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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of :
Fair and Reasonable : SPECIAL PROJECT
Residential Basic Local : NO. 980000A-SP
Telecommunications Rates. :



PROCEEDINGS: PUBLIC HEARING
Perry, Florida

BEFORE: COMMISSIONER J. TERRY DEASON
COMMISSIONER SUSAN F. CLARK

DATE: Thursday, October 22, 1998

TIME: Commenced at 1:30 p.m.
Concluded at 2:50 p.m.

PLACE: City Council Chambers
224 South Jefferson Street
Perry, Florida

REPORTED BY: H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter

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1 **APPEARANCES:**

2 **JUNE MCKINNEY**, Florida Public Service
3 Commission, Division of Legal Services, 2540 Shumard
4 Oak Boulevard, Tallahassee, Florida 32399-0870,
5 appearing on behalf of the **Commission Staff**.

6 **CHARLES J. BECK**, Deputy Public Counsel,
7 Office of Public Counsel, 111 West Madison Street,
8 Room 812, Tallahassee, Florida 32399-1400, appearing
9 on behalf of the **Citizens of the State of Florida**.

10 **DAVID B. ERWIN**, 127 Riversink Road,
11 Crawfordville, Florida 32327, appearing on behalf of
12 **GTC, Inc.;**

13

14 **ALSO PRESENT:**

15 **BRENDA HAWKINS**

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1 P R O C E E D I N G S

2 (Hearing convened at 1:30 p.m.)

3 COMMISSIONER DEASON: Call the hearing to
4 order. Could we have the notice read, please?

5 MR. BECK: Yes, Commissioner. Pursuant to
6 notice issued August 27, 1998, this time and place was
7 set for public hearing in the Florida Public Service
8 Commission's undocketed Special Project 980000A. The
9 purpose of this hearing is set out in the notice.

10 COMMISSIONER DEASON: Thank you. Take
11 appearances.

12 MR. BECK: My name is Charlie Beck. I'm
13 with the Office of Public Counsel in Tallahassee,
14 appearing on behalf of Florida citizens.

15 MS. MCKINNEY: And June McKinney on behalf
16 of Commission Staff.

17 MR. ERWIN: My name is David Erwin. I'm
18 appearing here on behalf of GTC, Inc. My address is
19 127 Riversink Road, Crawfordville, Florida.

20 COMMISSIONER DEASON: Thank you. Let me
21 take this opportunity to introduce myself. My name is
22 Terry Deason. I'm a member of the Public Service
23 Commission. I'll be chairing the hearing that we're
24 having this afternoon.

25 Seated to my right is Commission Susan

1 Clark. We'll constitute the panel of Commissioners
2 who will be hearing this particular public hearing.

3 And I want to take just a moment to give you
4 some general background information as to why we're
5 here this day. We are here today in response to
6 House Bill 4785, which was passed by the 1998 Florida
7 Legislature. It directs us, the Public Service
8 Commission, to study and report to the Legislature our
9 conclusions regarding the fair and reasonable rate for
10 Florida residential basic local telecommunications
11 service.

12 In performing this study we were directed by
13 the Legislature to consider four specific things, and
14 these factors are affordability, the value of service,
15 comparable residential rates in other states, and the
16 cost of providing residential basic local telephone
17 service.

18 We will be conducting this hearing for the
19 purpose of receiving comments and information from you
20 about your local telephone service and the
21 affordability of that service. The information that
22 you provide us will help us in preparing our report to
23 the Legislature. The report will be presented to the
24 Legislature in February of 1999 and will help the
25 Legislature to determine whether changes are needed to

1 advance competition in the local telecommunications
2 market in Florida.

3 The Commission has conducted a number of
4 technical workshops in Tallahassee earlier this month.
5 I believe that this is the last of 22 public hearing
6 that we have held around the state. We want you to
7 know that we welcome you here. We're eager to hear
8 what you have to say.

9 This hearing along with all of the others
10 are official hearings of the Commission. What you
11 tell us today will become part of the official record.
12 We have a court reporter here today transcribing the
13 testimony, and it will be incorporated into the
14 record.

15 So that your testimony can become part of
16 the record, it's necessary that we swear you in. This
17 is a formality, but it is a necessary formality. So
18 before we begin taking testimony, I'm going to ask all
19 members of the public who wish to make a formal
20 statement here today to stand and be sworn in.

21 For those members of the public who do not
22 wish to actually make a formal statement, there is the
23 last page of the information sheet, which may be
24 filled out and detached.

25 So I'm going to ask at this point all those

1 that wish to testify to please stand and raise your
2 right hand.

3 (Witnesses collectively sworn.)

4 **COMMISSIONER DEASON:** Thank you. You may be
5 seated.

6 Mr. Beck, are there any preliminary matters
7 that you have?

8 **MR. BECK:** No, Commissioner.

9 **COMMISSIONER DEASON:** Ms. McKinney, any
10 preliminary matters?

11 **MS. MCKINNEY:** No, Commissioner.

12 **COMMISSIONER DEASON:** And since Mr. Erwin is
13 not at a microphone now, I assume he has no
14 preliminary matters either.

15 **MR. ERWIN:** That's correct.

16 **COMMISSIONER DEASON:** Okay. Well, then
17 we're going to proceed right into the hearing.

18 Mr. Beck, Office of the Public Counsel,
19 which is a part of the Legislature of the State of
20 Florida, represents consumers before the Public
21 Service Commission. He and his office have been
22 active in this particular proceeding and have been in
23 attendance at all of the public meetings.

24 He will be calling members of the public who
25 have signed up. If you do wish to testify and have

1 not signed up, you need to do that at the rear of the
2 auditorium.

3 One other thing; when you are called, please
4 come to the podium and begin by giving us your name
5 and your address and, if you think it would be helpful
6 to the court reporter, you may wish to spell your name
7 so it will be accurate in the record; and please
8 proceed with your statement, and when your statement
9 is concluded, wait for a moment. There may be some
10 clarifying questions. If you wish to entertain those
11 questions, that's fine. If you wish not to entertain
12 questions, just tell us that, and we'll honor that as
13 well.

14 So with that, Mr. Beck, you make call your
15 first witness.

16 **MR. BECK:** Thank you. First witness is
17 Ms. Venera Williams.

18 **COMMISSIONER DEASON:** Right there at the
19 podium, yes, ma'am.

20 **COMMISSIONER CLARK:** If you want to, you can
21 wait until other people have gone and go. Would you
22 rather do that?

23 **WITNESS WILLIAMS:** Oh, I'm up here. I might
24 as well.

25 **COMMISSIONER CLARK:** Okay.

1 **VENERA K. WILLIAMS**

2 appeared as a witness and, swearing to tell the truth,
3 testified as follows:

4 **DIRECT STATEMENT**

5 **WITNESS WILLIAMS:** I wasn't prepared to say
6 anything, but I will. I represent the AARP,
7 Chapter 4064 of Steinhatchee. Can you hear me?

8 **COMMISSIONER DEASON:** Yes, ma'am. Could you
9 give us your name for the record?

10 **WITNESS WILLIAMS:** V-E-N-E-R-A, Williams.

11 **COMMISSIONER DEASON:** And you're from
12 Steinhatchee?

13 **WITNESS WILLIAMS:** Right.

14 **COMMISSIONER DEASON:** We had a hearing in
15 Steinhatchee --

16 **WITNESS WILLIAMS:** And I recognize you,
17 Mr. Deason, and Ms. Clark.

18 **COMMISSIONER DEASON:** Yes, ma'am.

19 **WITNESS WILLIAMS:** Okay. As I said, it's
20 4064 chapter, AARP.

21 We're just a small place, and we don't have
22 too much money around, and we feel like that the rates
23 are reasonable like they are. And there's so many --
24 I want to ask first, why is -- why was it the
25 Legislature turned it over to the PSC?

1 **COMMISSIONER DEASON:** Well, I'll take a shot
2 at that. Mr. Beck, if you want to add anything, you
3 may do so as well, and Commissioner Clark.

4 The Legislature, there was a bill introduced
5 in the last session of the Legislature. The bill's
6 aim was to try to stimulate competition in the local
7 telecommunications market like we have competition in
8 the long distance market. The bill had some
9 controversial provisions in it.

10 It was debated at the Legislature, the pros
11 and the cons of that bill. The Legislature decided
12 that it needed more information, and it decided to
13 include the Public Service Commission in the process
14 by conducting this study and to go out and hear from
15 the people, and that's why we've had 22 public
16 hearings around the state.

17 We've also been required by the Legislature
18 to conduct an evidentiary hearing on the cost of
19 providing local service. We're going to present our
20 report to the Legislature, and I believe the
21 Legislature will take that report and, if they think
22 there needs to be further legislation, perhaps there
23 will be legislation introduced; and, if not, well,
24 then perhaps there will not be legislation introduced.

25 But I think that it is good that the

1 Legislature wanted to include the Public Service
2 Commission. I think that there's some expertise at
3 the Commission. We have a very knowledgeable and
4 dedicated Staff at the Public Service Commission with
5 many years of experience, and I think that they can
6 take the information that is being gathered and help
7 write a report that will be informative and helpful to
8 the Legislature. And I think that's the basic reason
9 that we're here today.

10 **WITNESS WILLIAMS:** All right.

11 **COMMISSIONER DEASON:** Mr. Beck, do you wish
12 to add anything to that?

13 **MR. BECK:** Commissioner Deason, just that
14 there have been a lot of groups that have been active
15 in the proceeding.

16 Certainly telephone companies have let their
17 views be known, but also at technical hearings we've
18 had, AARP sponsored an expert witness that testified
19 before the Commission, as has our office and the
20 Attorney General.

21 It's been very good participation, and
22 particularly the AARP has been at every single
23 meeting, which was very significant.

24 **WITNESS WILLIAMS:** Good. Good. Well, you
25 know, we tried to get -- living in Steinhatchee, you

1 know, we tried to get the 25-cent rate from down there
2 to Perry, and we did not make it. You said there
3 wasn't enough of an interest input in it, so we failed
4 on that.

5 So our exchange is out of Cross City, which
6 is BellSouth, and we just feel like that our little
7 old place in Florida is kind of left alone. So we'd
8 appreciate anything we could get some help with.

9 Thank you.

10 **COMMISSIONER DEASON:** Thank you, ma'am. Any
11 questions? (No response.) Thank you.

12 **MR. BECK:** Next witness is Sandra White.

13

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14

SANDRA WHITE

15 appeared as a witness and, swearing to tell the truth,
16 testified as follows:

17

DIRECT STATEMENT

18

19 **WITNESS WHITE:** My name is Sandra White, and
20 I didn't come prepared to speak either. Next meeting
21 I will. I'm from Steinhatchee. I'm a member of the
22 AARP.

22

23 On this fair and reasonable rates study, on
24 these questions down here "Who and where can you call
25 without paying additional charges," just our immediate
area. That's only place we can call without paying

1 extra charges, which we've covered the long distance
2 to Perry. We've covered that.

3 "How many local calls do you make?" That
4 would vary, individual. We make approximately 30
5 to 40.

6 "How many phone calls do you receive?" We
7 receive about half of that.

8 And "How do the rates at your current
9 residence compare with the rates you have paid in
10 other places you have lived?" They are comparable;
11 possibly, I'd say within \$2 of where we've lived
12 before.

13 "Are there circumstances or alternatives
14 available to you that could lead you to voluntarily
15 give up local phone service?"

16 If the amount of the bill goes up to such a
17 degree that people cannot afford it -- and when I'm
18 talking cannot afford it, I'm talking about people
19 that are over 50 that are on fixed incomes, which is a
20 large part of Steinhatchee.

21 And as the baby boomers come into this,
22 there's more social security people, and \$25 can mean
23 medicine to someone. And the alternatives for that
24 possibly would be for -- and I've thought these over
25 in my mind -- if it becomes a financial hardship in

1 the future, then possibly -- I mean, we did without
2 phones before. It could be done again, and possibly
3 maybe have one block phone on the whole block.

4 I mean, you've got to think of alternatives
5 if it's going to affect you financially. And when
6 you're on a fixed income you can't go -- you're not
7 going to have a raise coming in unless the government
8 decides to give you one.

9 Let's see. "Competition." I think there's
10 too much competition already.

11 **UNIDENTIFIED SPEAKER:** Amen.

12 **WITNESS WHITE:** And this is -- I tend to get
13 on the soapbox. Forgive me. But it was better before
14 there was competition.

15 We did not have to make -- pay for this and
16 pay for that and call the operator and pay for the
17 operator. The operator was there. We could depend on
18 the phone. Can't do that any more.

19 That's it in a nutshell. I could go on, but
20 that's it. Any questions?

21 **COMMISSIONER DEASON:** I have a question.
22 One of the things that was discussed in the last
23 legislative session was looking at the possibility of
24 reducing long distance rates and increasing local
25 rates, kind of an offset there.

1 Do you have a viewpoint on that? You'd like
2 to keep it as is, or do you think it would be --

3 **WITNESS WHITE:** Yes. I prefer to keep it as
4 is, because right now with all the competition, we
5 have 10-10-321, 10-10-220, 10-10-636. So we have
6 plenty of opportunity to get low long distance rates,
7 a dime a minute or whatever. And knowing that it's
8 going to stay the same -- yes, leaving it the same --
9 knowing it was going to stay the same, you can plan
10 your monthly budget. You can know how much you're
11 going to spend for medicine, for groceries, for
12 utilities.

13 **COMMISSIONER CLARK:** Ms. White, to what area
14 do you make a lot of your calls? Do you make a lot of
15 calls to Perry such that they're long distance for
16 you?

17 **WITNESS WHITE:** No. We tried to get that
18 changed. We would make more if it weren't.

19 **COMMISSIONER CLARK:** And what is the other
20 area Steinhatchee calls? I can't remember. It's here
21 and --

22 **WITNESS WHITE:** I'm sorry. What was the
23 question?

24 **COMMISSIONER CLARK:** Where else do you do
25 your shopping?

1 **WITNESS WHITE:** Chiefland.

2 **COMMISSIONER CLARK:** Chiefland. Do you make
3 a lot of calls --

4 **WITNESS WHITE:** It's a quarter to Chiefland
5 now for however long you talk. Isn't that right?

6 **UNIDENTIFIED SPEAKER:** And Gainesville --

7 **WITNESS WHITE:** And Gainesville also.

8 **COMMISSIONER CLARK:** Let me ask you this:
9 Is everyone in Steinhatchee aware of the fact that
10 it's 25 cents to Chiefland? I mean --

11 **WITNESS WHITE:** The majority of people. We
12 try to get all that information across to the -- by
13 meetings we have. It's a very involved community, and
14 with the AARP meetings, you tell the congre -- not
15 congregation. What would you call them? All those
16 people there. (Laughter) You would tell them, and
17 then they pass it on and pass it on.

18 **COMMISSIONER CLARK:** Do you know when people
19 call in to get new phone service or maybe call to
20 change the long distance service, are they being told
21 that if they change to a different service they might
22 not get that 25-cent call?

23 **WITNESS WHITE:** I don't think so. We have
24 some new neighbors that recently -- in fact, yesterday
25 they were waiting on a phone to be installed anywhere

1 between 9:00 and 6:00 p.m., and as of 6:00 p.m. the
2 phone company had not been there. So they -- this
3 conversation came up -- and they were not able to
4 attend this meeting -- but as far as I know, they did
5 not -- they were not aware of any alternatives.

6 And just to add fuel to the fire, two years
7 ago when we moved down here, we were not -- in trying
8 to get our phone transferred from where we rented to
9 where we built, we were not -- when I called to have
10 it installed, we were not on the scheme two years ago.
11 Our neighbors, also two years later, are not on that
12 scheme. In other words, there's no one around where
13 we live that has phone service.

14 With E911 that's supposed to be changed.
15 And the woman that helped them on the phones said she
16 would continue on with that. But that's neither here
17 nor -- that's --

18 **COMMISSIONER CLARK:** Well, when we were down
19 there we were concerned about that. Are you saying
20 that that has not improved?

21 **WITNESS WHITE:** (Shaking head.)

22 **COMMISSIONER CLARK:** And that's BellSouth,
23 right?

24 **WITNESS WHITE:** Correct.

25 **COMMISSIONER CLARK:** We'll just remind them

1 that they need to do that. Thank you.

2 **MR. BECK:** Next witness is Helen Ruth
3 Walker.

4 - - - - -

5 **HELEN RUTH WALKER**

6 appeared as a witness and, swearing to tell the truth,
7 testified as follows:

8 **DIRECT STATEMENT**

9 **WITNESS WALKER:** My name is Helen Ruth
10 walker, P.O. Box 146, Steinhatchee, Florida.

11 I'm like the other two ladies that were just
12 up here. I hadn't planned to say anything today, but
13 I've been concerned about these rate increases and so
14 forth.

15 We have so many people in Steinhatchee that
16 are unable to eat properly. They get Meals On Wheels
17 and a little bit of everything else, and I think if
18 there is a rate increase in the telephone service,
19 that they'll just have to have their phones
20 disconnected, because as it is now, some of them
21 aren't even able to buy their medicine, proper food
22 and so forth; and this has been my main concern is
23 worrying about some of my neighbors.

24 You know, it doesn't hurt any of us to throw
25 an extra potato or two in the pot, which I try to do

1 most of the time, because these people that are on
2 fixed incomes that get Meals On Wheels and so forth, I
3 don't know if most of you know that on the weekends
4 these people aren't fed; and I feel like if the public
5 service committee permits this rate increase, we're
6 going to see a lot more suffering.

7 It just seems like every time we turn around
8 the cost of living is going up, up, up, and less and
9 less provisions are made for our poor; and I'm really
10 concerned about this bill being passed.

11 I don't know who sponsored it or whatever,
12 or what in the world they had in mind, but as far as
13 needing more telephone competition, it's the pits now
14 since everything has been diversified. I'm just --
15 I'm real upset about this.

16 Maybe I should calm down before I get up
17 here, but it just seems like every time you turn
18 around there's something else to be considered. And
19 it's affecting so many of our poor people, not only
20 our elderly, but our low income people.

21 You know, we have so many people in this
22 state just working for the bare minimum wages. They
23 have children and every other thing. And I hope and
24 pray that the public service committee will see fit to
25 fight this blessed thing for us and not allow this

1 rate increase for our state.

2 I think we've got too many telephone
3 companies now. You can't turn around unless you see
4 another one advertising on TV or something, and it's
5 just reached the point until I've just about had it.

6 I thank you.

7 **COMMISSIONER DEASON:** Thank you, ma'am. Any
8 questions? (No response.) No questions. Thank you.

9 **MR. BECK:** Bonnie Tompkins.

10

- - - - -

11

BONNIE TOMPKINS

12 appeared as a witness and, swearing to tell the truth,
13 testified as follows:

14

DIRECT STATEMENT

15

WITNESS TOMPKINS: My name is Bonnie
16 Tompkins, Post Office Box 223, Steinhatchee.

17

Well, I came with our group today because I
18 am very interested in trying to keep our rates as low
19 as they are now, because like Helen was saying, like
20 my husband and I we're on a fixed income, and we both
21 have to have different kinds of medicine that's real
22 high. And it's a real hardship to keep the phone, and
23 we know that we need it because you never know when
24 you need to have to call for help.

25

And so we're just like a lot of the rest of

1 them. And a lot of those people in Steinhatchee, even
2 though they didn't show up to help us today, they were
3 interested, but just didn't come. And we work awfully
4 hard at the AARP to try to put this across to our
5 people to come and participate in these things.

6 So I would just like for you all to keep it
7 as it is if possible. Thank you.

8 **COMMISSIONER DEASON:** Let me say, it looks
9 like the representation from Steinhatchee is
10 excellent. Perhaps we should have had the hearing in
11 Steinhatchee.

12 **UNIDENTIFIED SPEAKER:** That would have been
13 a good idea, at the AARP community center place.

14 **MR. BECK:** Harold Pope.

15 - - - - -

16 **HAROLD POPE**

17 appeared as a witness and, swearing to tell the truth,
18 testified as follows:

19 **DIRECT STATEMENT**

20 **WITNESS POPE:** My name is Harold Pope. I'm
21 from Trenton, Florida. My address is 819 S.E. 60th
22 Avenue, Trenton.

23 I'm a member of AARP. I've been elected to
24 be chapter specialist along with Mrs. Carlisle that's
25 sitting in the blue blouse over there. She and I have

1 the assigned task of meeting with all the AARP
2 chapters in our district and helping them in their
3 efforts to serve our community in whatever way we can.

4 We go as members of the state board to
5 assist in the areas that they need assistance in, and
6 so we've met with all the chapters in our community,
7 or in our district, this month already. I think
8 yesterday we was with Suwannee, a couple nights ago we
9 was with Steinhatchee; Trenton Tuesday. We've been
10 with High Springs, Lake City, Gainesville.

11 I have some letters here that I have written
12 up. I'll read the notation on them. "To the Florida
13 Public Service Commission, we the undersigned -- and
14 this is the Lake City Chapter. This is for each
15 chapter -- we the undersigned of Lake City Chapter
16 AARP 1872 request that you do not recommend the
17 raising of local telephone rates to the Legislature.
18 Many of our aging citizens are barely existing on
19 small incomes and will be hurt. Besides, records show
20 that the telephone companies are now reaping huge
21 profits."

22 And that is true. The Gainesville chapter
23 went and got the records of Southern Bell for last
24 year, and so far this year, and their profits are
25 huge.

1 We have many people in our communities
2 that's on Meals On Wheels, as has been noted. These
3 people are not fed on the weekends, only during the
4 week. Meals On Wheels only provides a basic balanced
5 meal.

6 There's a lot of things that these people
7 can't afford. They can't afford toilet paper, toilet
8 tissue -- soap to wash with, napkins, a lot of things.
9 A lot of the chapters is -- has planned programs to
10 where the members will bring items like this into the
11 chapter, and we make up bags with toilet tissues,
12 tooth paste, toothbrush, toilet soap, napkins, stuff
13 like that, and we carry it around and give it to the
14 ladies, or the members of Meals On Wheels that's
15 providing this and let them issue one for each
16 community -- for each member that's drawing a meal,
17 because a lot of these things they can't afford, and
18 they just have to do without them. They don't have
19 the money.

20 It's very necessary for them to have a phone
21 because of their health. I understand that the HMO in
22 Gainesville, which is in this part of Florida now, has
23 dropped many counties, nine, for instance, off of
24 their rolls and they will not be serving them after
25 January the 1st.

1 Most of these people that was on these
2 HMOs -- and a lot of them has had cancer, some of them
3 multiple times, and some of them their cancer
4 recurring, and now they have to go back on Medicare;
5 they have to go out and look for Medigap insurance
6 that they didn't have to pay on the HMO.

7 This is going to be an added burden to each
8 one of them, plus if telephones bills is raised,
9 there's a lot of people that's going to be hurting.
10 We anticipate that congress is going to -- if they
11 continue with their regular programs that they're
12 looking for now, take some of Social Security's money
13 and give it to the people to invest. Bad investments
14 is going to put these people back on the roll -- dole
15 again for the counties and state, because somebody has
16 got to take care of them.

17 We're concerned about this, and the chapters
18 are really looking forward to try to help our people
19 as much as we can. That's our goal is to serve our
20 communities, and we're really concerned with the
21 number of people that now needs our help. They really
22 can't pay their telephone bills. And some of them is
23 getting help with this.

24 So we urgently request that the Public
25 Service Commission reassess this and vote no to this

1 proposal. We think that the telephone rates are high
2 enough as they are. The basic telephone rates right
3 now is about \$12.50 in some areas. Some is -- mine is
4 \$8.50, but with the little taxes and innuendos that
5 goes with it, it runs it up to \$12.50.

6 But the time they raise it up to \$23.50,
7 which is this proposal and then add all these other
8 taxes to it, we're going to have about 15, 18 or
9 \$28.02, and then if -- two or three long distance
10 calls on top of that, some of these poor people are
11 going to have 30, \$40 phone bills, and they can't
12 afford that. Most of the them are going to have to
13 drop their phones.

14 So I anticipate a lot of hardship if this is
15 passed, and I request and urgently ask that you vote
16 against it.

17 I'd like to present these four letters from
18 four chapters which all of our members signed that is
19 urgently also asking that you defeat this.

20 **COMMISSIONER DEASON:** Thank you for the
21 letters. We'll get this into the correspondence side
22 of the docket.

23 Mr. Pope, before you leave, let me ask you a
24 question. You made reference to that some of the
25 people that you have spoken about, that they are

1 And there also is a link-up program, which I
2 believe pays up to \$30 of the cost of having a
3 telephone installed.

4 Obviously, the up-front cost can be
5 prohibitive, and that helps take care of some of the
6 up-front cost of getting a telephone installed. So we
7 would appreciate your help in getting that word out.

8 **WITNESS POPE:** We'll do that. Thank you,
9 sir.

10 **COMMISSIONER DEASON:** Further questions?
11 (No response.) Thank you.

12 **MR. BECK:** Meveree Carlisle.

13

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14

MEVEREE CARLISLE

15 appeared as a witness and, swearing to tell the truth,
16 testified as follows:

17

DIRECT STATEMENT

18 **WITNESS CARLISLE:** Well, I'm like the rest;
19 I didn't come to speak. I just come because we've
20 been working on this thing for -- ever since it was
21 mailed out, and we was supposed to have --

22 **COMMISSIONER DEASON:** Ms. Carlisle, could
23 you give us your name and your address for --

24 **WITNESS CARLISLE:** Meveree Carlisle, and I'm
25 from Trenton, 4020 S.E. 17th Trail, and I'm with AARP,

1 Williams. My address is Route 4, Box 416, Perry,
2 Florida. I have no problem with telephone numbers.
3 850-584-4206.

4 Mine, I might not be as informed as some
5 people here. However, I have some questions to ask.
6 I like probably, looking around here, just about
7 everybody else in here is on a fixed income. My
8 income is derived from being a retired state employee.
9 Also like everybody else, I served in the military and
10 also served my community for some 50 years.

11 But my retired income which I'm holding
12 here -- I happen to be one of those people retired
13 from the State of Florida -- as each of you know
14 through the state, the state health insurance is going
15 up.

16 Also, being of the same age, I understand
17 that our social security increase would be 1.2%, which
18 on mine would be just at \$8, of which some \$2 would go
19 back to Medicare.

20 My state health insurance, the raise that I
21 got would be \$17 short of what it's going to take to
22 make my insurance payments in January. So if I have
23 that 17 and I make 5 on the other, I'd be \$12 in the
24 hole.

25 But the bottom line is, it seems like every

1 back from the person on a fixed income is more money.

2 Also, I had the fortunate opportunity of
3 being able to stay with the state for 41 years, which
4 I realize I have a state retirement and some people
5 don't. And I think very much for the mother that I
6 just buried Wednesday who got her social security card
7 in 1937; she was buried Wednesday at age 93 with a
8 \$500-a-month income. The last several years we have
9 supplemented her income to help her.

10 My mother-in-law died two years ago. She
11 had an income of \$725. We also supplemented hers
12 because she couldn't get enough. They talk about the
13 poverty level. We called in. They said, no, you're
14 making more than the poverty level so we can't help
15 you. So, therefore, the kids are doing it.

16 And I'm like a lot of other people here. We
17 all have elderly people. We have children and other
18 people that don't qualify for some of these breaks
19 that you're talking about, so it's going to be up to
20 us to have to take care of them. And my question is,
21 where does it start, and where does it stop?

22 But the Public Service Commission, I would
23 ask -- on my part, I do belong to AARP here. I was
24 past president on two different years. However, I do
25 not represent them. But on my part and as a citizen

1 and as a former state employee, I would strongly urge
2 you to vote no for it. And I really believe it would
3 be more of a hurt than a help.

4 And I do know one thing. We've already seen
5 it. Tallahassee has got a part of it right now. They
6 have a system that's supposed to, as we say, die by
7 the sunshine about 2003 and 4. They're already trying
8 to resurrect something that hasn't even died yet.

9 So the point that I'm making is, once you
10 get that increase in there, competition, nothing else
11 ain't going to take care of it.

12 And I thank you very much.

13 **COMMISSIONER DEASON:** Thank you.

14 Mr. Williams, you did ask a couple of questions, and
15 let me try to give you a little bit of background.

16 I believe you asked the questions to whether
17 this proposed increase is needed for the companies to
18 stay in business.

19 **WITNESS C. WILLIAMS:** That is correct, or
20 whether it's just something they feel like they need.

21 **COMMISSIONER DEASON:** Well, it's really not
22 for them to stay in business. It's not a net increase
23 in their revenue. What's being proposed is to change
24 the rate structure, and what's being proposed is for
25 the local basic rate to go up so that other rates can

1 come down, such rates as long distance, rates for some
2 of the vertical services such as call waiting,
3 caller ID, things of that nature. So that's what's
4 being proposed.

5 So it's really not a situation where the
6 telephone companies are coming in saying that they're
7 not making enough money and have to have an increase
8 to stay in business. It's a question of the revenue
9 they're getting, where is it going to come from, from
10 what type of services.

11 There is a question as to whether some
12 services are priced above their cost and are providing
13 a subsidy to other services. And what is being
14 alleged -- and we've got various ideas or expert
15 opinions -- but what some people allege is that the
16 other services are subsidizing local service, and that
17 when competition -- that you're not going to get
18 competition in the local service because it is being
19 provided now below the cost, and no one is going to
20 come into an area, particularly small rural areas, and
21 try to compete against a price which is already below
22 its cost.

23 So I'm not saying I agree or disagree with
24 that. We're trying to get information on it. I'm
25 just trying to explain that that is what some people

1 are presenting as a reason to try to rebalance the
2 rates; not have a net increase in rates, but rebalance
3 where the revenue is coming from.

4 **WITNESS C. WILLIAMS:** Well, if I might say
5 something, and some in here might smile. However,
6 some of them are my age and have been the same places.
7 I happen to have been a retiree from the Highway
8 Patrol. I also put my time in the military. We
9 always had an old saying, "If it ain't broke, don't
10 fix it."

11 And so far right now it's working pretty
12 good, and if you offset what it's costing for part of
13 it, the increase will more than pay for the other
14 stuff we're getting, having to pay for. But I believe
15 they're already getting enough out of it like it is.

16 And thank you very much.

17 **COMMISSIONER DEASON:** Thank you, sir. We'll
18 entertain questions, but if there's people still yet
19 to speak, let's hear them, and then we'll take
20 questions at the end. And when you do ask a question,
21 I'll need to ask you to come to a microphone. Okay.

22 **MR. BECK:** The last witness is Ed Paschall.

23 (Hand raised.)

24 **COMMISSIONER DEASON:** Just keep that
25 question, and we'll be glad to answer it when

1 Mr. Paschall finishes; okay?

2

- - - - -

3

EDWARD D. PASCHALL

4 appeared as a witness and, swearing to tell the truth,
5 testified as follows:

6

DIRECT STATEMENT

7

WITNESS PASCHALL: My name is Ed Paschall,
8 and the recorder has my card over there. My address,
9 1923 Atapha Nene in Tallahassee, 32301.

10

And I do represent AARP in the state of
11 Florida. As you well know, there's something like
12 2.3 million members. I would like to say right here
13 that I am very gratified to see these people here,
14 because I didn't have a thing in the world to do with
15 bringing them here today.

16

I've had no contact with them, only that the
17 word that we put out that we hoped it would reach the
18 people and that they would take heed and think about
19 these and come to speak, and these people have. So
20 it's very gratifying.

21

Carl back here, I've known him for a long
22 time. I did call him the other day and ask him if he
23 could come around and speak to you.

24

The thing that I want to mention to you here
25 I may have touched on before. But generally there are

1 for the concept of the whole thing -- I'm not going to
2 give any numbers. I don't have any here with me to
3 give -- but let's go back to 1995 when both of you,
4 I'm sure, were there for a part of the meetings of the
5 committee up there as well as the Legislature in its
6 session and passed the bill that took the regulation
7 of the telephone rates away from the Public Service
8 Commission at the time there and established price
9 caps.

10 Since that time, the amount of money that
11 the telephone companies have been receiving, or their
12 revenue that they're receiving, had just been
13 continually increasing in a number of areas in a
14 number of ways. As you well, know the cost for that
15 same operation had been declining, so their profits
16 have been increasing a considerable amount during this
17 period of time.

18 Now, I believe that just recently there was
19 a release from BellSouth that their profits had
20 increased 18% over the previous quarter. Now, that's
21 quite a jump. Increase of 18% over the previous
22 quarter, when it's very difficult for us to get more
23 than 4 or 5% if we put that money into even the best
24 CD that we can come up with.

25 And so you stop to see what is happening

1 there. They're profits are going up. Their cost is
2 going down. So they're making a considerable amount
3 of extra money, much more than they were making three
4 years ago when they wanted to go to the price caps
5 routine, and it -- I don't know whether you remember
6 or not, but I very well remember that members of the
7 legislative committee as well as members of the
8 telephone committees were standing up there and
9 saying, in no time you're going to have more choices
10 in competition than you can shake a stick at. And we
11 don't have it yet.

12 Well, we didn't think that we would. The
13 telephone companies are saying that, but we didn't
14 think that we would have that choice; and as it is,
15 the actual happening has borne out our feelings in the
16 deal.

17 Now, in Tallahassee, for example, there are
18 two companies up there that have applied for and
19 received a certificate to offer telephone service, but
20 they have no intention of offering telephone service
21 to residential customers, and they have stated that.
22 They're going strictly for business customers. So
23 that doesn't do us any good at all as far as any help
24 in the residential community. And so -- they keep on
25 talking about that.

1 Now, only three years later -- three years
2 ago the prices were great. They were wonderful. They
3 were fine. Competition was just going to overwhelm
4 everybody. Now the prices are still the same. The
5 costs have gone down. There's no competition, but now
6 they say those same prices now are a barrier to
7 competition.

8 Now, how can that be? If you utilize common
9 sense, that just does not make any sense whatsoever
10 that the same prices that were making money then and
11 are still making more money now are a barrier to
12 competition coming in.

13 Now, I understand that if competition comes
14 in, a great -- a bit of it would have to come in and
15 rent lines from the company and they would -- either
16 that or they would have to build plant facilities,
17 distribution lines, to distribute their product, the
18 telephone business.

19 Nevertheless, if a company cannot come into
20 an area that's making better than 20% rate of return
21 on equity and make a profit out of it, we don't need
22 them here for the simple reason they couldn't run the
23 blasted thing. They would have -- they would probably
24 go -- if they say that right now that they could not
25 come in and make a profit with the present rate

1 structure and everything going on, then they couldn't
2 handle the business.

3 So here again we're getting back to the
4 common sense aspect of this. They keep on mentioning
5 that, well, just look at the competition and compare
6 it with what's going on. Look at the long distance
7 market. Take a look at the long distance market.
8 Yes, there's a great deal of competition there.

9 Let's also remember the fact that the
10 activity that's set apart -- that began this
11 competition today began in 1984 with the decision --
12 and there was one big long distance company then.
13 That was AT&T. Well, in that divestiture -- and I'm
14 sure that both of you know as much and considerably
15 more than I do about this -- but Judge Green hamstrung
16 AT&T to a certain extent there; put restrictions on
17 them to allow other companies to begin to come in and
18 purchase bulk usage of their lines from them so that
19 they could get into the long distance business.

20 Part of those restrictions are still in
21 place today; not much, but a few of them are, to some
22 extent. But, now, if you stop and think, in '84 was
23 when they first began talking about how Judge Green
24 made that decision, divestiture there, to separate the
25 long distance companies and then allow the other long

1 distance companies to come in and compete with AT&T.
2 It was about six years before you heard much of
3 anything about competition in the long distance
4 industry. About 1990 when you began hearing very
5 much, and most of what you heard then was MCI or
6 Sprint. Those are the two big ones there.

7 A few others began to get in a little bit.
8 About four years later, in '94, it began to pick up a
9 little bit more steam. Take a look at it. We're in
10 the middle of 1998 now, and there's plenty of
11 competition. Consider, also, we're 18 and a half
12 years past when that decision was handed down to begin
13 competition in long distance -- in the long distance
14 industry, yet they want to compare this situation with
15 that.

16 It's only been three years since they
17 switched to price caps, and they're weeping and
18 wailing now about, look, there's no competition. So
19 you see we've got -- the story keeps changing. That's
20 the aggravating problem of it. It doesn't make any
21 difference what the situation is. What the telephone
22 companies want, they change the story to fit the
23 picture that they want to develop at that time.

24 And so -- I just realized I'm leaning down
25 here and talking. Can you hear me okay with or

1 without the mike?

2 All right. So that's the thing that I want
3 to make mention there; that it's been 14 and a half
4 years since divestiture took place. Now we're seeing
5 a big load, just like they mentioned. You sit down
6 there at the television set and you see three or four
7 different types of long distance offerings being made
8 in there.

9 And I come to notice here the other evening
10 that a bunch of those different offerings are made by
11 the same company, just with a little different --
12 10-10 this and 10-10 that, and a bunch of them have
13 got MCI down in the bottom corner down in there.

14 But anyhow, those things are coming back,
15 but there hasn't even been enough time here for any
16 competition to gel, if there's going to be some. Now,
17 there is a little bit of competition down in the Miami
18 area, and I understand there's some competition up in
19 the Jacksonville area.

20 The problem being here in the Jacksonville
21 area, the company that's forming the competition over
22 there does not offer single-line service. They offer
23 a better price than BellSouth does over in
24 Jacksonville, but the price that they offer includes
25 all the vertical services and if you want to get two

1 lines, but not a single-line service without any of
2 the frills, without any call waiting, call forwarding
3 or any of that. They don't even offer a price for
4 that.

5 So that would pose a problem. And a great
6 percentage of the people that they were just talking
7 about here have no use whatsoever for all of the
8 frills, all the vertical services; call waiting, call
9 forwarding and that kind of stuff. They don't have
10 any use for it in the first place. So why in the
11 world offer it?

12 Now, if they cannot get a line that offers
13 only a no-frills service, but they could get a line
14 costing a heck of a lot more, you can see very easily
15 they would have to do without telephone service. And
16 the same thing is true up in the Jacksonville area.

17 So I wanted to mention that one particular
18 point there, that most of the time these companies
19 come in, they want to offer a basket full of services
20 at a higher price, when the only thing they want is
21 what we used to call plain old telephone service.
22 That's all they want is just a telephone to call
23 some -- where to talk to somebody.

24 And then we have the other thing that has
25 been mentioned here in a lot of the hearings is value,

1 and that is hooked up with affordability. And so they
2 say, well, the telephone is a great value to you. And
3 it is to some extent.

4 Now, I spent the first 18 years of my life
5 without a telephone available, and so it didn't stunt
6 my growth very much, and it didn't hurt a whole lot of
7 other people who were in the same predicament there.

8 Today a telephone has become a necessity in
9 some situations. In a lot of other situations, rather
10 than being a necessity, it is a convenience for
11 residential people.

12 Now, then, the term was put out in one of
13 these meetings here that the companies, the industry,
14 is getting tired of subsidizing residential rates.
15 Well, how in the world could they know that they're
16 subsidizing them? How would they know that there is
17 much of a difference unless the telephone company told
18 them that.

19 Well, let's just take a look at value. If
20 you're talking about subsidizing and affordability,
21 let's talk about value of it, and let's talk about the
22 value of the telephone for most of the homes. In some
23 cases it is a necessity for someone who is in very ill
24 health and may at any moment need some medical
25 assistance. In all of the others it is a convenience.

1 Now, it's very, very helpful in most cases, but it is
2 a convenience. It is not a necessity like food,
3 clothing, and shelter.

4 I'll give you another thought. Name one
5 business that can survive without a telephone. Think
6 of it. What business can survive without a telephone?
7 I can't think of but just one; a farmer. He'd like to
8 have one in there, but they can still farm the land
9 out there and they can get by without a telephone and
10 get in the pickup and go to town to get whatever they
11 need; but they can do without a telephone out there in
12 their business.

13 But insurance, real estate, legal affairs,
14 if you're going to be involved in economics of any
15 style, no business, no grocery store, no business that
16 I can think of, can survive without a telephone,
17 either to have their customers contact them or for
18 them to contact their customers if the need arises;
19 even more importantly, to order supplies, merchandise,
20 or whatever, that they would need in the business.

21 In the case of somebody like a plumber,
22 you'd need to order supplies. Also, his customers
23 need to get a hold of him to even let him know that
24 they need a plumber out there. So your business
25 cannot even survive without a telephone. So let's

1 compare values; convenience against absolute
2 necessity.

3 Now, we also know that the residential rate
4 is approximately -- or the business rate is
5 approximately two and a half times the residential
6 rate, generally speaking. But whenever you say
7 convenience and absolute necessity to survive, where
8 is the greatest value? And if you want to talk about
9 any flow of cash going one way or the other, then it
10 should go from the absolute necessity to contact their
11 people to the people here who want to use it as a
12 convenience.

13 That's the one thing that I wanted to
14 mention as far as the value is concerned, and I don't
15 think that that has been stressed near enough.

16 The aggravating part of it was, whenever I
17 started a small business in '73, I noticed the
18 difference in the rate between the business and the
19 residential phone that I already had in my house. And
20 I mentioned it to them and they said, well, that's
21 because you get a whole lot more telephone calls in
22 your business than you do in the house. Now, there
23 was no comment at all there about subsidizing or
24 anything like that. The point was. You use the
25 business phone a lot more than you do the one in the

1 house.

2 And most of these days when almost -- a
3 great percentage of the families, both of the adults
4 in the family work. The telephone is not used during
5 the day. In the evenings it's used. It's not used in
6 the morning, because most cases there the family is
7 getting up, getting ready to go to work, getting
8 ready -- in some cases, getting kids ready for school
9 and all of that. They don't have time to use the
10 phone. But when they get back from work in the
11 evening, if they can beat the kids to the telephone,
12 then they may need to make some calls then.

13 Also, as quick as you sit down for the
14 table, then the phone starts ringing. And who is it?
15 A bunch of telephone marketers half of the time, and
16 so there you are answering the telephone for them.
17 But most of the time the use of the telephone ranges
18 from about 5:30 in the evening -- and I'm talking
19 about the residential phone -- 5:30 in the evening
20 until 10:30 or 11:00 at night. That's for the people
21 who stay up relatively late. Lot of people go to bed
22 even much earlier than that.

23 So that is where you -- you talk about the
24 value of your service. There is where it is. And
25 most of those calls in the evening are convenience and

1 answering calls from somebody who is in business and
2 using their phone.

3 I'm not sure, but you can answer this.
4 Isn't that St. Joseph Telephone Company that's listed
5 in the list of telephone companies, isn't that the one
6 that's here?

7 **MR. BECK:** Yes. I think -- there used to be
8 three companies and they're combined --

9 **WITNESS PASCHALL:** So it's now combined all
10 into one, St. Joseph's Company?

11 **MR. BECK:** Yes.

12 **WITNESS PASCHALL:** This is the point that I
13 want you to consider very well here. If the phone
14 rates are raised \$2 per month, this community would
15 lose \$60,000 -- no, almost \$62,000 a month leaving
16 this community.

17 Why do I say leaving this community? Simply
18 this: They're already making enough money to pay all
19 of their costs of the operation of the business plus a
20 good, reasonable profit. So there's no need for them
21 to reinvest that extra \$2 back into here. That \$2
22 would be clear net profit. And that same thing would
23 be true statewide.

24 And if you consider this statewide where
25 there's pretty close to 10 million telephones, then

1 you would have \$20 million leaving the state every
2 month just for a \$2-a-month phone increase.

3 Yet by the same token, the same Legislature
4 that's talking about this bill right here is moving
5 heaven and earth up there trying to bring in
6 businesses to bring in additional payrolls here, while
7 on the other hand they're getting ready to run off a
8 whole bunch of money.

9 Well, very simply, \$1 would be 10 million a
10 month, 120 million a year. So it would take a pretty
11 good business to bring in that much cold net profit
12 back into the state. So that's a point that I think
13 is very important to consider.

14 The other point that I want to mention is on
15 the talk of subsidization here. If you were to walk
16 in as a brand new person that moved into a community,
17 and you say -- you walk into the telephone company and
18 say, I want to subscribe to caller ID. Oh, good.
19 They pull out a form. They get ready to write that
20 down. What's your phone number? I don't have one. I
21 want to write -- I want to subscribe to caller ID.
22 You've got to have a telephone before you can
23 subscribe to caller ID.

24 So that's the point of it. Caller ID cannot
25 function without a telephone line already in place,

1 and that is true of every other vertical service,
2 including long distance service.

3 Every one of those things is a free rider on
4 the loop. There's not any money earmarked from any of
5 the vertical services or anything else to pay for this
6 free ride they're getting. And let me ask you this
7 question: If -- we'll say Charlie over here was going
8 to take his wife to Europe on a cruise. I mean, take
9 her over to Europe, just to visit over there. He
10 could drive from here to the coast, but then once he
11 gets to the coast, how is he going to get to Europe?

12 He flat can't swim it, and he can't jump it,
13 and he can't run fast enough to get across there, so
14 what's he's going to have to do? He's going to have
15 to find a vehicle to get across that bunch of water.
16 It's going to have to be a boat or plane. Whenever he
17 uses either one of those vehicles -- it doesn't make
18 any difference which one it is -- he's going to have
19 to pay for it, pay for using that vehicle to get
20 across over there.

21 The point that I'm making right now is, the
22 basic telephone loop is the vehicle that every other
23 single phone service utilizes or it won't work. But
24 every one of them have their own profit making margins
25 there, and they range in the vertical services -- and

1 some of you would be interested and know this -- from
2 around 3,000%, and one of those services even is a
3 return to the company of as much as 97,000% profit,
4 pure profit.

5 So consider those things right there; that
6 the vehicle for the total operation of the phone
7 system is the loop, so all of these other things are
8 riding free.

9 Now, then, you can mention some of the
10 things in there that I know there's an angle that
11 if -- that we discussed it here the other day, that if
12 you already have a capability in existence, like a
13 telephone loop and you want to add something to it
14 like caller ID, then technically, I believe, it's
15 economically or accountability-wise there that you can
16 add this other service into it without it actually
17 having to cost all that much to do it. You can just
18 add it on and go from there, so there's no actual
19 charge back in cost.

20 Now, you think about that. Something is --
21 somebody is getting a free ride here, but somebody is
22 getting a whole lot of profit off of that.

23 Now, if that's true, there's another angle
24 to it. Shouldn't, morally speaking, this other
25 activity pay something to get that ride? Now, if

1 that's true, then there should be some arrangement by
2 which all of the services that use this loop should
3 contribute to the cost of the operation of that loop
4 or to the income to it, which would then defray part
5 of the costs from what the residential customers pay
6 for their part of the loop to what's called the cost
7 of the operation to fill in the gap that they're
8 talking about.

9 Another thing that I wanted to mention to
10 you: Now, then, like was mentioned there, you get to
11 the moral point of it that shouldn't this other person
12 pay -- not only this other person, but this other
13 activity, pay their fair share of riding the loop, of
14 using the loop?

15 Yes, they should, to my way of thinking.
16 But then there's an old, old saying in business that
17 there's no trouble at all to succeed if you don't have
18 a conscience, and if you don't use a conscience, then
19 you don't consider the moral value of paying your fair
20 share, whatever it might be.

21 So what this whole story is all about is not
22 that the telephone -- not that the residential rate is
23 being subsidized. In effect, that loop is subsidizing
24 everything else by carrying them on its back.

25 I don't have anything else to say. Are

1 there any questions?

2 **COMMISSIONER DEASON:** Any questions? I
3 think not. Thank you, Mr. Paschall.

4 Ms. Carlisle, if you can please come forward
5 and ask your question.

6 **WITNESS CARLISLE:** Well, I think he about
7 answered it all.

8 **COMMISSIONER DEASON:** Okay.

9 **WITNESS CARLISLE:** I was -- I'm Meveree
10 Carlisle, and I was just going to ask the question
11 about when you add on all this stuff on there, I mean,
12 why raise my base pay for somebody that wants call
13 waiting or something else? Let them pay for it if
14 they want it like that.

15 **COMMISSIONER DEASON:** Well, that's a good
16 question. That's something we're wrestling with. Let
17 me give you a viewpoint on that. And the problem is
18 this: That if there are customers out there who are
19 subscribing to these vertical services, they're one of
20 the so-called good customers in the eyes of the
21 company. Why? Because they spend a lot of money, and
22 these are the type of customers that competitors want
23 to come in and get.

24 I think Mr. Paschall mentioned that in the
25 Jacksonville area there's some residential competition

1 but it's only for the high end customers; those that
2 subscribe to a lot of services, have a second line,
3 perhaps Internet access, and these type things.

4 There's an argument that if it's going to be
5 competition, that it's going to be those customers
6 that the competitors are going to come and take away
7 and all of the revenue that they generate, and then
8 when they take them away, the incumbent telephone
9 company, BellSouth or GT Com, they're left with the
10 customers that don't buy all of these things, and
11 they're left with those.

12 And then they say there's going to be a
13 revenue shortfall then because they're losing their
14 high end customers, and they're left with those that
15 don't subscribe to all of these high cost services;
16 and for them to stay in business, then it does come
17 down to a question of for them to stay in business and
18 continue to serve basic residential customers, there's
19 going to have to be a rate increase at some point.

20 Now, I'm not saying that I agree or disagree
21 with that argument. I'm just presenting it to you
22 that there is an argument out there that says that,
23 that competition when it comes, that that's what's
24 going to happen and that's the reason there needs to
25 be a realignment of rates to get rates closer to the

1 cost of providing service.

2 Now, as Mr. Paschall indicated, there's a
3 big question as to how do you define cost. And
4 probably the biggest question in defining cost, as he
5 alluded to, is how do you apportion the cost of the
6 loop; loop being that connect between the central
7 office and your location.

8 The majority of the investment in providing
9 service is that connection, and it's referred to as
10 the local loop. And there's a question of how those
11 costs -- if those costs should all be allocated to
12 basic service or it should be allocated to some of the
13 peripheral services and should it be allocated to long
14 distance.

15 Those are some of the questions we're
16 wrestling with, and ultimately it's a question the
17 Legislature is going to have to wrestle with if they
18 want to address restructuring rates in the state of
19 Florida.

20 **WITNESS CARLISLE:** Well, if you need some
21 help up there, we can get up a busload to go up there
22 and help them wrestle with it. (Laughter)

23 **COMMISSIONER DEASON:** Well, as I'm sure you
24 can tell from Mr. Paschall's comments, that he gives
25 the Legislature a lot of help; but I'm sure that he

1 would welcome even more help. So some of the
2 legislative committee meetings are very well attended
3 by members of the AARP, but --

4 **WITNESS CARLISLE:** I know.

5 **COMMISSIONER DEASON:** -- Mr. Paschall is
6 well schooled and educated in these issues, and he
7 does an outstanding job in presenting those arguments
8 to the Legislature; and Mr. Beck and the Attorney
9 General's Office. There are a lot of folks out there
10 that are wanting to make sure that the Legislature and
11 the Commission gets the full picture.

12 **WITNESS CARLISLE:** Does your Commission have
13 anything to do with the AvMed program?

14 **COMMISSIONER DEASON:** Which program is that?

15 **WITNESS CARLISLE:** AvMed.

16 **COMMISSIONER DEASON:** Oh, no, ma'am.

17 **WITNESS CARLISLE:** That's federal, isn't it?

18 **COMMISSIONER DEASON:** I don't know if it's
19 federal or state, but I know the Public Service
20 Commission doesn't have anything --

21 **WITNESS CARLISLE:** I was just wondering.
22 But he was talking about a \$2 raise. If that base pay
23 goes up, mine will over double, because mine's -- or
24 it will about double. Mine's \$12, my base pay, and
25 then anything else is added on to it.

1 **COMMISSIONER DEASON:** Yes, ma'am.

2 **WITNESS CARLISLE:** So I don't think that
3 would be a fair raise.

4 **COMMISSIONER DEASON:** I understand. Thank
5 you.

6 **UNIDENTIFIED SPEAKER:** May I make another
7 comment?

8 **COMMISSIONER DEASON:** Yes, sir, but you need
9 to come up to the microphone.

10 **WITNESS POPE:** My name is Harold Pope. I'm
11 not a member of the Internet. I don't work with
12 computers. I'd like to, but I'm a little too old, and
13 I don't know that much about it. I don't have that
14 much use for it. But I understand, from those that I
15 talk to, that on the Internet they can get on the Net
16 and talk to people all over the United States anywhere
17 they want to; family members, and for a certain
18 amount -- somebody mentioned \$29 a month or something
19 like that -- they can talk all day if they wanted to.

20 Now they have the ability to put a camera on
21 one end and a camera on the other end. They can sit
22 there and face their daughter or their -- whoever on
23 the other end and talk mouth to mouth; as the Lord
24 said he talked to Moses one time, mouth to mouth, face
25 to face.

1 This is hurting the telephone companies a
2 lot, and I understand they're very concerned about
3 this. This is something that needs to be addressed,
4 that they can pay their fair share also, because the
5 telephone companies, I'm sure, is going to suffer some
6 hardships in this area.

7 They need to be paying their fair share, and
8 it shouldn't be falling back on the local rates of the
9 customers. These people, if they can get on the
10 Internet and they can afford all these high priced
11 computers, they can afford a telephone and pay long
12 distance bills. So they should be paying their fair
13 share also.

14 **COMMISSIONER DEASON:** Thank you.

15 Sir, you're going to need to come to the
16 microphone, please.

17 **WITNESS C. WILLIAMS:** I just had a question
18 that just came to me, and it's probably a
19 clarification more than anything. There again
20 restating my name, I'm Carl R. Williams. I was here
21 before.

22 My question is this. And I'm concerned --
23 the point that I don't know, and you might not be able
24 to answer it -- but within our telephone structure
25 when we get our bills now, are we not somewhere along

1 the line paying for those people that either cannot or
2 will not pay for their telephones one way or another?
3 Isn't there a certain amount of money that's earmarked
4 for people that's not able to pay or people -- what
5 I'd call deadbeats that don't pay? Whichever way you
6 want to put it, people that don't pay their bills or
7 can't pay their bills.

8 **COMMISSIONER DEASON:** Well, there are -- in
9 fact, we had some information at one of the hearings
10 not too long ago. There is a certain amount -- and
11 it's referred to as uncollectibles -- that is, the
12 telephone company bills customers; they don't pay.
13 And there is an amount that is called uncollectibles,
14 and it is a cost of doing business, and it ultimately
15 is included in the cost of service; at least in the
16 days when we set the rates.

17 We no longer set the rates; okay? But back
18 in the days when we set the rates, we would look at
19 that, and if it met certain parameters, yes, it was a
20 cost of doing business; and customers do end up
21 paying.

22 But that is not all that different than
23 other companies as well. There are uncollectible
24 expenses that good paying customers end up paying for
25 those that don't.

1 **WITNESS C. WILLIAMS:** Well, the question I
2 was making, I go back in to my mother, who I just
3 lost, and my mother-in-law some two years ago.
4 Neither one of these qualified for assistance under
5 any conditions, due to their income on social
6 security. But if I'm having to pay or help pay my
7 mother and mother-in-law's bill, then why should I pay
8 for somebody else that won't pay it or can't pay it?

9 In other words, I'm paying for one that's
10 not able to and doesn't qualify and then paying for
11 another one that refuses to pay it or doesn't have it.
12 And to me it seems like the whole structure is
13 somewhat out of balance, if that be the case on it. I
14 don't mind paying my own. I don't mind helping my own
15 people, but then I got another problem taking care of
16 everybody else along with it. And if I am, I just
17 wanted to know if I was paying somebody else's too,
18 that is still part of the collection --

19 **COMMISSIONER DEASON:** Well, there may be a
20 difference in what we're talking about. When I say
21 uncollectibles, that's people that perhaps move out of
22 the community and leave a telephone bill unpaid, or
23 something of that nature.

24 I think you're talking more of a recurring
25 situation where perhaps there's a subsidy included on

1 someone's bill under, like we mentioned earlier,
2 Lifeline or something --

3 **WITNESS C. WILLIAMS:** My understanding was
4 that a certain portion of the money that's collected
5 through the telephone bills went to paying for just
6 such as what I was talking about.

7 And if that be the case, then I'm paying for
8 one, I'm paying for another, and neither one of them
9 qualify to get help; and I'm paying for them, and then
10 for somebody that won't pay it, too. There again, it
11 seems to me like all of this ought to come under the
12 same thing. It ought to all be looked at.

13 **COMMISSIONER DEASON:** Yes, sir. I
14 understand.

15 **WITNESS C. WILLIAMS:** And I thank you very
16 much for that; appreciate it.

17 **COMMISSIONER DEASON:** Any other comments or
18 questions? (No response.) Let the record reflect
19 that there are none.

20 Let me take this opportunity to thank
21 everyone that came out to the hearing. We appreciate
22 you taking time to come and address the Commission.

23 It has been very informative, as has all of
24 the hearings we've had around the state. And as I
25 indicated earlier, the Commission will be reporting to

1 the Legislature. I believe the deadline is the 15th
2 of February, and we'll be making that report public,
3 and if you have any additional questions or comments,
4 you may contact the Commission at our 800 number. We
5 also can be contacted via the Internet for those that
6 do utilize that service.

7 And with that, if there's nothing else to
8 come before the Commission, this hearing is adjourned.
9 Thank you all.

10 (Thereupon, the hearing concluded
11 at 2:50 p.m.)

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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

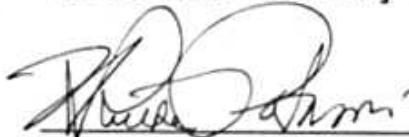
CERTIFICATE OF REPORTER

3 I, H. RUTHE POTAMI, CSR, RPR, Official
4 Commission Reporter,

5 DO HEREBY CERTIFY that the Public Hearing in
6 Docket No. 980000A-SP was heard by the Florida Public
7 Service Commission at the time and place herein
8 stated; it is further

9 CERTIFIED that I stenographically reported
10 the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript, consisting of 61 pages, constitutes a true
13 transcription of my notes of said proceedings.

14 DATED this 27th day of October, 1998.

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H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter
(904) 413-6734

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1 Clark. We'll constitute the panel of Commissioners
2 who will be hearing this particular public hearing.
3 And I want to take just a moment to give you
4 some general background information as to why we're
5 here this day. We are here today in response to
6 House Bill 4785, which was passed by the 1998 Florida
7 Legislature. It directs us, the Public Service
8 Commission, to study and report to the Legislature our
9 conclusions regarding the fair and reasonable rate for
10 Florida residential basic local telecommunications
11 service.

12 In performing this study we were directed by
13 the Legislature to consider four specific things, and
14 these factors are affordability, the value of service,
15 comparable residential rates in other states, and the
16 cost of providing residential basic local telephone
17 service.

18 We will be conducting this hearing for the
19 purpose of receiving comments and information from you
20 about your local telephone service and the
21 affordability of that service. The information that
22 you provide us will help us in preparing our report to
23 the Legislature. The report will be presented to the
24 Legislature in February of 1999 and will help the
25 Legislature to determine whether changes are needed to

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1 advance competition in the local telecommunications
2 market in Florida.

3 The Commission has conducted a number of
4 technical workshops in Tallahassee earlier this month.
5 I believe that this is the last of 22 public hearing
6 that we have held around the state. We want you to
7 know that we welcome you here. We're eager to hear
8 what you have to say.

9 This hearing along with all of the others
10 are official hearings of the Commission. What you
11 tell us today will become part of the official record.
12 We have a court reporter here today transcribing the
13 testimony, and it will be incorporated into the
14 record.

15 So that your testimony can become part of
16 the record, it's necessary that we swear you in. This
17 is a formality, but it is a necessary formality. So
18 before we begin taking testimony, I'm going to ask all
19 members of the public who wish to make a formal
20 statement here today to stand and be sworn in.

21 For those members of the public who do not
22 wish to actually make a formal statement, there is the
23 last page of the information sheet, which may be
24 filled out and detached.

25 So I'm going to ask at this point all those

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1 that wish to testify to please stand and raise your
2 right hand.

3 (Witnesses collectively sworn.)

4 COMMISSIONER DEASON: Thank you. You may be
5 seated.

6 Mr. Beck, are there any preliminary matters
7 that you have?

8 MR. BECK: No, Commissioner.

9 COMMISSIONER DEASON: Ms. McKinney, any
10 preliminary matters?

11 MS. MCKINNEY: No, Commissioner.

12 COMMISSIONER DEASON: And since Mr. Erwin is
13 not at a microphone now, I assume he has no
14 preliminary matters either.

15 MR. ERWIN: That's correct.

16 COMMISSIONER DEASON: Okay. Well, then
17 we're going to proceed right into the hearing.

18 Mr. Beck, Office of the Public Counsel,
19 which is a part of the Legislature of the State of
20 Florida, represents consumers before the Public
21 Service Commission. He and his office have been
22 active in this particular proceeding and have been in
23 attendance at all of the public meetings.

24 He will be calling members of the public who
25 have signed up. If you do wish to testify and have

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1 not signed up, you need to do that at the rear of the
2 auditorium.

3 One other thing: when you are called, please
4 come to the podium and begin by giving us your name
5 and your address and, if you think it would be helpful
6 to the court reporter, you may wish to spell your name
7 so it will be accurate in the record; and please
8 proceed with your statement, and when your statement
9 is concluded, wait for a moment. There may be some
10 clarifying questions. If you wish to entertain those
11 questions, that's fine. If you wish not to entertain
12 questions, just tell us that, and we'll honor that as
13 well.

14 So with that, Mr. Beck, you make call your
15 first witness.

16 MR. BECK: Thank you. First witness is
17 Ms. Venera Williams.

18 COMMISSIONER DEASON: Right there at the
19 podium, yes, ma'am.

20 COMMISSIONER CLARK: If you want to, you can
21 wait until other people have gone and go. Would you
22 rather do that?

23 WITNESS WILLIAMS: Oh, I'm up here. I might
24 as well.

25 COMMISSIONER CLARK: Okay.

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1 VENERA K. WILLIAMS
 2 appeared as a witness and, swearing to tell the truth,
 3 testified as follows:
 4 DIRECT STATEMENT
 5 WITNESS WILLIAMS: I wasn't prepared to say
 6 anything, but I will. I represent the AARP,
 7 Chapter 4064 of Steinhatchee. Can you hear me?
 8 COMMISSIONER DEASON: Yes, ma'am. Could you
 9 give us your name for the record?
 10 WITNESS WILLIAMS: V-E-N-E-R-A, Williams.
 11 COMMISSIONER DEASON: And you're from
 12 Steinhatchee?
 13 WITNESS WILLIAMS: Right.
 14 COMMISSIONER DEASON: We had a hearing in
 15 Steinhatchee --
 16 WITNESS WILLIAMS: And I recognize you,
 17 Mr. Deason, and Ms. Clark.
 18 COMMISSIONER DEASON: Yes, ma'am.
 19 WITNESS WILLIAMS: Okay. As I said, it's
 20 4064 chapter, AARP.
 21 We're just a small place, and we don't have
 22 too much money around, and we feel like that the rates
 23 are reasonable like they are. And there's so many --
 24 I want to ask first, why is -- why was it the
 25 Legislature turned it over to the PSC?

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1 COMMISSIONER DEASON: Well, I'll take a shot
 2 at that. Mr. Beck, if you want to add anything, you
 3 may do so as well, and Commissioner Clark.
 4 The Legislature, there was a bill introduced
 5 in the last session of the Legislature. The bill's
 6 aim was to try to stimulate competition in the local
 7 telecommunications market like we have competition in
 8 the long distance market. The bill had some
 9 controversial provisions in it.
 10 It was debated at the Legislature, the pros
 11 and the cons of that bill. The Legislature decided
 12 that it needed more information, and it decided to
 13 include the Public Service Commission in the process
 14 by conducting this study and to go out and hear from
 15 the people, and that's why we've had 22 public
 16 hearings around the state.
 17 We've also been required by the Legislature
 18 to conduct an evidentiary hearing on the cost of
 19 providing local service. We're going to present our
 20 report to the Legislature, and I believe the
 21 Legislature will take that report and, if they think
 22 there needs to be further legislation, perhaps there
 23 will be legislation introduced; and, if not, well,
 24 then perhaps there will not be legislation introduced.
 25 But I think that it is good that the

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1 Legislature wanted to include the Public Service
 2 Commission. I think that there's some expertise at
 3 the Commission. We have a very knowledgeable and
 4 dedicated Staff at the Public Service Commission with
 5 many years of experience, and I think that they can
 6 take the information that is being gathered and help
 7 write a report that will be informative and helpful to
 8 the Legislature. And I think that's the basic reason
 9 that we're here today.
 10 WITNESS WILLIAMS: All right.
 11 COMMISSIONER DEASON: Mr. Beck, do you wish
 12 to add anything to that?
 13 MR. BECK: Commissioner Deason, just that
 14 there have been a lot of groups that have been active
 15 in the proceeding.
 16 Certainly telephone companies have let their
 17 views be known, but also at technical hearings we've
 18 had, AARP sponsored an expert witness that testified
 19 before the Commission, as has our office and the
 20 Attorney General.
 21 It's been very good participation, and
 22 particularly the AARP has been at every single
 23 meeting, which was very significant.
 24 WITNESS WILLIAMS: Good. Good. Well, you
 25 know, we tried to get -- living in Steinhatchee, you

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1 know, we tried to get the 25-cent rate from down there
 2 to Perry, and we did not make it. You said there
 3 wasn't enough of an interest input in it, so we failed
 4 on that.
 5 So our exchange is out of Cross City, which
 6 is BellSouth, and we just feel like that our little
 7 old place in Florida is kind of left alone. So we'd
 8 appreciate anything we could get some help with.
 9 Thank you.
 10 COMMISSIONER DEASON: Thank you, ma'am. Any
 11 questions? (No response.) Thank you.
 12 MR. BECK: Next witness is Sandra White.
 13
 14 SANDRA WHITE
 15 appeared as a witness and, swearing to tell the truth,
 16 testified as follows:
 17 DIRECT STATEMENT
 18 WITNESS WHITE: My name is Sandra White, and
 19 I didn't come prepared to speak either. Next meeting
 20 I will. I'm from Steinhatchee. I'm a member of the
 21 AARP.
 22 On this fair and reasonable rates study, on
 23 these questions down here "Who and where can you call
 24 without paying additional charges," just our immediate
 25 area. That's only place we can call without paying

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1 extra charges, which we've covered the long distance
2 to Perry. We've covered that.

3 "How many local calls do you make?" That
4 would vary, individual. We make approximately 30
5 to 40.

6 "How many phone calls do you receive?" We
7 receive about half of that.

8 And "How do the rates at your current
9 residence compare with the rates you have paid in
10 other places you have lived?" They are comparable;
11 possibly, I'd say within \$2 of where we've lived
12 before.

13 "Are there circumstances or alternatives
14 available to you that could lead you to voluntarily
15 give up local phone service?"

16 If the amount of the bill goes up to such a
17 degree that people cannot afford it -- and when I'm
18 talking cannot afford it, I'm talking about people
19 that are over 50 that are on fixed incomes, which is a
20 large part of Steinhatchee.

21 And as the baby boomers come into this,
22 there's more social security people, and \$25 can mean
23 medicine to someone. And the alternatives for that
24 possibly would be for -- and I've thought these over
25 in my mind -- if it becomes a financial hardship in

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1 the future, then possibly -- I mean, we did without
2 phones before. It could be done again, and possibly
3 maybe have one block phone on the whole block.

4 I mean, you've got to think of alternatives
5 if it's going to affect you financially. And when
6 you're on a fixed income you can't go -- you're not
7 going to have a raise coming in unless the government
8 decides to give you one.

9 Let's see. "Competition." I think there's
10 too much competition already.

11 UNIDENTIFIED SPEAKER: Amen.

12 WITNESS WHITE: And this is -- I tend to get
13 on the soapbox. Forgive me. But it was better before
14 there was competition.

15 We did not have to make -- pay for this and
16 pay for that and call the operator and pay for the
17 operator. The operator was there. We could depend on
18 the phone. Can't do that any more.

19 That's it in a nutshell. I could go on, but
20 that's it. Any questions?

21 COMMISSIONER DEASON: I have a question.
22 One of the things that was discussed in the last
23 legislative session was looking at the possibility of
24 reducing long distance rates and increasing local
25 rates, kind of an offset there.

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1 Do you have a viewpoint on that? You'd like
2 to keep it as is, or do you think it would be --

3 WITNESS WHITE: Yes. I prefer to keep it as
4 is, because right now with all the competition, we
5 have 10-10-321, 10-10-220, 10-10-636. So we have
6 plenty of opportunity to get low long distance rates,
7 a dime a minute or whatever. And knowing that it's
8 going to stay the same -- yes, leaving it the same --
9 knowing it was going to stay the same, you can plan
10 your monthly budget. You can know how much you're
11 going to spend for medicine, for groceries, for
12 utilities.

13 COMMISSIONER CLARK: Ms. White, to what area
14 do you make a lot of your calls? Do you make a lot of
15 calls to Perry such that they're long distance for
16 you?

17 WITNESS WHITE: No. We tried to get that
18 changed. We would make more if it weren't.

19 COMMISSIONER CLARK: And what is the other
20 area Steinhatchee calls? I can't remember. It's here
21 and --

22 WITNESS WHITE: I'm sorry. What was the
23 question?

24 COMMISSIONER CLARK: Where else do you do
25 your shopping?

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1 WITNESS WHITE: Chiefland.

2 COMMISSIONER CLARK: Chiefland. Do you make
3 a lot of calls --

4 WITNESS WHITE: It's a quarter to Chiefland
5 now for however long you talk. Isn't that right?

6 UNIDENTIFIED SPEAKER: And Gainesville --

7 WITNESS WHITE: And Gainesville also.

8 COMMISSIONER CLARK: Let me ask you this:
9 Is everyone in Steinhatchee aware of the fact that
10 it's 25 cents to Chiefland? I mean --

11 WITNESS WHITE: The majority of people. We
12 try to get all that information across to the -- by
13 meetings we have. It's a very involved community, and
14 with the AARP meetings, you tell the congre -- not
15 congregation. What would you call them? All those
16 people there. (Laughter) You would tell them, and
17 then they pass it on and pass it on.

18 COMMISSIONER CLARK: Do you know when people
19 call in to get new phone service or maybe call to
20 change the long distance service, are they being told
21 that if they change to a different service they might
22 not get that 25-cent call?

23 WITNESS WHITE: I don't think so. We have
24 some new neighbors that recently -- in fact, yesterday
25 they were waiting on a phone to be installed anywhere

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1 between 9:00 and 6:00 p.m., and as of 6:00 p.m. the
2 phone company had not been there. So they -- this
3 conversation came up -- and they were not able to
4 attend this meeting -- but as far as I know, they did
5 not -- they were not aware of any alternatives.

6 And just to add fuel to the fire, two years
7 ago when we moved down here, we were not -- in trying
8 to get our phone transferred from where we rented to
9 where we built, we were not -- when I called to have
10 it installed, we were not on the scheme two years ago.
11 Our neighbors, also two years later, are not on that
12 scheme. In other words, there's no one around where
13 we live that has phone service.

14 With E911 that's supposed to be changed.
15 And the woman that helped them on the phones said she
16 would continue on with that. But that's neither here
17 nor -- that's --

18 COMMISSIONER CLARK: Well, when we were down
19 there we were concerned about that. Are you saying
20 that that has not improved?

21 WITNESS WHITE: (Shaking head.)

22 COMMISSIONER CLARK: And that's BellSouth,
23 right?

24 WITNESS WHITE: Correct.

25 COMMISSIONER CLARK: We'll just remind them

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1 that they need to do that. Thank you.

2 MR. BECK: Next witness is Helen Ruth
3 Walker.

4 - - - - -

5 HELEN RUTH WALKER

6 appeared as a witness and, swearing to tell the truth,
7 testified as follows:

8 DIRECT STATEMENT

9 WITNESS WALKER: My name is Helen Ruth
10 walker, P.O. Box 146, Steinhatchee, Florida.

11 I'm like the other two ladies that were just
12 up here. I hadn't planned to say anything today, but
13 I've been concerned about these rate increases and so
14 forth.

15 We have so many people in Steinhatchee that
16 are unable to eat properly. They get Meals On Wheels
17 and a little bit of everything else, and I think if
18 there is a rate increase in the telephone service,
19 that they'll just have to have their phones
20 disconnected, because as it is now, some of them
21 aren't even able to buy their medicine, proper food
22 and so forth; and this has been my main concern is
23 worrying about some of my neighbors.

24 You know, it doesn't hurt any of us to throw
25 an extra potato or two in the pot, which I try to do

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1 most of the time, because these people that are on
2 fixed incomes that get Meals On Wheels and so forth, I
3 don't know if most of you know that on the weekends
4 these people aren't fed; and I feel like if the public
5 service committee permits this rate increase, we're
6 going to see a lot more suffering.

7 It just seems like every time we turn around
8 the cost of living is going up, up, up, and less and
9 less provisions are made for our poor; and I'm really
10 concerned about this bill being passed.

11 I don't know who sponsored it or whatever,
12 or what in the world they had in mind, but as far as
13 needing more telephone competition, it's the pits now
14 since everything has been diversified. I'm just --
15 I'm real upset about this.

16 Maybe I should calm down before I get up
17 here, but it just seems like every time you turn
18 around there's something else to be considered. And
19 it's affecting so many of our poor people, not only
20 our elderly, but our low income people.

21 You know, we have so many people in this
22 state just working for the bare minimum wages. They
23 have children and every other thing. And I hope and
24 pray that the public service committee will see fit to
25 fight this blessed thing for us and not allow this

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1 rate increase for our state.

2 I think we've got too many telephone
3 companies now. You can't turn around unless you see
4 another one advertising on TV or something, and it's
5 just reached the point until I've just about had it.

6 I thank you.

7 COMMISSIONER DEASON: Thank you, ma'am. Any
8 questions? (No response.) No questions. Thank you.

9 MR. BECK: Bonnie Tompkins.

10 - - - - -

11 BONNIE TOMPKINS

12 appeared as a witness and, swearing to tell the truth,
13 testified as follows:

14 DIRECT STATEMENT

15 WITNESS TOMPKINS: My name is Bonnie
16 Tompkins, Post Office Box 223, Steinhatchee.

17 Well, I came with our group today because I
18 am very interested in trying to keep our rates as low
19 as they are now, because like Helen was saying, like
20 my husband and I we're on a fixed income, and we both
21 have to have different kinds of medicine that's real
22 high. And it's a real hardship to keep the phone, and
23 we know that we need it because you never know when
24 you need to have to call for help.

25 And so we're just like a lot of the rest of

Page 21

1 them. And a lot of those people in Steinhatchee, even
2 though they didn't show up to help us today, they were
3 interested, but just didn't come. And we work awfully
4 hard at the AARP to try to put this across to our
5 people to come and participate in these things.

6 So I would just like for you all to keep it
7 as it is if possible. Thank you.

8 COMMISSIONER DEASON: Let me say, it looks
9 like the representation from Steinhatchee is
10 excellent. Perhaps we should have had the hearing in
11 Steinhatchee.

12 UNIDENTIFIED SPEAKER: That would have been
13 a good idea, at the AARP community center place.

14 MR. BECK: Harold Pope.

15 - - - -
16 HAROLD POPE

17 appeared as a witness and, swearing to tell the truth,
18 testified as follows:

19 DIRECT STATEMENT

20 WITNESS POPE: My name is Harold Pope. I'm
21 from Trenton, Florida. My address is 819 S.E. 60th
22 Avenue, Trenton.

23 I'm a member of AARP. I've been elected to
24 be chapter specialist along with Mrs. Carlisle that's
25 sitting in the blue blouse over there. She and I have

Page 22

1 the assigned task of meeting with all the AARP
2 chapters in our district and helping them in their
3 efforts to serve our community in whatever way we can.

4 We go as members of the state board to
5 assist in the areas that they need assistance in, and
6 so we've met with all the chapters in our community,
7 or in our district, this month already. I think
8 yesterday we was with Suwannee, a couple nights ago we
9 was with Steinhatchee; Trenton Tuesday. We've been
10 with High Springs, Lake City, Gainesville.

11 I have some letters here that I have written
12 up. I'll read the notation on them. "To the Florida
13 Public Service Commission, we the undersigned -- and
14 this is the Lake City Chapter. This is for each
15 chapter -- we the undersigned of Lake City Chapter
16 AARP 1872 request that you do not recommend the
17 raising of local telephone rates to the Legislature.
18 Many of our aging citizens are barely existing on
19 small incomes and will be hurt. Besides, records show
20 that the telephone companies are now reaping huge
21 profits."

22 And that is true. The Gainesville chapter
23 went and got the records of Southern Bell for last
24 year, and so far this year, and their profits are
25 huge.

Page 23

1 We have many people in our communities
2 that's on Meals On Wheels, as has been noted. These
3 people are not fed on the weekends, only during the
4 week. Meals On Wheels only provides a basic balanced
5 meal.

6 There's a lot of things that these people
7 can't afford. They can't afford toilet paper, toilet
8 tissue -- soap to wash with, napkins, a lot of things.
9 A lot of the chapters is -- has planned programs to
10 where the members will bring items like this into the
11 chapter, and we make up bags with toilet tissues,
12 tooth paste, toothbrush, toilet soap, napkins, stuff
13 like that, and we carry it around and give it to the
14 ladies, or the members of Meals On Wheels that's
15 providing this and let them issue one for each
16 community -- for each member that's drawing a meal,
17 because a lot of these things they can't afford, and
18 they just have to do without them. They don't have
19 the money.

20 It's very necessary for them to have a phone
21 because of their health. I understand that the HMO in
22 Gainesville, which is in this part of Florida now, has
23 dropped many counties, nine, for instance, off of
24 their rolls and they will not be serving them after
25 January the 1st.

Page 24

1 Most of these people that was on these
2 HMOs -- and a lot of them has had cancer, some of them
3 multiple times, and some of them their cancer
4 recurring, and now they have to go back on Medicare;
5 they have to go out and look for Medigap insurance
6 that they didn't have to pay on the HMO.

7 This is going to be an added burden to each
8 one of them, plus if telephones bills is raised,
9 there's a lot of people that's going to be hurting.
10 We anticipate that congress is going to -- if they
11 continue with their regular programs that they're
12 looking for now, take some of Social Security's money
13 and give it to the people to invest. Bad investments
14 is going to put these people back on the roll -- dole
15 again for the counties and state, because somebody has
16 got to take care of them.

17 We're concerned about this, and the chapters
18 are really looking forward to try to help our people
19 as much as we can. That's our goal is to serve our
20 communities, and we're really concerned with the
21 number of people that now needs our help. They really
22 can't pay their telephone bills. And some of them is
23 getting help with this.

24 So we urgently request that the Public
25 Service Commission reassess this and vote no to this

Page 25

1 proposal. We think that the telephone rates are high
2 enough as they are. The basic telephone rates right
3 now is about \$12.50 in some areas. Some is -- mine is
4 \$8.50, but with the little taxes and innuendos that
5 goes with it, it runs it up to \$12.50.

6 But the time they raise it up to \$23.50,
7 which is this proposal and then add all these other
8 taxes to it, we're going to have about 15, 18 or
9 \$28.02, and then if -- two or three long distance
10 calls on top of that, some of these poor people are
11 going to have 30, \$40 phone bills, and they can't
12 afford that. Most of the them are going to have to
13 drop their phones.

14 So I anticipate a lot of hardship if this is
15 passed, and I request and urgently ask that you vote
16 against it.

17 I'd like to present these four letters from
18 four chapters which all of our members signed that is
19 urgently also asking that you defeat this.

20 COMMISSIONER DEASON: Thank you for the
21 letters. We'll get this into the correspondence side
22 of the docket.

23 Mr. Pope, before you leave, let me ask you a
24 question. You made reference to that some of the
25 people that you have spoken about, that they are

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1 getting some assistance on the telephone. Is this the
2 Lifeline program, and are you aware of the Lifeline --

3 WITNESS POPE: Some of that, and some of it
4 is members of AARP is helping them citizen to citizen.
5 There's a lot of help out there. The AARP is really
6 urgently trying to help everyone they can, and they're
7 informing their other citizens that are not members of
8 AARP; and this is an effort that's really reaching out
9 to the citizens in the community. And summertime, we
10 just pay their bill for them. Sometimes we buy food
11 for them.

12 COMMISSIONER DEASON: Well, there is a
13 program called Lifeline, and we've been encouraging
14 people such as yourself who are in a leadership
15 position to advise people that you come in contact
16 with.

17 I know Mr. Paschall, we've talked with him
18 about getting AARP involved into getting this
19 information distributed, and we may have some
20 pamphlets in the back. I would encourage you to make
21 as many people knowledgeable about the availability of
22 this, because it is -- the bottom line is that it pays
23 up to \$10.50 of a person's telephone bill who
24 qualifies. It's not available for everyone, but for
25 those who qualify.

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1 And there also is a link-up program, which I
2 believe pays up to \$30 of the cost of having a
3 telephone installed.

4 Obviously, the up-front cost can be
5 prohibitive, and that helps take care of some of the
6 up-front cost of getting a telephone installed. So we
7 would appreciate your help in getting that word out.

8 WITNESS POPE: We'll do that. Thank you,
9 sir.

10 COMMISSIONER DEASON: Further questions?
11 (No response.) Thank you.

12 MR. BECK: Meveree Carlisle.

13

14 MEVEREE CARLISLE

15 appeared as a witness and, swearing to tell the truth,
16 testified as follows:

17 DIRECT STATEMENT

18 WITNESS CARLISLE: Well, I'm like the rest:
19 I didn't come to speak. I just come because we've
20 been working on this thing for -- ever since it was
21 mailed out, and we was supposed to have --

22 COMMISSIONER DEASON: Ms. Carlisle, could
23 you give us your name and your address for --

24 WITNESS CARLISLE: Meveree Carlisle, and I'm
25 from Trenton, 4020 S.E. 17th Trail, and I'm with AARP.

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1 and I understood we was going to have somebody here
2 from AARP as a delegate or to talk to.

3 But we just come because we've been working
4 on it, and I wanted to see really how it worked. And
5 I've mailed in, I think, five or six letters with a
6 bunch of names on them like he just presented to you.
7 They've been mailed in to the office up there, and the
8 girl told me that she would see that you got them.

9 And everywhere I've been it's been
10 unanimous. Everybody signed the paper. I don't think
11 the first person didn't sign it. And there's been so
12 many of them that said if they raised it, they
13 wouldn't be able to keep their telephones, they'd just
14 have to have them cut off.

15 And that's about all I have to say,
16 excepting I'm really against it. And we work several
17 counties.

18 COMMISSIONER DEASON: Thank you, ma'am.
19 MR. BECK: Carl Williams.

20

21 CARL WILLIAMS

22 appeared as a witness and, swearing to tell the truth,
23 testified as follows:

24 DIRECT STATEMENT

25 WITNESS C. WILLIAMS: My name is Carl

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1 Williams. My address is Route 4, Box 416, Perry,
2 Florida. I have no problem with telephone numbers.
3 860-584-4206.

4 Mine, I might not be as informed as some
5 people here. However, I have some questions to ask.
6 I like probably, looking around here, just about
7 everybody else in here is on a fixed income. My
8 income is derived from being a retired state employee.
9 Also like everybody else, I served in the military and
10 also served my community for some 50 years.

11 But my retired income which I'm holding
12 here -- I happen to be one of those people retired
13 from the State of Florida -- as each of you know
14 through the state, the state health insurance is going
15 up.

16 Also, being of the same age, I understand
17 that our social security increase would be 1.2%, which
18 on mine would be just at \$8, of which some \$2 would go
19 back to Medicare.

20 My state health insurance, the raise that I
21 got would be \$17 short of what it's going to take to
22 make my insurance payments in January. So if I have
23 that 17 and I make 5 on the other, I'd be \$12 in the
24 hole.

25 But the bottom line is, it seems like every

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1 time you turn around there's somebody else trying to
2 figure out some way to get into your pocketbook and
3 that seems to be my problem.

4 But my first question, if I might ask it,
5 would be, is the increase that they're seeking because
6 they feel as though we're not paying enough for what
7 we're getting, or is it the fact they're going to need
8 this money to operate on to keep the telephones going?
9 Number one.

10 And number two, you talk about competition.
11 We live in a small area. You're going to get very
12 little competition in a small area, just barely enough
13 to keep one company going, much less two.

14 Also, many years ago when I was a boy, a
15 telephone was a luxury. Nowadays it's a necessity.
16 Most of mine is taken care of. I have two children
17 that live out of this area. I have one daughter
18 that's in Fort White, which I call quite often; has
19 two children. I have another son that lives in Texas.

20 Along with it, if this income goes up or if
21 this interest goes up, the amount of money that goes
22 in to take care of it along with it and everything
23 else going up, it seems like each year that the amount
24 of money you have stays pretty well stationary, and
25 the amount of money that each person is trying to get

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1 back from the person on a fixed income is more money.

2 Also, I had the fortunate opportunity of
3 being able to stay with the state for 41 years, which
4 I realize I have a state retirement and some people
5 don't. And I think very much for the mother that I
6 just buried Wednesday who got her social security card
7 in 1937; she was buried Wednesday at age 93 with a
8 \$600-a-month income. The last several years we have
9 supplemented her income to help her.

10 My mother-in-law died two years ago. She
11 had an income of \$725. We also supplemented hers
12 because she couldn't get enough. They talk about the
13 poverty level. We called in. They said, no, you're
14 making more than the poverty level so we can't help
15 you. So, therefore, the kids are doing it.

16 And I'm like a lot of other people here. We
17 all have elderly people. We have children and other
18 people that don't qualify for some of these breaks
19 that you're talking about, so it's going to be up to
20 us to have to take care of them. And my question is,
21 where does it start, and where does it stop?

22 But the Public Service Commission, I would
23 ask -- on my part, I do belong to AARP here. I was
24 past president on two different years. However, I do
25 not represent them. But on my part and as a citizen

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1 and as a former state employee, I would strongly urge
2 you to vote no for it. And I really believe it would
3 be more of a hurt than a help.

4 And I do know one thing. We've already seen
5 it. Tallahassee has got a part of it right now. They
6 have a system that's supposed to, as we say, die by
7 the sunshine about 2003 and 4. They're already trying
8 to resurrect something that hasn't even died yet.

9 So the point that I'm making is, once you
10 get that increase in there, competition, nothing else
11 ain't going to take care of it.

12 And I thank you very much.

13 COMMISSIONER DEASON: Thank you.
14 Mr. Williams, you did ask a couple of questions, and
15 let me try to give you a little bit of background.

16 I believe you asked the questions to whether
17 this proposed increase is needed for the companies to
18 stay in business.

19 WITNESS C. WILLIAMS: That is correct, or
20 whether it's just something they feel like they need.

21 COMMISSIONER DEASON: Well, it's really not
22 for them to stay in business. It's not a net increase
23 in their revenue. What's being proposed is to change
24 the rate structure, and what's being proposed is for
25 the local basic rate to go up so that other rates can

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1 come down, such rates as long distance, rates for some
2 of the vertical services such as call waiting,
3 caller ID, things of that nature. So that's what's
4 being proposed.

5 So it's really not a situation where the
6 telephone companies are coming in saying that they're
7 not making enough money and have to have an increase
8 to stay in business. It's a question of the revenue
9 they're getting, where is it going to come from, from
10 what type of services.

11 There is a question as to whether some
12 services are priced above their cost and are providing
13 a subsidy to other services. And what is being
14 alleged -- and we've got various ideas or expert
15 opinions -- but what some people allege is that the
16 other services are subsidizing local service, and that
17 when competition -- that you're not going to get
18 competition in the local service because it is being
19 provided now below the cost, and no one is going to
20 come into an area, particularly small rural areas, and
21 try to compete against a price which is already below
22 its cost.

23 So I'm not saying I agree or disagree with
24 that. We're trying to get information on it. I'm
25 just trying to explain that that is what some people

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1 are presenting as a reason to try to rebalance the
2 rates; not have a net increase in rates, but rebalance
3 where the revenue is coming from.

4 WITNESS C. WILLIAMS: Well, if I might say
5 something, and some in here might smile. However,
6 some of them are my age and have been the same places.
7 I happen to have been a retiree from the Highway
8 Patrol. I also put my time in the military. We
9 always had an old saying, "If it ain't broke, don't
10 fix it."

11 And so far right now it's working pretty
12 good, and if you offset what it's costing for part of
13 it, the increase will more than pay for the other
14 stuff we're getting, having to pay for. But I believe
15 they're already getting enough out of it like it is.

16 And thank you very much.

17 COMMISSIONER DEASON: Thank you, sir. We'll
18 entertain questions, but if there's people still yet
19 to speak, let's hear them, and then we'll take
20 questions at the end. And when you do ask a question,
21 I'll need to ask you to come to a microphone. Okay.

22 MR. BECK: The last witness is Ed Paschall.
23 (Hand raised.)

24 COMMISSIONER DEASON: Just keep that
25 question, and we'll be glad to answer it when

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1 Mr. Paschall finishes; okay?

2

.....

3

EDWARD D. PASCHALL

4 appeared as a witness and, swearing to tell the truth,
5 testified as follows:

6

DIRECT STATEMENT

7 WITNESS PASCHALL: My name is Ed Paschall,
8 and the recorder has my card over there. My address,
9 1923 Atapha Nene in Tallahassee, 32301.

10 And I do represent AARP in the state of
11 Florida. As you well know, there's something like
12 2.3 million members. I would like to say right here
13 that I am very gratified to see these people here,
14 because I didn't have a thing in the world to do with
15 bringing them here today.

16 I've had no contact with them, only that the
17 word that we put out that we hoped it would reach the
18 people and that they would take heed and think about
19 these and come to speak, and these people have. So
20 it's very gratifying.

21 Carl back here, I've known him for a long
22 time. I did call him the other day and ask him if he
23 could come around and speak to you.

24 The thing that I want to mention to you here
25 I may have touched on before. But generally there are

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1 for the concept of the whole thing -- I'm not going to
2 give any numbers. I don't have any here with me to
3 give -- but let's go back to 1995 when both of you,
4 I'm sure, were there for a part of the meetings of the
5 committee up there as well as the Legislature in its
6 session and passed the bill that took the regulation
7 of the telephone rates away from the Public Service
8 Commission at the time there and established price
9 caps.

10 Since that time, the amount of money that
11 the telephone companies have been receiving, or their
12 revenue that they're receiving, had just been
13 continually increasing in a number of areas in a
14 number of ways. As you well know the cost for that
15 same operation had been declining, so their profits
16 have been increasing a considerable amount during this
17 period of time.

18 Now, I believe that just recently there was
19 a release from BellSouth that their profits had
20 increased 18% over the previous quarter. Now, that's
21 quite a jump. Increase of 18% over the previous
22 quarter, when it's very difficult for us to get more
23 than 4 or 5% if we put that money into even the best
24 CD that we can come up with.

25 And so you stop to see what is happening

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1 there. They're profits are going up. Their cost is
2 going down. So they're making a considerable amount
3 of extra money, much more than they were making three
4 years ago when they wanted to go to the price caps
5 routine, and it -- I don't know whether you remember
6 or not, but I very well remember that members of the
7 legislative committee as well as members of the
8 telephone committees were standing up there and
9 saying, in no time you're going to have more choices
10 in competition than you can shake a stick at. And we
11 don't have it yet.

12 Well, we didn't think that we would. The
13 telephone companies are saying that, but we didn't
14 think that we would have that choice; and as it is,
15 the actual happening has borne out our feelings in the
16 deal.

17 Now, in Tallahassee, for example, there are
18 two companies up there that have applied for and
19 received a certificate to offer telephone service, but
20 they have no intention of offering telephone service
21 to residential customers, and they have stated that.
22 They're going strictly for business customers. So
23 that doesn't do us any good at all as far as any help
24 in the residential community. And so -- they keep on
25 talking about that.

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1 Now, only three years later -- three years
2 ago the prices were great. They were wonderful. They
3 were fine. Competition was just going to overwhelm
4 everybody. Now the prices are still the same. The
5 costs have gone down. There's no competition, but now
6 they say those same prices now are a barrier to
7 competition.

8 Now, how can that be? If you utilize common
9 sense, that just does not make any sense whatsoever
10 that the same prices that were making money then and
11 are still making more money now are a barrier to
12 competition coming in.

13 Now, I understand that if competition comes
14 in, a great -- a bit of it would have to come in and
15 rent lines from the company and they would -- either
16 that or they would have to build plant facilities,
17 distribution lines, to distribute their product, the
18 telephone business.

19 Nevertheless, if a company cannot come into
20 an area that's making better than 20% rate of return
21 on equity and make a profit out of it, we don't need
22 them here for the simple reason they couldn't run the
23 blasted thing. They would have -- they would probably
24 go -- if they say that right now that they could not
25 come in and make a profit with the present rate

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1 structure and everything going on, then they couldn't
2 handle the business.

3 So here again we're getting back to the
4 common sense aspect of this. They keep on mentioning
5 that, well, just look at the competition and compare
6 it with what's going on. Look at the long distance
7 market. Take a look at the long distance market.
8 Yes, there's a great deal of competition there.

9 Let's also remember the fact that the
10 activity that's set apart -- that began this
11 competition today began in 1984 with the decision --
12 and there was one big long distance company then.
13 That was AT&T. Well, in that divestiture -- and I'm
14 sure that both of you know as much and considerably
15 more than I do about this -- but Judge Green hamstring
16 AT&T to a certain extent there; put restrictions on
17 them to allow other companies to begin to come in and
18 purchase bulk usage of their lines from them so that
19 they could get into the long distance business.

20 Part of those restrictions are still in
21 place today, not much, but a few of them are, to some
22 extent. But, now, if you stop and think, in '84 was
23 when they first began talking about how Judge Green
24 made that decision, divestiture there, to separate the
25 long distance companies and then allow the other long

Page 40

1 distance companies to come in and compete with AT&T.
2 It was about six years before you heard much of
3 anything about competition in the long distance
4 industry. About 1990 when you began hearing very
5 much, and most of what you heard then was MCI or
6 Sprint. Those are the two big ones there.

7 A few others began to get in a little bit.
8 About four years later, in '94, it began to pick up a
9 little bit more steam. Take a look at it. We're in
10 the middle of 1998 now, and there's plenty of
11 competition. Consider, also, we're 18 and a half
12 years past when that decision was handed down to begin
13 competition in long distance -- in the long distance
14 industry, yet they want to compare this situation with
15 that.

16 It's only been three years since they
17 switched to price caps, and they're weeping and
18 wailing now about, look, there's no competition. So
19 you see we've got -- the story keeps changing. That's
20 the aggravating problem of it. It doesn't make any
21 difference what the situation is. What the telephone
22 companies want, they change the story to fit the
23 picture that they want to develop at that time.

24 And so -- I just realized I'm leaning down
25 here and talking. Can you hear me okay with or

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1 without the mike?

2 All right. So that's the thing that I want
3 to make mention there; that it's been 14 and a half
4 years since divestiture took place. Now we're seeing
5 a big load, just like they mentioned. You sit down
6 there at the television set and you see three or four
7 different types of long distance offerings being made
8 in there.

9 And I come to notice here the other evening
10 that a bunch of those different offerings are made by
11 the same company, just with a little different --
12 10-10 this and 10-10 that, and a bunch of them have
13 got MCI down in the bottom corner down in there.

14 But anyhow, those things are coming back,
15 but there hasn't even been enough time here for any
16 competition to gel, if there's going to be some. Now,
17 there is a little bit of competition down in the Miami
18 area, and I understand there's some competition up in
19 the Jacksonville area.

20 The problem being here in the Jacksonville
21 area, the company that's forming the competition over
22 there does not offer single-line service. They offer
23 a better price than BellSouth does over in
24 Jacksonville, but the price that they offer includes
25 all the vertical services and if you want to get two

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1 lines, but not a single-line service without any of
2 the frills, without any call waiting, call forwarding
3 or any of that. They don't even offer a price for
4 that.

5 So that would pose a problem. And a great
6 percentage of the people that they were just talking
7 about here have no use whatsoever for all of the
8 frills, all the vertical services; call waiting, call
9 forwarding and that kind of stuff. They don't have
10 any use for it in the first place. So why in the
11 world offer it?

12 Now, if they cannot get a line that offers
13 only a no-frills service, but they could get a line
14 costing a heck of a lot more, you can see very easily
15 they would have to do without telephone service. And
16 the same thing is true up in the Jacksonville area.

17 So I wanted to mention that one particular
18 point there, that most of the time these companies
19 come in, they want to offer a basket full of services
20 at a higher price, when the only thing they want is
21 what we used to call plain old telephone service.
22 That's all they want is just a telephone to call
23 some -- where to talk to somebody.

24 And then we have the other thing that has
25 been mentioned here in a lot of the hearings is value,

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1 and that is hooked up with affordability. And so they
2 say, well, the telephone is a great value to you. And
3 it is to some extent.

4 Now, I spent the first 18 years of my life
5 without a telephone available, and so it didn't stunt
6 my growth very much, and it didn't hurt a whole lot of
7 other people who were in the same predicament there.

8 Today a telephone has become a necessity in
9 some situations. In a lot of other situations, rather
10 than being a necessity, it is a convenience for
11 residential people.

12 Now, then, the term was put out in one of
13 these meetings here that the companies, the industry,
14 is getting tired of subsidizing residential rates.
15 Well, how in the world could they know that they're
16 subsidizing them? How would they know that there is
17 much of a difference unless the telephone company told
18 them that.

19 Well, let's just take a look at value. If
20 you're talking about subsidizing and affordability,
21 let's talk about value of it, and let's talk about the
22 value of the telephone for most of the homes. In some
23 cases it is a necessity for someone who is in very ill
24 health and may at any moment need some medical
25 assistance. In all of the others it is a convenience.

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1 Now, it's very, very helpful in most cases, but it is
2 a convenience. It is not a necessity like food,
3 clothing, and shelter.

4 I'll give you another thought. Name one
5 business that can survive without a telephone. Think
6 of it. What business can survive without a telephone?
7 I can't think of but just one: a farmer. He'd like to
8 have one in there, but they can still farm the land
9 out there and they can get by without a telephone and
10 get in the pickup and go to town to get whatever they
11 need; but they can do without a telephone out there in
12 their business.

13 But insurance, real estate, legal affairs,
14 if you're going to be involved in economics of any
15 style, no business, no grocery store, no business that
16 I can think of, can survive without a telephone,
17 either to have their customers contact them or for
18 them to contact their customers if the need arises;
19 even more importantly, to order supplies, merchandise,
20 or whatever, that they would need in the business.

21 In the case of somebody like a plumber,
22 you'd need to order supplies. Also, his customers
23 need to get a hold of him to even let him know that
24 they need a plumber out there. So your business
25 cannot even survive without a telephone. So let's

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1 compare values: convenience against absolute
2 necessity.

3 Now, we also know that the residential rate
4 is approximately -- or the business rate is
5 approximately two and a half times the residential
6 rate, generally speaking. But whenever you say
7 convenience and absolute necessity to survive, where
8 is the greatest value? And if you want to talk about
9 any flow of cash going one way or the other, then it
10 should go from the absolute necessity to contact their
11 people to the people here who want to use it as a
12 convenience.

13 That's the one thing that I wanted to
14 mention as far as the value is concerned, and I don't
15 think that that has been stressed near enough.

16 The aggravating part of it was, whenever I
17 started a small business in '73, I noticed the
18 difference in the rate between the business and the
19 residential phone that I already had in my house. And
20 I mentioned it to them and they said, well, that's
21 because you get a whole lot more telephone calls in
22 your business than you do in the house. Now, there
23 was no comment at all there about subsidizing or
24 anything like that. The point was. You use the
25 business phone a lot more than you do the one in the

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1 house.

2 And most of these days when almost -- a
3 great percentage of the families, both of the adults
4 in the family work. The telephone is not used during
5 the day. In the evenings it's used. It's not used in
6 the morning, because most cases there the family is
7 getting up, getting ready to go to work, getting
8 ready -- in some cases, getting kids ready for school
9 and all of that. They don't have time to use the
10 phone. But when they get back from work in the
11 evening, if they can beat the kids to the telephone,
12 then they may need to make some calls then.

13 Also, as quick as you sit down for the
14 table, then the phone starts ringing. And who is it?
15 A bunch of telephone marketers half of the time, and
16 so there you are answering the telephone for them.
17 But most of the time the use of the telephone ranges
18 from about 5:30 in the evening -- and I'm talking
19 about the residential phone -- 5:30 in the evening
20 until 10:30 or 11:00 at night. That's for the people
21 who stay up relatively late. Lot of people go to bed
22 even much earlier than that.

23 So that is where you -- you talk about the
24 value of your service. There is where it is. And
25 most of those calls in the evening are convenience and

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1 answering calls from somebody who is in business and
2 using their phone.

3 I'm not sure, but you can answer this.
4 Isn't that St. Joseph Telephone Company that's listed
5 in the list of telephone companies, isn't that the one
6 that's here?

7 MR. BECK: Yes. I think -- there used to be
8 three companies and they're combined --

9 WITNESS PASCHALL: So it's now combined all
10 into one, St. Joseph's Company?

11 MR. BECK: Yes.

12 WITNESS PASCHALL: This is the point that I
13 want you to consider very well here. If the phone
14 rates are raised \$2 per month, this community would
15 lose \$60,000 -- no, almost \$62,000 a month leaving
16 this community.

17 Why do I say leaving this community? Simply
18 this: They're already making enough money to pay all
19 of their costs of the operation of the business plus a
20 good, reasonable profit. So there's no need for them
21 to reinvest that extra \$2 back into here. That \$2
22 would be clear net profit. And that same thing would
23 be true statewide.

24 And if you consider this statewide where
25 there's pretty close to 10 million telephones, then

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1 you would have \$20 million leaving the state every
2 month just for a \$2-a-month phone increase.

3 Yet by the same token, the same Legislature
4 that's talking about this bill right here is moving
5 heaven and earth up there trying to bring in
6 businesses to bring in additional payrolls here, while
7 on the other hand they're getting ready to run off a
8 whole bunch of money.

9 Well, very simply, \$1 would be 10 million a
10 month, 120 million a year. So it would take a pretty
11 good business to bring in that much cold net profit
12 back into the state. So that's a point that I think
13 is very important to consider.

14 The other point that I want to mention is on
15 the talk of subsidization here. If you were to walk
16 in as a brand new person that moved into a community,
17 and you say -- you walk into the telephone company and
18 say, I want to subscribe to caller ID. Oh, good.
19 They pull out a form. They get ready to write that
20 down. What's your phone number? I don't have one. I
21 want to write -- I want to subscribe to caller ID.
22 You've got to have a telephone before you can
23 subscribe to caller ID.

24 So that's the point of it. Caller ID cannot
25 function without a telephone line already in place.

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1 and that is true of every other vertical service,
2 including long distance service.

3 Every one of those things is a free rider on
4 the loop. There's not any money earmarked from any of
5 the vertical services or anything else to pay for this
6 free ride they're getting. And let me ask you this
7 question: If -- we'll say Charlie over here was going
8 to take his wife to Europe on a cruise. I mean, take
9 her over to Europe, just to visit over there. He
10 could drive from here to the coast, but then once he
11 gets to the coast, how is he going to get to Europe?

12 He flat can't swim it, and he can't jump it,
13 and he can't run fast enough to get across there, so
14 what's he's going to have to do? He's going to have
15 to find a vehicle to get across that bunch of water.
16 It's going to have to be a boat or plane. Whenever he
17 uses either one of those vehicles -- it doesn't make
18 any difference which one it is -- he's going to have
19 to pay for it, pay for using that vehicle to get
20 across over there.

21 The point that I'm making right now is, the
22 basic telephone loop is the vehicle that every other
23 single phone service utilizes or it won't work. But
24 every one of them have their own profit making margins
25 there, and they range in the vertical services -- and

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1 some of you would be interested and know this -- from
2 around 3,000%, and one of those services even is a
3 return to the company of as much as 97,000% profit,
4 pure profit.

5 So consider those things right there; that
6 the vehicle for the total operation of the phone
7 system is the loop, so all of these other things are
8 riding free.

9 Now, then, you can mention some of the
10 things in there that I know there's an angle that
11 if -- that we discussed it here the other day, that if
12 you already have a capability in existence, like a
13 telephone loop and you want to add something to it
14 like caller ID, then technically, I believe, it's
15 economically or accountability-wise there that you can
16 add this other service into it without it actually
17 having to cost all that much to do it. You can just
18 add it on and go from there, so there's no actual
19 charge back in cost.

20 Now, you think about that. Something is --
21 somebody is getting a free ride here, but somebody is
22 getting a whole lot of profit off of that.

23 Now, if that's true, there's another angle
24 to it. Shouldn't, morally speaking, this other
25 activity pay something to get that ride? Now, if

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1 that's true, then there should be some arrangement by
2 which all of the services that use this loop should
3 contribute to the cost of the operation of that loop
4 or to the income to it, which would then defray part
5 of the costs from what the residential customers pay
6 for their part of the loop to what's called the cost
7 of the operation to fill in the gap that they're
8 talking about.

9 Another thing that I wanted to mention to
10 you: Now, then, like was mentioned there, you get to
11 the moral point of it that shouldn't this other person
12 pay -- not only this other person, but this other
13 activity, pay their fair share of riding the loop, of
14 using the loop?

15 Yes, they should, to my way of thinking.
16 But then there's an old, old saying in business that
17 there's no trouble at all to succeed if you don't have
18 a conscience, and if you don't use a conscience, then
19 you don't consider the moral value of paying your fair
20 share, whatever it might be.

21 So what this whole story is all about is not
22 that the telephone -- not that the residential rate is
23 being subsidized. In effect, that loop is subsidizing
24 everything else by carrying them on its back.

25 I don't have anything else to say. Are

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1 there any questions?

2 COMMISSIONER DEASON: Any questions? I
3 think not. Thank you, Mr. Paschall.

4 Ms. Carlisle, if you can please come forward
5 and ask your question.

6 WITNESS CARLISLE: Well, I think he about
7 answered it all.

8 COMMISSIONER DEASON: Okay.

9 WITNESS CARLISLE: I was -- I'm Meveree
10 Carlisle, and I was just going to ask the question
11 about when you add on all this stuff on there, I mean,
12 why raise my base pay for somebody that wants call
13 waiting or something else? Let them pay for it if
14 they want it like that.

15 COMMISSIONER DEASON: Well, that's a good
16 question. That's something we're wrestling with. Let
17 me give you a viewpoint on that. And the problem is
18 this: That if there are customers out there who are
19 subscribing to these vertical services, they're one of
20 the so-called good customers in the eyes of the
21 company. Why? Because they spend a lot of money, and
22 these are the type of customers that competitors want
23 to come in and get.

24 I think Mr. Paschall mentioned that in the
25 Jacksonville area there's some residential competition

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1 but it's only for the high end customers; those that
2 subscribe to a lot of services, have a second line,
3 perhaps Internet access, and these type things.

4 There's an argument that if it's going to be
5 competition, that it's going to be those customers
6 that the competitors are going to come and take away
7 and all of the revenue that they generate, and then
8 when they take them away, the incumbent telephone
9 company, BellSouth or GT Com, they're left with the
10 customers that don't buy all of these things, and
11 they're left with those.

12 And then they say there's going to be a
13 revenue shortfall then because they're losing their
14 high end customers, and they're left with those that
15 don't subscribe to all of these high cost services;
16 and for them to stay in business, then it does come
17 down to a question of for them to stay in business and
18 continue to serve basic residential customers, there's
19 going to have to be a rate increase at some point.

20 Now, I'm not saying that I agree or disagree
21 with that argument. I'm just presenting it to you
22 that there is an argument out there that says that,
23 that competition when it comes, that that's what's
24 going to happen and that's the reason there needs to
25 be a realignment of rates to get rates closer to the

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1 cost of providing service.

2 Now, as Mr. Paschall indicated, there's a
3 big question as to how do you define cost. And
4 probably the biggest question in defining cost, as he
5 alluded to, is how do you apportion the cost of the
6 loop; loop being that connect between the central
7 office and your location.

8 The majority of the investment in providing
9 service is that connection, and it's referred to as
10 the local loop. And there's a question of how those
11 costs -- if those costs should all be allocated to
12 basic service or it should be allocated to some of the
13 peripheral services and should it be allocated to long
14 distance.

15 Those are some of the questions we're
16 wrestling with, and ultimately it's a question the
17 Legislature is going to have to wrestle with if they
18 want to address restructuring rates in the state of
19 Florida.

20 WITNESS CARLISLE: Well, if you need some
21 help up there, we can get up a busload to go up there
22 and help them wrestle with it. (Laughter)

23 COMMISSIONER DEASON: Well, as I'm sure you
24 can tell from Mr. Paschall's comments, that he gives
25 the Legislature a lot of help; but I'm sure that he

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1 would welcome even more help. So some of the
2 legislative committee meetings are very well attended
3 by members of the AARP, but --

4 WITNESS CARLISLE: I know.

5 COMMISSIONER DEASON: -- Mr. Paschall is
6 well schooled and educated in these issues, and he
7 does an outstanding job in presenting those arguments
8 to the Legislature; and Mr. Beck and the Attorney
9 General's Office. There are a lot of folks out there
10 that are wanting to make sure that the Legislature and
11 the Commission gets the full picture.

12 WITNESS CARLISLE: Does your Commission have
13 anything to do with the AvMed program?

14 COMMISSIONER DEASON: Which program is that?

15 WITNESS CARLISLE: AvMed.

16 COMMISSIONER DEASON: Oh, no, ma'am.

17 WITNESS CARLISLE: That's federal, isn't it?

18 COMMISSIONER DEASON: I don't know if it's
19 federal or state, but I know the Public Service
20 Commission doesn't have anything --

21 WITNESS CARLISLE: I was just wondering,
22 But he was talking about a \$2 raise. If that base pay
23 goes up, mine will over double, because mine's -- or
24 it will about double. Mine's \$12, my base pay, and
25 then anything else is added on to it.

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1 COMMISSIONER DEASON: Yes, ma'am.

2 WITNESS CARLISLE: So I don't think that
3 would be a fair raise.

4 COMMISSIONER DEASON: I understand. Thank
5 you.

6 UNIDENTIFIED SPEAKER: May I make another
7 comment?

8 COMMISSIONER DEASON: Yes, sir, but you need
9 to come up to the microphone.

10 WITNESS POPE: My name is Harold Pope. I'm
11 not a member of the Internet. I don't work with
12 computers. I'd like to, but I'm a little too old, and
13 I don't know that much about it. I don't have that
14 much use for it. But I understand, from those that I
15 talk to, that on the Internet they can get on the Net
16 and talk to people all over the United States anywhere
17 they want to; family members, and for a certain
18 amount -- somebody mentioned \$29 a month or something
19 like that -- they can talk all day if they wanted to.

20 Now they have the ability to put a camera on
21 one end and a camera on the other end. They can sit
22 there and face their daughter or their -- whoever on
23 the other end and talk mouth to mouth; as the Lord
24 said he talked to Moses one time, mouth to mouth, face
25 to face.

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1 This is hurting the telephone companies a
2 lot, and I understand they're very concerned about
3 this. This is something that needs to be addressed,
4 that they can pay their fair share also, because the
5 telephone companies, I'm sure, is going to suffer some
6 hardships in this area.

7 They need to be paying their fair share, and
8 it shouldn't be falling back on the local rates of the
9 customers. These people, if they can get on the
10 Internet and they can afford all these high priced
11 computers, they can afford a telephone and pay long
12 distance bills. So they should be paying their fair
13 share also.

14 COMMISSIONER DEASON: Thank you.

15 Sir, you're going to need to come to the
16 microphone, please.

17 WITNESS C. WILLIAMS: I just had a question
18 that just came to me, and it's probably a
19 clarification more than anything. There again
20 restating my name, I'm Carl R. Williams. I was here
21 before.

22 My question is this. And I'm concerned --
23 the point that I don't know, and you might not be able
24 to answer it -- but within our telephone structure
25 when we get our bills now, are we not somewhere along

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1 the line paying for those people that either cannot or
2 will not pay for their telephones one way or another?
3 Isn't there a certain amount of money that's earmarked
4 for people that's not able to pay or people -- what
5 I'd call deadbeats that don't pay? Whichever way you
6 want to put it, people that don't pay their bills or
7 can't pay their bills.

8 COMMISSIONER DEASON: Well, there are -- in
9 fact, we had some information at one of the hearings
10 not too long ago. There is a certain amount -- and
11 it's referred to as uncollectibles -- that is, the
12 telephone company bills customers; they don't pay.
13 And there is an amount that is called uncollectibles,
14 and it is a cost of doing business, and it ultimately
15 is included in the cost of service; at least in the
16 days when we set the rates.

17 We no longer set the rates; okay? But back
18 in the days when we set the rates, we would look at
19 that, and if it met certain parameters, yes, it was a
20 cost of doing business; and customers do end up
21 paying.

22 But that is not all that different than
23 other companies as well. There are uncollectible
24 expenses that good paying customers end up paying for
25 those that don't.

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1 WITNESS C. WILLIAMS: Well, the question I
2 was making, I go back in to my mother, who I just
3 lost, and my mother-in-law some two years ago.
4 Neither one of these qualified for assistance under
5 any conditions, due to their income on social
6 security. But if I'm having to pay or help pay my
7 mother and mother-in-law's bill, then why should I pay
8 for somebody else that won't pay it or can't pay it?

9 In other words, I'm paying for one that's
10 not able to and doesn't qualify and then paying for
11 another one that refuses to pay it or doesn't have it.
12 And to me it seems like the whole structure is
13 somewhat out of balance, if that be the case on it. I
14 don't mind paying my own. I don't mind helping my own
15 people, but then I got another problem taking care of
16 everybody else along with it. And if I am, I just
17 wanted to know if I was paying somebody else's too,
18 that is still part of the collection --

19 COMMISSIONER DEASON: Well, there may be a
20 difference in what we're talking about. When I say
21 uncollectibles, that's people that perhaps move out of
22 the community and leave a telephone bill unpaid, or
23 something of that nature.

24 I think you're talking more of a recurring
25 situation where perhaps there's a subsidy included on

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1 someone's bill under, like we mentioned earlier,
2 Lifeline or something --

3 WITNESS C. WILLIAMS: My understanding was
4 that a certain portion of the money that's collected
5 through the telephone bills went to paying for just
6 such as what I was talking about.

7 And if that be the case, then I'm paying for
8 one, I'm paying for another, and neither one of them
9 qualify to get help; and I'm paying for them, and then
10 for somebody that won't pay it, too. There again, it
11 seems to me like all of this ought to come under the
12 same thing. It ought to all be looked at.

13 COMMISSIONER DEASON: Yes, sir. I
14 understand.

15 WITNESS C. WILLIAMS: And I thank you very
16 much for that; appreciate it.

17 COMMISSIONER DEASON: Any other comments or
18 questions? (No response.) Let the record reflect
19 that there are none.

20 Let me take this opportunity to thank
21 everyone that came out to the hearing. We appreciate
22 you taking time to come and address the Commission.

23 It has been very informative, as has all of
24 the hearings we've had around the state. And as I
25 indicated earlier, the Commission will be reporting to

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1 the Legislature. I believe the deadline is the 15th
 2 of February, and we'll be making that report public,
 3 and if you have any additional questions or comments,
 4 you may contact the Commission at our 800 number. We
 5 also can be contacted via the Internet for those that
 6 do utilize that service.

7 And with that, if there's nothing else to
 8 come before the Commission, this hearing is adjourned.
 9 Thank you all.

10 (Thereupon, the hearing concluded
 11 at 2:50 p.m.)

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1 STATE OF FLORIDA) CERTIFICATE OF REPORTER
))
 2 COUNTY OF LEON))
 3 I, H. RUTHIE POTAMI, CSR, RPR, Official
 Commission Reporter,
 4

5 DO HEREBY CERTIFY that the Public Hearing in
 Docket No. 980000A-SP was heard by the Florida Public
 Service Commission at the time and place herein
 6 stated; it is further

7 CERTIFIED that I stenographically reported
 the said proceedings; that the same has been
 8 transcribed under my direct supervision; and that this
 transcript, consisting of 61 pages, constitutes a true
 9 transcription of my notes of said proceedings.

10 DATED this 27th day of October, 1998.
 11

12 _____
 13 H. RUTHIE POTAMI, CSR, RPR
 Official Commission Reporter
 (904) 413-6734
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