

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for submission of proposals for relay service, beginning in June 2005, for the hearing and speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

DOCKET NO. 040763-TP
ORDER NO. PSC-11-0235-PAA-TP
ISSUED: May 27, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING FTRI'S 2011-2012 BUDGET AND MAINTAINING \$0.11
PER MONTH TELECOMMUNICATION RELAY SERVICES SURCHARGE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. Case Background

The Florida Relay System (FRS) provides deaf or hard of hearing persons access to basic telecommunications services by using a specialized communications assistance operator (CA) that relays information between the deaf or hard of hearing person and the other party of the call. The primary function of the FRS is accomplished by the deaf or hard of hearing person using a Telecommunications Device for the Deaf (TDD) which has a keyboard and screen. The person using the TDD types a message to the CA who in turn voices the message to the other party. The reverse of this process completes messages to the deaf or hard of hearing person. This is how the term "relay" originated.

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system and became effective May 24, 1991. TASA is authorized under Chapter 427, Florida Statutes. Section 427.701(1), Florida Statutes, provides that the Commission shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by persons who are deaf, hard of hearing or speech impaired, or others who communicate with them. It is estimated that 3 million of the estimated 18.8 million persons living in Florida have

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been diagnosed as having hearing loss. This system provides telecommunications service for deaf or hard of hearing persons functionally equivalent to the service provided to hearing persons. TASA provides funding for the distribution of specialized telecommunications devices and provision of intrastate relay service through the imposition of a surcharge of up to \$0.25 per landline access line per month. Accounts with over 25 access lines are billed for only 25 lines. Florida law does not allow a telecommunications relay service (TRS) surcharge on VoIP or wireless provider lines as the federal TRS program does. Pursuant to Section 427.704(4)(a)1, Florida Statutes, a surcharge is collected only from landline access lines.¹

We selected Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies (LEC), to serve as the TASA administrator. On July 1, 1991, the LECs began collecting an initial \$0.05 per access line surcharge pursuant to Order No. 24581. Since that time, the surcharge has changed to reflect budgetary needs, but has been maintained at \$0.11 per month since June 2007.

We are vested with jurisdiction over these matters pursuant to Chapter 427, Florida Statutes.

II. Analysis

As shown in Table A, minutes of use for traditional TRS has been declining. Sprint Relay, Florida's current relay provider, projects that the traditional TRS minutes will continue to decline at a rate of approximately 1 percent per month or 11.98 percent for the 2011-2012 fiscal year. Traditional relay users are transitioning to the more efficient technologies of IP Relay,² Video Relay Service³ (VRS), CapTel captioning service, IP Captioned Telephone Service⁴ (IP CTS), IP Speech to Speech service⁵ (IP STS), and Blackberry or Palm wireless devices.

¹ Florida Telecommunications Relay, Inc. projects another decrease in landline access lines subject to the relay surcharge for the budget year 2011-2012. In addition, with the redefinition of basic local service passed by the Legislature in 2009, some competitive local exchange companies are not collecting or paying the relay surcharges on what they now consider is a non-basic line.

² IP Relay allows people who have difficulty hearing or speaking to communicate through an Internet connection using a computer and the Internet, rather than a TTY and a telephone.

³ Video Relay Service is a form of Telecommunications Relay Service that enables persons with hearing disabilities who use American Sign Language to communicate with voice telephone users through video equipment, rather than through typed text. Video equipment links the VRS user with a TRS operator so that the VRS user and the operator can see and communicate with each other in signed conversation. Because the conversation between the VRS user and the operator flows much more quickly than with a text-based TRS call, VRS has become a popular form of TRS.

⁴ IP captioned telephone service allows the user to simultaneously listen to, and read the text of, what the other party in a telephone conversation has said, where the connection carrying the captions between the service and the user is via an IP addressed and routed link.

⁵ Speech to Speech relay service utilizes a specially trained CA who understands the speech patterns of persons with speech disabilities and can repeat the words spoken by such an individual to the other party to the call. IP STS uses the Internet, rather than the public switched telephone network, to connect the consumer to the relay provider. Instead of using a standard telephone to make the relay call, an IP STS user can use a personal computer or personal digital assistant (PDA) device and, with the installation of softphone application software, can make a voice call via the Internet to the relay provider. The call is initiated by the user clicking on an icon on his or her computer or

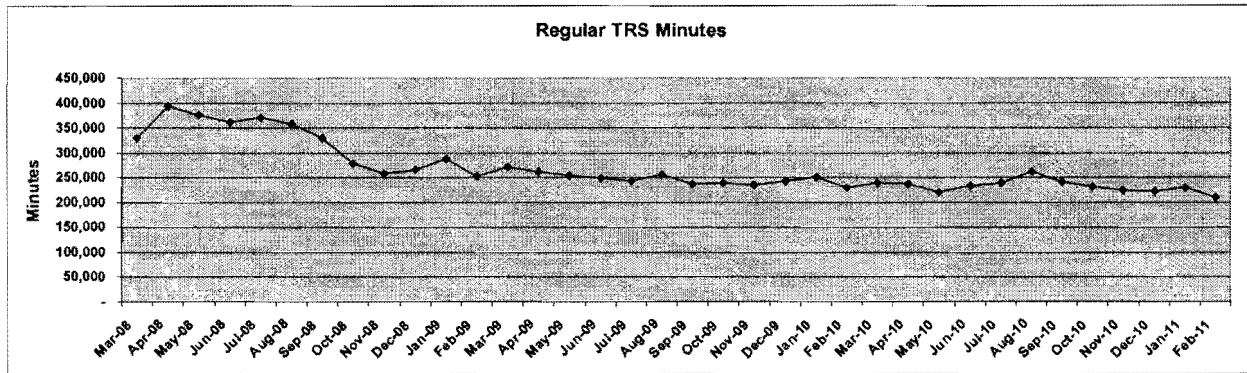


Table A – Florida Traditional TRS Minutes March 2008 – February 2011

CapTel Service

CapTel service uses a telephone that provides captioning of the incoming call for a deaf or hard of hearing person. Sprint Relay projects that the CapTel minutes of use will increase approximately 2 percent per month or 23.84 percent for the 2011-2012 fiscal year. The CapTel cost as approved in the current Sprint Relay contract is \$1.47 per minute (\$1.54 per minute after June 1, 2011). Table B shows the historical CapTel minutes of use from March 2008 through February 2011.

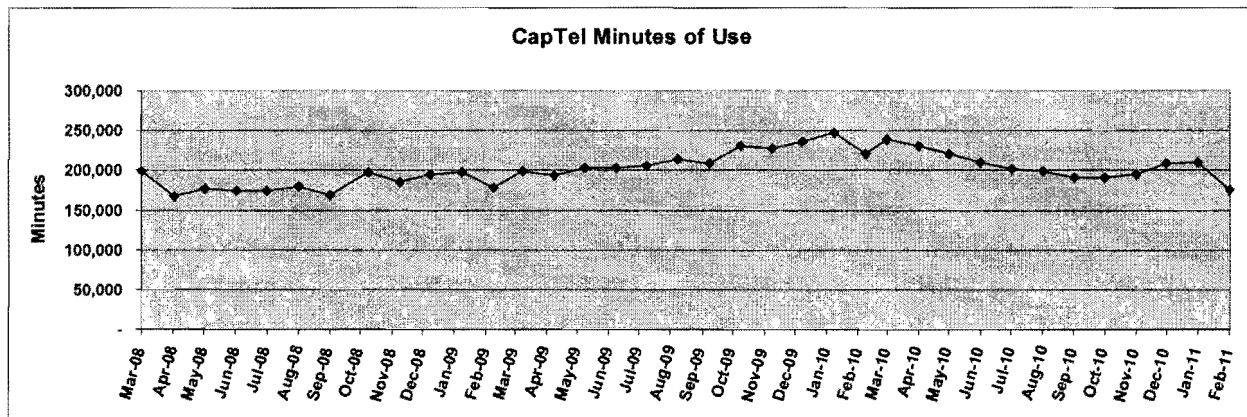


Table B – CapTel minutes of use March 2008 – February 2011

FTRI Budget

The FTRI 2011-2012 fiscal-year budget (Attachment A) was reviewed and approved by the FTRI Board of Directors on March 28, 2011, prior to the filing of its budget with the Commission. The proposed budget includes an increase in expenses of approximately \$833,000 from the 2010-2011 budget year. The budget projects total revenues to be \$9,638,400 and total expenses to be \$13,985,908. FTRI believes that the TRS surcharge can remain at \$0.11 per

PDA; the relay user is then connected to a CA over the Internet and tells the CA the number to be dialed; the CA then connects the IP STS user with the called party and relays the call between the two parties.

access line for the 2011-2012 fiscal year, with its estimated revenue shortfall of \$4,347,508 being covered through the surplus account.⁶

We have reviewed Sprint Relay's TRS and CapTel minutes of use projections for the 2011-2012 FTRI budget period, and corrected an error in the Sprint CapTel projected minutes of use. The revised CapTel estimated minutes of use are 2,704,187 at a rate of \$1.54 per minute for a total of \$4,164,448. We have increased FTRI's total proposed relay service provider cost from \$5,908,164 to \$5,915,798 (CapTel \$4,164,448 and Regular TRS \$1,751,350) for the 2011-2012 fiscal year to reflect the regular TRS minutes of use and the corrected CapTel minutes of use projected for the FTRI 2011-2012 fiscal-year.

III. Decision

We have reviewed FTRI's 2011-2012 fiscal year budget and believe FTRI's proposed operating expenses of \$13,985,908 should be reduced by \$651,066, and the current TRS surcharge of \$0.11 should be maintained for the 2011-2012 fiscal year. Therefore, FTRI's proposed budget operating revenue of \$9,638,400, and the Commission-revised budget expenses of \$13,334,842 for the fiscal year 2011-2012, effective July 1, 2011, are hereby approved, with the deficit of \$3,696,442 to be taken from the surplus account. The incumbent local exchange companies, competitive local exchange companies, and shared tenant providers shall continue to bill the \$0.11 surcharge for the fiscal year 2011-2012, effective July 1, 2011. FTRI shall provide our staff with a breakdown of operating costs, by category.

⁶ IP Relay and VRS users are presently having their relay minutes of use paid through the interstate TRS fund. However, the Federal Communications Commission (FCC) has repeatedly stated that this arrangement is only temporary. The FCC believes Title IV of the Americans with Disabilities Act and its legislative history make it clear that Congress intended for the states to be responsible for the cost recovery for intrastate relay services provided under their jurisdiction.

The FCC has not formally opined on the time frame when the IP Relay and VRS costs will shift to the states or what the intrastate/interstate cost allocation will be. We estimate that the total monthly responsibility of intrastate IP Relay and VRS costs would be approximately \$32 million annually. The \$32 million additional IP Relay and VRS costs could increase the annual budget for Florida TRS to over \$46 million and likely exceed the current \$0.25 cap per access line allowed by statute. If this happens, a legislative change may be necessary to either increase the present TRS cap for local exchange company lines or have all carriers such as wireless and VoIP providers charge the surcharge as the federal TRS program does.

In order to minimize the impact of this change on the Florida TRS Fund, by Order PSC-06-0469-PAA-TP, issued June 1, 2006, we took action in the 2006-2007 FTRI budget year by maintaining a \$0.15 per month TRS surcharge to create a reserve to handle the initial costs of the intrastate VRS and IP Relay cost burden. It is estimated that this will provide a reserve in the Florida TRS fund of \$16,686,076 by the end of the current fiscal year in June 2011. This reserve amount should be enough to accommodate the initial intrastate VRS and IP Relay costs should the FCC make a decision in the next fiscal year.

A comparison of FTRI's 2011-2012 proposed budget, the Commission-approved FTRI 2011-2012 budget, and the current 2010-2011 estimated revenue and expenditures is shown below.

	FTRI Proposed 2011-2012	Commission Approved 2011-2012	Current 2010-2011
Operating Revenue:			
Surcharges	\$ 9,553,960	\$ 9,553,960	\$9,849,443
Interest Income	84,440	84,440	97,875
Total Operating Revenue	\$ 9,638,400	\$ 9,638,400	\$9,947,318
Total Operating Expenses:	\$13,985,908	\$13,334,842	\$13,054,651
Deficit	(\$4,347,508)	(\$3,696,442)	
Projected Surplus at June 30, 2012	\$11,871,064	\$12,522,130	

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that an annual budget operating revenue of \$9,638,400, and annual budget expenses of \$13,334,842, effective July 1, 2011, for Florida Telecommunications Relay Inc. is hereby approved. It is further

ORDERED that the Telecommunications Relay Service surcharge shall be maintained at \$0.11 per month for the fiscal year 2011-2012, effective July 1, 2011. It is further

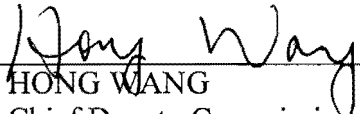
ORDERED that the incumbent local exchange companies, competitive local exchange companies, and shared tenant providers shall continue to bill the \$0.11 surcharge for the fiscal year 2011-2012, effective July 1, 2011. It is further

ORDERED that Florida Telecommunications Relay, Inc. shall provide Commission staff with a breakdown of operating costs by category. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall remain open.

By ORDER of the Florida Public Service Commission this 27th day of May, 2011.



HONG WANG
Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 17, 2011.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.



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March 29, 2011

Mr. Robert Casey, Public Utilities Supervisor
Division of Regulatory Analysis
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

RE: FTRI FY 2011/2012 Budget

Dear Mr. Casey:

I am pleased to forward a copy of the FY 2011/2012 budget that was recently approved by the Florida Telecommunications Relay, Inc. (FTRI) Board of Directors. This budget was reviewed by our Budget Committee and the Board and was adopted by the Board on March 28, 2011.

The budget as approved by the Board projects total revenues at the current surcharge level of \$.11 to be \$9,638,400 and total expenses to be \$13,985,908. The difference of \$4,347,508 will be transferred from the surplus account, which should be approximately \$16,686,076 at the end of the current fiscal year. Although a surcharge of \$.11 would produce a shortfall in meeting FTRI's operating expenses, we have not proposed to revise the surcharge because we believe there are sufficient funds in the surplus account to offset the difference. Attachment A is the Income Statement that reflects the proposed FY 2011/2012 budget excluding the surplus account.

As of February 2011, FTRI has over 445,200 individuals in the client database. It is evident that FTRI and its regional partners are reaching out to meet the telecommunications access needs of residents who are deaf, hard of hearing, deaf/blind, or speech impaired. Outreach continues to be a large part of our efforts and we are planning to increase these activities in order to continue to reach out to the estimated 3 million potential clients in Florida by creating awareness and telephone independence.

Should you have questions or desire additional information, please do not hesitate to email me at jforstall@ftri.org.

Sincerely,

A handwritten signature in black ink, appearing to read "James Forstall".

James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

Florida Telecommunications Relay, Inc.
 Fiscal Year 2011/2012 Budget @ .11 cents w/ 1 RDC

	2010/2011 APPROVED BUDGET	2010/2011 ESTIMATED REV & EXPEND	2011/2012 PROPOSED BUDGET	VARIANCE 2010/2011 2011/2012
OPERATING REVENUE				
1 Surcharges	9,767,594	9,849,443	9,553,960	(213,634)
2 Interest Income	103,789	97,875	84,440	(19,349)
3 Service/Other	0	0	0	0
TOTAL OPERATING REV	9,871,383	9,947,318	9,638,400	(232,983)
OTHER REVENUE/FUNDS				
4 Surplus Account	19,508,940	16,686,076	11,871,064	(7,637,876)
TOTAL REVENUE	29,380,323	26,633,394	21,509,464	(7,870,859)
OPERATING EXPENSES				
CATEGORY I - RELAY SERVICES				
5 DPR Provider	6,394,536	5,866,953	5,908,164	(486,372)
SUBTOTAL-CATEGORY I	6,394,536	5,866,953	5,908,164	(486,372)
CATEGORY II - EQUIPMENT & REPAIRS				
6 TDD Equipment	0	0	0	0
7 Large Print TDD's	630	0	11,400	10,770
8 VCO/HCO - TDD	0	0	5,000	5,000
9 VCO Telephone	13,284	13,284	13,776	492
10 Dual Sensory Equipment	143,925	143,925	143,925	0
11 CapTel Phone Equipment	408,312	199,800	132,000	(276,312)
12 VCP Hearing Impaired	2,128,280	2,897,980	3,178,150	1,049,870
13 VCP Speech Impaired	20,648	21,384	21,516	868
14 TeliTalk Speech Aid	45,000	36,000	54,000	9,000
15 Jupiter Speaker phone	18,880	20,500	69,700	49,820
16 In-Line Amplifier	3,200	3,200	2,240	(960)
17 ARS Signaling Equip	52,683	52,683	44,051	(8,632)
18 VRS Signaling Equip	47,880	47,880	35,868	(12,012)
19 Accessories & Supplies	0	0	14,000	14,000
20 Telecomm Equip Repair	89,327	89,327	79,327	(10,000)
SUBTOTAL-CATEGORY II	2,973,049	3,525,963	3,804,963	831,904
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING				
21 Freight-Telecomm Equip	41,675	35,910	41,000	(675)
22 Regional Distr Centers	1,288,167	1,426,288	1,786,517	498,350
23 Workshop Expense	60,000	20,000	75,000	15,000
24 Training Expense	15,000	15,000	15,000	0
SUBTOTAL-CATEGORY III	1,404,842	1,497,198	1,917,517	512,675

Florida Telecommunications Relay, Inc.
 Fiscal Year 2011/2012 Budget @ .11 cents w/ 1 RDC

	2010/2011 APPROVED BUDGET	2010/2011 ESTIMATED REV & EXPEND	2011/2012 PROPOSED BUDGET	VARIANCE 2010/2011 2011/2012
CATEGORY IV - OUTREACH				
25 Outreach Expense	864,400	861,400	886,600	22,200
SUBTOTAL-CATEGORY IV	864,400	861,400	886,600	22,200
CATEGORY V - GENERAL & ADMINISTRATIVE				
26 Advertising	7,400	5,311	6,000	(1,400)
27 Accounting/Auditing	27,088	25,080	30,633	3,545
28 Legal	72,000	72,000	72,000	0
29 Computer Consultation	70,930	70,929	73,274	2,344
30 Bank Charges	0	0	0	0
31 Dues & Subscriptions	3,679	3,679	4,047	368
32 Office Furniture Purchase	2,333	2,333	2,450	117
33 Office Equipment Purchase	18,550	7,280	8,875	(9,675)
34 Office Equipment Lease	4,606	2,000	2,500	(2,106)
35 Insurance-Hlth/Life/Dsbty	347,598	251,000	292,845	(54,753)
36 Insurance-Other	9,591	6,272	6,900	(2,691)
37 Office Expense	16,783	15,980	17,578	795
38 Postage	18,385	18,469	19,393	1,008
39 Printing	4,644	3,595	3,955	(689)
40 Rent	99,626	92,952	102,088	2,462
41 Utilities	13,170	11,830	13,013	(157)
42 Retirement	80,300	78,267	82,962	2,662
43 Employee Compensation	571,944	513,316	584,631	12,687
44 Temporary Employment	30,720	22,674	31,200	480
45 Taxes - Payroll	43,754	39,269	44,725	971
46 Taxes - Unemplmt Comp	8,721	5,670	6,804	(1,917)
47 Taxes - Licenses	69	69	72	3
48 Telephone	22,487	21,500	24,240	1,753
49 Travel & Business	26,702	20,382	23,439	(3,263)
50 Equipment Maint.	1,926	1,850	1,985	59
51 Employee Training/Dev	9,042	7,930	9,215	173
52 Meeting Expense	3,733	3,500	3,850	117
53 Miscellaneous Expense	0	0	0	0
SUBTOTAL-CATEGORY V	1,515,781	1,303,137	1,468,674	(47,107)
TOTAL EXPENSES	13,152,608	13,054,651	13,985,908	833,300
REVENUE LESS EXPENSES	16,227,715	13,578,743	7,523,556	(8,704,159)

Florida Telecommunications Relay, Inc.

**Income Statement
FY 2011/2012
11 cents w/ 1 new RDC**

Income

Revenue			
	Surcharge	9,553,960	
	Interest	84,440	
			<u>9,638,400</u>

Expense

Category I			
	DP Relay	5,908,164	
Category II			
	Equipment	3,804,953	
Category III			
	RDC	1,917,517	
Category IV			
	Outreach	886,600	
Category V			
	General	1,468,674	
			<u>13,985,908</u>

Net Projected 2011/2012 Income (4,347,508)