feel  
13       that there will be more stimulation. And we don't  
14       really know. This is an approximation. So, if we wait  
15       for six months, hopefully by then full stimulation will  
16       have occurred, and we can look and see what actually  
17       happened. Because right now we are just shooting at a  
18       target.

19              COMMISSIONER CLARK: I guess the concern I have  
20       with that is we have taken lots of suppositions and  
21       estimations in this case. And it seems to me that if  
22       we are going to do that, we ought to look further down  
23       the road and see if some of the revenue increases we  
24       expected to materialize, in fact, do. And if they  
25       don't, grant them a rate increase. I guess I'm



1 concerned that we are treating this differently than  
2 other judgments we have made. And we are saying we are  
3 going to reserve the right to fine-tune with respect to  
4 this judgment. My comment is why not with respect to  
5 all of them if that's the case.

6 MS. BUCHAN: In respect to just EAS type things,  
7 this is not precedential. We have done this before  
8 where we have gone back and trued up in six months. I  
9 believe in Quincy we did it sometime afterwards. And I  
10 think we trued up twice, if I am not incorrect. I  
11 believe there was so much stimulation at a later date  
12 you had to come back and at that time I believe you  
13 reduced from 25 to 20 and then 20 to 12. I am not  
14 quite sure.

15 CHAIRMAN BEARD: We might have gone from 15 to 10.

16 MS. BUCHAN: Okay. It was something, but I  
17 remember it was reduced twice. But we've only ever  
18 done this in regard to 25 cents. So for that -- but  
19 you are right, we are not doing it for the other  
20 services. I guess it's because we can measure  
21 stimulation on EAS. It is something that, in the past,  
22 we have not recommended to you that you do anything  
23 with stimulation or repression because we can't measure  
24 it. Florida is such a growth state, we have a hard  
25 time. But for some reason EAS we can isolate and



1 measure. And, therefore, we feel comfortable with it,  
2 whereas the other one --

3 COMMISSIONER CLARK: My question was a little bit  
4 different. Based on the notion that revenue  
5 requirements are going to go down in a year and a half,  
6 I can't remember the dates precisely, but something is  
7 going to happen and revenue requirements are going to  
8 go down. We are not going to revisit, whether or not  
9 that is going to happen, and true it up, if it doesn't  
10 actually occur. My question is why should we do it in  
11 this case? Why should we go -- you know, all of this  
12 is an estimation, why should we go back and --

13 COMMISSIONER EASLEY: I thought that it was not  
14 reviewing the entire and truing up the entire revenue  
15 requirement issue. I thought it was only that as it  
16 related to EAS.

17 COMMISSIONER CLARK: That is my point. If we are  
18 going to do it for this, why don't we do it for  
19 everything?

20 COMMISSIONER EASLEY: But we do it in other EAS, I  
21 thought was the answer, and I'm not sure what the point  
22 is.

23 CHAIRMAN BEARD: We have done it in other EAS,  
24 okay.

25 COMMISSIONER EASLEY: Yes.



1           CHAIRMAN BEARD: And it is no secret that I have  
2 learned here in the past that you keep, you know, a  
3 piece of that is your EAS, and it's \$500,000 reduction  
4 in revenues. And, you know, \$500,000 here, \$500,000  
5 there, and pretty soon you are talking real money. And  
6 I am not sure we should be doing it. To me the true-up  
7 is you've got a surveillance report, and if you see  
8 things getting out of whack because there's upward  
9 pressures and there's downward pressures, we talked  
10 about this in the hearing at length and in the special  
11 agenda.

12           COMMISSIONER EASLEY: But as I recall, and maybe I  
13 am mixing some stuff up. But as I recall, one of the  
14 reasons for the true-up in the EAS only was because we  
15 were unsure when we first started, particularly the 25  
16 cent plan, not the flat rate options and all the rest  
17 of them, but particularly the 25 cent plan, which sort  
18 of appeared, if you will recall, as what is a  
19 compromise. And we really did not know what the  
20 stimulation was going to be and what the effect was  
21 going to be. And I think we instituted the true-up and  
22 the review only when it came to those. Am I correct?

23           CHAIRMAN BEARD: And we also assumed zero  
24 stimulation.

25           COMMISSIONER EASLEY: Because we didn't have



1 anything else to judge it by.

2 CHAIRMAN BEARD: We are not assuming zero  
3 stimulation here.

4 COMMISSIONER EASLEY: Because now we have  
5 something to judge it by. And all I am hearing is that  
6 they are looking for continuation because we are  
7 talking about a 25 cent plan. If there is enough --  
8 and maybe what Commissioner Clark is getting to, and if  
9 this is the case, I might agree with her. If we now  
10 have enough information that we can judge stimulation  
11 to such a degree that we are making predictions based  
12 on it, maybe we don't need to review it anymore. I  
13 don't know the answer to that. But that is, I guess,  
14 the bottom-line question.

15 MS. BUCHAN: No, we do not know enough about it,  
16 but we can't keep going back.

17 Commissioner Clark, though, I do feel that what  
18 you raised here is good, a good valid comment. I'm not  
19 sure I've got all of my eggs together right now to be  
20 able to tell you or, you know, give you a good answer,  
21 other than the rate case procedure would be where I  
22 think we would true that up. I think it may be SPF  
23 phasedown is what you are talking about, the revenue  
24 requirement going down in a year and a half, is that  
25 what it is, another SPF phasedown, then the Company



1 would probably come back in. If it did greatly affect  
2 them, I would expect them to come in for another rate  
3 case or to address that then. This is a very much  
4 smaller scale, I realize. But we know, I mean, with  
5 some certainty that there will be a revenue increase to  
6 the Company if we put in the 25 cent plan.

7 MS. BUTLER: The reason that we are recommending  
8 it in this case is because we believe in your hearts of  
9 hearts -- the only information we have on the record  
10 right now is that from the zero to ten mileage band  
11 that there was 31.8 percent stimulation. That was a  
12 very small change in average revenue per message. The  
13 change here is huge. In some cases it is from like 75  
14 cents to 25 cents average revenue per message. We know  
15 that the stimulation is going to be greater than 31.8  
16 percent. But, unfortunately, we don't have a record  
17 that permits us to make a recommendation to you on what  
18 we think it is. So, our alternative, you know, what we  
19 did, was we took the conservative way out on the  
20 stimulation estimate, because that was all we could do.  
21 But we know that it's not going to be right. If we had  
22 done this case over again, we would have put on our  
23 Staff witness and said, "We believe that stimulation  
24 will be this." And then you would have had a record to  
25 vote from. And then we could have recommended a right



1 number right now. So, that is why it is different.

2 COMMISSIONER LAUREDO: Going back to the big  
3 picture for a minute. Walter, what -- I obviously  
4 deduct from your comments that you are against Staff's  
5 alternate recommendation on the issues. But how do you  
6 look at the two proposals brought forth by Commissioner  
7 Deason and Commissioner Easley?

8 MR. D'HAESELEER: Well, in this business there is  
9 many answers that are reasonable. And, you know --

10 COMMISSIONER LAUREDO: And what is it that you are  
11 running for?

12 MR. D'HAESELEER: No, I mean, I wish I could say  
13 -- I wish I could say there is only one way of doing  
14 it, and it's my way, but I have been around here long  
15 enough to know --

16 COMMISSIONER LAUREDO: Well, let me just  
17 paraphrase it. There is a philosophy expressed that  
18 had some attraction to me, that said we have already  
19 bit the bullet, and the hard one, in terms of somebody  
20 came in for an increase in revenue. We already did the  
21 difficult part. This is easy. But we also recognize  
22 that it is a very competitive market out there, and  
23 that competition sometimes is putting established  
24 companies in uncompetitive positions. How can we take  
25 this little, tiny little million dollars, that is all



1 we are talking about here, and put it to use to allay  
2 my fears, that this Commissioner has, that the sound  
3 financial basis of those companies is as important to  
4 me as keeping the rates low. Because I want the phones  
5 to work first. And is Mr. Deason's suggestion through  
6 depreciation a better way if you were the chief  
7 financial officer of a corporation, or would it --  
8 which is what Jill says, I guess. Or would it be  
9 messing with EAS? You know, is voting against all  
10 Staff's recommendations, changing no tariffs and then  
11 just putting it in as depreciation? What would be the  
12 sound, the most sound financial?

13 MR. D'HAESELEER: Well, you are putting me in a  
14 position I --

15 COMMISSIONER LAUREDO: This is why I hate the  
16 system, because I would like --

17 MR. D'HAESELEER: If I were the Company,  
18 obviously, I would want the depreciation. There is no  
19 doubt about that at all. And I would want as much as I  
20 could get, because that is what I asked for in the rate  
21 case. There is no doubt about that.

22 COMMISSIONER LAUREDO: The second part of my  
23 question, do we have a generic EAS docket?

24 CHAIRMAN BEARD: I really don't know.

25 MR. D'HAESELEER: We have countywide and we have



1 several other dockets, yes.

2 COMMISSIONER LAUREDO: How can we address this  
3 philosophical discussion within the confines of this  
4 Commission down the road? Is there any -- are we going  
5 to cross that any --

6 MR. D'HAESELEER: In my opinion, you really don't  
7 want to do it, because there aren't these pressures on  
8 local rates. And that is what we have been fooling  
9 with since the early '80s. And at one time there was a  
10 thought that local rates were going to double and  
11 triple. And we were looking at alternatives for local  
12 exchange pricing. But until you reach that level,  
13 there really isn't any --

14 COMMISSIONER LAUREDO: So, there is no pain  
15 threshold yet?

16 MR. D'HAESELEER: Right. You don't want to be a  
17 masochist and tackle that one, frankly. The other  
18 thing, for consistency, I have, you know, with Tom  
19 Beard, I just can't believe he doesn't want to reduce  
20 the BHMOC. I mean --

21 COMMISSIONER LAUREDO: Well, he's never --

22 CHAIRMAN BEARD: Wait a minute. Wait a minute.  
23 BHMOC is being reduced by 2.353 million, isn't it? All  
24 I'm doing -- let me go back and tell you what mine  
25 would be, and I think Commissioner Deason has three



1 questions. My recommendation would be that we take, in  
2 essence, Attachment G. We deny Staff on 32a and 32c,  
3 which are the additives. Okay. That net effect brings  
4 that subtotal revenue amount of minus \$1.387 million.  
5 We leave everything else intact. And that, then,  
6 leaves excess revenues of \$952,000. We apply that  
7 \$952,000 to depreciation. Now, what that means, the  
8 only difference between Commissioner Deason and myself  
9 is Commission Deason was going to apply 1.6; I'm going  
10 to apply 952,000. So, with that \$500,000 difference, I  
11 am going to do a lot of other things.

12 (Simultaneous conversation.)

13 COMMISSIONER LAUREDO: It's 1.060 million, not  
14 1.6.

15 COMMISSIONER DEASON: We are closer than what you  
16 are thinking. It's 1.065.

17 COMMISSIONER LAUREDO: Okay.

18 COMMISSIONER CLARK: I move -- I second that,  
19 Commissioner Beard.

20 MS. SHELPER: We need a clarification. On Issue  
21 32d, when we're dealing with Trilacoochee, the primary  
22 says to put it in as regrouping only. The alternate is  
23 the one that has the 25 cent plan.

24 CHAIRMAN BEARD: The alternate.

25 MR. BROWN: And it would be \$20,000 difference is



1 all. It is 47,000 with regrouping only is the cost.  
2 And it is 27,000 with stimulation. So, that would  
3 change your 1.387 figure to 1.367.

4 CHAIRMAN BEARD: And that 20,000 can go towards  
5 depreciation, which puts it --

6 MR. BROWN: Yes, brings you even closer.

7 CHAIRMAN BEARD: Okay. Now.

8 COMMISSIONER DEASON: I have three questions.  
9 Looking at Attachment G, there are three  
10 recommendations which result in large increases. The  
11 first one being Issue 33, the net effect of 1,677,000.  
12 I think that is something to do with Custom Calling  
13 Features. Could you explain what that is, please?

14 MR. YATES: The recommendation for the changes in  
15 Custom Calling Features which will result ultimately in  
16 the revenue increase of the \$1.6 million.

17 COMMISSIONER DEASON: Now, my question is, we are  
18 talking about stimulation on the EAS, and I agree with  
19 that concept. But are we going to have negative  
20 stimulation in these Custom Calling Features to  
21 increase the rate?

22 MR. YATES: Well, I think the fact that such  
23 things as the first feature access, we are also  
24 recommending to delete that, that is \$1.40. So, that  
25 is going to have an effect of stimulating the Custom



1        Calling Features, even though there are some changes in  
2        the more popular features.

3                COMMISSIONER DEASON: I see. I notice the amount  
4        Staff is recommending is the same amount the Company  
5        proposed. So, you are recommending the exact same rate  
6        structure the Company requested, is that correct?

7                MR. YATES: That is correct.

8                COMMISSIONER DEASON: The next item I have a  
9        question about is a little bit further down on  
10       Attachment G. It relates to Issue 31c, and has a  
11       revenue effect of 1,235,000. And I think that is also  
12       in conjunction with the -- with the two lines down, the  
13       1,397,000. Both of those relate to time of day  
14       discount reductions. Could you explain that a little  
15       bit further?

16               MR. YATES: What they have done -- that's my  
17       issues there -- is United has changed their time of day  
18       discount periods to what they have for their MTS, which  
19       is what they charge for their intraLATA. And,  
20       currently, it's a 35 and 60 split on their discount, 35  
21       for evening and 60 for night. And they're reducing it  
22       to 25/50.

23               COMMISSIONER DEASON: They're reducing their  
24       discount rate. Now, does what we're doing with EAS in  
25       any way affect that, because we're taking some tolls



1 out and converting them to local. Has that been  
2 factored in?

3 MR. YATES: No, sir.

4 MS. SIMMONS: Well, I believe those toll routes  
5 wouldn't affect the -- United's traffic today as  
6 opposed to -- I mean, they would be intraLATA as  
7 opposed to interLATA, currently. So, I don't think  
8 there is a --

9 COMMISSIONER DEASON: There is no problem there?

10 MS. SIMMONS: I don't believe there would be any  
11 problem there.

12 COMMISSIONER DEASON: Okay. All right. Now, my  
13 other question -- I guess I'll ask Beth, that's about  
14 it. If we were to apply the 952,000 of excess revenues  
15 to depreciation, do we have a recommendation from the  
16 depreciation section as to where would be the most  
17 likely and best place to apply that?

18 MS. SALAK: We would suggest at this time that it  
19 go to the bottom line reserve. That, basically, the  
20 Staff thinks the reserves are correct. After Staff's  
21 recommendation and after your vote, we would suggest  
22 now to go to the bottom line and keep accumulating it  
23 until the next depreciation study.

24 COMMISSIONER DEASON: We would have to handle it  
25 basically like we handled the \$30 million in this rate



1 case.

2 MS. SALAK: Yes, sir.

3 COMMISSIONER DEASON: So it would be reflected as  
4 annual depreciation expense for the Company's financial  
5 reporting purposes, is that correct?

6 MS. SALAK: Uh-huh.

7 COMMISSIOENR DEASON: And it would be up to this  
8 Commission, at a later date, to actually apply that to  
9 specific accounts when the time arose?

10 MS. SALAK: Uh-huh.

11 CHAIRMAN BEARD: Other questions?

12 MS. SALAK: We would like to emphasize that would  
13 be on an intrastate basis.

14 COMMISSIONER EASLEY: Any questions?

15 MS. SALAK: And there would be a rate base effect  
16 of what you are proposing.

17 COMMISSIONER DEASON: Yes, I assume there is going  
18 to be an effect and there may be an effect on deferred  
19 taxes. I don't know. I guess you all have that in  
20 your model, and I suppose you could do --

21 COMMISSIONER EASLEY: Commissioner Beard, have you  
22 made your motion?

23 CHAIRMAN BEARD: I made the motion and Susan Clark  
24 seconded it.

25 COMMISSIONER LAUREDO: Would you run it by me?



1 CHAIRMAN BEARD: The motion is to deny Staff on  
2 Issue 32a and 32c, the alternative to Staff on 32d  
3 and --

4 COMMISSIONER LAUREDO: Do what, approve it or deny  
5 it?

6 CHAIRMAN BEARD: Approve the alternative.

7 COMMISSIONER LAUREDO: We deny 32a and c.

8 CHAIRMAN BEARD: Approve the alternative of 32d.  
9 Staff help me so I don't make a mistake here. Approve  
10 all the other Staff recommendations as they are  
11 associated with Attachment G. And the remaining 900 --  
12 and now, actually, I think \$72,000 would be applied to  
13 a bottom line depreciation account to be determined how  
14 to deal with it at a later date.

15 COMMISSIONER EASLEY: I'm getting hand signals.

16 MS. BUTLER: I believe what you are wanting to do  
17 is to approve the alternative Staff in a and c and also  
18 d.

19 CHAIRMAN BEARD: Okay. What I want to do is get  
20 to the recommendations that generated the data on  
21 Attachment G.

22 MS. BUTLER: Those are the alternatives on those  
23 32 --

24 MR. BROWN: Other than 32d, which we'll change  
25 there.



1 COMMISSIONER LAUREDO: I want to be careful,  
2 because these are double negatives here.

3 COMMISSIONER EASLEY: Hold on a minute. Steve, do  
4 you have that?

5 MR. TRIBBLE: It would help if we could just kind  
6 of run down --

7 COMMISSIONER EASLEY: All right. One time.

8 CHAIRMAN BEARD: On Issue 32a, I'm recommending --  
9 Jill look at me -- the alternative Staff  
10 recommendation.

11 MS. BUTLER: Yes, sir.

12 CHAIRMAN BEARD: On 32c, I am recommending the  
13 Alternative Staff recommendation. On 32d, I am  
14 recommending the alternative Staff recommendation. On  
15 all the other issues, it is primary Staff, that  
16 includes 31a, BHMOC. And that then leaves a bottom  
17 line figure of approximately \$972,000, which we would  
18 apply to a bottom line depreciation account.

19 Now, if I have left something out, let's take it a  
20 piece at a time in that. Help me.

21 Dale, do you want to say something?

22 MR. MAILHOT: Okay. The 972,000 would be recorded  
23 in an intrastate depreciation reserve account.

24 CHAIRMAN BEARD: Say it again.

25 MR. MAILHOT: The 972,000 would specifically go



1       into an intrastate, an unclassified intrastate  
2       depreciation reserve account. And the amount that the  
3       Company should be booking to give the equivalent effect  
4       on revenue requirements is 1,093,000. That takes into  
5       account the rate base effect and everything. That is  
6       what they should book annually until the next  
7       depreciation study.

8               CHAIRMAN BEARD: Okay.

9               COMMISSIONER EASLEY: We have a motion and a  
10       second. Are there any further questions? Any further  
11       discussion?

12              COMMISSIONER DEASON: Just one comment, and I  
13       think it is something we all understand is that we are  
14       probably going to get some petitions for  
15       reconsideration, which we are going to be, perhaps,  
16       trying to do things up and down. And we may need to --  
17       we are apt to reevaluate this. If we do reconsider. I  
18       mean, that is just understood.

19              COMMISSIONER EASLEY: Yes.

20              COMMISSIONER LAUREDO: Well, and now you tell  
21       before I vote -- I will vote for this on the basis that  
22       the presumptions that have been kind of quickly thrown  
23       around here has some figures like 972,000 in  
24       depreciation are correct. That is a safer route for  
25       what I want to do is go with your original



1 recommendation because that number is clear. I assume  
2 your number is clear and the 972, so --

3 COMMISSIONER CLARK: Yes. Hey, if they're wrong,  
4 they will tell us.

5 COMMISSIONER EASLEY: All right. All in favor of  
6 the motion, say aye.

7 COMMISSIONER DEASON: Aye.

8 COMMISSIONER CLARK: Aye.

9 COMMISSIONER LAUREDO: Aye.

10 COMMISSIONER EASLEY: Opposed?

11 MS. BUCHAN: Commissioners, could you also please  
12 leave the docket open?

13 COMMISSIONER EASLEY: The docket is open.

14 CHAIRMAN BEARD: Okay. The docket remains open.  
15 Is there anything else that needs to be taken care of  
16 today? Thank you very much, Staff.

17 (The item was concluded.)

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## 1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA )

3 COUNTY OF LEON )

4 I, JANE FAUROT, Court Reporter, Notary Public in  
5 and for the State of Florida at Large:6 DO HEREBY CERTIFY that the foregoing proceedings  
7 was taken before me at the time and place therein  
8 designated; that before testimony was taken the  
9 witness/witnesses were duly sworn; that my shorthand notes  
10 were thereafter reduced to typewriting; and the foregoing  
11 pages numbered 1 through 59 are a true and correct record of  
12 the proceedings.13 I FURTHER CERTIFY that I am not a relative,  
14 employee, attorney or counsel of any of the parties, nor  
15 relative or employee of such attorney or counsel, or  
16 financially interested in the foregoing action.17 WITNESS MY HAND AND SEAL this 13<sup>th</sup> day of July,  
18 1992, in the City of Tallahassee, County of Leon, State of  
19 Florida.20  
21   
22 JANE FAUROT, Court Reporter  
23 Notary Public in and for the  
24 State of Florida at Large

25 My Commission Expires: July 16, 1993