

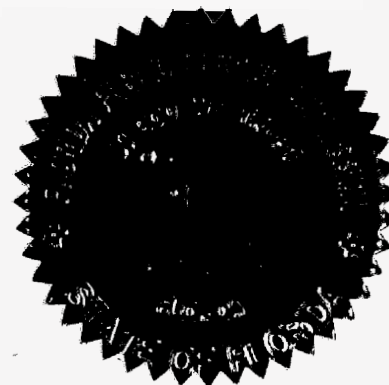
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of

ALL INCUMBENT LOCAL EXCHANGE
COMPANIES; ALL COMPETITIVE LOCAL
EXCHANGE COMPANIES; ALL
INTEREXCHANGE COMPANIES
IN RE: EXTENDED CALLING SERVICE
(ECS).



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PROCEEDINGS: WORKSHOP

BEFORE: CHAIRMAN BRAULIO L. BAEZ
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER LILA A. JABER
 COMMISSIONER RUDOLPH "RUDY" BRADLEY
 COMMISSIONER CHARLES M. DAVIDSON

DATE: Thursday, May 6, 2004

TIME: Commenced at 9:40 a.m.
 Concluded at 11:20 a.m.

PLACE: Room 148, Betty Easley Conference Center
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR
 Official FPSC Reporter
 (850) 413-6734

DOCUMENT NUMBER - DATE

05685 MAY 18 2004

FPSC - COMMISSION CLERK

1 IN ATTENDANCE:

2 HERB BORNACK, Orlando Telephone (participating
3 telephonically).

4 STAN GREER, BellSouth Telecommunications, Inc.

5 BEN POAG and CHARLES REHWINKEL, Sprint.

6 DOUG FULP, Verizon.

7 BOB CASEY, SHEVIE BROWN, JAMES MADURO, BILL DICKENS,
8 JASON ROJAS and BETH KEATING, Commission Staff.

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P R O C E E D I N G S

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2 CHAIRMAN BAEZ: All right. We're going to start the
3 workshop. Call it to order. Mr. Rojas, can you read the
4 notice.

5 MR. ROJAS: Pursuant to notice issued March 29th,
6 2004, this time and place is noticed for a Commission workshop
7 regarding extended calling service.

8 CHAIRMAN BAEZ: Thank you. And I'm not sure we have
9 to take appearances for this, but we can just jump right in.
10 Jason, we've got an agenda, and I trust you to move us, move us
11 through that, if that's okay. You can call your first
12 presenter or however you want to -- if you want to go briefly
13 over how we're going to, how we're going to proceed.

14 MR. ROJAS: I'm actually going to turn it over to Bob
15 Casey.

16 CHAIRMAN BAEZ: An excellent way to proceed.

17 MR. CASEY: Staff has proposed an agenda for today's
18 workshop. The first thing we'll do is look at the history of
19 ECS briefly, followed up by the legal aspects of ECS. We'll
20 look at recent market developments. We'll have some carrier
21 presentations, we have four scheduled: The first one will be
22 by Orlando Telephone, the second one will be Sprint, followed
23 by BellSouth and finally Verizon. Then after the presentations
24 we'll have some concluding comments.

25 Now to start us off, we'll start with the history of

1 ECS, and Mr. Brown will start with that.

2 MR. BROWN: Good morning. I'd like to begin with the
3 history of ECS. We're going to begin with talking about
4 extended area service versus extended calling service. On your
5 screen you'll see the definition of EAS, and that is from the
6 Commission rule.

7 EAS is basically your local calling service.
8 Extended calling service is a service implemented when there's
9 a community of interest between two parties. Calling volumes
10 do not warrant implementation of EAS service per the Commission
11 rules, and toll relief is approved through a flat rate and/or
12 per minute use or charge.

13 Next we'll move on to the history of EAS -- excuse
14 me, of ECS. ECS evolved out of a need to recognize communities
15 of interest between two communities which did not qualify for
16 EAS. It was originally known as the 25-cent plan or the
17 25-cent message rate.

18 Original Commission decisions addressed ECS through
19 the Gadsden County Board of County Commissioners for EAS and
20 also with an investigation between the Quincy Telephone Company
21 authorized return on equity and earnings.

22 What's the criteria for ECS (sic.)? When a request
23 for EAS -- excuse me, EAS. When a request for EAS was received
24 by the Commission, if the plan resulted in an increase in
25 rates, a survey of the affected customers was made by the

1 company. These customers would be allowed to vote for or
2 against the proposal. And the route was approved if the
3 majority of the customers voted favorably or 40 percent of all
4 of the ballots were returned.

5 What we're here today is to address what are some of
6 the alternatives of EAS. Well, if it was voted down by the
7 customers, then the Commission would consider alternatives such
8 as ECS or any other similar plans.

9 Currently there are approximately 900 plans of ECS,
10 and in some later slides you'll see a company breakdown of
11 those.

12 Next Mr. Maduro will talk about ECS routes and
13 competitive or their noncompetitive nature.

14 MR. MADURO: Good morning, Commissioners. ECS
15 routes, competitive or noncompetitive? Prior to 1995 ECS
16 routes were determined to be local services and was the
17 exclusive right and responsibility of the local exchange
18 companies.

19 In 1995 the Florida Legislature revised Chapter
20 364 by allowing and encouraging competition by local exchange
21 carriers.

22 In May of 1994 the Commission issued an order
23 acknowledging the Legislature's directive for competition. The
24 Commission ordered that interexchange companies may carry the
25 same type of traffic on routes they carry presently or in the

1 future.

2 Local exchange company routes, ECS routes in Florida.
3 Currently there are approximately, approximately 900 ECS routes
4 in Florida. The routes are as follows: BellSouth, 315;
5 Sprint, 275; GT Com, 174; Verizon, 92; AllTel, 31; NEFCOM, 8;
6 Smart City Telecom, 5; for a total of 900.

7 Florida rate centers. There are presently 281 rate
8 centers in Florida. Seven of the rate centers located in the
9 Florida Keys were converted into one mega rate center called
10 the KEYS. Also, Sprint established the Weirsdale rate center,
11 which is located in central Florida.

12 That concludes my presentation, and now Mr. Rojas
13 will talk about statutory and rule provisions.

14 MR. ROJAS: There are several statutes, Commission
15 rules and past Commission decisions that address extended
16 calling service and extended area.

17 Chapter 364.02 of the Florida Statutes defines basic
18 local telecommunications service and reads in part that, for a
19 local exchange telecommunications company, such term shall
20 include any extended area service routes, and extended calling
21 service in existence or ordered by the Commission on or before
22 July 1st, 1995. This implies that all new EAS, ECS after
23 July 1st, 1995, is not to be considered basic service within
24 the meaning of the statute, but rather nonbasic service as
25 provided in 364.02(9).

1 364.025(1) defines universal service and reads in
2 part, until January 1, 2009, each local exchange
3 telecommunications company shall be required to furnish basic
4 local exchange telecommunications service to any person
5 requesting such service within the company's service territory.

6 Chapter 364.385 was implemented to designate
7 additional EAS routes to be considered as basic service and set
8 the legal treatment for addressing applications that fell
9 between March 1st, 1995 -- the March 1st, 1995, cutoff date by
10 the Legislature and the January 1st, 1996, implementation date.

11 Several of the Commission rules that still, that
12 still address EAS and ECS, we have 25-4.042, which addresses
13 the actual extended area service.

14 25-4.063 addresses subscriber surveys, and that's
15 what Mr. Maduro had addressed earlier in allowing customers to
16 choose.

17 Rule 25-4.064 lists several alternatives to
18 nonoptional extended area service.

19 Several past Commission decisions that have addressed
20 ECS and EAS, first is Order Number PSC-96-1536-FOF-TL. This
21 was issued December 17th, 1996, in Docket 961266. And it
22 states in part, any requests for EAS or ECS filed after
23 July 1st, 1995, that are implemented become part of nonbasic
24 service. Since EAS or ECS requested after July 1st, 1995,
25 would become a nonbasic service, the Commission is without

1 jurisdiction to require the price-regulated LECs to implement
2 EAS or ECS. Thus, whether to implement an EAS or ECS request
3 is a decision for the price-regulated LEC rather than for the
4 Commission.

5 The next order that addresses past Commission
6 decisions is Order Number PSC-96-0394-FOF-TL, issued March
7 20th, 1996, in Docket Number 951097. The order states in part,
8 based upon the revisions to Chapter 364, no new EAS or ECS
9 applications based on the old law will be considered for those
10 companies that have elected to be price regulated. EAS or ECS
11 that can be implemented after that date must be under the terms
12 of the new law. It is clear that requests for EAS or ECS filed
13 after July 1st, 1995, that are implemented, if any, become part
14 of nonbasic service. Since EAS or ECS requested after
15 July 1st, 1995, would become nonbasic service, there's no
16 express statutory authority to require the price-regulated
17 local exchange companies to implement EAS or ECS. Thus,
18 whether to implement an EAS or ECS request is a decision for
19 the price-regulated LEC rather than for the Commission.

20 And with that, I'd like to turn it over to
21 Mr. Dickens to discuss market developments.

22 MR. DICKENS: Good morning, Commissioners. The
23 following presentation will provide an overview of concern in
24 both historical and current market developments for extended
25 calling services in Florida.

1 The first slide highlights recent ECS conversions
2 either implemented or proposed by several Florida ILECs.

3 Sprint converted four two-way ECS routes to EAS in
4 2003. The four are Avon Park to Sebring, Lake Placid-Sebring,
5 Cape Coral-Punta Gorda, Fort Myers-Punta Gorda.

6 BellSouth has noticed staff that approximately 50 ECS
7 routes in the panhandle may be converted to EAS.

8 Sprint proposed in the December 2003 rate rebalancing
9 docket that the company will offer five free ECS calls. If you
10 have any questions pertaining to the conversions, a
11 representative for each company will be ready to respond to
12 your inquiry.

13 The second slide highlights the three-year trend for
14 ECS revenues, and offers some plausible explanations for
15 understanding the trend. In the last three years, ECS revenues
16 have decreased an average of approximately 39.03 percent for
17 business customers and decreased on average over that time
18 period 39.52 percent for residential customers.

19 What are the reasons for the declining trend? First,
20 there is the issue about bundled package offerings; second,
21 wireless; and, third, toll calling alternatives.

22 Market forces are impacting ECS calling. And the
23 graph that you have before you, we're looking at how bundling
24 has been occurring in Florida over the time period 2002 to
25 2003. The majority of Florida telephone subscribers prefer

1 bundled services.

2 In March 2004, 54 percent of respondents were
3 actually purchasing bundled local and long distance services.

4 Next, wireless. Between 2002 and 2003 in the above
5 graph we see that wireless penetration rates have steadily
6 increased in Florida. In March 2004, 64 percent of respondents
7 were wireless customers.

8 The next graph looks at toll calling alternatives.
9 Over 49 percent of respondents most often make long distance
10 calls using means other than their home phones.

11 Almost 31 percent of respondents most often use their
12 wireless phones to make long distance calls.

13 Approximately 89 percent of respondents in 2003 have
14 tried various means to save money on long distance calls.
15 Two-thirds of these respondents noticed a reduction in their
16 phone bill as a result.

17 A substantial number of those that primarily use home
18 phones for long distance are purchasing bundled services.

19 This concludes my portion for market developments.
20 If you have any questions that you'd like to ask for additional
21 clarification, I'd be more than happy to respond. Thank you
22 very much.

23 CHAIRMAN BAEZ: Hold on, Dr. Dickens. Commissioner
24 Jaber, do you have a question?

25 COMMISSIONER JABER: I'm not sure, Mr. Dickens, if

1 this question is for you or Mr. Casey, so I'll leave it open
2 that way.

3 I'm just trying to understand the law first and
4 foremost, and then how it's been applied to the conversion
5 process from ECS to EAS.

6 And on -- let's see, it's 24 -- I don't know what
7 page it's on, but you were, you were talking about past
8 Commission decisions and the law, and you said that after a
9 certain date the Commission lacked jurisdiction for
10 establishing EAS, I believe, and you went on to say that Sprint
11 made conversions from ECS to EAS. Do you have that slide, Bob?

12 MR. CASEY: Yes. I believe Mr. Rojas can respond to
13 it.

14 COMMISSIONER JABER: Okay. Okay. It's 364.385. I
15 just found it. As it relates to the law, are those new
16 applications for EAS that are within the discretion of the LECs
17 or, or does it also include the conversion process?

18 MR. ROJAS: I believe that 364.385 was the conversion
19 process. The Legislature -- there was some, some lack of
20 clarification between the dates that the Legislature wanted the
21 cutoff, and March 1st was the cutoff date for applications;
22 whereas, July 1st was the beginning of implementation. So
23 there was a window there. But all new proceedings were to be
24 governed by the new law as opposed to the old law.

25 COMMISSIONER JABER: Okay. So then just to -- since

1 you've outlined the Sprint conversions in your presentation,
2 just to focus on them for a minute, Avon Park, Lake Placid,
3 Cape Coral, Fort Myers, those conversions were done at the
4 discretion of Sprint, or did we issue an order?

5 MR. ROJAS: I believe that was done at the --

6 MR. CASEY: They were done at the discretion of
7 Sprint through a tariff filing at the Commission.

8 COMMISSIONER JABER: A tariff filing that we
9 administratively approved or the tariff was filed for
10 informational purposes?

11 MR. CASEY: Which we administratively approved, yes.

12 COMMISSIONER JABER: All right. And then what that
13 might have meant is that in that conversion process customers
14 saw a slight rate increase?

15 MR. CASEY: That's correct. I asked Sprint about
16 that, and it was included in their annual filing.

17 COMMISSIONER JABER: Okay. And BellSouth has issued
18 a similar notice.

19 MR. CASEY: That tariff that was filed was
20 presumptively valid. There was no order.

21 COMMISSIONER JABER: For BellSouth?

22 MR. CASEY: No, on the Sprint.

23 COMMISSIONER JABER: Oh, on Sprint. Okay.

24 MR. CASEY: Yeah, just to clarify it.

25 COMMISSIONER JABER: Okay. And that notwithstanding,

1 you say ECS revenues have declined, and that ties into Billy's
2 presentation that ECS revenues have declined because calls are
3 going more through the wireless networks, for example.

4 MR. CASEY: There's a number of reasons: Bundled
5 packages, wireless, even calling cards.

6 COMMISSIONER JABER: Okay. As it relates to Sprint's
7 proposal then and the rebalancing docket, the five free ECS
8 calls that customers may make, those are areas where Sprint has
9 chosen not to exercise their discretion to convert to EAS.

10 MR. CASEY: I believe Mr. Poag should respond to that
11 probably.

12 MR. POAG: Yeah. That's correct, Commissioner Jaber.
13 Those are routes that would continue to be ECS. However, the
14 first five calls by residential customers would be at no charge
15 to the customers.

16 COMMISSIONER JABER: Mr. Poag, I'm really just trying
17 to understand the conversion process. What -- educate me on
18 what would require or what would require -- why would the
19 company convert to EAS? Is it a cost recovery issue?

20 MR. POAG: Absolutely -- well, certainly there are
21 revenues that are generated by the ECS calls, and without some
22 offset to those or some significant change in the market which
23 would force us to do something differently, you know, we would
24 obviously like to retain those revenues as much as possible.

25 And we are responding, I think, to customers by doing

1 what we did in our price cap filing, which was effective in
2 October of 2003, and that is to identify specific areas where
3 there are unique situations that would justify a change during
4 that price cap filing. It's kind of a balancing act about how
5 much of, how big a piece of the apple do you take at this
6 particular time and what are you looking at for the long-term
7 trends?

8 Long-term trends, we think that the ECS revenue
9 stream will continue to decline and continue to be less and
10 less of an issue, particularly if the access rebalancing gets
11 through the Supreme Court and that gets implemented. Here
12 again, that's something that would have a net effect on
13 reducing long distance rates. And long distance is an option
14 to the extended calling service. So there are lots of things
15 in play here today, in particular addressing the four free
16 routes that -- or, excuse me, the four routes that we converted
17 to EAS. I know that two of those, the Avon Park to Sebring and
18 Lake Placid to Sebring, are cases where the customers over a
19 number of years did file EAS petitions with the Commission, and
20 that those particular distances between the municipalities or
21 the exchanges is really relatively short. So there was a huge
22 community of interest and they were all in the same county.

23 I do not know what the unique circumstances are with
24 the Punta Gorda, Fort Myers and Cape Coral; however, I do know
25 that there was a survey that was done particularly of our

1 public affairs managers, and in making those surveys we took
2 that feedback, analyzed it and tried to identify those areas
3 where we felt we could do the best for the most customers.

4 COMMISSIONER JABER: Just a couple of follow-up on
5 what you just said. How many EAS routes do you have?

6 MR. POAG: I'm sorry. I cannot answer that question.

7 COMMISSIONER JABER: Maybe you can get back to us on
8 that. I'm just trying to understand what the proportionate EAS
9 route number is to ECS.

10 MR. POAG: Yeah. I feel quite confident that the EAS
11 route number would be the larger, but I'm not positive.

12 COMMISSIONER JABER: And then what are the rates for
13 EAS and ECS? Does that vary by route or is it standard for
14 your company?

15 MR. POAG: It varies by route. Unfortunately --
16 well, fortunately or unfortunately -- unfortunately, because of
17 the fact that we've merged two companies, we have five
18 different plans that are in effect, and those are, I believe,
19 laid out in the, the data request response that we made to the
20 staff. Yeah.

21 COMMISSIONER JABER: Okay. And is it a fair
22 statement to make that where you have ECS routes, you feel like
23 the revenues continue to cover the costs for delivering the
24 calls?

25 MR. POAG: Oh, absolutely, Commissioner. The

1 revenues far exceed the costs, and they basically are, like
2 toll and like access charges, they're the historical form of
3 universal service revenues.

4 COMMISSIONER JABER: Thank you, Mr. Chairman.

5 CHAIRMAN BAEZ: Commissioner Deason.

6 COMMISSIONER DEASON: It's been indicated that
7 bundling is one of the reasons, one, there's been a decline in
8 ECS revenue. And my question is is that a case of where
9 there's just toll minutes added in to the bundle or are there
10 actually routes that are bundled in that become toll free
11 because the customer is purchasing a bundled package?

12 MR. DICKENS: Commissioner Deason, it would be more a
13 function of toll minutes. This is what we're finding, the
14 effect in terms of why consumers are finding that particular
15 option more attractive. So that's, that's where they're also
16 realizing a savings as well.

17 COMMISSIONER DEASON: So it's a situation where
18 they're purchasing a, a block of usage. Part -- it becomes
19 part of the bundle. And so those revenues are no longer
20 tracked as ECS revenue, they just become bundled revenue.

21 MR. DICKENS: That would be correct, yes.

22 COMMISSIONER DEASON: I have a question probably for
23 Mr. Rojas. Rule 25-4.042 which you referenced earlier, I'll
24 kind of refer to this as the continuing obligation rule. Even
25 though this rule has been in place, there have only been four

1 routes since 1995 that have been added to those EAS routes
2 which existed in 1995? The four Sprint routes, those are the
3 only EAS routes that have been added since 1995?

4 MR. ROJAS: I am not sure. I don't believe so
5 though.

6 MR. CASEY: We can check on that for you,
7 Commissioner.

8 COMMISSIONER DEASON: Do the companies have any --
9 has BellSouth implemented any EAS routes since 1995?

10 MR. GREER: I believe there's been a couple. One
11 that comes to mind is, I think, High Springs to Gainesville was
12 an EAS route I think we implemented. But there's been a
13 couple, not a lot.

14 COMMISSIONER DEASON: And Sprint has implemented four
15 since 1995; is that correct?

16 MR. POAG: I'm sorry, Commissioner. I didn't -- I
17 was talking with Mr. Rehwinkel. Did you address that to me?

18 COMMISSIONER DEASON: Mr. Rehwinkel is obstructing
19 progress here, isn't he?

20 MR. POAG: Yeah. He can carry on two conversations
21 at once. I can't.

22 COMMISSIONER DEASON: The question is have the four
23 routes which were identified earlier by staff, are those the
24 only routes Sprint has implemented since 1995?

25 MR. POAG: No, sir. There is one other that was

1 implemented, and it had to do with the Wildwood exchange in
2 connection with a boundary transfer that we were doing there.

3 We have also implemented many additional ECS routes
4 that -- since that '95 legislation. So where we have not
5 necessarily implemented flat rate mandatory, we have
6 implemented the ECS.

7 COMMISSIONER DEASON: And the -- of course, ECS is
8 like -- is the -- it's either discounted toll or it's just
9 taking what normally was toll usage and converting it to a flat
10 rate. What have you been doing, both or a combination or --

11 MR. POAG: Basically offering the ECS plans, which
12 for residential customers would be 25 cents per message, and
13 for business customers 10 cents for the first minute and 6
14 cents for each additional minute.

15 Those plans have been -- a lot of them were done, and
16 I can't remember exactly, but in the, I'm going to say in the
17 late, late '90s after the legislation was passed. And at one
18 point in time we didn't have the billing capability to do the
19 10 and 6 for business, so we did 25 cents for business as well.
20 But it was one of those two types of plans that were, were
21 implemented subsequent to the '95 legislation in addition to
22 the Wildwood exchange flat rate.

23 COMMISSIONER DEASON: And those are -- are those --
24 those are considered nonbasic services because they were
25 implemented after 1995?

1 MR. POAG: They are considered -- technically they're
2 considered nonbasic; however, for purposes of reporting with
3 our price cap filings, we have included those in the stricter
4 price cap of the basic services category.

5 COMMISSIONER DEASON: So you've, you've reported
6 those subject to the, the more restrictive constraints on
7 increasing, increasing those charges; is that correct?

8 MR. POAG: Yes, sir, that's correct.

9 MR. REHWINKEL: Mr. Chairman, if I could add --
10 Charles Rehwinkel with Sprint. To supplement Mr. Poag's
11 answer, in the, one of the area code dockets dealing with the
12 Orlando area when they implemented 321, in the De Bary,
13 Sanford, what's the city, Orange City area there was a
14 convergence of a LATA line and basically three area codes in
15 that area. And we offered, along with BellSouth, to convert
16 some ECS routes in that area concurrent with the creation of a
17 new exchange in Osteen, it was -- we put it out for ballot and
18 I think it was voted down. And this may have even been -- this
19 kind of happened a couple of times, and it was voted down or
20 rejected both times by the customers. But that was the only
21 other opportunity we had to convert a route to EAS in the
22 post-'95 time.

23 COMMISSIONER DEASON: And it was voted down because
24 there was, there was an increase in the local rates associated
25 with that change?

1 MR. REHWINKEL: Actually, I think the increase --
2 there really wasn't an increase. I think the customers in the
3 Osteen exchange, in the new Osteen exchange would have had a
4 slightly higher rate. But the, the thing was voted down, as I
5 understand it, because there was a 321 NXX and a 321 area code,
6 and I think part of the vote was that they would have had to
7 change phone numbers, and I think that was the reason it was
8 voted down.

9 MR. CASEY: That's correct. That was the main reason
10 why it was turned down. They didn't want to change their phone
11 numbers.

12 CHAIRMAN BAEZ: Commissioner Bradley, you had a
13 question?

14 COMMISSIONER BRADLEY: Yes, sir. Thank you, Mr.
15 Chairman. This is probably -- these questions probably need to
16 be addressed to staff.

17 What was the initial premise or concept that was
18 trying to be addressed when EAC and, I'm sorry, EAS and ECS was
19 initially conceived and brought forth as a, as a telecom
20 service? What were we really trying to address?

21 MR. CASEY: We're trying to address toll relief for
22 two communities of interest between two cities. They would put
23 in an application here with the Commission requesting extended
24 area service, in other words, included in their local plan.

25 If they didn't meet the criteria for EAS, the

1 Commission tried to come up with some form of relief for the
2 toll calls, and that's how ECS was initiated as a flat rate
3 call.

4 COMMISSIONER BRADLEY: Okay. And let me see if I
5 understand what you just answered -- I think I do -- what your
6 answer is.

7 Basically what we were trying to do is to create a
8 hybrid in between that would address the issue of local toll
9 service versus long distance toll service; is that correct?

10 MR. CASEY: Yes, sir. We were trying to give some
11 form of toll relief to the consumer. And if they didn't
12 qualify for EAS, the Commission wanted to come up with
13 something for the consumers to help them out, and that's how
14 ECS was developed.

15 COMMISSIONER BRADLEY: Okay. And let me ask this
16 question, and I may be getting a little bit ahead. But, you
17 know, we just had this major, major discussion, ongoing
18 discussion about rate rebalancing.

19 Is ECS addressed as a telecom service in the Rate
20 Rebalancing Act?

21 MR. CASEY: I would have to defer maybe to Mr. Rojas.

22 COMMISSIONER BRADLEY: Mr. Rojas probably needs to
23 answer that. It's a legal question.

24 MR. ROJAS: I'm really not sure about that,
25 Commissioner, but I could look into that for you.

1 COMMISSIONER BRADLEY: Beg your pardon?

2 MR. ROJAS: I am not sure, but I can look into that
3 for you.

4 COMMISSIONER BRADLEY: And to make sure I understood
5 what Commissioner Deason was asking, customers still up to some
6 point had the option to determine through, through the survey
7 process or to vote as to where the LATA should be as it relates
8 to EAS services?

9 MR. CASEY: I'm sorry. Could you ask that again,
10 please?

11 COMMISSIONER BRADLEY: Okay. It says EAS criteria,
12 and I just, I was listening to what Commissioner Deason asked.
13 And it says if the EAS plan resulted in an increase in rates, a
14 survey of all affected subscribers was made by the company.

15 MR. CASEY: That's correct.

16 COMMISSIONER BRADLEY: Customers were allowed to vote
17 for or against the EAS proposal.

18 MR. CASEY: That's correct.

19 COMMISSIONER BRADLEY: The EAS route was approved if
20 a majority of the respondents voted favorably and 40 percent of
21 all ballots sent out were returned.

22 MR. CASEY: That's correct.

23 COMMISSIONER BRADLEY: If the EAS plan was voted down
24 by affected customers, the Commission would sometimes consider
25 alternatives to EAS such as ECS.

1 MR. CASEY: Yes, sir.

2 COMMISSIONER BRADLEY: And -- okay. So my question
3 is this, EAS then is a service that's offered to customers that
4 they have some say-so in as it relates to the offering of the
5 service; is that correct? Is that presently the situation or
6 is that formerly the situation?

7 MR. CASEY: Right now the Commission cannot handle
8 EAS and ECS is my understanding. Of course, Mr. Rojas will
9 have to confirm that.

10 Prior to 1995, if there were two communities that
11 wanted EAS calling between them, they could file a petition
12 with the Commission and we could act on it. And we have
13 received requests since 1995, people were still calling just
14 last year, and we refer them to the companies. We can't do
15 anything, but we did ask them to call the companies and see if
16 they could work something out.

17 COMMISSIONER BRADLEY: Okay. Now I need to go to the
18 companies.

19 Prior to 1995 the customers had the ability to
20 either, to participate in the process or determine an ECS. And
21 after 1995 the companies were given the, the, the right as a
22 business decision to decide upon ECS services.

23 MR. GREER: Correct.

24 COMMISSIONER BRADLEY: Have you all done any research
25 to determine as to how ECS is seen by the customers? Is it

1 seen as something that is favorable and desirable or a service
2 that maybe they're neutral about or opposed to?

3 MR. GREER: Commissioner, I think ECS has kind of
4 changed in the last few years from something that was very
5 desirable back when the Commission was dealing with the normal
6 request for EAS and ECS. But I think with the introduction of
7 unlimited packages by carriers on intraLATA traffic, the
8 ability, the change in some dialing patterns on competitive
9 routes to 1 + 10, which allows carriers -- which allows the
10 customer to pick who handles their intraLATA traffic, has
11 essentially minimized some of that effort. There's also been
12 services like BellSouth's Area Plus which gives them ECS and
13 EAS within a flat amount for the LATA.

14 So I think the dynamics have changed. I think it's
15 less of an issue today than it may have been back pre-'95.

16 COMMISSIONER BRADLEY: And let me ask this question.
17 Would you say, would you say that the services, and I heard
18 what you said and I follow your rationale and I agree, but
19 would you say that there are still some areas that, that, that
20 exist in the state of Florida that, where this service might be
21 perceived as, as still being vital and very beneficial?

22 MR. GREER: It probably depends on what your mix is
23 of what you're making calls for. If you're making calls that
24 are very short in duration, then you may prefer to have an
25 interexchange carrier handle that since you're paying on a

1 per-minute basis. If you're making calls that are of a long
2 duration, then you would -- for residential customers, you
3 would want to do ECS because it's 25 cents per call. So it's
4 kind of a mix depending on the, the call volume of a given
5 individual.

6 But I would think there's, there's specific folks
7 that, that it's still important for because their call volume
8 is, you know, I want to call grandmother in two exchanges over
9 and I want to talk to her for a long period of time. And for
10 those kind of folks, then that, that is, is where they would
11 want to be is ECS. For somebody that just has to access the
12 Internet, check this real quick and get off, it may not be.

13 But I think that it depends on the individual
14 person's call volume. And I think the, the best place you can
15 get to is to give them the ability to have choices of who they
16 want to carry their given, their given traffic.

17 COMMISSIONER BRADLEY: Okay. Very good. That --

18 CHAIRMAN BAEZ: We'll work it this way. Commissioner
19 Deason.

20 COMMISSIONER DEASON: I just wanted to follow up on a
21 question from Commissioner Bradley. Are there areas in the
22 state, regardless -- I recognize that the dynamics have changed
23 and that there are options for customers: They can use
24 wireless, they can use an interexchange carrier, they can use a
25 calling card, I know that you offer some plans where they can

1 opt in and basically purchase extended area service with an
2 increment in their bill.

3 Are there areas out there, are there communities of
4 interest where there are legitimate desires on customers' parts
5 simply to have EAS in the traditional sense; that is, their
6 local calling area expanded, say, between two cities and it
7 just become part of their local rate?

8 MR. GREER: Sure, Commissioner, there are. As a
9 matter of fact, in one of the areas that we have in our
10 proposal that we'll be filing probably in the late May, early
11 June time frame has a county that has come to us and said, we
12 would like to see EAS countywide. And we looked at the numbers
13 and it's not that big of an issue, and so we're proposing to
14 implement that.

15 We've had people call on given routes and say, you
16 know, we would like to call Jacksonville. And, and the call
17 rate is low to the amount of revenue or to the amount of charge
18 a customer's increase would be, you know, going from a
19 Jacksonville rate group versus some other rate group that's
20 around that area.

21 So we have looked at that and, as I said, we do have
22 one in the proposal that we have that addresses that for one
23 county in Florida. And so we always look at it. And, as staff
24 indicated, they refer it to us, we take a look at it and we'll
25 see if we can work through something. And if we can, we can;

1 and if we can't, you know, it's unfortunate.

2 CHAIRMAN BAEZ: Commissioner Jaber.

3 COMMISSIONER JABER: Mr. Chairman, I think
4 Commissioner Bradley asked the most important legal question,
5 and I'm wondering if we could ask legal to make sure that they
6 answer that question for us before we conclude the workshop.
7 And just to remind folks, I think Commissioner Bradley asked it
8 in the sense of are EAS, ECS considered a telecom service. And
9 that goes to the, right to the heart, I think, of the
10 jurisdictional issue. Are they considered a telecom service
11 such that it's a basic service such that we have ongoing
12 jurisdiction? I'd like to ask staff to make sure they answer
13 that for us before we conclude the workshop. But if you don't
14 mind, I'd like to also get the opinion of Mr. Rehwinkel and
15 anyone else who would like to chime in. And, Charles, that's
16 the fundamental question.

17 The second question for me is this is an extreme, I
18 realize that, but just so that I understand the jurisdictional
19 aspects, if at somepoint in time we were to entertain the
20 notion that EAS and ECS should be completely discontinued in
21 light of a developing competitive market and in light of the
22 decision we just made in terms of rate rebalancing, does this
23 Commission even have the authority to require the companies to
24 eliminate those two rates?

25 MR. REHWINKEL: Okay. Commissioner Jaber, with

1 respect to your first question, clearly the vast majority of
2 ECS routes are a basic telecommunications service. They fit
3 the definition in the statute. To the extent that you have
4 jurisdiction over the pricing of any basic local
5 telecommunications service, you have jurisdiction over ECS
6 services, both as to the existence of them and the price of
7 them. But my opinion is that you have no authority within
8 Chapter 364 to adjust the price or to eliminate the service
9 because there is nothing in the statute that expressly gives
10 you that authority, and you would have to have that express
11 authority to do it. You are barred in the statute from
12 utilizing rate of return, rate-base regulation.

13 Knowing the history of how ECS and EAS was developed,
14 along the continuum of flat rate pricing to purely
15 discretionary toll calling, the existence of ECS and the
16 existence of the flat rate monthly charge is all a component of
17 the universal service mechanisms that were established in your
18 ratemaking authority, as Mr. Poag referred to earlier. To
19 order ECS to be eliminated or the price to be adjusted on it
20 would be tantamount to rate of return regulation in the sense
21 that if you did not give a revenue neutral offset to it, you
22 would be unilaterally affecting the revenues of the company.

23 COMMISSIONER JABER: If you assume that my question
24 was not -- well, let me ask it this way. Recognizing that
25 there needs to be some revenue offset or that there should be

1 company discretion on how to offset, does your answer get
2 modified? If this Commission were to allow the offset or to
3 give the companies the discretion to offset revenues lost by
4 the elimination of ECS or EAS, does your answer change?

5 MR. REHWINKEL: I would say that in light of the
6 proceeding that just concluded on May 3rd with respect to the
7 Commission's jurisdiction over it, the, the specific recipe
8 for, for revenue neutrality in that part of the statute and the
9 absence of it in any other part of the statute, except perhaps
10 in 364.051, would suggest under the law that you did not have
11 that authority to engage in that type of revenue neutral rate
12 adjusting.

13 But 364.051, there was a change to that statute in
14 19 -- in 2003 that does allow for certain adjustment within the
15 basic basket of services, which is what Sprint did in 2003.
16 And I think that statutory provision, combined with the
17 increasing forces of competition and the desires of customers
18 to be -- to have different options is a powerful incentive for
19 the companies to undertake it as fast as possible on their own
20 with the appropriate amount of Commission oversight.

21 I don't think that it's something the Commission
22 needs to, to exert itself on. I think that forces of
23 competition will take -- will, will accomplish that much
24 quicker than a Commission proceeding on it.

25 COMMISSIONER JABER: Okay. And, Mr. Rehwinkel, I

1 don't want anyone to be confused. I am not advocating.

2 MR. REHWINKEL: I understand. I understand that
3 you --

4 COMMISSIONER JABER: But I do want to understand the
5 extent of the law and the extent of our authority.

6 MR. REHWINKEL: And I understand that was the spirit
7 in which you and Commissioner Bradley asked the question.

8 CHAIRMAN BAEZ: Commissioner Bradley, you had a
9 follow-up.

10 COMMISSIONER BRADLEY: Yes. And to follow up on that
11 line of, of questioning and, and answers, I'm -- just for the
12 record I'd like for you to, Mr. Rehwinkel, give your opinion,
13 and I don't know if you have data to -- well, it's unfair for
14 me to ask you to answer this question based upon a databased
15 answer, but I'm going to ask it anyhow just for your opinion.

16 You know, we have frequently -- recently we've had a
17 major discussion as it relates to telecom services and, and how
18 it benefits business customers as well as mass market
19 residential customers.

20 EAS and ECS, in your opinion, is it equally as
21 beneficial to the residential consumer -- is it as beneficial
22 to the residential consumer as it is to the business consumer?

23 MR. REHWINKEL: Commissioner Bradley, in my opinion,
24 I think it is in really kind of different ways.

25 If you go back to why ECS came about and what the

1 situation was before, you had, you had cases where it was toll
2 calling for customers to call to schools and hospitals and to
3 their county government and even to businesses that they wanted
4 to associate with. That was one of the pressures from the,
5 from the residential standpoint to have either EAS or ECS.

6 On the other hand, businesses wanted EAS or ECS as a
7 means, especially in the less urban areas, to have business --
8 to have customers be able to contact them, to call for
9 services. They could advertise phone numbers without incurring
10 expensive foreign exchange services that they would have to
11 bear the cost of for inward calling to them.

12 So I think over, over time both businesses and
13 residential customers have benefited equally, but for different
14 reasons. And I think that, that Mr. Poag and Mr. Greer have
15 opinions about that, too, because they're two of the most
16 experienced people in the room about this.

17 MR. POAG: I think we get the age now.

18 Yeah. Historically speaking, most of the requests
19 for EAS were generated by residential customers, so I think
20 that, that the benefit would flow primarily to residential
21 customers. They, they benefit in particular in the fact that
22 they do have the flat rate 25-cent offering, and that's
23 beneficial to them from the perspective of being able to reach
24 an Internet provider and stay on the telephone for a long
25 period of time or stay on the computer for a long period of

1 time or to have long conversations with family and friends.
2 But I think that the biggest benefit does go to the residential
3 customers. I mean, they're, generally speaking, the
4 originators historically of EAS requests.

5 COMMISSIONER BRADLEY: Okay. And let me ask that
6 same question from another perspective. Being from the Tampa
7 Bay area, my primary point of reference would be toll calls
8 that are made between -- and I know you all don't service that
9 area, but I'm going to make this statement and then make a --
10 answer a question -- ask a question.

11 Toll calls that exist between, say, St. Pete and
12 Tampa or St. Pete and Pasco County or St. Pete and Manatee
13 County -- and I know for sure that toll calls in the area did
14 exist as it relates to calls that are made between St. Pete
15 and, and Tampa. And during that time I found it to be a major
16 benefit to me as it related to my business dealings as well as
17 my, my personal phone calls to have a flat rate which was, I
18 think, then 25 cents, and I could talk for two days if I so
19 desired, which was, I thought was a good deal.

20 My question is this -- and someone else who has a
21 LATA that's, that's more urban might want to chime in. But is
22 it your opinion that these toll calls are not only beneficial
23 as it relates to business and residential calls within the -- I
24 don't -- Florida doesn't have, in my opinion, any rural areas.
25 We have some areas that are less developed, but for the sake of

1 this discussion we will use rural and urban.

2 Is it your opinion that this service is equally, is
3 equally beneficial in the so-called rural areas and the
4 so-called urban areas as it relates to business calls that are
5 within the, that are within the calling area? You know,
6 sometimes we tend to think that it only benefits rural areas,
7 but, you know, I think that it's equally as beneficial within
8 the urban centers, also. And I'm just putting it out there for
9 discussion. I'll ask a question maybe, if you can answer it.

10 MR. POAG: I'm sorry.

11 COMMISSIONER BRADLEY: Go ahead.

12 MR. POAG: Again, I'd just say historically speaking
13 it has been the small, more rural exchanges which have
14 generated the request for extended area of service calling.

15 When you look at the, the larger urban communities,
16 what you're going to find is that they have more of the
17 businesses and services that are available to them, you know,
18 in the immediate area. And it's, again, just generally the,
19 the smaller exchange that initiated the request. So my
20 presumption is, is that the value is greater for the rural than
21 it is for the metro area customer.

22 COMMISSIONER BRADLEY: That's maybe a question that
23 Verizon would like to participate in and answer. Since Verizon
24 serves the Tampa Bay area and, and toll calls do exist in that
25 highly urbanized area, would someone from Verizon like to --

1 MR. FULP: Doug Fulp from Verizon. I don't know that
2 I would disagree as far as the benefits to rural versus urban.
3 But when you look at the Tampa area, that was one of the first
4 ECS routes that we put in, and Tampa has a, quite an extensive
5 ECS calling area. And so, you know, we think that it's an
6 urban area, it definitely benefits, especially if you look at
7 Tampa to St. Pete, you know, it didn't make much sense to have
8 that as a toll call.

9 So while I'm not disagreeing that it may be more
10 beneficial for rural versus urban, I think that in our case our
11 customers get a lot of benefit from it in the urban areas
12 where, again, Tampa/St. Pete, it makes sense to have that as an
13 ECS call versus a toll call. And, again, that was one of the
14 first routes that we put in was Tampa to St. Pete.

15 MR. GREER: Commissioner, I would, I would tend to
16 think -- this is Stan Greer with BellSouth.

17 I mean, part of the reason -- and I took from your
18 question, was it better for businesses? To me, part of the
19 reason why ECS may be less beneficial for businesses is the way
20 it's priced. Today it's 10 and 6, and generally you can find a
21 rate different than 10 cents a minute or 6 cents a minute; you
22 can find something lower. So that would be the push for a
23 business to look at other options other than ECS.

24 Now for residential, I think it doesn't matter
25 whether it's rural or urban or -- I think they benefit from the

1 use of ECS more so than maybe the business side does just
2 because of the way, at least in BellSouth's service territory,
3 ECS is priced 10 and 6.

4 COMMISSIONER BRADLEY: Who benefits the most? I
5 missed that. I was --

6 MR. GREER: I think the residential customers benefit
7 more, and I don't think it makes a lot of difference whether
8 it's urban, rural. I think they benefit more just due to the
9 pricing structure of the services.

10 COMMISSIONER BRADLEY: So toll versus ECS, in your
11 opinion they both have, have an intricate role in this whole
12 issue of telecom services and offering choices to, to
13 residential as well as business customers, it just depends on
14 what best fits the, the financial needs of either a residential
15 or business customer?

16 MR. GREER: Correct.

17 COMMISSIONER BRADLEY: Thank you, Mr. Chairman.

18 CHAIRMAN BAEZ: Thank you, Commissioners. We're --
19 Mr. Casey, we're ready for the presentations; is that correct?

20 MR. CASEY: Okay. The next section will be the
21 carrier presentations. When the workshop notice was sent out,
22 we asked that the carriers that are making presentations answer
23 six questions or be available to answer six questions. **The**
24 first one, how do extended calling service calling plans affect
25 competition in today's market? Second, is ECS necessary in

1 today's market with the availability of bundled package deals
2 and potentially lower access charges? Third, what, if any,
3 alternatives are there to ECS in today's market? Fourth, what
4 is the current PSC authority regarding extended area service?
5 Five, what is the current PSC authority regarding extended
6 calling service? And lastly, is ECS considered a basic or
7 nonbasic service?

8 Now the first presentation will be done by Orlando
9 Telephone. Mr. Herb Bornack is on the line, I believe, right
10 now.

11 MR. BORNACK: Yes, I'm here. Thank you.

12 MR. CASEY: Mr. Bornack, are you there?

13 MR. BORNACK: I want to thank the Commissioners --
14 can you hear me all right?

15 CHAIRMAN BAEZ: Good ahead, Mr. Bornack. We can hear
16 you.

17 MR. BORNACK: Okay. I want to thank the
18 Commissioners for this opportunity to speak and give my
19 thoughts. And I want to show an example, and I can answer a
20 couple of the questions, the six questions as well as I can.

21 The first thing we have to consider is local
22 competition is here. And the first thought I had while you
23 were all talking was why are we even charging this extended
24 area calling when the recovery rate for the cost of doing that
25 is a short period? In other words, once it's established by

1 the local telephone company, Sprint or Bell or whoever it might
2 be, why are you continuing to pay for that -- once the route is
3 done, it's done, you know, and you're continually getting your
4 money back every day -- unless it's just to make money.

5 But my situation is a little different and I'm going
6 to talk about that a little bit. We're a CLEC. Can you put
7 Attachment Number 1 on the board?

8 MR. CASEY: Yes, sir. It's on there now.

9 MR. BORNACK: Okay. Let me get back to that.
10 Attachment Number 1 shows in the lower left-hand corner OTC's
11 customer. That's my customer in Kissimmee, let's say. And for
12 my customer in Kissimmee, I run a fiber all the way to my
13 switch in Orlando, which is right on the borderline or roughly
14 on the borderline between Sprint and BellSouth. Then I lease
15 facilities at my expense again to go up to Winter Park. And
16 then from Winter Park they handle it like a local telephone
17 call and pass is on to the Winter Park customer or Sprint's
18 customer. Meanwhile they charge me 5 cents a minute for that
19 call, which I think is utterly ridiculous since I'm carrying
20 that call all the way up there. And I say to myself in this
21 diagram here, if I'm carrying the call and have the major
22 expense, why are they billing me? And the second question
23 would be -- I would treat it like a local telephone call since
24 they're only handling it from Winter Park and to the local
25 office up there. So -- and that's one of my quirks that I

1 ave. And I really believe that it should be a bill and keep
2 type arrangement, which I think we'd all be happy with.

3 Another thing you've got to consider when you're
4 looking at Sprint's plan with us, we're paying 5 cents a minute
5 for that intraLATA call, and that's both for residence and
6 business. So what they're doing to us, even at a resident
7 customer, they're charging me 5 cents a minute. If that
8 gentleman or woman gets on the Internet and talks for an hour,
9 I'm paying 5 cents a minute to Sprint. There's no cutoff time,
10 which is totally unfair.

11 My second, my second attachment -- Bob, is it up
12 there?

13 MR. CASEY: Yes, sir. The second attachment is up.

14 MR. BORNACK: Okay. Here's a different situation
15 here. It's still an intraLATA call to us, and I'm still
16 talking about the OTC customer in Kissimmee. And you see the
17 OTC facility; that's a leased facility that we have to a
18 collocation in Sprint's 535 office, and it's passed right
19 through the office. So we lease a UNE to the customer and we
20 tie it to our fiber and pass it up to our OTC switch in the
21 middle there in the square box. And from there we, we carry it
22 on our facilities again to Winter Park tandem office, and that
23 also should be a local call to us and not billed 5 cents a
24 minute.

25 And the crux of the whole thing is that we as a, as a

1 telephone company only pay less than 2 cents a minute for an
2 interstate call. So here's Sprint charging us 5 cents a
3 minute, and if I trained my customers to make an interstate
4 call or an interstate call, I would be paying less than 2 cents
5 a minute for that. It seems like it's quite unbalanced there.

6 I don't have much more to say. But what I've
7 heard -- example number three, for instance, is basically the
8 same thing as one. But my answer to some of your problems is
9 to do away with the entire thing. I don't think it's
10 necessary. I think the cost of running fiber and the new
11 electronics in today's era is -- the expense of doing that is
12 very low to tie two offices together. I feel that -- and they
13 have recovered their money many, many, many, many times over.
14 I think it's time for the operating companies to pay back the
15 customer and give them a better deal.

16 Has anybody got any questions for me?

17 CHAIRMAN BAEZ: Thank you, Mr. Bornack.

18 Commissioners, any questions?

19 Commissioner Deason.

20 MR. BORNACK: Go ahead.

21 COMMISSIONER DEASON: Do I understand your
22 presentation to be that if there were a bill and keep
23 arrangement, it would solve the problem?

24 MR. BORNACK: That's correct.

25 COMMISSIONER DEASON: Thank you.

1 CHAIRMAN BAEZ: Commissioner Bradley.

2 COMMISSIONER BRADLEY: Is your, is your concern more
3 with the extended area service or with the concept of extended
4 calling service, and how you are able to participate as a
5 telecom company?

6 MR. BORNACK: First -- the last question first. We
7 went through a major expense to run from our central office
8 down into the Kissimmee area, and that was to offer better
9 service at a less cost to our customers. We do not charge
10 extended area calling, nor do we charge any extra services. We
11 treat it just like a local call because that's what it is to
12 us. And not only do we extend into Kissimmee, but we also
13 extend up into Sanford and De Bary as a local telephone
14 company. And I'm sure the Bell operating companies and I'm
15 sure Sprint can do the same thing we do because they have all
16 the facilities in the ground, they have -- it would not, it
17 would not impact any of their equipment in the central office
18 if they did it. In other words, I don't think they're going to
19 get any more calls than they're getting now. So for them to
20 say let's make it bill and keep or let's not charge the
21 customer, give them free calls, I don't think -- the only
22 impact they'll have is in their pocketbook a little bit. So
23 that's the first question, the way I would think it from the
24 Bell -- from a CLEC's side of the house.

25 And my concerns, whether it's an extended area call

1 or extended area service or whatever that might be, I can't
2 look at it as a service. I think it's part of doing telephone
3 to give the people the services that they need at the lowest
4 cost you can give it. I think it's just a means to maybe try
5 to get a few more dollars out of our public. And I really feel
6 that they can -- it's all going away eventually. I've been
7 fighting this for about five years now, and I haven't made any
8 headway. I'm hoping today I can open somebody's eyes to look
9 at this here.

10 COMMISSIONER BRADLEY: One of the issues that we have
11 to provide with is the issue of provider of last resort. Can
12 you -- and maybe both companies, both entities, not companies,
13 but both entities, the ILECs as well as the ALECs, need to give
14 us some information as it relates to the issue of provider of
15 last resort and how it ties into EAS and ECS services.

16 MR. BORNACK: Well, I think possibly, you know, if
17 they want to put a little bit on top of the bill and, and, you
18 know, eliminate the services, I think they're probably ahead of
19 the game. I think people feel more comfortable in, you know,
20 paying -- knowing what they're going to pay in our bill rather
21 than every time somebody picks up the phone, the bill goes up.

22 It's also a disadvantage to Sprint because if another
23 company goes in there and says your call, your extended area
24 calls are free, we don't have that, they lose their revenue
25 because that customer immediately changes over to their

1 competition, especially at the business end of the house and
2 the residential side, too.

3 So, you know, it would behoove Sprint to do something
4 to try to retain their customers. And that's one of the
5 reasons their revenue is going down. And I don't feel that we
6 should be paying, you know, 5 cents a minute to make a call,
7 whether it's residence or business. I think there should be
8 more thought put into it.

9 CHAIRMAN BAEZ: Mr. Bornack, does that conclude your
10 presentation?

11 MR. BORNACK: That concludes my -- I said my piece.

12 CHAIRMAN BAEZ: And we thank you for saying it.
13 Commissioners, if there's no other questions of Mr. Bornack,
14 we'll excuse him and we'll move on.

15 MR. BORNACK: And I want to thank the Commissioners
16 again for the opportunity. Thank you.

17 CHAIRMAN BAEZ: The pleasure is ours, sir.

18 MR. CASEY: Our next presenter will be Sprint --
19 Mr. Ben Poag from Sprint.

20 MR. POAG: Good morning, Commissioners. I think I've
21
22
23
24
25

1 readdress --

2 COMMISSIONER BRADLEY: Mr. Chairman.

3 MR. POAG: I will just --

4 CHAIRMAN BAEZ: Commissioner Bradley.

5 COMMISSIONER BRADLEY: And maybe I missed it. The
6 last gentleman was able to answer the question that I asked
7 from the perspective of -- well, he gave his opinion as to what
8 an obligation is to a provider of last resort. And I didn't
9 get the providers of last resorts' opinion as it relates to --

10 CHAIRMAN BAEZ: And I think they have that in mind
11 and I'm sure they'll address it during the course of their
12 presentations, which we're going to --

13 COMMISSIONER BRADLEY: And what I also would like to
14 maybe discuss is purchases of UNE-P or UNEs versus ALECs and
15 CLECs that are more facilities based and how --

16 CHAIRMAN BAEZ: Do they have -- are you hearing
17 Commissioner Bradley's question so that maybe you can
18 incorporate it as part of your presentations as well?

19 MR. POAG: Yeah. With regard to Sprint,
20 Mr. Rehwinkel will respond to the comments of Orlando Telephone
21 Company.

22 CHAIRMAN BAEZ: Okay.

23 MR. POAG: And he can do that, you know, yeah, and
24 answer Commissioner Bradley's question as well.

25 CHAIRMAN BAEZ: Very well. You have the floor, Mr.

1 Poag, and you can shift back and forth as you like.

2 MR. POAG: Thank you. Having said that, I'm just
3 going to quickly run through the responses to the questions.
4 And if you don't mind, I'll go by the numbers and save you a
5 little bit more time.

6 I think Mr. Bornack indicated that ECS was somewhat
7 of a disadvantage to us, to a competitor, and that goes to the
8 first question, and that is ECS is a revenue stream. And to
9 the extent that it is a revenue stream, it's something that the
10 competitors will go after. And it's pretty obvious that that's
11 occurring today based on what you're seeing by the reductions
12 in the ECS revenues over the years in the data that was
13 presented by staff.

14 Is ECS necessary, number two? As far as the company
15 is concerned, it is very necessary. It is a revenue stream.
16 It is a universal, a form of universal service which is used
17 historically, as was toll, and accessed to maintain lower rates
18 for other services to the benefit of universal service. There
19 are many alternatives out there today. Many of these have
20 already been mentioned: There's wireless, there's CLEC,
21 there's unlimited calling plans, there's VOIP, but any number
22 of options, even to the extent of prepaid debit cards.

23 With regard to the authority of the PSC, I don't
24 disagree with Mr. Rojas or Mr. Rehwinkel. That would address
25 four and five.

1 ECS prior to the 1995 legislation would be basic.
2 ECS subsequent to that would be technically nonbasic. However,
3 as I indicated earlier, for our annual filings we treat it as
4 basic because they're essentially the same service. It's just
5 a technical legal definition of whether it's basic or nonbasic.
6 And as long as we don't exceed the statutory limitations, I
7 think that's probably the appropriate way to do it. That would
8 conclude my comments.

9 CHAIRMAN BAEZ: Go ahead, Mr. Rehwinkel.

10 MR. REHWINKEL: Thank you. Just to -- I don't know
11 if Mr. Bornack is still on the line. I'd like to say hello to
12 him. We were involved in a, a dispute that was amicably
13 resolved before the Commission. And he's correct; he has been
14 on this issue, I know, at least since 1999 when we discussed it
15 in a deposition.

16 The -- Commissioner Bradley hit the nail on the head.
17 We could do the same thing that Orlando Telephone Company does
18 with respect to providing expanded EAS. But the fact of the
19 matter is there are two universal service supporting revenue
20 streams involved here: One is the ECS revenues themselves, and
21 the second is access charges.

22 Under the agreement that we entered into in 2001 with
23 Orlando Telephone Company subsequent to the issue first being
24 raised, we did agree to bill and keep for local traffic with
25 Orlando Telephone Company. But the, the agreement does not

1 include ECS as local traffic. So access is what is paid on
2 those minutes of use. The -- and, of course, that access price
3 will go to parity with the level that Mr. Bornack referenced,
4 the interstate level, as the rebalancing process concludes. So
5 I think that, that the provider of last resort, these revenue
6 streams are still important.

7 But Mr. Bornack also was very accurate in describing
8 the competitive pressures that are out there that will continue
9 to impact both revenue streams as we go forward. So I think
10 that, that we would look forward to working with Mr. Bornack in
11 the dispute resolution clause of the contract to work out any
12 issues that we have with respect to what he's raised here
13 today. But he has been -- brought a very useful example of
14 some of the competitive pressures that are out there today.
15 And I hope I've answered your question about the carrier of
16 last resort because these are revenue streams that, that
17 support that. Thank you.

18 CHAIRMAN BAEZ: Thank you, Mr. Poag and
19 Mr. Rehwinkel.

20 MR. CASEY: Mr. Chairman, if I may add something.
21 CLECs do play a part in this ECS. I can give you an example.
22 In the Panhandle here, Eglin Air Force Base called us and
23 requested EAS. They had a system where servicemen overseas
24 would call into Eglin and they would be transferred to their
25 homes if they wanted to talk to their families. Well, each

1 time they were transferred to a home, they were charged ECS
2 calling.

3 We brought it up with the ILEC and the ILEC couldn't
4 do anything because of the lost revenues. They felt they would
5 lose too much in revenues. So I checked up on it again in a
6 few months and, sure enough, a CLEC came in and took over that
7 business. So there is -- CLECs are working and competition is
8 working as far as ECS is concerned.

9 Our next presenter will be Mr. Stan Greer from
10 BellSouth.

11 MR. GREER: Commissioners, I'll try to address the
12 carrier of last resort first so I don't forget it.
13 Essentially, you know, we file tariffs listing out the calling
14 scopes of given exchanges in Florida, and we're obligated to
15 provide that to any res. or bus. customer that comes and asks
16 for it, regardless of whether or not they're, you know, in an
17 area that may be a problem.

18 As far as the, the, whether or not the Commission --
19 ECS affects competitive competition in today's market.
20 BellSouth has worked to try to implement issues as the
21 Commission has raised in area code reliefs, the 1 + 10 digit
22 dialing creates the ability for carriers, for customers to pick
23 and choose who they want as their LPIC, since that is kind of
24 the driving force at least in BellSouth's service territory.

25 Part of our plan is to, to essentially move any

1 non-ECS rate route that is dial-around, something other than
2 1 + 10, to EAS so that customers can in that instance determine
3 whether or not they want a different local provider. So it's
4 an effort to try to make the available choices and make sure
5 there's not a hole with a given group or route of customers.

6 We have, we have had customer complaints on various
7 things such as I don't -- you know, you dial seven digits here
8 for this ECS route, you dial 1 + 10 for this ECS route and you
9 dial 10 for this EAS route. And so we've had a lot -- some
10 customer confusion in areas where there's tight, small area
11 codes. So we've been trying to address that with our plan.
12 And as I said before, we have looked at various requests for
13 EAS in Florida.

14 As far as the bundles and packages, we see a lot of
15 unlimited packages on an intraLATA basis, and we think that's
16 something that's driving a lot of the ECS revenue down, plus
17 the fact that people just LPIC somewhere else. And when they
18 do that, we don't get revenue on ECS. It goes to their
19 intraLATA toll carrier.

20 As far as the Commission's rules and the statute, I
21 agree with staff on the statute pieces. I'm not for sure just
22 how much the EAS rules apply today on a price cap LEC because
23 of the fact of surveys and stuff. We notice the customers when
24 we try to make a change, try to make sure we cover all the
25 bases with the industry today, interexchange carriers, CLECs,

1 anybody else that we can think of that impacts it. So I'm not
2 or sure I would agree that the rules apply to price cap LECs
3 oday.

4 And generally our -- all of our ECS routes are in our
5 basic because they were pre-'95. We have eliminated some ECS
6 routes; rate center consolidation in the Keys took out about
7 10 or 15 routes. And then this proposal that we're looking at
8 is probably looking at another 60 routes that will move from
9 ECS to EAS. And that concludes my presentation.

10 CHAIRMAN BAEZ: Thank you, Mr. Greer. Mr. Fulp.

11 MR. FULP: I had brought a presentation, but I'm not
12 going to go through it. I'm going to answer the questions to
13 save some time, unless there's a strong desire for me to do so.

14 CHAIRMAN BAEZ: We didn't mean to scare you away, but
15 we do appreciate your brevity.

16 MR. FULP: We're handing out a presentation. But I
17 think in the spirit of how the other companies have done this,
18 I will not go through the presentation, but I'll answer the
19 questions.

20 Number one, on how it affects competition, we
21 believe that there's plenty of competition. You saw the
22 revenue decline that the staff's proposal showed. We have
23 revenue declines of that and more. So I think competition is
24 working very well in our service territory.

25 However, we feel that ECS is a very important part of

1 our customers' local calling. If you look at the substantial
2 decline that we've had in revenues in minutes but you look at
3 the duration of the calls over five years, we find that there's
4 no change in the duration. So the customers that are still
5 staying with us with ECS continue to call the same amount of
6 time that they had before, but a lot of them are using other
7 alternatives. So, again, we feel that, you know, there is a
8 lot of competition. We feel that ECS and EAS are both valuable
9 options for our business and residential customers, they
10 benefit from that substantially, even though there are a lot of
11 alternatives in the marketplace.

12 Is ECS necessary in today's market with bundled
13 packages and lower access charges? Again, we think it's a very
14 necessary component of our services that we provide and the
15 services that the market has out there. There's customers that
16 want to continue to call on a per call as-needed basis. ECS
17 provides that option to them.

18 They have the other options that we talked about,
19 wireless, there's other IXCs, we have CLECs that they have
20 alternatives. But, again, on a local basis, some customers
21 only want to pay when they use it. ECS gives them that option.
22 So again --

23 COMMISSIONER JABER: Mr. Fulp.

24 CHAIRMAN BAEZ: Commissioner Jaber, you have a
25 question?

1 COMMISSIONER JABER: Let me ask you something since
2 you're in a unique position where you are offering bundled
3 packages. Verizon offers bundled packages that include
4 wireless, don't you?

5 MR. FULP: Yes.

6 COMMISSIONER JABER: Okay. Hypothetically speaking,
7 if you have an ECS customer that starts using your bundled
8 offerings, which would include, what, wireless, perhaps
9 broadband, local and long distance.

10 MR. FULP: Correct.

11 COMMISSIONER JABER: You, obviously you discontinue
12 the ECS rate for that customer.

13 MR. FULP: That's correct. If you look at the local
14 packages that we have today, all of them, as a matter of fact,
15 include the ECS, which makes sense because it's part of local
16 service today. And so they do not pay the 25 cents for the
17 ECS, but they get the calling that they would have again
18 because it's part of their local service.

19 Does that answer your question?

20 COMMISSIONER JABER: Part of the local service which
21 is included in the, in the bundled package?

22 MR. FULP: Yes.

23 COMMISSIONER JABER: Okay. And the assumption is
24 whatever costs you feel you need to recover are covered by the
25 bundled rate.

1 MR. FULP: That's correct. Yes.

2 COMMISSIONER JABER: Do you count -- just out of
3 curiosity, do you count that particular customer as revenues
4 lost for ECS purposes?

5 MR. FULP: I, I don't believe we count the ECS --
6 well, I know we don't count the 25-cent ECS revenue when they
7 take the bundled package. As to whether we would consider that
8 a loss to ECS, I guess it could be, yes. Because --

9 COMMISSIONER JABER: Should it be? I mean, I guess
10 in answering my earlier question you said revenues from ECS
11 are, are captured through the bundled rate.

12 MR. FULP: Right.

13 COMMISSIONER JABER: So when we start considering the
14 bigger picture and we consider loss of ECS revenues, one could
15 argue that that number should be backed out when your ECS
16 customer goes to a bundled package that you offer.

17 MR. FULP: If you look at it as another option that
18 they have available, which it is, I guess you would be correct.
19 Because it is another option to standard ECS.

20 COMMISSIONER JABER: I wonder, and obviously I don't
21 expect for you to have this number, I wonder how many, as we
22 start talking about declining revenues as staff has suggested
23 be considered, I wonder how many of those declining revenues
24 are a result of your own customers taking your own bundled
25 package. I don't expect an answer to that. But is that

1 something that your company keeps track of?

2 MR. FULP: I'm hesitant to say absolutely yes and
3 then I'll go back and find out that obviously I lost my mind
4 and we couldn't do something like that.

5 I think that we may be able to do that, but I'm not
6 sure.

7 COMMISSIONER JABER: Thank you, Mr. Chairman.

8 CHAIRMAN BAEZ: Thank you, Commissioner. Go ahead,
9 Mr. Fulp.

10 MR. FULP: We talked about the alternatives available
11 to ECS today. We agree with staff and the other companies and
12 what they said. I think wireless is probably one of the
13 biggest ones. We've talked about the options.

14 As far as the authority regarding extended area
15 service, we don't disagree with what the staff has said, so I
16 won't go through that.

17 I guess just to wrap it up from our point of view,
18 today we have quite a bit of ECS. And lines that are not
19 covered by ECS are covered by EAS.

20 We at this point have had no request in the last five
21 to ten years that I'm aware of to expand EAS and/or ECS. We
22 did put some routes in service after '95, but those were a
23 carryover under the existing rules. So as I stated before, ECS
24 is considered basic local service as well as EAS.

25 And we have not to my knowledge had any significant

1 complaints regarding the service. So I guess it needs to be
2 looked at from a market point of view possibly by, you know,
3 different service territories, but we think our customers are
4 benefiting from what they have now and, as far as we know, we
5 don't have a major problem with it. Thank you.

6 CHAIRMAN BAEZ: Thank you, Mr. Fulp. Mr. Casey.

7 MR. CASEY: Yes. Mr. Chairman, that was the last
8 scheduled presentation. Mr. Rojas would like to address a
9 question raised by Commissioner Jaber.

10 CHAIRMAN BAEZ: Go ahead, Mr. Rojas.

11 MR. ROJAS: Commissioner Jaber had asked what are --
12 what the Commission's jurisdictional authority was to regulate
13 or possibly eliminate ECS. Was that your question,
14 Commissioner?

15 COMMISSIONER JABER: No. I think, to give credit
16 where credit is due, Commissioner Bradley asked the fundamental
17 jurisdictional question: Are ECS and EAS considered
18 telecommunications service; therefore, jurisdictional?

19 MR. ROJAS: I believe, I believe the Commission has
20 broad powers. And statutorily 364.01(4)(f) through (h) provide
21 broad powers of what the Commission can regulate. And whereas
22 many of the companies that have provided EAS/ECS are
23 price-regulated companies, the Commission has limited
24 authority. But I believe it could be regulated, but it would
25 require a finding that ECS or EAS is a barrier that delays or

1 impairs competition.

2 COMMISSIONER JABER: Maybe I don't understand your
3 answer and maybe I'm not being clear on the question. **It's** my
4 understanding that pre-1995 -- is that the date, Bob?

5 MR. CASEY: Yes, ma'am.

6 COMMISSIONER JABER: Pre-July 1995 this Commission
7 had authority to establish both ECS and EAS, and post that
8 date, Ms. Keating, the discretion was in the hands of the ILEC.
9 Is that a correct statement?

10 MS. KEATING: That is correct, except for those few
11 petitions that were actually not completed by that date we
12 proceeded under the old law. **But there were a few, few routes**
13 that went in after that date but were treated under the old
14 law.

15 COMMISSIONER JABER: Okay. So my question is as we
16 sit here today, is the establishment of EAS, ECS within the
17 Commission's discretion, number one? And, number two, is the
18 conversion process from ECS to EAS within the Commission's
19 jurisdiction?

20 MS. KEATING: And, Commissioner, I'm afraid my answer
21 is probably not going to be -- I don't think there's a real
22 clear answer on that question, and here's the reason. Yes,
23 they are both telecommunications services. **And depending upon**
24 when those routes went into place and under what state of the
25 law determines whether they're basic or nonbasic. However, to

1 a great extent they are being provided by price-regulated
2 companies. And because your authority to regulate the services
3 and rates for those services that are being provided by
4 price-regulated companies, we interpret that to mean that you
5 have limited authority over how those telecommunications
6 services are provided.

7 However, if there were some finding by the Commission
8 that perhaps those services were delaying competition, a
9 barrier to competition, then perhaps there is an argument that
10 the Commission would have authority to affect how those
11 services are being provided or whether they could be provided
12 at all.

13 COMMISSIONER JABER: Okay. And that's what you were
14 saying, Mr. Rojas? Okay. All right. Thank you.

15 MR. CASEY: And that concludes the workshop as far as
16 staff goes.

17 CHAIRMAN BAEZ: Okay. Can you fill us in on where we
18 go from here? Are there any next steps planned at least that
19 you can say?

20 MR. CASEY: Well, there are no planned steps. If you
21 could give us some guidance on that, where you would like us to
22 go with this.

23 CHAIRMAN BAEZ: I didn't know there was going to be a
24 quiz today.

25 Let's -- we'll take it under advisement. I think it

falls on some of the, you know, the Commissioners who --
2 certainly there's been a fair amount of questions asked and
3 answered as well, and, to my memory, I think they've all been
4 answered. But if there are any that are still on the table on
5 the part of the Commissioners, if you can please remind me as
6 you see fit.

7 It falls on the Commissioners to kind of consider
8 what they've heard today. And if there's anything, any
9 direction that we need to go or we need to continue to look at,
10 I'm sure either they or I will be in touch with staff on that.

11 COMMISSIONER JABER: Mr. Chairman, may I complement
12 staff? You may recall this was a request I made as a result of
13 our completion of the service hearings and the vote on the
14 access charge docket.

15 CHAIRMAN BAEZ: Yes.

16 COMMISSIONER JABER: And just to publicly state that
17 for me this workshop has met my expectations. And I really
18 came at this with the intent of being educated on ECS, EAS, the
19 extent of our authority. You've answered all the questions
20 that I've had. And I don't mean to limit my comments just to
21 staff. The parties have done an excellent job in answering the
22 questions that we posed out of that process.

23 So just as one Commissioner, I want to compliment all
24 the stakeholders and to tell you that I have no intent of
25 asking for anything further.

1 CHAIRMAN BAEZ: Then I would join you in
2 complementing both the staff and the participation of the
3 providers that, both that had comments today and presentations
4 and those that filed, I'd like to thank them all for their
5 participation.

6 As far as expectations, they exceeded mine because
7 honestly I didn't know what to expect, so. But I'm glad for
8 the reeducation. These are, these are issues that have been
9 floating around and have a genesis way back in the Commission's
10 history, and it's sometimes nice to go back in time.

11 Mr. Rehwinkel, you had something to say before we
12 adjourn?

13 MR. REHWINKEL: Yes, Mr. Chairman. I don't want to
14 revisit the question, but I just wanted our silence not to be
15 interpreted that we concur in the staff's position on 364.01.
16 I just would like to offer for the Commission's consideration
17 that there is an appeal pending at the Supreme Court right now
18 on a local calling area that may give some guidance to the
19 Commission on whether 364.01 operates as a source of authority
20 or whether it operates as guidance when interpreting the rest
21 of 364.01. And I believe, as you heard earlier in the week,
22 that might also be the subject of appeal on another matter, but
23 we'll just have to wait to see on that. **But I think there's --**
24 Supreme Court guidance could come on that area.

25 COMMISSIONER JABER: What's the appeal?

1 CHAIRMAN BAEZ: There's an appeal?

2 MR. REHWINKEL: The local calling scope order.

3 COMMISSIONER JABER: Oh, okay.

4 MR. REHWINKEL: In the recip comp docket. And then I
5 think it was, 364.01 was also raised on Monday by the Attorney
6 General. So that's possible that that could --

7 CHAIRMAN BAEZ: Oh, yes, that one.

8 MR. REHWINKEL: I'm just saying the Supreme Court may
9 give you guidance. I agree with Ms. Keating that it is, it is
10 a very unclear area of the law.

11 CHAIRMAN BAEZ: And I assure you, Mr. Rehwinkel, no
12 one on staff or on the Commission would ever interpret your
13 silence as acquiescence, certainly not on something that
14 fundamental.

15 Thank you all for coming. This workshop is
16 adjourned.

17 (Workshop adjourned at 11:20 a.m.)

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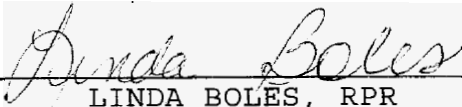
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I, LINDA BOLES, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 18th DAY OF MAY, 2004.



LINDA BOLES, RPR
FPSC Official Commission Reporter