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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In Re the Matter of : Special Project No.980000A-SP
Fair and Reasonable :
Residential Basic Local :
Telecommunications Rates:

Proceedings: Public Hearing
West Palm Beach, Florida

Before: Commissioner Jacobs
Commissioner Clark

Monday, October 19, 1998
Commenced at 10:10 a.m. EST
Concluded at 11:44 a.m. EST

Place: Palm Beach County Governmental Center
County Chambers, 6th Floor
301 North Olive Avenue

BUREAU OF RECORDS West Palm Beach, Florida 33401

RECEIVED 11-4-98

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Appearances:

Commissioner Jacobs, Florida Public Service
Commission, Commissioner Clark, Florida Public Service
Commission

Also present:

Tina Watts, P.S.C. Staff Attorney
Charlie Beck, Office of Public Counsel
Kevin Bloom, Consumers Affairs Department
Sandy Moses
Sue Ollila

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1 COMMISSIONER CLARK: I'm going to stand up
2 for my initial remarks -- I'm sorry, I didn't ask
3 you if you were ready.

4 THE REPORTER: Yes, I'm ready.

5 COMMISSIONER CLARK: What I'd like to start
6 out with is we need to read the notice, and I'll
7 ask our attorney, Tina Watts, to read the notice,
8 please.

9 MS. WATTS: By notice issued August 12, 1998, this
10 time and place has been set for a public hearing and
11 undocketed special project 980000A.

12 The purpose of this hearing is to solicit public
13 testimony on a fair and reasonable basic local
14 telecommunication rate.

15 COMMISSIONER CLARK: Thank you. We'll take
16 appearances.

17 MR. BECK: My name is Charlie Beck, I'm with
18 the Office of Public Counsel, Claude Pepper
19 Building, Tallahassee, appearing on behalf of
20 Florida citizens.

21 MS. WATTS: Tina Watts, P.S.C. legal staff.

22 COMMISSIONER CLARK: Thank you, I think that's
23 all the appearances we have.

24 As indicated by the notice, we are here to
25 hear from you on your information that you would

1 give us on fair and reasonable residential basic
2 telecommunication service rates.

3 In 1998, this past session, the legislature
4 passed House Bill 4785 and it's because of that
5 legislation we are here today as part of a study we
6 are conducting into fair and reasonable rates in
7 Florida.

8 In conducting the study, we are to consider
9 four factors: Affordability, value of service,
10 comparable basic local exchange telecommunications rates
11 in other states, and the cost of providing residential
12 basic telecommunication service in Florida.

13 As I indicated, we are here to get opinions
14 from you, the citizens, on these issues.

15 To insure that consumers were given the
16 opportunity to voice their opinions, we have been
17 conducting public hearings. This is, I think, the
18 second to the last public hearing we'll be
19 conducting. There have been twenty-two public
20 hearings that we are conducting around the state
21 since August.

22 We have conducted one hearing in at least
23 each of the service areas in the State.

24 I'd like to direct your attention to the
25 information sheet you got when you came in. If you

1 do not want to present comments today, you may use
2 that sheet and provide your comments on the back
3 and then fold it up, and I hope yours is correctly
4 printed, so that if you fold it up, you can then
5 send it to our Consumer Affairs Bureau and we will
6 get your comments on it.

7 Another way you can get in touch with us is to
8 call our toll free number, that number is 1-800
9 342-3552.

10 In a moment I will swear you in and I will ask
11 you to come to the podium to give your comments.

12 It would be helpful to the court reporter and
13 to the Commissioners and staff if you would give us
14 your name and if it's a difficult name, if you
15 would spell your last name, we would appreciate it,
16 and also give us your address.

17 I'd like to introduce the other members of our
18 staff. If you have questions or comments you do
19 not wish to give in a public forum, they are
20 available to hear from you.

21 Likewise, I'm available after the hearing if
22 you have anything you want to say to me or to
23 Commissioner Jacobs.

24 Let me introduce Commissioner Jacobs, who is
25 sitting to my left. I'd also like to introduce the

1 staff, the gentleman you met coming in is Kevin
2 Bloom, he is with our Consumer Affairs Department,
3 I guess it has a different name now and it's longer
4 than Consumer Affairs.

5 The lady who is trying to get us through on
6 the Internet and I understand we are now connected
7 to the Internet, is Sandy Moses.

8 On my right, I have Tina Watts who introduced
9 herself, she is our staff attorney and next to her
10 is Sue Ollila.

11 Did I pronounce it right?

12 MS. OLLILA: Yes.

13 COMMISSIONER CLARK: Good, thank you.

14 We'll all available for you to talk to and
15 talk about your phone service and anything else
16 regarding that phone service or this proceeding
17 today that you'd like to convey to us.

18 What I'd like to do is have -- let me just
19 check and make sure there are no opening
20 statements.

21 MR. BECK: I can make one, I'm not sure it's
22 been done at any other hearing though, I'd be glad
23 to make one.

24 COMMISSIONER CLARK: It's up to you, Charlie.

25 MR. BECK: Just very briefly.

1 This is about the twenty-first Public Hearing
2 we've had and we also just completed evidentiary or
3 expert witnesses in Tallahassee.

4 Our office presented a witness, so did the
5 Attorney General and the AARP, the phone companies
6 put on witnesses. There's been significant
7 evidence presented to the Commission that there's
8 no cost subsidy between business and residential
9 rates and that residential services as a whole are
10 profitable for the company.

11 We appreciate your attendance here and look
12 forward to your comments.

13 COMMISSIONER CLARK: I've just been informed
14 that I've made an error.

15 If you would come to this podium because
16 that's where it will pick up on the Internet for
17 us.

18 What I'd like to do now is ask everyone who
19 has indicated they wish to speak by signing in to
20 please stand and let me swear you in at this time.

21 Please raise your right hand.

22 In this matter before the Public Service
23 Commission, do you swear or affirm that you will
24 tell the truth, the whole truth, and nothing but
25 the truth.

1 You may be seated.

2 Mr. Beck, will you call the first witness.

3 MR. BECK: Yes, first witness is Jeanette
4 Mueller.

5 MS. MUELLER: Good morning, my name is
6 Jeanette Mueller, let me spell that for you, it's
7 J-E-A-N-E-T-T-E and Mueller is M-U-E-L-L-E-R. My
8 address is 2002 Southwest Racket Club Drive in Palm
9 City, Florida.

10 I am a resident of Martin County, I live with
11 my husband and three children in Palm City.

12 My husband has several businesses that are
13 located not only in Martin County, but also in Palm
14 Beach County.

15 I guess you could say that I'm a professional
16 volunteer, I'm involved in a number of different
17 nonprofit organizations in Martin County,
18 specifically, to give you an example, I am involved
19 with an arts organization, a dance studio called
20 Florida Arts, a dance company, and I've served as
21 past president and also currently as their fund
22 development chairperson, so I'm out in the
23 community trying to raise money so that this
24 organization, along with other nonprofits can stay
25 operational, and we can continue to offer the

1 services that are so much needed in our area and in
2 our community.

3 Being a nonprofit organization does not
4 exclude you from operating as a business and does
5 not exclude you from being concerned with the
6 financial problems and the budgetary problems that
7 a normal business would.

8 So I guess my question is, are the costs that
9 are reflected in your bills for budget for the
10 businesses, do they reflect accurately the
11 additional costs that make them so much higher than
12 a residential cost?

13 COMMISSIONER CLARK: That is where the debate
14 lies, I can tell you that. I think Mr. Beck
15 indicated at the beginning of this that for, I
16 guess the, not this past week, but the two weeks
17 before that, we had two days of hearings on fair
18 and reasonable rates.

19 We had the workshop, and then this past week
20 we had a week of hearings on what basic local
21 exchange service costs, and we will be sifting
22 through all that information to make a
23 determination as to what we think the cost is.

24 I can tell you really what it boils down to,
25 is where the cost of the loop should be allocated,

1 and that's what we will be looking at.

2 Let me give you the time frame, I believe we
3 have to, we will have a draft report by January
4 13th from our staff, we will approve the report on
5 the 19th of January and we will have to submit it
6 to the legislature on the 15th.

7 MS. MUELLER: Okay. Well, I'd just like to
8 make a statement.

9 You know, I'm a consumer of both the
10 residential service and also, obviously, my family
11 and my husband's businesses and the organizations
12 that I'm involved with with the business service, I
13 would support seeing an increase in the residential
14 service, that would not be a problem for me, and I would
15 definitely support that and thank you for your time.

16 COMMISSIONER CLARK: Thank you, Ms. Mueller.

17 MR. BECK: The next witness is Cathy Lieber.

18 MS. LIEBER: Good morning, my name is Cathy
19 Lieber, that's spelled with a C and my last name is
20 L-I-E-B-E-R.

21 Today I come to you as the executive director
22 of the Palm City Chamber of Commerce, our address
23 is 901 Southwest Martin Downs Boulevard, Palm City,
24 Florida, and I represent approximately four hundred
25 businesses as well as sixteen thousand residents of

1 the Palm City community.

2 I believe in being equitable. I feel that we
3 should be fair and we should be equitable for not
4 only businesses, but also residences.

5 The State of Florida over the past thirty
6 years has had a definite increase in the
7 residential community which has impacted the value
8 of service for our phone services.

9 It has impacted increase in our residential
10 communities, not only with telephone service, but
11 with the computer age, we have your Internet access,
12 which we have today, and we also have our gated
13 communities which have our access control systems and I
14 speak personally of that because I'm the president of my
15 husband's home-based business, which is a small business
16 that deals with access controls systems.

17 The small business cost for an individual
18 business is a trickle down affect to the consumer
19 to where as your overhead increases, it does impact
20 our residents of our community.

21 And today I would like to reiterate that I do
22 believe in a balance between consumers as well as
23 residential and business.

24 So I thank you for the opportunity to speak
25 before you and I do, as I said, believe in an

1 equitable balance for residential and business
2 services.

3 Thank you.

4 MR. JACOBS: Excuse me, Ms. Lieber, you said
5 Palm City?

6 MS. LIEBER: Uh-huh.

7 MR. JACOBS: Is that, I assume that's very
8 close to West Palm Beach.

9 MS. LIEBER: It's in Martin County, it's
10 approximately forty-five minutes north of here.

11 MR. JACOBS: Okay. And that's a rural area or
12 it's fairly urban?

13 MS. LIEBER: Actually, it's an urbanized
14 unincorporated area or Martin County.

15 We have a very good sustainable community, we
16 have educational schools in that area and we do
17 have approximately twelve hundred businesses within
18 Palm City.

19 MR. JACOBS: And Bell South is your local
20 service company?

21 MS. LIEBER: Yes, sir.

22 MR. JACOBS: Okay. Thank you.

23 MS. LIEBER: Thank you.

24 MR. BECK: Joe Negron.

25 MR. NEGRON: Good morning. First of all, I'd

1 like to thank you for --

2 COMMISSIONER CLARK: Give us your name and
3 address, spell the last name.

4 MR. NEGRON: Sure, I'll do that.

5 It's Joe Negron, it's N-E-G-R-O-N, and the
6 address is Post Office Box 2589, Stuart, Florida
7 34995.

8 COMMISSIONER CLARK: Thank you.

9 MR. NEGRON: Thank you. First of all, I'd
10 like to welcome you to West Palm Beach and Palm
11 Beach County and I wanted to thank both
12 Commissioner Clark and Commissioner Jacobs for
13 being here today and giving us the opportunity to
14 give you some input from citizens in this
15 community.

16 First of all, I grew up in West Palm Beach, I was
17 born here, in fact about five blocks from here at Good
18 Samaritan Hospital, and grew up in Palm Beach County and
19 I practice law in both Palm Beach County and Martin
20 County, although at the present time I'm living in
21 Stuart, which is in Martin County.

22 I'd like to start my remarks with a word about
23 Bell South and about Southern Bell, which was its
24 predecessor, and while I certainly think it's only
25 a factor in determinations and deliberations that

1 you make, I do think it accounts for something at the end
2 of the day, and that is it's my belief that strong
3 economic families, families where there are incomes to
4 one or both of the parents that's enough to raise
5 children, to send children to college, I think that is
6 our strongest bull work against poverty, against crime,
7 against a lot of other problems that we have in our
8 society.

9 And it's been my personal experience with many of my
10 friends growing up here in this community that worked for
11 Southern Bell, which is now Bell South, that the company
12 had a commitment to take care of its employees
13 economically, to make sure they were provided for with
14 retirement and other benefits, and I do think that that
15 kind of responsible corporate policy is something that
16 you should take into your consideration, in addition to
17 the fact of them being a very responsible corporate
18 citizen with support and underwriting of many charitable
19 causes in our community.

20 And I've seen a lot of companies that are newer in
21 the telecommunications industry as well as other
22 industries that don't seem to have the commitment
23 to their employees and to taking care of their
24 employees as I've seen with Bell South and with
25 Southern Bell.

1 Now, specifically, what you're here on today, I
2 think we can make an argument that the restructuring
3 that's gone on in the telecommunications industry has
4 caused too much upheaval, and maybe we liked our monopoly
5 better than we like all of the complexity and confusion
6 that we have today, but this is where we are and we can't
7 go back to the Baby Bell days and the days where
8 everything was simple because now you want to make a long
9 distance call from a pay phone, you don't know who you're
10 going to get on the other line, you get multiple bills
11 for things and it just seems like it's a lot more
12 complicated, but that's where we're at today.

13 So we have to try to sort it out and make it
14 as fair to the consumer as we can.

15 So toward that end, I'd like to make three
16 specific comments.

17 Number one, now that the legislature has
18 decided as a matter of public policy that they want
19 to discontinue monopolies, we really don't have a
20 choice but to have the prices reflect the actual
21 costs involved, plus a reasonable profit for the
22 entity that is providing those services.

23 The second point is that many small businesses
24 are operating out of individual's homes with both a
25 residential line and a business line, and being a

1 layperson and not having access to all your expert
2 testimony, I'm sure you'll make a wise decision,
3 but it seems that the costs are not inline with the
4 actual costs being experienced by the provider, it's too
5 disproportionate.

6 And there are a lot of companies that even
7 permit small, or excuse me, women with small
8 children who are working for a company to work at
9 home for a period of time and will actually install a
10 business line or a business fax in their home to
11 accommodate them, and the cost for that can sometimes be
12 five and ten times more than the residential costs.

13 And, which brings me to the point of who's
14 going to pay now that we have totally redone the
15 telecommunications industry.

16 We have a lot of affluent retirees in northern
17 Palm Beach County and in Martin County where it
18 would be no hardship whatsoever for them to pay a
19 slightly higher residential charge whereas you have
20 many small businesses and struggling business
21 operations that it does pose a hardship when the
22 costs are being, they're being asked to subsidize
23 for residential lines and I don't think that
24 anything that you're going to consider is going to
25 undercut the Lifeline program and other programs

1 that are already in place to support people with a
2 problem paying their phone bill and to support
3 those that are in indigent situations.

4 And then the third point is I think long term, with
5 enhanced competition that we can expect in the
6 residential field, that eventually there will be
7 lower costs and increased competition, but I don't
8 think it's fair, whether it's Bell South, whether
9 it's any company, just as a matter of principle, I
10 don't think it's fair to expect one provider to be
11 subsidizing costs and trying to compete with people
12 coming into the industry that don't have those same
13 restraints.

14 So I appreciate the opportunity to give you my
15 input, thank you very much.

16 COMMISSIONER CLARK: Thank you, Mr. Negron.

17 Any questions?

18 MR. JACOBS: I have one question.

19 You indicate that for those lines that are
20 residential lines, but are being used for business
21 purposes, you would favor imposing the same costs
22 that businesses presently provide, or you're
23 looking to equalize.

24 MR. NEGRON: Well, my understanding, and I
25 could be wrong, my understanding is it's getting

1 very difficult for people to use residential lines
2 for business purposes because there are a number of
3 criteria that they impose before they'll give you a
4 second residential line.

5 For instance, if you're a business and you
6 advertise in the yellow pages, they won't give you
7 a residential line, you're required to get a
8 business line.

9 So I think the companies have kind of figured
10 out how to make sure the people aren't using
11 residential lines for business, but to answer the
12 issue behind your question, I think if you have one
13 line for residential and one or more lines for
14 business, that if in fact what I believe to be
15 true, that the residential lines are being
16 subsidized, then I think the price of the
17 residential service should be increased to reflect its
18 actual cost and then the cost of the business line
19 should be reduced if in fact that subsidy is being used
20 to subsidize the residential lines.

21 MR. JACOBS: One of the things that has been
22 attributed to me, is that while the study that we
23 are required to provide the legislature clearly has
24 its focus on residential lines, it did not
25 specifically address business lines and, but what I

1 hear you saying is there should be a direct, they
2 should walk in parallel, it should be in direct
3 relationship, if you increase the residential rate, there
4 should be a corollary affect on business rates.

5 MR. NEGRON: Absolutely, because my
6 understanding is this issue isn't about increasing
7 profits on the residential, that with the rates
8 being regulated the way they are, if there's a
9 significant cost savings because the residential
10 cost is raised to reflect its true cost, then the
11 money that's saved would have to be passed along in
12 savings on business lines or on other charges that
13 they make.

14 MR. JACOBS: Well, that's the anticipation of
15 the law is that will be passed along through the
16 access charges more so than the local service rate
17 for a business line.

18 MR. NEGRON: And I think a lot of those access
19 charges are charges that businesses end up paying
20 with their lines.

21 I know in our law firm there's a number of
22 those type of charges that we feel if the
23 residential rates were more equitable, maybe those
24 charges wouldn't be as significant and then when
25 you have increased competition, which we're

1 expecting with residential lines, I think that
2 eventually costs will settle down and you may even
3 see increased service.

4 MR. JACOBS: Thank you.

5 MR. NEGRON: Thank you.

6 COMMISSIONER CLARK: Thank you.

7 MR. BECK: Sally Kanter.

8 MS. KANTER: Can you hear me here, fine.

9 My name is Sally Kanter, my address is 131
10 Lake Susan Drive, Golden Lakes Village, West Palm
11 Beach.

12 What else do I have to give you?

13 COMMISSIONER CLARK: That's good, thank you.

14 MS. KANTER: Thank you. I attended the last
15 hearing that took place here in August and I was a
16 little bit perturbed because I felt that the
17 purpose of the hearing was to discuss rates, et
18 cetera.

19 The first four speakers a few months ago were
20 business people who were trying to figure out how
21 they can get their rates lowered for the telephone
22 company versus the consumer's residential rates,
23 why shouldn't we raise ours.

24 I've been getting the same kind of tone at
25 this point and I'm wondering whether it's been

1 worked out as a plot almost.

2 First, let me say that I was kind of expecting Julia
3 Johnson and I think I was a little disappointed because I
4 did get several letters from her in the past two months,
5 anyway.

6 I do want to express our opinion on the rates
7 studies as she asked.

8 We appreciate the continuation of our special local
9 rate of twenty-five cents, incidentally. We worked very,
10 very hard for it and we hope to God that it stays that
11 way, so please don't touch it.

12 It means a great deal to our community, to the
13 people in Golden Lakes, especially to elders who
14 are seventy, eighty, and ninety years old, they
15 depend on it like their lives.

16 We also greatly appreciate the Lifeline
17 program and I mentioned that to one of the
18 representatives of Bell South so that all residents
19 in Florida who cannot afford the regular rate have
20 access to the telephone service connections at
21 their homes, quite the contrary with how the
22 business people feel in the community.

23 This is an absolute life necessity. Can one
24 imagine our elderly and sick people ages seventy,
25 eighty, and ninety in Golden Lakes being without

1 phone service in this day and age, I don't think
2 so.

3 And yes, we in Golden Lakes have so many residents
4 who are grateful for it and so please let it be and don't
5 touch it, let it continue.

6 Those are some of the positive things we have
7 with Bell South.

8 However, things are not all hunky-dory, the
9 negative side has many, many problems that we
10 encounter.

11 First, when someone's phone is out of order,
12 just hold your breath. Neighbors come knocking at
13 your door to use their phone to call for service,
14 so a day passes and you keep calling and another
15 day passes and especially over a weekend, luckily it will
16 be repaired within three days and I'm wondering whether
17 it's accidental or whether it's sloppy delayed action of
18 untrained help, can it possibly be attributed to
19 mismanagement in the repair programs, I don't know, but I
20 think that ought to be looked into.

21 We Seniors have worked hard in Palm Beach
22 County and we've helped raise the economy here
23 through housing, food markets, restaurants,
24 utilities, taxes, including Bell South charges for
25 your package deals and Bell South continues to

1 receive sky high profits while our average consumer
2 is lucky to be getting the lowest rate of return on
3 our funds in history today.

4 We really get very little and anybody who's
5 watching the stock market knows it.

6 The announcement of the one point three percent as
7 the increase in the cost of living is the lowest amount
8 ever in history and this is frightful especially to the
9 people who are depending on it.

10 Is this a time then to consider rate increases or
11 honest review, it does not reflect the cost of living in
12 supermarkets, physicians and pharmacies, et cetera.

13 The Public Service Commission must reflect its
14 name and consider those it represents. The public,
15 remember the word public, its vast majority of
16 consumers.

17 That does not mean the golf course decisions,
18 it does not mean the few who stood up here a few months
19 ago to show off their fancy golf outfits and resented the
20 lower rate that we the consumer is getting, the public
21 are being cleared.

22 How dare they, they push their names in on the
23 list to speak ahead of us and all they're concerned
24 about is what profit the businesses are making and
25 what the average consumer residents are getting and

1 that's not fair because we have been here for many
2 years, we have helped build this County and we have
3 done everything possible to cooperate with Bell
4 South, et cetera.

5 A review is possibly needed, yes, but the
6 Public Service Commission must include the very
7 public that depends upon us and we depend on you.

8 Jack Shreave, that valiant defender of the people,
9 must not be left out of the decisions since he is a
10 defender of the economic rights of the people and the
11 public depends upon him.

12 Sorry that he has a problem of serious illness
13 with his wife and we should send him our best
14 wishes from this party. I want to thank his aid
15 Charlie Beck, who is stepping in and is working in
16 his place and generally works together and I guess
17 he's got to have four hands and six minds at this
18 point, but we want to thank Charlie Beck for being
19 here.

20 May we recommend that every consideration be
21 given to your review and again, I can't appreciate
22 it enough.

23 Uphold the name you represent, the people's
24 Public Service Commission, that's what you're here
25 for and that's what we the public are here for.

1 I want to thank you again, and I'm the
2 community chair of Golden Lakes Village and the
3 area, so thank you.

4 COMMISSIONER CLARK: Thank you, Ms. Kanter,
5 very much.

6 Are there questions?

7 MR. JACOBS: Ms. Kanter, a couple things very
8 briefly.

9 Do you know how the people -- is it Golden
10 Lakes, your community name is Golden Lakes?

11 MS. KANTER: Golden Lakes Village.

12 MR. JACOBS: Do you know how they get
13 information on Lifeline, is there someone there or
14 do they get it specifically from the phone company?

15 MS. KANTER: I don't know what you mean by
16 that.

17 MR. JACOBS: When they sign up, how do they
18 find out about the program and how do they get, how
19 are they enrolled in it?

20 MS. KANTER: I think Bell South does have a
21 number of representatives in the field who are in
22 touch with us, one of them is Mr -- gosh, forgive
23 me if I forgot your name for the moment. There he
24 is.

25 MR. JACOBS: He knows who he is, right.

1 MS. KANTER: Right, he's in touch with us and
2 a number of other people. They are in touch with
3 us when something goes wrong.

4 As a matter of fact, I want to tell you that a
5 number of times when phones were out of order,
6 different people on the block, or a few blocks
7 away, they called me and they said Sally, you have
8 pull with them, I said I don't know what kind of
9 pull I have, but I called the office and they
10 immediately had a few repair trucks lined up and
11 they do get quick service so yes, we are in touch
12 with the local area.

13 MR. JACOBS: Where I come from they call that
14 pull.

15 MS. KANTER: Pardon me?

16 MR. JACOBS: Where I come from, they call that
17 pull, you have pull with them.

18 One of the things, and I won't take up the time this
19 morning to deal with it, but I'm very interested in the
20 interplay between the Lifeline and the E.C.S. rates,
21 that's the twenty-five cent call you mentioned, and I
22 want to be very interested in how affective, for
23 instance, for those of your community members who make a
24 lot of calls on that E.C.S. rate, I'm very interested in
25 how that interacts with the Lifeline rate so I'm going to

1 have AARP or someone from the Commission staff be looking
2 into that and may contact you on that.

3 MS. KANTER: Well, I think the twenty-five
4 cent call that we won two years ago, I think was really
5 God's blessing on us, He knew that we have people living
6 here who are in their seventies, eighties, and nineties
7 and they depend upon that phone as if they do for their
8 daily bread.

9 So the twenty-five cent call means so much to them
10 and yes, they have an aunt, uncle, mother, daughter,
11 living in Boca or in some other close areas and they pick
12 up that phone and they know that they're not going to
13 have to raid their little pension box, but it will be
14 only twenty-five cents and that's the thing that I think
15 is most important.

16 I think that what Southern Bell has done on
17 the twenty-five cent call is something that should
18 be hailed in the newspapers.

19 Many people don't know about it and many people
20 also don't know that Bell South has come up with
21 the Lifeline, which is really a lifeline and a
22 lifesaver to many of the people in the community
23 and I want to thank you for holding on to it and
24 don't let anybody tell you that different because
25 no, it cannot compare to businesses, it cannot

1 compare to anything else, it can only serve the old
2 Senior people who've been living here for twenty, thirty
3 years and have no one to turn to, they left their
4 families up north or wherever they are, and the Lifeline
5 is their lifeline, so thank you.

6 MR. JACOBS: Thank you.

7 COMMISSIONER CLARK: Thank you, Ms. Kanter.

8 Are there any more questions. There are no
9 more questions, thank you.

10 MS. KANTER: May I suggest that this body
11 really send regards to Jack Shreave because I know
12 he would want to be here heart and soul.

13 COMMISSIONER CLARK: I know, and we're all
14 hoping that his wife's struggles have a good
15 result.

16 MS. KANTER: Thank you.

17 COMMISSIONER CLARK: Do you want to indicate
18 that Senator Kline is here, he was at our last
19 hearing and he's very involved in this issue and
20 very well versed in this issue.

21 He's indicated that he doesn't have anything
22 more to say at this point, but he might later on in
23 the hearing so with that we'll have Mr. Beck call
24 the next witness.

25 MR. BECK: Mary Shaw.

1 MS. SHAW: Good morning, my name is Mary Shaw,
2 S-H-A-W. It's amazing how many people have a hard
3 time spelling that.

4 I'm at 152 Harbor Point Drive in Stuart and I'm a
5 former Bell employee. I went to work for the Bell system
6 right out of college, left twenty-two years ago just as
7 competition was beginning up in the Washington, D.C.
8 area.

9 At the time, the watch word place was Norton,
10 Virginia, what's going to happen to Norton,
11 Virginia when competition comes in, no one will
12 want to serve that population.

13 I grew up in a rural area of Virginia and live
14 in Martin County which has many rural areas I know
15 is not profitable for local telephones to serve.

16 Over the years, competition has brought down
17 many costs for many people and I know you are the
18 Public Service Commission, but it's always been the
19 goal of the Public Service Commission to make
20 certain that telephone service was available on the
21 widest possible basis and I think at one time we
22 were nearly a hundred percent availability and I
23 think that's gone down over time.

24 Also the indications about longer times to get
25 service and longer times to get installations and

1 so forth has certainly been a result of competition
2 because in my opinion, and I saw it then and I
3 don't think it's changed a whole lot, what
4 competition has meant is that the cream of the crop
5 is being skimmed off and the people that are not
6 profitable to be served is what the telephone
7 companies, local companies, are being left with so
8 they are having to cut costs in other ways and I
9 think our public is a full public and not based on
10 age and not based on other demographics of that
11 sort.

12 There is an issue of need, there's an issue of
13 accessibilities, I think there are ways to address those,
14 but I don't think it's by inequitable or subsidy rates.

15 I think we've come to the time in competition
16 where it has to truly be that, taking into account
17 the need of the public to have telephone service.

18 The issue of the small home employer is
19 certainly one example of that. Many of the people
20 doing this are doing it because they cannot find
21 employment in the broader corporate structures that we
22 used to have, so they're showing entrepreneurship and
23 they're starting businesses at home, or the new trend,
24 which I did when I left the telephone company, I stayed
25 home to raise my children.

1 More women, more men are trying to do that today by
2 working out of their home, so the lines of business and
3 residential get fuzzy and who's to say that the upstart
4 business has less need than some of the other areas of
5 the population.

6 Therefore, I guess I'm speaking today on the
7 basis of it's time to really look at these rates to
8 see that we're serving as many people as we can,
9 that the competitors are taking part in this as
10 well as the local telephone companies, and
11 certainly we don't want to take service away from
12 anyone, especially those who really need it, but
13 I'm not certain that that's being offered in a fair
14 way and we're now twenty-three years later from
15 when I left the telephone company and I don't see
16 any change of significant portions in sharing the
17 burden of the unprofitable customer.

18 Right now I work for a nonprofit agency on
19 another little -- going back, I was at the
20 telephone company when they took away the charity
21 subsidies many years ago because they said it
22 wasn't fair to the residential and business
23 customers to let charity have a lower rate, so over
24 time, we have recognized that there are other ways
25 to support people, most of your local companies now

1 support the charities in other ways through
2 sponsorships and loaning of their employees and
3 other things like that, but they no longer give us
4 a lower telephone rate.

5 So I think there are ways to meet needs of
6 people without unfairly putting the burden on the
7 telephone company. And I have real fear that if this
8 continues to go on, no one will want to offer residential
9 service. It will become a truly government function
10 because there will be no private business in the market.

11 COMMISSIONER CLARK: Thank you, Ms. Shaw.

12 Are there any questions?

13 I want to tell you I think that is why we are
14 embarked on this study. We understand that maybe
15 we need to look at how service is being provided to
16 assure that those high-end customers are not taken
17 by the competition and that competition does not
18 come to their residence and the rural areas, that's
19 why we're looking at it again because we want that
20 competition to come to the residential customers
21 and I think it will, it's just we'd like to speed
22 it up a little bit.

23 I should indicate to you all that Ms. Kanter
24 mentioned Julia Johnson. She is working on the
25 Federal Joint Board on the Universal Service Fund.

1 MS. SHAW: That's an interesting concept.

2 COMMISSIONER CLARK: Right, trying to figure
3 out a way to make an explicit fund so that those
4 rural areas will continue to be served and be
5 attracted to competitors as well as the incumbent
6 local exchange company.

7 It's a long process, it's very intricate, but
8 we're working on it and I thank you for your
9 comments.

10 MS. SHAW: I thank you for holding the
11 hearings and let me also say that in Stuart we're
12 grateful for the extended rate service too because
13 we do a lot of interaction with our neighboring
14 counties, especially the Internet, our Internet
15 access line is in West Palm Beach for one of the
16 biggest services and I had to discontinue it before
17 the extended service because I simply couldn't pay the
18 phone bill, it had nothing to do with the Internet
19 charges, but now with the extended service, it makes it
20 affordable again.

21 Thanks.

22 COMMISSIONER CLARK: Thank you.

23 MR. JACOBS: Thank you.

24 MR. BECK: Steven Reiskind.

25 MR. REISKIND: My name is Steven Reiskind and

1 I can't remember my address -- 1300 Park of
2 Commence, Suite 272, Delray Beach, Florida.

3 I come to you as a small business person. I
4 started up a small business about four or five
5 years ago and trying to figure out my costs of
6 going into business, one of the things I was
7 shocked and dismayed by was the fact that the cost
8 for opening up business lines for my business was
9 so much higher than my personal phone lines, and
10 doing a little research I found out why.

11 I think the term some gentleman early used was
12 equitable. I think that's what we should all be
13 looking at is equitable costs, equitable payment.

14 I think one of the largest segments of our
15 population of people are becoming entrepreneurs like
16 myself, and the fewer barriers that we can put in
17 front of them, the more successful they can be and
18 speaking for myself, it's a major cost every month
19 when I get that nice big envelope from Bell South
20 and I have to pay that bill and it's a factor in
21 how I do business, how I charge my clients and so
22 on and so forth.

23 So I urge you and implore you to take a look
24 at that and to equitably, you know, charge
25 everything and I just wanted to thank you very much

1 for holding these hearings.

2 COMMISSIONER CLARK: Thank you, Mr. Reiskind.

3 Any questions. Thanks.

4 MR. JACOBS: Thank you.

5 MR. BECK: Edith Cowan.

6 MS. COWAN: I'm Edith Cowan, C-O-W-A-N, I live
7 at 17706 130th Avenue North, Jupiter and that's
8 Jupiter Farms. I am a retired teacher and I speak
9 for myself only.

10 I don't know what businesses pay for telephones
11 nowadays, but I thought that was the price of doing
12 business, like the lights and water and everything else
13 you use, and I wonder how much more you use a telephone
14 line than I do in my home. I may use it three or four
15 times a day, I may go four or five days and never receive
16 a call or make a call.

17 But I'm hearing the same rhetoric today that I
18 heard when the telephone companies were supposedly
19 deregulated. I read here, it says, as a result of
20 decades long regulation, the amount shown at the
21 bottom of the consumer telephone bill bears little
22 if any relationship to the cost to providing that
23 service, but when the telephone companies were
24 deregulated, I heard that competition would bring
25 better services and lower costs to all telephone

1 bills and I'm not sure that I'm paying any lower
2 costs on my telephone bill for what little use I
3 use my telephone because I don't get on the
4 telephone and talk to friends all day long and most
5 people that are in business are at home, or not at
6 home during the daytime, they're in the business
7 using their telephone, unless they have a business
8 in their home.

9 Now, I know this doesn't apply to residential
10 phones, but couldn't there be some kind of a tiered
11 telephone bill for businesses who are very small
12 and only have one computer line hooked up to their
13 phone at home to do their business, and one or two
14 people working in their business to make it more
15 equitable.

16 I urge you to be very careful in your
17 consideration of raising residential rates because
18 if my bill goes up any more than it is, I will turn
19 off my telephone.

20 MR. JACOBS: Thank you, Ms. Cowan.

21 COMMISSIONER CLARK: Ms. Cowan, if you'd hang
22 on a minute, we'll see if there are any questions.

23 Do you know what your local rate is here?

24 MS. COWAN: I'm paying just for the line itself, ten
25 dollars and five cents, but the F.C.C. has put on the

1 three dollar fifty cents.

2 In addition, since I live in a house with my, it's a
3 daughter and son-in-law and in a separate part of the
4 house, when they never answer my phone, I still pay an
5 additional five dollar F.C.C. rate which has nothing to
6 do with the company, and I figure if you go up at what
7 some people are saying you're going to go up, my phone
8 bill will double because you're going to put taxes on top
9 of all the rate that goes up.

10 COMMISSIONER CLARK: Ms. Cowan, you have two
11 lines going into your home?

12 MS. COWAN: I have one line in my part of the house,
13 I have an inlaw apartment, but because I have one address
14 in the home and my daughter and son-in-law have their own
15 phone, then I'm charged the additional F.C.C. rate of
16 five dollars for my phone line, not for theirs.

17 MR. JACOBS: Because yours is considered a
18 separate line?

19 MS. COWAN: Mine is considered a separate line
20 in my own name, not a business, but within that
21 household because I do not have -- if I had 17706
22 130th Avenue and I had a B after it or apartment or
23 something, then I wouldn't have to pay that rate,
24 but that's not the way we get our mail.

25 COMMISSIONER CLARK: How about your long

1 distance rates, have they come down, do you make a
2 lot of --

3 MS. COWAN: I have chosen, after a long series of
4 dealing with AT&T and others, I go with TelCo, I pay a
5 flat rate of ten cents no matter where I go in the
6 evenings from five till eight o'clock in the morning and
7 all weekends, no matter where I call in the United
8 States, I pay ten cents a minute.

9 I pay fifteen cents a minute during the rest
10 of the weekday.

11 COMMISSIONER CLARK: So let me ask you this
12 question.

13 Do you feel like you have benefited from
14 competition in the long distance market?

15 MS. COWAN: From the long distance market, but
16 then I don't make that many long distance calls
17 like some people do who have relatives all over the
18 country.

19 COMMISSIONER CLARK: Okay. Any other
20 questions?

21 MR. JACOBS: Do you have a copy of your phone
22 bill with you today?

23 MS. COWAN: No, I do not.

24 MR. JACOBS: If you're interested, I'd like to
25 look into that five dollar charge.

1 MS. COWAN: I called Bell South and was told
2 that I had to pay it.

3 MR. JACOBS: Okay. Sounds like it may be a
4 Federal charge and --

5 MS. COWAN: It is, it's an F.C.C. rate, but I'm
6 paying one three fifty and then an additional five
7 dollars because I have a line in that house.

8 MR. JACOBS: If you would, see the gentleman
9 outside, and arrange, if you're interested, to look
10 a little bit further into that.

11 Again, there maybe little that we can do, but
12 I'd like to find out more about it just to see how
13 that works so we can maybe inquire as to whether or
14 not there is a duplication there.

15 MS. COWAN: If I had a computer hooked up to
16 that line I wouldn't holler, but I don't have a
17 computer hooked up to it, you know. I'm not doing
18 anything extra than just talking over the phone.

19 MR. JACOBS: If you're interested and you can
20 arrange it, we'll get a copy of your bill then we'll get
21 back with you.

22 MS. COWAN: All right.

23 COMMISSIONER CLARK: Thank you, Ms. Cowan.

24 MR. BECK: Joyce Malone.

25 MS. MALONE: Good morning, my name is Joyce

1 Malone, M-A-L-O-N-E. My address is 145 Northwest
2 Dixie Highway in Boca, that's Suite 700.

3 I'm here to represent the twenty-five thousand
4 Floridians who are members of Florida Citizens for
5 a Sound Economy. We support deregulation to
6 rebalance Florida's telephone rates.

7 Since 1984, Citizens for a Sound Economy have
8 advocated marketed based solutions to public policy
9 problems. With nine state offices, C.S.E. has more
10 than a quarter million members across the United
11 States.

12 The fundamental belief that unites our membership is
13 that a strong and vibrant free market economic system
14 offers the best hope to create opportunity and to improve
15 the quality of life for every American.

16 What makes Florida C.S.E. different from other
17 grassroots organizations is the degree to which our
18 membership are willing to become active in order to help
19 change public policy.

20 This past year we hosted several Scrap the
21 Code Tax Reform debates across the State of
22 Florida, including one here in West Palm Beach.
23 This event held in March grew nearly seven hundred
24 people.

25 Later this month we'll be back in West Palm

1 Beach hosting a forum on tax reform at the West
2 Palm Beach Sheraton. I invite everyone here to
3 join us for this exciting event, it will be held on
4 October 30th at two o'clock.

5 There is no other membership organization for
6 individuals like C.S.E., C.S.E. keeps an eye focused on
7 the consumer impact of a broad range of economic
8 policies, whether they're being debated here in West Palm
9 Beach, in another part of Florida, around the nation or
10 in Washington, D.C.

11 Our role is to ask whether a particular policy
12 is good for the consumer, does it create
13 competition and expand consumer choices.

14 A number of organizations out there who call
15 themselves consumer advocates simply promote more
16 government control because they believe the consumer
17 needs to be protected from our free enterprise system.

18 We, on the other hand, believe that
19 competition is the best protection a consumer can
20 get. To that end, we believe this Public Service
21 Commission should pursue policies that will enhance
22 competition in the market for local residential
23 telephone service.

24 Florida is currently caught between regulatory
25 models. The telecommunications market is now open

1 to competition, but retains government control
2 prices.

3 The system handcuffs the competitive nature of
4 the marketplace, and places the telephone service
5 of millions of Floridians in jeopardy.

6 Without genuine competition at the local
7 residential level, consumers will not see the
8 benefit of an open telecommunications market.

9 Currently, we've only seen competition for
10 business customers. This is because regulation
11 keeps the price of telephone service for businesses
12 well above the cost of providing the service.

13 This is done in order to subsidize consumers,
14 that's why the phone in your home is subsidized by
15 businesses of all sizes, small and large.

16 In addition, schools, day care centers and
17 charities also subsidize home phone service. It
18 doesn't whether you're Donald Trump in Palm Beach,
19 or if you receive welfare, everyone receives
20 subsidies.

21 Naturally, new competitors in the telecommunications
22 market chose not to compete with subsidized telephone
23 rates. Instead, they target business customers where
24 profit margins are larger, but the issue at hand is not
25 profit, the issue is the affect of regulation on

1 consumers across Florida.

2 The P.S.C. has created a system with
3 artificially high business rates and artificially
4 low residential rates. As a result, new
5 competitors in the telecommunications market are
6 gaming the system. They take the high dollar
7 business customers for themselves and leave behind
8 the subsidized residential customers that the
9 incumbent telephone company is required to serve.

10 We cannot afford to leave anyone behind. Rate
11 rebalancing is necessary to bring competition into
12 all markets.

13 Let me explain two unfortunate outcomes that
14 result from telephone companies gaming the system.

15 First, residential consumers are left without a
16 choice in local telephone service. This is because
17 competition only develops in the most profitable segments
18 of the market, namely where the rates are artificially
19 high.

20 The new competition and the highly profitable
21 segments of the market creates a second problem for
22 residential customers. Incumbent providers are
23 guaranteed to lose money on basic service to
24 residential consumers while competition brings
25 lower prices and more choices to their high-margin

1 customers.

2 In affect, the telephone companies have
3 supported us through an internal subsidy, a subsidy
4 managed by regulation and now that support is
5 disappearing.

6 Policy makers have created a consumer friendly
7 goal for our telecommunications markets,
8 competition. We applaud you for that, however,
9 this goal cannot be reached as long as the
10 handcuffs of price regulation remain in place.

11 Rate rebalancing is necessary, rate
12 rebalancing is a step toward competition. Without
13 this step, without rate rebalancing, our basic
14 telecommunications infrastructure is in danger of
15 decay at a moment in time when it's possible to
16 envision high speed communication technologies for
17 everyone.

18 To do nothing, in our opinion, is to take a
19 step backward.

20 Thank you.

21 COMMISSIONER CLARK: Thank you, Ms. Malone.

22 Any questions. Thank you.

23 MR. BECK: Next witness is Marc Spiegel.

24 MR. SPIEGEL: Good morning ladies and
25 gentlemen. My name is Marc, M-A-R-C, Spiegel like

1 the catalogue, S-P-I-E-G-E-L. I live at 6303 Adams
2 Street, and that's in Palm Beach Gardens, Florida.

3 I'm here this morning to actually speak to
4 both sides of the fence. Besides being a resident
5 in the community, I also operate out of my home as
6 far as doing business, and I'd like to state that,
7 as the other gentleman did, when I started signing
8 up to get my business lines put in, my data lines
9 and all the tools I would need in order to run my
10 business out of my home, I too was rather shocked
11 at the cost that I was going to incur.

12 And I do believe in support in Bell South's
13 ability at this point to do the survey and to look
14 at redistributing the service fees, I think it's
15 time.

16 The last time they raised their rates was 1982
17 and looking at the cost of doing business and
18 inflation and everything else that's gone on in our
19 economy in this country, everything has seemed to
20 have gone up except for something as simple as the
21 telephone.

22 It's very difficult in this day and age,
23 especially with the changing laws with the IRS and
24 everything, to get a break running a business out
25 of your home in such expenses such as a phone.

1 So I think it's important that we take a look
2 at this and I understand that on one aspect, it's
3 good for certain people and on the other aspect, it
4 may not be so good, but part of it is the cost of
5 doing business.

6 Bell South is not really asking for an
7 increase in their profits, all they're saying is
8 the cost of doing business in a certain sector
9 needs to be re-evaluated.

10 And looking at it from a pure business case,
11 especially, I'm in sales and marketing, if we
12 happen to have a certain sector where it's costing
13 us more to do business than we're actually earning
14 in income, then obviously we would like to either
15 shut it down, or find more creative ways to earn
16 money.

17 Bell South has the ability to adjust their
18 rates so that this isn't the case.

19 Right now it's true, in the long distance
20 market there's an incredible amount of competition
21 and people are given a choice of who they want to
22 use for their service.

23 The point is right now in the local
24 residential market, we don't have a choice and for
25 anyone that's saying they think they're paying too

1 much, the question that I would have is how do you
2 know because you have nothing to compare it
3 against.

4 So I think that in giving them the opportunity
5 to redistribute the rates it will bring in the
6 competition and people will have the choice to
7 decide who they want to use for their local
8 provider.

9 Thank you.

10 COMMISSIONER CLARK: Thank you, Mr. Spiegel,
11 just a minute.

12 Any questions, no. Thank you.

13 MR. BECK: Jack Horniman.

14 MR. HORNIMAN: Good morning ladies and
15 gentleman, my name is Jack Horniman, the spelling
16 of that name is H-O-R-N-I-N-M-A-N. I'm here as a
17 small business owner also, but also as a
18 residential consumer.

19 I am president and owner of J.L.H. Associates,
20 which a small city planning consulting firm in Palm
21 Beach County. I've been in business since 1983 and
22 my concern here, I'm not so sure I have all that
23 much to add over and above what you already heard.
24 but I think that there are some points that need
25 re-emphasis.

1 To me, the real issue here is equity and
2 fairness simply in the pricing of service. For all
3 too long it's my feeling as a small business man
4 that I've had to carry the local residential
5 service along with other businesses in the area.

6 Yes, it's the cost of doing business, but what
7 I would ask for, what I'm seeking through
8 restructuring or rebalancing of the cost of doing
9 business is not just to cut my cost but to seek
10 fairness in whatever that rate's going to be.

11 Now, as a residential consumer, hopefully if a
12 restructuring were going to take place in the
13 business end of this issue and the competition were
14 opened up, then those rates would level out also
15 and we would seek and hopefully find some sort of
16 true fairness in the cost of doing business here.
17 So those are my basic comments.

18 I'd also like to thank Senator Kline for being
19 here and to know that some of our lawmakers are
20 watching what's going on here.

21 So thank you for this opportunity.

22 COMMISSIONER CLARK: Thank you, Mr. Horniman.
23 Just a minute, let's see if there are any
24 questions. No questions.

25 Thank you very much.

1 you were going into the telecommunication business,
2 I think that you would readily see that you would
3 prefer my business account to my residential
4 account, there would be no incentive for you to go
5 after one line in a residence when you can go after
6 twenty lines in a business that's two hundred and
7 seventy-two percent higher in the rate.

8 I think you all are doing the right thing in
9 looking at this, I do think that programs like the
10 Lifeline need to be continued, and you need to take
11 that into consideration.

12 There are those people who cannot afford a
13 telephone and that needs to be considered, and
14 those parties that are part of the
15 telecommunication industry should have to
16 contribute to that as Bell South has done to this
17 State, but as the market opens, the others need to
18 come up to the plate and pay as well.

19 So thank you very much for your time and your
20 consideration.

21 Are there any questions?

22 COMMISSIONER CLARK: Thank you, Ms. Tylander.

23 Questions, no. Thank you very much.

24 MS. TYLANDER: Thank you.

25 MR. BECK: Bruce Daniels.

1 MR. DANIELS: Good morning, I'm Bruce,
2 B-R-U-C-E, Daniels, D-A-N-I-E-L-S. My residence is
3 336 Golfview Road, Apartment 1018, North Palm
4 Beach, Florida, and I'm here representing AARP.

5 I know this is your twenty-first hearing and I
6 suspect we've been at twenty-one of them.

7 I am also in a number of other capacities, I'm
8 a small business operator operating out of my home,
9 I do not have a residential phone line, I have
10 three business lines, and I'm paying those rates
11 and I expect that as part of the costs of doing
12 business.

13 I gather, and I heard this term and I have to
14 use it, I am one of the affluent retirees in
15 northern Palm Beach County.

16 Whether I'm affluent or not doesn't have
17 anything to do with this. That I'm a retiree, I'm
18 not, I'm partially retired, I'm trying to cut back
19 and get there, but the point is that this is an
20 issue of rates for everyone and we're looking at
21 this from a question of what are we going to do for
22 the needy.

23 We have over two million members in the State
24 of Florida from AARP, forty percent of those
25 members are operating on a budget that is primarily

1 dependent upon their social security putting them
2 at or below the poverty level.

3 An increase in their rates is going to be
4 destructive and I have to say, I don't think it's
5 arguable today, phone service is a necessity, not a
6 luxury and if it is that, then the residential
7 service has got to be kept at a rate that it is
8 affordable.

9 Part of the issue that I wanted to raise is
10 that there are two things on costs. One, that the
11 phone company's making the profit, has been making
12 the profit, it's been good, it was better this year
13 than last and last was one of the best they've ever
14 had.

15 That in mind, there is no real need for a rate
16 increase.

17 If I understand your task, your task is to
18 come back to the legislature and advise as to what
19 should be done about residential phone rates, it
20 does not extend beyond that. If you extend beyond
21 that, that of course is something that you can do,
22 but if it's strictly a question of residential
23 phone rates, then I see nothing here that is
24 looking towards an equalization, it's just a
25 question of what applies in this one area.

1 Secondly, the issue of residential phone
2 rates, bearing -- I'm sorry, putting the burden on
3 the business rates overlooks the fact that very few
4 of us have minimal residential lines. Just about
5 everybody has their baseline and that's the rate
6 you're looking at, and then additional services,
7 such as call waiting, call forwarding, dial back,
8 all the things that are afforded, and those
9 services, while they're charged at what would seem
10 to be a reasonable rate, have no relationship to
11 their cost whatsoever.

12 In some instances, there is over a thousand
13 percent profit in those charges and of course,
14 that's part of the make-up of the overall
15 structure.

16 So the residential area is bearing its
17 responsibility where it can afford it and if you
18 tell me this is a noncompetitive area that nobody's
19 looking for the business, it's my understanding
20 that there are now two companies offering
21 residential service in the Jacksonville area.

22 Those two companies are only taking full
23 service lines, so you have to buy the whole
24 package, but they are there and the field is
25 developing.

1 At any rate, it is for these reasons that we
2 feel that there should not be an increase in these
3 rates.

4 Basically that's what I have to say, I appreciate
5 your time, thank you for listening to me and if I could
6 answer questions, I certainly will.

7 COMMISSIONER CLARK: Thank you, Mr. Daniels.

8 MR. JACOBS: Mr. Daniels, one of the things,
9 one of the issues that has come up, and I know AARP
10 has been very active and I'm very impressed with
11 the level of knowledge that you demonstrated on
12 this issue, but one of the issues that's come up
13 and more specifically regarding subscribers of Lifeline,
14 and that is the level of subscribership to these
15 auxiliary services.

16 And we're going to be much more interested in, and I
17 would very much like the AARP to engage in this dialogue
18 as to what extent there is subscribership amongst your
19 members to the auxiliary services who are also
20 subscribing to Lifeline, but more importantly, to what
21 extent that reflects their ability to afford their phone
22 because there is some concern that maybe a tie, in other
23 words, if people can afford to carry the caller I.D. and
24 other auxiliary services, then that may have a reflection
25 on whether or not they can afford their phone service and

1 whether or not they should be eligible for Lifeline.

2 We're going to be very interested in that question
3 and I would very much encourage AARP to provide us your
4 input on that question.

5 MR. DANIELS: I hope you have already
6 expressed this to Ed Pasco, whom you've heard.

7 Ed, of course, who is working out of
8 Tallahassee, has far more information than I have.

9 I'll be happy to pass this along to Ed and to
10 the State Office so that we are in the position to
11 provide you with whatever we can.

12 MR. JACOBS: Thank you.

13 COMMISSIONER CLARK: Thank you, Mr. Daniels.

14 MR. DANIELS: Thank you.

15 MR. BECK: Wayne Grau.

16 MR. GRAU: Good morning, my name is Wayne
17 Grau, G-R-A-U is the last name, W-A-Y-N-E is the
18 spelling of the first name.

19 I am a small business owner also in West Palm
20 Beach and also in Fort Lauderdale. We are a
21 medical equipment company who typically services
22 the handicapped and elderly population.

23 We have fourteen business lines, we are forced
24 to have more lines simply because you could just
25 imagine a person who is having trouble breathing

1 getting a busy signal, that's kind of an
2 unacceptable way to do business and take care of
3 our customers.

4 As I see it, again, I moved here about two
5 years ago and started the business and the rates
6 are higher for our business lines than our
7 residential lines.

8 I don't understand why, considering there
9 should be no additional costs to opening up a
10 business line compared to a residential line.

11 I believe that an equitable decision must be
12 made simply because those costs of opening up those
13 fourteen lines and so forth, not including the call
14 waiting and so forth, are then passed on to my
15 consumers, I must pass those on as a cost of doing
16 business.

17 I believe that monopolies are not good in the form
18 that they tend to stifle competition. The long distance
19 market is an area that has shown great advances as far as
20 cost and service and liability.

21 If we open up the local market to competition,
22 I think you're not only going to see a basic
23 reduction of costs, which will be passed on to the
24 consumer, but also a rise in the service aspect.
25 If you can get better service for the same price,

1 you'd be foolish not to take advantage of that.

2 I also believe that simply because a person
3 owns a business is not a reason to force them to
4 pay more money for the lines.

5 I'm all for Lifeline, I have a grandfather who
6 fortunately enough can afford to pay a little more,
7 but if he had a problem, I'd like to know that is
8 available for him.

9 But I believe, again, you must look at the
10 fairness, okay, one of the reasons I moved here to
11 open up my business of course was a consumer base,
12 but also due to the costs of doing business.

13 And that's all I really have to say.

14 COMMISSIONER CLARK: Thank you, Mr. Grau.

15 No questions.

16 MR. JACOBS: I do have one question.

17 I'm interested, have you been approached or
18 have you had an opportunity to seek local service
19 from another provider other than Bell South?

20 MR. GRAU: No, sir, I haven't. I was very
21 interested in what the gentleman said about the
22 company and the two providers in Jacksonville who
23 he also mentioned just took the full package,
24 didn't want to deal with the basic line alone.

25 That's what's going to happen if there's not a

1 rate reduction I believe. Why go after a
2 marginally profitable business when you can have
3 that largely profitable business, any person would
4 understand that you're not going to go after that
5 low-end business, you're going after the high end.

6 And I think that's what you're going to see,
7 it may happen, a two-tier system where people
8 unfortunately are going to be forced into a
9 decision of taking a basic line and not being able
10 to afford the other stuff.

11 MR. JACOBS: It dosen't sound like you make a
12 lot of long distance -- let me ask.

13 Do you make a lot of long distance calls?

14 MR. GRAU: Yes, sir. Our long distance bill
15 is approximately seven hundred dollars a month.

16 MR. JACOBS: Thank you.

17 MR. BECK: Tim Snow.

18 MR. SNOW: Good morning, my name is Tim Snow,
19 last name is spelled S-N-O-W, and my address is 520
20 47th Street, Boca Raton, Florida.

21 I want to make my comments very brief this
22 morning, but I come to you as the president of a
23 nonprofit organization that operates out of Boca
24 Raton, it serves the young people in Palm Beach
25 County, we provide scholarships to the deserving

1 people in the county.

2 We would support anything that would rebalance
3 the phone rates.

4 As a nonprofit, we have enjoyed some
5 substantial growth over the years and with that
6 growth comes additional phone lines, Internet
7 access and that sort of thing and frankly it's a
8 cost that we would like to see lowered, obviously,
9 so that we can better serve our constituency.

10 As I said, very brief comments, and that's
11 really -- I've heard a lot of good comments today
12 and I don't want to take up more of your time than
13 needs to be taken up, but just in closing, we also
14 support the Lifeline program. I think that's a
15 great program and hopefully that will remain.

16 That's pretty much all I have to say at this
17 time.

18 COMMISSIONER CLARK: Thank you, Mr. Snow.

19 Questions?

20 Thank you.

21 MR. SNOW: Thank you very much.

22 MR. BECK: Mr. Snow is the last witness that
23 filled out the cards ahead of time.

24 COMMISSIONER CLARK: Senator Kline, would you
25 like to give some comments?

1 I need to ask you to do two things. I need to
2 ask you to come here so the Internet will pick it
3 up and I need to swear you in.

4 Please raise your right hand.

5 In this matter before the Public Service
6 Commission, do you swear or affirm that you will
7 tell the truth, the whole truth and nothing but the
8 truth.

9 SENATOR KLINE: I do.

10 COMMISSIONER CLARK: Thank you.

11 SENATOR KLINE: Thank you, Commissioners. My
12 name is Ron Kline, I'm a State Senator from Palm
13 Beach and Broward Counties, District 28.

14 I have had quite a bit of interest in this issue and
15 Senator President has asked me to monitor these
16 proceedings during the interim as we come back to the
17 legislative session this year and I thank you for holding
18 this second meeting in Palm Beach County. There were
19 some people that were unable to make the first meeting
20 based on some scheduling problems and we appreciate you
21 taking time out of your schedules to return to Palm Beach
22 County.

23 I hope you have found your series of travels
24 around the State to be graphically enlightening and
25 hopefully also you've been able to gather quite a

1 bit of valuable information in helping advise the
2 legislature on some of the issues that we've been
3 concerned about.

4 I think we heard today from a number of
5 different people on all sides of the coin here that
6 what people are most interested in in Florida would
7 be a continuation of good quality service.

8 I think most people recognize that we, in the
9 State of Florida, and certainly I can speak for us
10 here in Palm Beach County, that we do get good
11 quality service by and large from our local phone
12 providers.

13 There is a lot of competition in the cellular
14 markets, there's a lot of competition in the long
15 distance markets, but there's no, virtually no
16 competition in the local markets despite the fact that at
17 the Federal level and State level, we have deregulated by
18 and large telephone and telecommunication services.

19 I think, you know, there are a couple of
20 comments that I heard today that I just want to
21 comment on.

22 Somebody, I think Mr. Spiegel, had said that
23 he felt that he was being, he was commenting on
24 somebody else's comment that residential service,
25 how do you know that your residential service cost

1 is fair, what are you comparing it to, and I think
2 that's probably a fair comment.

3 Nobody is really comparing it to anything
4 else, but I would say the same thing about business
5 service as well to the extent of the knowledge of
6 the people that were testifying today.

7 Certainly we can take a look at other markets,
8 you know, other commercial markets business
9 services, we can look at other Bell South areas where
10 they provide service, Atlanta, other parts of our State,
11 we can look at other competitive companies in different
12 parts of Florida and around the country to determine
13 that, but I think when we do this, and this same issue
14 applies to residential service, and I think somebody
15 mentioned this and I think it's accurate, that we should
16 be looking at the total cost of service.

17 It's not necessarily a question of looking at
18 residential, the base service. Yes, in fact it's ten
19 dollars and five cents for some of our consumers, but
20 also I think it's accurate to say, because I think we're
21 received testimony in the past on this and I think you
22 probably have the information to support this, that there
23 are other aspects of the total residential market which
24 we all need to be looking at.

25 There are add-ons, enhancements, the various

1 additional services that we electively choose to
2 pay for, not all of us, but some of us, whether
3 it's call waiting or party line service or various
4 other things that do add other factors into the
5 cost and the profit margin.

6 So, I mean, if we say that ten dollars and
7 five cents equates to a certain cost of providing
8 service, and then we add other factors onto that
9 then all of a sudden, and I'm not talking about
10 taxes, I'm talking about straight service, that the
11 straight service, all of a sudden, instead of ten
12 dollars and five cents, it's sixteen dollars and
13 fifty cents, or twenty dollars or various other
14 things get added into the mix, there are other
15 aspects to the bottom line that we should all be
16 looking at and not just look at the base service.

17 I've seen a number of pieces of literature
18 that I have looked at, comparisons of base cost in
19 West Palm Beach versus Atlanta, versus Dallas, and
20 I think, again, we need to be accurate in making
21 sure we are comparing apples to apples in the
22 various markets.

23 Clearly on its face, if somebody, if a
24 business is paying twenty-seven dollars for its
25 base service and residential is paying ten dollars

1 and five cents for base service, there's something
2 going on here clearly, and we all recognize that,
3 and the goal here is to try and find ways to
4 simulate competition, at least that's my goal and I
5 think many other people in the legislature and I
6 think our consuming public, residential or business
7 feels the same way.

8 Competition in the telecommunications market
9 has been good, it has provided a lot of
10 alternatives and it has provided generally lower
11 costs.

12 We don't want to sacrifice quality and I think
13 people recognize that the Lifeline, everybody's
14 recognizing that. We all sat in here today and talked
15 about universal service and the fact that, you know, if
16 it is a necessity, if there's a public policy that
17 telephone service and a dial tone is a necessity.

18 At the same time, it costs a lot more to
19 provide that outlying area in Palm Beach County,
20 and we do have a lot of rural customers out there,
21 it costs a lot more to provide that residential
22 consumer than it does anywhere in the City of West
23 Palm Beach where we all live closer together and
24 it's a lot easier to service that.

25 So universal service is another element that

1 obviously if we feel is important, has to also be
2 factored into it and again, has to be spread among
3 all the competition, not just Bell South or not
4 just any other party.

5 I just want to make sure, one issue that I
6 want to point out, again, is make sure that when we
7 measure the costs, that we're measuring apples and
8 apples, we're not mixing up elements here, that we
9 make sure it's a fair way to do it and that we also
10 look at all the other factors that, again, I didn't
11 hear mentioned today, but there are other
12 inhibitors that are preventing competition.

13 We know about access charges as one of them,
14 we also know about the issue of access to buildings
15 and in the commercial market and what's going on in
16 terms of getting into residential apartment
17 complexes or commercial retail establishments or
18 office buildings and the fact that business, or
19 property owners are maybe charging something so
20 that alternative competitors can't get in there.

21 Anyhow, those are factors we have to look at
22 as well but I think it's not a simple answer and I
23 want to certainly stress that to the people who are
24 listening to the discussion today. We heard some
25 discussion points raised today, all the various

1 factors that have to be taken into consideration,
2 but there are a lot of complicating factors that
3 don't make this a simple issue.

4 Just to raise the cost as was proposed last
5 year in the legislature without the consuming
6 public feeling like they're getting anything
7 greater than that, other than the business
8 customers feel like, okay, well that may result in
9 lower prices long term, that's fine, but that's a big
10 logical leap that many customers may feel is not
11 justified.

12 So, again, if we're talking about
13 deregulation, the concept of rate rebalancing
14 itself is a form of regulation.

15 So I think if we really want to go into a free
16 competitive market, which I fully support, we have to
17 understand all the intended consequences that
18 result from our actions and all the unintended
19 consequences that may result from our actions.

20 Just as we went into a deregulated market a
21 number of years ago, we've had some very positive
22 deliberate consequences and that is competition in
23 many of the areas.

24 One unintended consequence, or maybe we
25 haven't addressed all the issues yet, is the fact

1 that in the local markets, we haven't been able to
2 achieve competition, the market just hasn't reacted
3 to it for a number of reasons and we've heard some
4 of these reasons today.

5 So again, I just want to thank you again for
6 being here in Palm Beach County and travelling all
7 over the State and certainly many of us want to
8 recognize that Senator Scott's office is here as
9 well and we appreciate Senator Scott as Chairman of
10 the Regulated Industries Committee who has also had
11 a lot of interest in this and I'm sure will
12 continue to be very active on the issue as
13 well.

14 There are many other legislatures around the
15 State that look forward to your recommendation and
16 look forward to working with you and seeing ways
17 that we can find how, if we can increase
18 competition, better pricing and continue to have
19 the same good quality service we have in Florida.

20 Thank you.

21 COMMISSIONER CLARK: Thank you, Senator Kline.

22 It almost sounds as if you have been to all of
23 our hearings.

24 I can tell you that I do think that it has
25 been a worthwhile effort to have those hearings

1 because we are able to get a complete picture of
2 what are the concerns of the various geographic
3 areas, and what are they looking for in terms of
4 competition and what are their expectations.

5 So I think it has been a worthwhile effort and
6 I hope, I expect we'll deliver to you a product you
7 can work with.

8 MR. JACOBS: I share in that particularly for
9 myself.

10 Just coming in, it has been an absolutely
11 enlightening experience to go around and hear, first of
12 all, how knowledgeable most consumers are about these
13 issues.

14 Second of all, how important they view this,
15 they understand how critical phone service is and
16 they understand so much about the relationships
17 between how they're charged and the cost that these
18 companies incur.

19 And it's given me a whole new sense of direction in
20 my ability to scrutinize and apply some discretion to the
21 issues, so I think it was a well, a right move by the
22 legislature to ask us to go out and hear from the public
23 about these issues, that's good.

24 SENATOR KLINE: I just want to add one more
25 thing.

1 I think in the context of people understanding
2 the issues, I think we as legislators and you as the
3 Public Service Commission together, we need to do a lot
4 more educating of consumers.

5 Generally speaking, I find that on the various
6 different opinions that are expressed, that many
7 people do not understand the full context of the
8 decisions that have to be made.

9 It's very simplistic to say, you know, we want
10 to rate rebalance, we want to adjust the rate. I
11 know I hear from a lot of my constituents and they
12 don't buy or accept the fact that if we raise
13 residential rates a dollar, five dollars, that
14 there's automatically going to be competition in
15 the market.

16 I mean, it requires a certain set of
17 assumptions that have to go along with that,
18 including the market reacting the way that we would
19 all anticipate and yes, we can hear from the
20 telecommunications providers that say if the
21 market, if the residential rate market is at a
22 certain level, we can justify entering that market
23 based on profitability and margin and a lot of
24 other mechanical issues that have to go along with that,
25 but it still requires the people of Florida, businesses

1 and residential consumers and obviously, every business
2 person is also a residential consumer, but on balance,
3 they feel that on the business side they're paying too
4 much.

5 On the residential side, you got a lot of
6 people on fixed incomes that don't qualify for
7 Lifeline, but still want to make sure they have a
8 fair value for what they receive.

9 And whether or not that is in context or not,
10 as far as what they should be paying or what they
11 paid in Ohio or Illinois, it doesn't matter.

12 It's their sense of things, and maybe we have
13 to do a better job of explaining to everyone what
14 is involved, what is a fair cost, how that relates
15 to different parts of the country, again comparing
16 comparable products and services, I think
17 information will ultimately help us get through
18 this issue.

19 The more informed constituents we have and the
20 more informed business and residential customers we
21 have, I think the easier it will be for anybody to
22 come to the table with a full context of
23 information to solve the problem because otherwise,
24 people have a tendency to lock down and say unless
25 we have rate rebalancing, it's not going to work,

1 or if we're going to increase it anything over the
2 ten dollars and five cents right now, it doesn't
3 work, and I think there may have to be some
4 compromise, there may have to be some additional
5 information provided.

6 Again, I think many legislators would not be
7 comfortable in legislating higher rates unless they
8 felt there was a tremendous amount of strength
9 behind the position of assuring everybody that
10 there's going to be competition.

11 And obviously the legislature and congress
12 took a big risk a few years ago when they did the
13 deregulation with optimistic approach that there
14 was going to be competition and there was, so that
15 was a good thing.

16 But it's a difficult political issue and more
17 importantly, it's a difficult mechanical issue to
18 walk through and I think that certainly the Public
19 Service Commission has experts in this field and of
20 course the Public Counsels Office as well can
21 provide a tremendous amount of information and
22 credibility in this process to add to the mix that
23 I think that overall, if we spend the next few
24 months continuing doing what you've done and
25 reaching out to the public and beginning to develop

1 more information as you develop your product and
2 really go out to the media and get with the
3 legislators and as much public outreach as possible, so
4 that we can really get some constructive dialogue on
5 this.

6 COMMISSIONER CLARK: I should indicate to you
7 we have taken that message and we are working hard
8 on our consumer information and consumer affairs,
9 and I think we're doing a better job of it.

10 We're also having to field a lot of the issues the
11 F.C.C. comes up with and the point is the public needs
12 the information whether it comes from us or from them.

13 We're working on that and I think you'll see
14 that in some of the proposals we're making for the
15 organization of the commission.

16 SENATOR KLINE: Right, and as we've talked
17 about in previous meetings, the presentation on the
18 bill right now, obviously which is not a local
19 phone service issue, is a big problem for a lot of
20 people, they don't understand what they're getting
21 charged for and it's very confusing.

22 There are taxes all over the place from seven
23 or eight different governmental entities and when
24 private companies begin to assess different things
25 on top, it's extremely confusing for consumers.

1 But at the end of the day, the bottom line, you are
2 paying a certain amount of money and that amount of money
3 is either too high as a business residential consumer, or
4 it's fair or isn't fair and we obviously only control
5 part of that but again, there's a lot of information that
6 I think could be helpful and I think the P.S.C. has done
7 a good job.

8 I think as we develop this issue, it's going to have
9 to reach another level of all of our efforts to
10 understand, and maybe we can do something to streamline
11 our bills that we send to the customer and when I say we,
12 that the legislature, the P.S.C. and the private
13 companies can work together to try to voluntarily do
14 something to help consumers understand their bills a
15 little better than they can right now.

16 But thank you again for your time, I
17 appreciate it.

18 MR. JACOBS: Thank you.

19 COMMISSIONER CLARK: Mr. Beck has indicated
20 that there are no additional people who have signed
21 up to speak.

22 I would offer at this time, if you haven't
23 signed up and would like to speak, you can come
24 forward at this time.

25 MS. COWAN: May I ask a question?

1 COMMISSIONER CLARK: Yes, Ms. Cowan, you can
2 come back up here and ask your question.

3 COMMISSIONER CLARK: You are Ms. Cowan.

4 MS. COWAN: Yes, correct, I'm Mrs. Edith
5 Cowan, C-O-W-A-N, and you already have my address.

6 If you decide to increase the rates for
7 residents, to equalize and balance out what
8 businesses pay and subsidize residences, then is
9 the phone company going to come down on the
10 business rates?

11 COMMISSIONER CLARK: You know, that
12 presupposes an action on the part of the
13 legislature or the Commission.

14 What I can tell you was the rebalancing was
15 designed, as it was originally talked about, was
16 not just a rebalancing of resident and business
17 rates, there was also the issue of access charges
18 being too high, which is the rate that companies
19 such as your long distance companies pay the local
20 companies to interconnect with the local network.

21 The issue of rate rebalancing, though, was
22 going to be, as I understand it, revenue neutral,
23 meaning that they wouldn't get higher rates without
24 having to reduce somewhere else in their business.

25 MS. COWAN: The reason I ask, I lived in the

1 Glades for twenty-three years and was -- in fact, I
2 get a pension from U.S. Sugar now, be it here or
3 there, although I didn't work for U.S. Sugar, my
4 husband did.

5 We had a tremendous rate of increase in the
6 price of sugar sometime around the time
7 deregulation went in the telephone company, and
8 that year, the Coca-Cola companies and everybody
9 else that made soft drinks and candies and
10 everything else that used sugar immediately went up
11 on the price of their product.

12 About three years later, the price of sugar
13 came down, it didn't cost that producer any more to
14 make that product with the sugar that it cost him
15 when the price went up, but they made the candy
16 bars smaller and the prices on those drinks for the
17 most part have remained high and so have the candy
18 bars.

19 So I was just wondering if residential prices
20 on phones are going to go up and all the local
21 companies and the telephone company are going to
22 keep the business prices at the same price just
23 like the sugar did and some other things like flour
24 and other things that we consumers continue to pay
25 the price for, bread and everything, but when that

1 main product goes down in price, the price of that
2 end product is still high, and that's the reason I
3 asked the question on the business phone.

4 COMMISSIONER CLARK: And I can tell you as
5 Senator Kline indicated, the whole purpose in
6 undertaking this exercise is to see what we can do
7 to stimulate more competition at the local level so
8 that if you are not satisfied with the company you
9 now have, you'll have a choice of other companies.

10 MS. COWAN: I'm very upset with all the taxes,
11 I also carry a cell phone for my own protection
12 because I travel a lot.

13 I pay more in taxes many times than I do on
14 the service of making the call itself.

15 COMMISSIONER CLARK: Yes, as Senator Kline
16 indicated there are state, local, and probably
17 Federal taxes on that.

18 Thank you, Ms. Cowan.

19 I see no other takers to my invitation to speak, so
20 we will adjourn this hearing and I thank you all for
21 coming out and providing your comments. (Whereupon,
22 the Florida Public Service Commission hearing was
23 adjourned at 11:44 a.m.)

24

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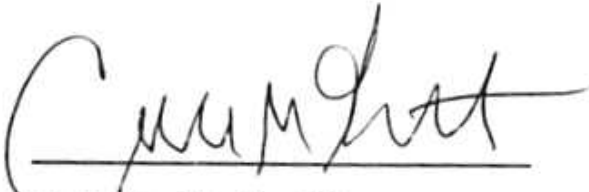
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THE STATE OF FLORIDA)
)
 COUNTY OF PALM BEACH)

I, COLLEEN M. GRUFF, State of Florida at Large, do
 certify that the foregoing pages 3 through 77 inclusive,
 are a true and correct transcription of my stenotype notes
 of the foregoing hearing.

WITNESS MY HAND this 30th day of October, 1998.



 Colleen M. Gruff