

1 PARTICIPATING:

2 NANCY WHITE, ESQUIRE, representing BellSouth.

3 CHRIS MOORE, ESQUIRE, and CHUCK HILL, representing
4 the Florida Public Service Commission Staff.

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P R O C E E D I N G S

CHAIRMAN BAEZ: Commissioners, we are on Item 2 now.

MR. HILL: Commissioners, Item 2 is our recommendation on how to deal with the budget deficit for telecommunications. As you know, many factors have resulted in a deficit which is expected to continue unless some action is taken. Consistent with the direction that you gave us at the August 18th workshop, we have prepared a comprehensive recommendation that discusses both cost-cutting efforts as well as ways to increase revenues. We have met with industry representatives on many occasions. We have considered and analyzed specific suggestions that were offered at the workshop. We have reviewed our operations and revisited plans for internal cost cutting; and we have explored alternative revenue sources.

The recommendation that we have here for your consideration today reflects the results of these efforts and represents a comprehensive approach to the problem that consists of many actions. Those actions include significant cost cutting; the implementation of specific supplemental revenue sources, and exploration of others; and, finally, an increase in the current RAF with a commitment to annually review the revenue cost relationship, and in two years to sit down with the industry and assess whether or not an adjustment in the RAF should be made.

1 On Friday, we sent a memo clarifying our
2 recommendation on this last point. We have organized the
3 recommendation into four issues. Issue Number 1 pertains to
4 the RAF, and we are recommending that it go to .20 rather than
5 the .23 that was in the original notice of rule development.

6 Issue 2 deals with supplemental revenue sources, and
7 specifically statutory authority to change the minimum RAF and
8 to change the amount for a certification fee, as well as
9 dealing with exploration of future revenue sources, and most
10 notably filing fees.

11 Issue Number 3 covers the extension of time
12 codification. That is probably the least controversial of the
13 issues. We are just trying to codify what we currently do with
14 granting a request for extensions of time.

15 And Issue 4 is closing the docket.

16 We are prepared to discuss the recommendation and our
17 approach in more detail if you would like, or we are also
18 prepared to answer any questions that you might have, whatever
19 your pleasure is.

20 CHAIRMAN BAEZ: Thank you, Mr. Hill.

21 Commissioners, questions or comments?

22 I have a question. You mentioned that part of the
23 recommendation contains seeking statutory authority. Am I to
24 understand that if we would approve the totality of this
25 recommendation today that that, in essence, authorizes staff to

1 pursue, you know, specific changes in the law to allow for --
2 and you said they were changing the minimum --

3 MR. HILL: Yes, sir, allowing us to increase the
4 minimum to \$1,000, but differentiate that by service provider
5 so that if the Commission looked and decided a different amount
6 would be appropriate for, say, a PATs provider than a CLEC,
7 then you would be able to do that.

8 CHAIRMAN BAEZ: And we would have to do that by rule?

9 MR. HILL: Yes, sir.

10 CHAIRMAN BAEZ: Okay. And then the other, the other
11 changes are --

12 MR. HILL: Increasing the current fee for
13 certification. And that is a strict dollar amount, so that is
14 just changing the dollar amount that is in the statute.

15 CHAIRMAN BAEZ: Right. And then the last one was of
16 particular interest to me, and I know that a few of the other
17 Commissioners, if not all of them, expressed some interest in
18 exploring this, that is application -- not application, the
19 filing fees. The recommendation, then, you would carry with
20 you authority to seek changes in the statute, or what --
21 explain to me that portion of it.

22 MR. HILL: That is kind of a chicken and an egg
23 debate that we had.

24 CHAIRMAN BAEZ: Aren't they all.

25 MR. HILL: The title, we are adding filing fees. We

are not trying to sneak anything in. The discussion that we had was we probably cannot get the legislature to approve a generic, oh, and by the way, Commission, you can do rulemaking and have filing fees. The trouble that we have right now is we want to have workshops, involve the industry, and decide what filings would a fee be appropriate for, how would they be applied, developed. And so, we have some work to do to come up with specifics. And yet we are told that without specifics we can't seek legislative change. **So right now what we envision** is going to workshop as soon as we can to begin to develop that and get that input. I'm not sure if we could have that done and have legislation for this session or not.

13 CHAIRMAN BAEZ: Clearly, I don't think as a
14 Commission, certainly in my opinion, we can go out and seek a
15 blank check. We complain about industries that we regulate
16 trying to do the same thing before the Commission. This would
17 be obviously for a lack of ability to get even more specific,
18 but is it with -- I guess after having said all that you just
19 did, or explained all that you just did, you still intend to,
20 at the end of the day, no matter where we wind up on the scale
21 of specificity, there is going to be something, some changes
22 sought nevertheless?

23 MR. HILL: Yes, sir.

24 CHAIRMAN BAEZ: Commissioners, I don't have any other
25 questions if you all don't.

1 I'm sorry, Ms. White, you snuck up --

2 MS. WHITE: I didn't mean to be hiding here.

3 CHAIRMAN BAEZ: I have to learn to scan to the other
4 receivers.

5 MS. WHITE: Scan the horizon for the intervenors.

6 CHAIRMAN BAEZ: Yes.

7 MS. WHITE: Thank you, Chairman. Nancy White for
8 BellSouth. I just have a couple of comments. One is that
9 BellSouth does appreciate the diligent work that the staff and
10 the Commission have done with the parties in dealing with this
11 issue. We endorse the statutory changes that are mentioned in
12 the recommendation, and we will do whatever we can to support
13 those.

14 And I apologize, because I did not receive the memo
15 that staff sent. And the third thing I was going to say was I
16 think that the rule needed to somehow specifically include a
17 provision that it would be -- that the amount of the RAF would
18 be revisited. I'm assuming from what staff said in their
19 amendment to the rec that this has happened, or -- and I
20 apologize, it is my own fault. I should have --

21 CHAIRMAN BAEZ: Mr. Hill, can you go ahead and
22 reclarify, and I know that there was some -- you mentioned two
23 years out a reevaluation, or a reconsideration of some sort. I
24 hate to use that word. But somehow we are going to sit and
25 reassess whether any further changes are needed.

1 MR. HILL: Yes, sir. We have made a commitment to
2 you and the industry to sit down with the industry in two years
3 and evaluate any adjustment that needs to be made. We do not
4 have that included in the rule, some automatic change in the
5 rule. We have given our word to the industry previously and
6 today and to you that we will sit down with them in two years
7 and evaluate any change that needs to be made.

8 CHAIRMAN BAEZ: And I guess I would have a question
9 from Mr. Melson or Ms. Moore. To what extent does that have to
10 be included in the rule for us to carry it out? I mean, is
11 there some -- because I think I hear Ms. White making the
12 suggestion --

13 MS. WHITE: If it is in the order, then it is
14 acceptable to me. I just didn't want it to not be in the
15 order, not be in the rule, and be forgotten about in two years.

16 CHAIRMAN BAEZ: No.

17 MS. WHITE: If it is in the order, then it is
18 acceptable.

19 CHAIRMAN BAEZ: It is not vapor. It will be written
20 somewhere. I'm just not clear on whether it has to be included
21 in the rule. I don't know that we could sunset things like --
22 whether we have that authority.

23 MS. WHITE: I would withdraw the request to put it in
24 the rule. If it is in the order, then that is acceptable. And
25 I appreciate the opportunity to speak. Thank you.

1 CHAIRMAN BAEZ: Thank you. Ms. Moore, I didn't mean
2 to cut you off.

3 MS. MOORE: It's typically not in the notice of
4 proposed rulemaking, but we can have it in writing in the
5 rulemaking materials.

6 CHAIRMAN BAEZ: Okay. Thank you. Commissioners,
7 comments, or a question, or a motion?

8 COMMISSIONER JABER: I can offer comments, if you
9 would like, Mr. Chairman.

10 CHAIRMAN BAEZ: Go ahead, Commissioner Jaber.

11 COMMISSIONER JABER: Which is to give thanks to you
12 and to the staff. I asked a series of questions the last time
13 we met on this topic, and I feel like my questions have been
14 addressed. Perhaps not the way I had initially hoped, but I
15 think this process requires a lot of patience, and it will take
16 some background work on staff's part, the consumer advocate's
17 part, the industry's part, and I think at the appropriate time
18 our working collaboratively with the legislature. So I am at a
19 point where I am comfortable with the recommendation, Mr.
20 Chairman. While this is not the ideal situation, I think we
21 find ourselves having to resolve the deficit in a series of
22 approaches, and this is one of those things that we have to do.
23 I don't know if any other Commissioner has a comment, but at
24 the right time if you need a motion, I can make a motion.

25 CHAIRMAN BAEZ: Yes, and I appreciate that you have

1 gotten some level of comfort, Commissioner Jaber. You
2 mentioned about an ideal situation, I would challenge anyone to
3 find one in the last -- on anything, really. But I think the
4 staff has worked very hard to try and look at the bigger
5 picture of this and where it might have, at one point, all
6 fallen. You know, whatever burdens are out there to meet.
7 While at one point it may have all fallen on a -- you know, and
8 I will use the term loosely, a simple RAF increase, it has
9 clearly evolved into much more than that.

10 And although, yes, there are pieces that you wish --
11 for instance, seeking legislative changes, that is an open
12 question clearly. But think that our willingness, if we choose
13 to do so, our willingness to pursue that shows that certainly
14 we're serious about finding different ways of even handling our
15 business, and I think that that is a good thing. In any case,
16 Commissioners, if you just --

17 COMMISSIONER DEASON: I have one comment.

18 CHAIRMAN BAEZ: Commissioner Deason.

19 COMMISSIONER DEASON: I just want to take just a
20 moment to express my appreciation to staff and to the parties
21 for the collaborative approach undertaken here. I know that
22 there were some difficult discussions that took place, and I
23 think that everyone is to be congratulated. I mean, we can
24 propose this, there may still be the need for a hearing, I
25 don't know if one will be requested or not, but I think to get

1 to this point, it has been a monumental accomplishment, and I
2 want to express my appreciation to all of those involved in
3 getting us this far.

4 CHAIRMAN BAEZ: Thank you, Commissioner. And if
5 there is no other comments or questions, we can entertain a
6 motion at this point.

7 COMMISSIONER JABER: I can move Item 2 in its
8 entirety, Mr. Chairman.

9 COMMISSIONER DEASON: Second.

10 CHAIRMAN BAEZ: There is a motion and a second. All
11 those in favor say aye.

12 COMMISSIONER JABER: Aye.

13 COMMISSIONER DEASON: Aye.

14 CHAIRMAN BAEZ: Aye. All those nay.

15 COMMISSIONER DAVIDSON: Nay.

16 CHAIRMAN BAEZ: Thank you, Commissioners.

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STATE OF FLORIDA)

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CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, 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' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 11th day of October, 2004.



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