

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of

PETITION BY VERIZON FLORIDA, INC.
TO REFORM INTRASTATE NETWORK ACCESS
AND BASIC LOCAL TELECOMMUNICATIONS
RATES IN ACCORDANCE WITH SECTION
364.164, FLORIDA STATUTES.

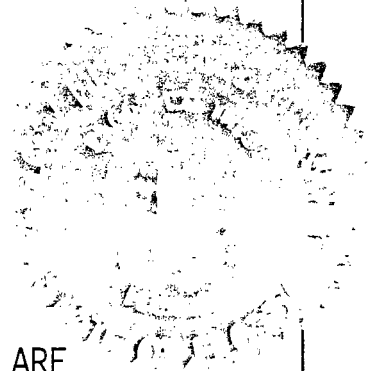
DOCKET NO. 030867-TL

PETITION BY SPRINT-FLORIDA,
INCORPORATED TO REDUCE INTRASTATE
SWITCHED NETWORK ACCESS RATES TO
INTERSTATE PARITY IN REVENUE-NEUTRAL
MANNER PURSUANT TO SECTION
364.164(1), FLORIDA STATUTES.

DOCKET NO. 030868-TL

PETITION FOR IMPLEMENTATION OF
SECTION 364.164, FLORIDA STATUTES,
BY REBALANCING RATES IN A
REVENUE-NEUTRAL MANNER THROUGH
DECREASES IN INTRASTATE SWITCHED
ACCESS CHARGES WITH OFFSETTING
RATE ADJUSTMENTS FOR BASIC SERVICES,
BY BELLSOUTH TELECOMMUNICATIONS, INC.

DOCKET NO. 030869-TL



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PROCEEDINGS: DAYTONA BEACH SERVICE HEARING

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER CHARLES M. DAVIDSON

1 DATE: Monday, October 27, 2003
2
3 TIME: Commenced at 6:00 p.m.
4 Concluded at 8:35 p.m.
5 PLACE: Daytona Beach City Commission
6 Chambers
7 301 South Ridgewood Avenue
8 Daytona Beach, Florida
9
10 REPORTED BY: JANE FAUROT, RPR
11 Chief, Office of Hearing Reporter Services
12 FPSC Division of Commission Clerk and
13 Administrative Services
14 (850) 413-6732
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5 the Office of Public Counsel.

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8 NANCY WHITE, ESQUIRE, and MARSHALL CRISER, III,
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12 Telecommunications, Inc.

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14 Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida
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P R O C E E D I N G S

1
2 CHAIRMAN JABER: Good evening. Let me begin by
3 introducing myself. I'm Lila Jaber. I chair the Florida
4 Public Service Commission. And to my left is Commissioner
5 Charles Davidson. We want to both join in welcoming you
6 tonight. We really appreciate that you all came out to give us
7 your input on these proceedings, which I will tell you a little
8 bit more about in just a minute.

9 But if you will bear with us, I need to start the
10 formality of our process, and we start that by allowing our
11 staff counsel to read the notice for the hearing, and I will
12 allow the parties over here to introduce themselves to you. We
13 will come back and get just a little bit more of an
14 introductory remark, and I will tell you a little bit more
15 about the proceedings, and then I'm going to switch back to the
16 parties and let them give you their perspective on the cases
17 that have been filed in front of the Commission.

18 Just so you know, I have asked the parties to be
19 brief this evening, as in any other evening, because the
20 purpose of tonight is to hear from you, the customers. But
21 saying that, I do want you to know that they are entitled to
22 make a short presentation tonight. They are entitled to ask
23 customers some questions as a follow-up to help us build the
24 record in the case, so I don't want you to be surprised by any
25 of that. With that we will get started.

1 Ms. Keating, do you want to read the notice?

2 MS. KEATING: By notice issued October 8th, 2003.
3 this time and place have been set for a hearing in Docket
4 Numbers 030867, 030868, and 030869. The purpose is as set
5 forth in the notice.

6 CHAIRMAN JABER: And, Mr. Criser, if you will get us
7 started with the appearances that would be great.

8 MR. CRISER: Marshall Criser; with me is Nancy White,
9 representing BellSouth.

10 MR. TWOMEY: Good evening, ladies and gentlemen. I'm
11 Mike Twomey appearing on behalf of the AARP.

12 MR. BECK: My name is Charlie Beck, I'm with the
13 Office of Public Counsel.

14 MS. KEATING: And, again, I'm Beth Keating, and I'm
15 here for the Commission.

16 CHAIRMAN JABER: Ms. Keating, would you take a minute
17 to introduce Ms. Salak and some of the other Florida folks we
18 have got with us.

19 MS. KEATING: Certainly, Madam Chairman. To my left
20 is Beth Salak, she is the Director of the Division of
21 Competitive Markets. And when you first walked in the door
22 outside you may have met a gentleman at the table that was
23 handing out pamphlets, he is with our Division of Consumers
24 Affairs, his name is Dick Durbin.

25 CHAIRMAN JABER: Thank you, Ms. Keating. As I said

1 earlier, the purpose of tonight is to hear from the customers
2 in the central Daytona Beach area on three proceedings that
3 have been filed and open with the Public Service Commission for
4 processing. They relate to a law that was passed this past
5 legislative session, and that new law is called the
6 Telecompetition Innovation and Infrastructure Enhancement Act.
7 It became effective May 23rd, 2003.

8 And what it does is it allows certain local telephone
9 companies, BellSouth, Sprint, and Verizon, to petition the PSC
10 to reduce certain fees that they charge to long distance
11 companies for use of their network. And in return, those local
12 companies, BellSouth, Sprint, and Verizon, have asked to offset
13 any lost revenues associated with that by an increase in local
14 monthly rates.

15 Now, in deciding those petitions there are criteria
16 that we have to consider. We have to consider whether granting
17 that petition will help create a more attractive competitive
18 local telecommunications market for the benefit of the
19 residential consumer. So, therefore, we are particularly
20 interested in hearing from your perspective what competitive
21 providers you feel you have in your area. Do you feel that you
22 do have competition in your area. We might want to ask you
23 questions about, well, how much more in local monthly rates are
24 you willing to pay for increasing competition in your area.

25 When you walked in, Mr. Durbin probably asked you to

1 sign up and give us your name and address for the purpose of
2 speaking tonight. If you do wish to speak tonight, Mr. Beck
3 has that list right now, and he will be calling your name. We
4 ask that you come to the podium and give us your name again,
5 and we will ask for your testimony.

6 Again, the formality of the process requires me to
7 administer an oath. The oath is simply do you affirm that the
8 testimony you are about to give is the truth and nothing but
9 the truth. Do not let that intimidate you, please. It is a
10 very formal evidentiary process, but we need your testimony.

11 For those customers that do not wish to speak
12 tonight, you are also welcome to fill out a customer comment
13 sheet. You may have gotten a yellow tonight -- we switch the
14 colors, I know, from evening to evening -- but you should have
15 gotten a sheet that looks very much like this, a special
16 report. And on the last page of the report is a customer
17 comment sheet. Feel free to fill that out. You can leave it
18 with any one of us, you can leave it at Mr. Durbin's desk. But
19 this will go into our docket file. And the staff in preparing
20 their recommendation for us will consider it in its
21 recommendation and, therefore, we will consider your comments
22 in our decision.

23 At this time I would like the parties to go ahead and
24 make their brief statements outlining their perspectives. I
25 think we will start with BellSouth. We will come back to Mr.

1 Beck, and close it out with Mr. Twomey.

2 Mr. Criser.

3 MR. CRISER: Thank you very much.

4 Good evening. And I'm Marshall Criser, and I'm here
5 tonight representing BellSouth. As you may have already heard,
6 BellSouth revised its proposal we filed at the Public Service
7 Commission. We filed that revision on September 30th. I would
8 like to take just a couple of minutes to describe the proposal
9 that we currently have before the Commission for their
10 consideration.

11 What we are proposing to do is reduce in-state toll
12 access charges in three 12-month increments. These reductions
13 will reduce the amount that BellSouth charges to long distance
14 companies for in-state calls to the same level as the amount
15 that we charge the long distance companies for interstate
16 calls. There has been some confusion about where these charges
17 apply, and I would just like to make sure that you understand
18 that the access charges are billed not only on long distance
19 calls from your home telephone, but also apply to 800 numbers,
20 prepaid cards, such as Sam's cards, or calls placed over 10-10
21 numbers.

22 Implementation of our proposals will require that the
23 long distance companies reduce their in-state phone charges,
24 including the complete elimination of \$1.75 to \$1.99 in-state
25 connection charge, which is currently on many Florida

1 customers' bills.

2 If our proposal is approved by the Public Service
3 Commission, we plan to offset the reduction by adjusting the
4 charges for certain services. We will simplify the charges for
5 business single-line service by reducing the current 12
6 different rate groups that we have statewide to three rate
7 groups over two years.

8 In addition to that, we are proposing to adjust the
9 charge for residential basic service in three increments.
10 Under our current proposal, the adjustment to residential basic
11 service would be \$1.25 in 2004 and 2005, and about \$1.00 in
12 2006. We have continued our original proposal that we will
13 voluntarily commit to continue the Lifeline exemption from
14 these charges for the full four years that would be allowed.

15 We also plan to adjust our nonrecurring charges for
16 services such as service installation by approximately 17
17 percent over the same period as the adjustment in the
18 residential basic services. Again, all of these adjustments
19 are subject to verification by the Public Service Commission to
20 ensure that they are revenue neutral to BellSouth. It is also
21 subject to verification by the Public Service Commission that
22 the reductions we make to the long distance companies are, in
23 fact, flowed through in their charges to their customers.

24 We continue to pursue this effort because we believe
25 that the objectives of competition and a strong economic

1 foundation are essential to the well-being of Florida and its
2 customers. We appreciate you taking the time here tonight to
3 share your opinions and look forward to hearing your comments.
4 Thank you.

5 CHAIRMAN JABER: Mr. Beck.

6 MR. BECK: Thank you, Chairman Jaber. My name is
7 Charlie Beck. I'm with the Office of Public Counsel, and I
8 thank you for coming. You may not be familiar with our office,
9 so let me briefly describe who we are and what we do. The
10 Office of Public Counsel is completely separate from the Public
11 Service Commission. By statute we represent customers before
12 the Commission and we appear before them as a party just like
13 any other party to a case. We get to cross-examine the
14 witnesses put up by the company, get to present our own
15 witnesses, which we will do in this case. We are going to
16 present the testimony of two expert witnesses and get to argue
17 before the Commission and we can appeal their orders to the
18 court.

19 The Commission has very wide discretion in whether to
20 grant or deny the petitions of BellSouth, Verizon, and Sprint.
21 And one of the things they have to show is that their petitions
22 benefit residential customers, and that makes your testimony
23 very important here tonight. The Commission has already shown
24 its broad discretion. Early on in the case they dismissed the
25 petitions because they had asked for the rate increases faster

1 than allowed by the statute. So your testimony here tonight
2 will give information to the Commissioners whether the
3 petitions benefit or do not benefit residential customers. We
4 look forward to your testimony. Thank you.

5 CHAIRMAN JABER: Mr. Twomey.

6 MR. TWOMEY: Thank you, Madam Chair. Ladies and
7 gentlemen, good evening. Mike Twomey, again, for AARP, which
8 has intervened in these three cases to represent their
9 approximately 2.6 million members throughout the State of
10 Florida.

11 I want to tell you briefly, if you don't know this
12 already, the theory behind the law that allows these cases was
13 presented to the legislature something like this, that these
14 companies, three companies, the three largest, Verizon,
15 BellSouth, and Sprint, spent millions to get a law passed which
16 they wrote entirely by themselves. And if they were successful
17 in getting that, they would come and filed these cases, spend
18 more money in order that they could raise your rates and
19 thereby have more competition and lose some of their customers.

20 Now, frankly, the AARP doesn't believe that anybody
21 believes that rational businesses want to lose customers and
22 money they get from those customers' rates. But,
23 notwithstanding that, BellSouth said we are not going to make
24 any money off of this, this is revenue neutral. Well, we
25 maintain that it is not true, and what we suggest to you,

1 ladies and gentlemen, is the reason that these three companies
2 are doing this is that they were losing money hand over fist
3 from a source of money called access fee revenues that they get
4 from the long distance companies from connecting and
5 terminating calls to your homes.

6 They are losing money at the rate of 9 to 10 percent
7 per year. So what they came upon was a scheme to get this law
8 passed and they could shift the responsibility for \$355.5
9 million a year from the rapidly depleting access money to the
10 backs of you all residential and single-line business
11 customers. And they told the legislature when they were
12 peddling this bill that they were going to implement these rate
13 increases three years for BellSouth and four years each for
14 Verizon and Sprint in order to, quote, minimize the rate shock
15 to our customers.

16 Well, as soon as they filed the petitions they said
17 they were doing it two years each, all of them. And what they
18 did, in fact -- which was stopped by Charlie Beck -- they asked
19 to increase the rates January 1st by roughly half and then the
20 remainder increase the rates 367 days later. The Commission
21 exercised its discretion and kicked the cases out, which were
22 rapidly refiled again and now they plan to raise the rates
23 basically in three increments over the course of two years and
24 a day. That is why we think they are doing this.

25 Now, they say it is revenue neutral and they even

1 suggest that it is revenue neutral for residential customers
2 because they say even though your rates are going to go up from
3 35 to 90 percent, you can possibly save money and break even on
4 your total monthly bill, or even win if you make enough long
5 distance calls and use the lower in-state rates that have to
6 result from this legislation. And the AARP says we don't
7 believe that in the first place, that you folks, the
8 residential folks make enough calls to qualify for the
9 breakeven bills, but more importantly the telephone companies
10 haven't brought in the long distance companies to let us know
11 and let the Commissioners know what the in-state rates will be.
12 And, therefore, we are asking that they kick out these three
13 cases again until these companies bring their long distance
14 friends back in and put on the table what your lower rates are
15 going to be that you qualify for.

16 And we are really concerned about that because the
17 law, which was a horrible law, says that the long distance
18 companies have to distribute or apportion the rate reductions
19 in in-state -- and it is only in-state, not interstate, from
20 state-to-state -- they have to apportion the in-state
21 reductions between their business and residential customers.

22 Now, what we said at the time was that would allow
23 them to give 99 percent of the rate reductions to the big
24 business customers who, by the way, through the law they wrote
25 don't get any local rate increases at all. They could get 99

1 percent of the rate reductions in-state, and you all
2 residential customers might get one percent. And we want to
3 know that up front before this Commission can decide whether
4 this is good and give the residential benefits.

5 And very quickly I want to tell you what the
6 Commission can do. It can exercise its discretion in granting
7 these cases, which we oppose, or it can deny them. If it
8 denies the cases, your rates under current law can only go up
9 the rate of inflation minus one percent. That is because this
10 industry is a declining cost industry, just like computers and
11 TV sets and that kind of thing. Rates were going down, ladies
12 and gentlemen, for ten years until 1995 when the industry wrote
13 another law that froze the rates when they should have kept
14 going down.

15 You may have some chamber of commerce types in here
16 tonight that will say, oh, it is unfair that they don't get
17 more rate increases over the last 20 years. That is wrong.
18 Declining cost, rates should have been going down. If they
19 grant the increases, your rates can go up from 35 to 90 percent
20 in two years and a day and then they can go up, ladies and
21 gentlemen, 20 percent per year every year thereafter without
22 these companies having to even ask permission from the Public
23 Service Commission.

24 Quality of service. One of the last remaining
25 visages of control that the PSC has over local telephone

1 companies is controlling whether the quality of service they
2 provide you complies with the PSC's rules. If they deny the
3 increases, that jurisdiction is maintained. If they grant the
4 increases, the companies within as little as two years can try
5 and take that quality of control jurisdiction away from the
6 Public Service Commission.

7 Lifeline. The companies will try and suggest to you
8 that the expansion of Lifeline eligibility to people at 125
9 percent of the poverty level is contingent upon these rate
10 increases going through. That's not true. That's there in
11 the law irrespective of whether the rates are increased or
12 denied. Either way.

13 Now, you heard Mr. Criser say that BellSouth wants to
14 maintain the protection of the Lifeline recipients for up to
15 four years. We are concerned that they can't do that legally.
16 We would like to see it happen. But the problem is that if the
17 rate increases are granted, Lifeline recipients who would get
18 about 13 to \$13-1/2 a month in assistance will experience the
19 same huge level of rate increases the rest of you will
20 experience either at the end of two years or four years. And
21 the AARP is afraid that many of them will no longer be able to
22 afford service.

23 If the Public Service Commission denies the
24 increases, then nobody gets rates increases, including the
25 recipient of Lifeline assistance. I hope each one of you have

1 gotten a blue handout from the AARP. On the back there is a
2 website link, if you have a computer, or have family that have
3 computers, you can go there and find out what the AARP is doing
4 to try to help all of you and you can vote. You can contact
5 your legislators and the Public Service Commission and let them
6 know how you feel. Which we would hope you would come up and
7 say that you don't think it makes sense to buy competition and
8 that you are not interested in having competition if you have
9 to pay for it. Thank you very much.

10 CHAIRMAN JABER: And, Staff, finally, I have asked
11 you to give a very quick overview of the legislation itself.

12 MS. KEATING: Certainly, Madam Chairman. As you
13 indicated earlier, the legislature did set forth four very
14 specific criteria that the Commission has to address in
15 considering these petitions. The first one is the Commission
16 has to determine whether granting the petitions will remove
17 current support for basic local telecommunication services that
18 prevents the creation of a more attractive competitive local
19 exchange market for the benefit of residential consumers.

20 The PSC also has to consider whether granting the
21 petitions will induce/enhance market entry, and whether
22 granting the petitions will also require intrastate switched
23 network access rate reductions to parity over a period of not
24 less than two years or more than four years. And parity
25 essentially means that the access charges that are charged for

1 intrastate long distance calls will end up being the same as
2 these for interstate long distance calls.

3 And, finally, the last criteria the Commission has to
4 consider is whether granting the petitions will be revenue
5 neutral. And revenue neutrality is generally defined as the
6 changes in the access revenues will be offset by equal changes
7 in the local rates.

8 CHAIRMAN JABER: Thank you, Ms. Keating. There is a
9 person in the audience I would like to take an opportunity to
10 introduce. As some of you may have read or may have heard, the
11 Attorney General's Office, the office of Charlie Crist has also
12 been watching and following the cases. And his representative
13 is the former Public Counsel for the State of Florida, Jack
14 Shreve, who is with us today. If you could just stand, Jack,
15 and let people know who you are. Jack is now with the Office
16 of Attorney General.

17 And with that, if you intend to testify tonight, I
18 will ask that you stand and raise your right hand, please.

19 (Witnesses collectively sworn.)

20 CHAIRMAN JABER: Mr. Beck, do you want to call the
21 first witness?

22 MR. BECK: Thank you, Chairman Jaber. When you came
23 in you signed up on a list, and what I am going to do is call
24 everybody in exactly the order that you signed up this evening.

25 The first witness is Terry Dilligard.

1 CHAIRMAN JABER: Would you spell the last name for
2 us, Mr. Beck?

3 MR. BECK: Dilligard, D-I-L-L-I-G-A-R-D.

4 CHAIRMAN JABER: Welcome, sir.

5 TERRY DILLIGARD

6 was called as a witness on behalf of the Citizens of the State
7 of Florida and, having been duly sworn, testified as follows:

8 DIRECT STATEMENT

9 MR. DILLIGARD: Good evening. My name is Terry
10 Dilligard. My address is 218 West Euclid Avenue in DeLand,
11 Florida. As you can see, I work for BellSouth. However, I am
12 not here as a BellSouth employee. I just got off work and I
13 came directly here to speak to you tonight. I'm a candidate
14 also for the DeLand City Commission, and I want to comment on
15 the recently passed telecom bill as it relates to good public
16 policy.

17 First of all, the legislation really helps those who
18 are truly needy. Those who are below 125 percent of the
19 poverty level. And as I understand it, Lifeline service will
20 provide a subsidy of \$13.50 per month for telephone service to
21 those who really need it, and this is good public policy.

22 The legislation should also encourage competition in
23 the local residential telecom market by driving prices towards
24 actual cost. Competition will determine ultimate prices and
25 customer service satisfaction levels. That has worked within

1 the free enterprise in America for most industries. so why
2 should it be any different in the telecommunications industry.
3 That is what we have been experiencing in the cellular market
4 for over ten years now. Ultimately, consumers want choices and
5 they don't benefit from artificial socially priced services,
6 especially in a competitive marketplace.

7 It seems to me that this has become a little too
8 emotional. As I read the legislation, no telecom company will
9 be allowed to get more revenue. Some customers might see an
10 increase in their monthly bill and others should see a decrease
11 depending on their calling habits. Furthermore, the truly
12 needy are protected. With over 23 years of service with
13 BellSouth, your decisions tonight will have very little impact
14 on my career personally, but however as a consumer, and as a
15 future elected official, I would like to see more competition
16 and more choices. Free enterprise has made America strong and
17 let's allow that trend to be seen in telecommunications. Good
18 public policy would be to allow this to happen. Thank you.

19 COMMISSIONER DEASON: Mr. Dilligard, thank you. Are
20 there questions?

21 MR. TWOMEY: Yes, ma'am, Madam Chairman. Mr.
22 Dilligard, did you hear me say in my introduction that the
23 expanded Lifeline eligibility is available with or without the
24 rate increases?

25 MR. DILLIGARD: Yes, I did.

1 MR. TWOMEY: Do you recognize that that is the case?

2 MR. DILLIGARD: I wasn't aware of it before, but I
3 heard you say it a few minutes ago, sir.

4 MR. TWOMEY: Okay. If I am correct in what I'm
5 saying there, and further, that Lifeline recipients, if the
6 rate increases are granted, will have to pay the increased
7 rates either two years or four years down the road, wouldn't
8 you agree with me that it is better for those people not to
9 have to pay rate increases?

10 MR. DILLIGARD: No, sir, I tend to disagree.

11 MR. TWOMEY: You are saying that Lifeline people that
12 you hope to have as your constituents in the city commission,
13 you are saying that you want to see them have to pay more even
14 though they are now receiving assistance because of their
15 financial condition, you are saying you want them to have to
16 pay more than not to pay anything more?

17 MR. DILLIGARD: Well, from my understanding of the
18 legislation, they are going to be protected anyway.

19 MR. TWOMEY: How so?

20 MR. DILLIGARD: If they are under that 125 percent
21 poverty level, this legislation should protect them anyway.

22 MR. TWOMEY: Yes, sir. And what I am saying is --
23 hypothetically, let's take it this way, if I am correct that
24 let's say you have got two choices, okay? One choice is that
25 the Public Service Commission increases everybody's rates

1 within two years and that Lifeline recipients get those rate
2 increases two to four years later, but have to pay them
3 eventually. And the other choice is nobody pays any rate
4 increases at all, including the Lifeline recipients, which one
5 do you want as a person running for city commission?

6 MR. DILLIGARD: The increase.

7 MR. TWOMEY: You want your constituents' rates to go
8 up?

9 MR. DILLIGARD: Yes, sir.

10 MR. TWOMEY: Okay. That's all I have. Thank you.

11 CHAIRMAN JABER: Mr. Dilligard, thank you.

12 MR. DILLIGARD: Thank you.

13 CHAIRMAN JABER: Mr. Beck, the second witness.

14 MR. BECK: The next witness is Joe Arnall.

15 JOE ARNALL

16 was called as a witness on behalf of the Citizens of the State
17 of Florida and, having been duly sworn, testified as follows:

18 DIRECT STATEMENT

19 MR. ARNALL: Good evening, Madam Chairman,
20 Commissioner, other dignitaries. Let me tell you a little bit
21 about myself just to start with. I am formerly in the
22 legislature. I served as Chairman of the Utilities and
23 Communications Committee as it was called. It was called
24 various and sundry things during the years, but in 1996 to '98
25 that is what I was Chairman of in the Florida House.

1 And during that time we reviewed and listened to a
2 lot of testimony relative to this type of procedure. I might
3 also say that after getting out of the legislature in 2000, I
4 served as a consultant to the telecommunications industry. But
5 I speak today as a proponent of this legislation for various
6 reasons.

7 There are several things that you can point to. I
8 would talk about the Lifeline as being a very strong positive,
9 being 125 percent of poverty. That was not addressed at that
10 level, but in addition -- when we passed the bill out of
11 committee. But in addition to what has been stated about it,
12 another good factor in this particular bill because there are a
13 lot of people in the state that are eligible that don't know
14 they are eligible. So there is an advertising issue that is
15 also part of this bill. Interestingly enough, it is
16 underutilized even though it is available at the Lifeline rate
17 of \$13.50.

18 Business competition, an interesting issue. I mean,
19 there are visible, and certainly in recent past history and
20 memory, visible issues that we can all look at as to what
21 competition is all about. I mean, my telephone bill in 1995
22 went as high as -- sometimes my cell bill as high \$750 a month.
23 Now I'm a high user. The piece of equipment I was using looked
24 something like half a brick. And it dropped a lot of lines, a
25 lot of calls when I was using it. Was it worth it? It was

1 because of the convenience and it was because of business
2 necessity, talking to constituents, et cetera.

3 Now, today this isn't, I might add, Cingular.
4 BellSouth, Verizon, or Sprint, it's a Nextel phone. and I pay
5 \$159 a month for unlimited roaming, unlimited number of calls,
6 unlimited minutes. Now, I would say that that is a tangible
7 piece of evidence for something that I'm sometimes afraid I'm
8 going to lose and send it to the dry cleaners. And you can get
9 them smaller than this. But the point is technology has given
10 this because of competition. If we didn't have competition, we
11 would still be talking in something that looked like half a
12 brick, and we would still be charged like a penny minute or
13 more for the same kind of service, more efficient, more
14 effective, that is only seven or eight years later.

15 So for all the bugaboos that could be brought about
16 by those who are negative on a bill that you make the decision
17 on, it says can. That is the operative word, can. It doesn't
18 say will. Because if competition is below the price that they
19 can go to, guess where the big boys are going to be. They are
20 going to be there competitively. They are not going to say
21 because we are BellSouth, or Verizon, or Sprint we are going to
22 charge you more. Because you can get it cheaper through
23 Nextel, people are going to go to Nextel. And Nextel could be
24 called ABC local residential phone service. Same difference.

25 The next thing I think I would like to talk about is

1 just what is the PSC charged to do. The one thing that was
2 really bad in terms of publicity about the bill that we passed
3 in 1998 was that, well, it said that this was mandated. The
4 legislature has mandated this increase. Which was, again, an
5 offset against access charges. So I didn't see it as an
6 increase, I saw it as a fractured economic model. But
7 nonetheless, what those who said -- including Mr. Twomey at the
8 time -- was the problem with the bill is the PSC didn't have
9 the ability to make the decision. So now it is with you, and
10 that model that Mr. Twomey then wanted and now he says, you
11 know, that everything that is tried isn't good. Well, maybe he
12 is right and maybe he is wrong, I'm just saying that the PSC
13 does have the ability in this bill to make that decision, and
14 that squarely is in the bill.

15 If you had an elected PSC instead of an appointed
16 PSC, then you are going to have artificially suppressed rates,
17 and bad economic models, and no competition on a local level.
18 That is the reason why we have an appointed PSC now, so that
19 they can make decisions objectively and with all the facts in
20 front of them, which I'm sure you are going to do. And we
21 appreciate your public service, because it really is, it is not
22 an easy thing that you have to do. Sometimes you have to act
23 like King Solomon and see how people want to divide the baby.
24 I don't think you really have to do it in this case. I think
25 that competition is a primary reason why this bill is done, and

1 I think that you can see with tangible evidence that we have
2 seen in the cellular phone business that it absolutely does
3 work. Thank you, and I'm ready for questions.

4 MR. TWOMEY: Yes, sir. Good evening. Mr. Arnall,
5 you spoke about the merit of the Lifeline expansion to 125
6 percent of the national poverty level. But do you recognize,
7 as I tried to elicit from the previous witness, that that
8 expansion of eligibility to 125 is there in the law
9 irrespective of whether the rate increases are granted or not?

10 MR. ARNALL: You have already stated that.

11 MR. TWOMEY: But I'm asking do you recognize that?

12 MR. ARNALL: You have already recognized it. You
13 have stated it.

14 MR. TWOMEY: Do you know that it is true,
15 Representative Arnall, that the advertising commitment for
16 Lifeline is an obligation of the company irrespective of
17 whether these rate increases are approved or not?

18 MR. ARNALL: That's correct.

19 MR. TWOMEY: Is it your testimony that you think
20 competition is worth paying for as opposed to the traditional
21 model that competition brings lower prices and better selection
22 of goods? Is it your testimony that we should turn that on its
23 head and say we should pay more for competition for services
24 that might be of lower quality in the future?

25 MR. ARNALL: That's not what I said.

1 MR. TWOMEY: Well, let me ask you this. It is your
2 testimony, is it not, that you want this Commission to raise
3 BellSouth's customers' rates by \$46.32 a year in the hope of
4 achieving more competition, is that what you are asking them to
5 do?

6 MR. ARNALL: I'm not clear with that number. \$46.32
7 a year?

8 MR. TWOMEY: Yes, sir. That is just 12 times the
9 \$3.86 per month they are asking for the maximum of residential
10 rates they are asking for.

11 MR. ARNALL: And by your testimony, or by your
12 original testimony may I make a statement, please? That you
13 said that they can go up to that, and that is exactly the
14 point. Can. It doesn't say will. And the point is that that
15 brings about competition. And you also haven't mentioned the
16 other \$1.95 charge that comes off. And I understand the
17 complexity. Let me just make -- and we can continue, Mr.
18 Twomey, I'm not trying to avoid you. Just the complexity of
19 reading a bill, listening to a gentleman coming in here tonight
20 who was talking about the increases in his bill already. Well,
21 there are increases and taxes and other things that aren't the
22 subject of this particular legislation or the purview of what
23 you are supposed to make a decision on.

24 What we are talking about is the basic line charge
25 and access charges. And, unfortunately, what gets clouded in

1 this are taxes, which are a major part of any utility bill, and
2 I know a lot of emotionalism revolves around that.

3 MR. TWOMEY: Yes, sir. But don't you understand -- I
4 mean, do you understand that this company is not asking for
5 maybe permission to increase their rates by a certain amount,
6 they are, by their petition, asking to reduce access fees by a
7 certain number of dollars by which, if they are successful, the
8 Public Service Commission will tell them they have to raise
9 their rates by \$3.86 per month or \$46.32 a year? It is not a
10 maybe thing. Do you understand that they have to raise their
11 rates if they are given approval?

12 MR. ARNALL: I think if I was told that I had to
13 charge a certain rate and charged less as a utility, I wouldn't
14 think that would be a bad thing, no. And I don't think anybody
15 would protest. So what you are saying is they can raise it,
16 which is what I said.

17 MR. TWOMEY: No, sir. I am supposed to ask questions
18 in the form of -- what I am saying is would you believe they
19 have no choice but to raise their rates by what they are
20 asking?

21 MS. WHITE: I'm going to object. That is not what --
22 that is not what the legislation says, so I am going to object
23 to the premise of Mr. Twomey's question. There is nothing in
24 the statute that says BellSouth has to raise rates.

25 CHAIRMAN JABER: Okay. So, Ms. White, your objection

1 is to the form of the question?

2 MS. WHITE: Yes, ma'am.

3 CHAIRMAN JABER: Mr. Twomey, your response?

4 MR. TWOMEY: Yes. Madam Chair, their petition to
5 this Commission says they want to reduce their access fees that
6 they receive from AT&T and the others by \$136.4 million a year,
7 and if you grant it they are saying we want the right and the
8 obligation to raise our basic local service rates by 3.86 for
9 residential, less for single-line business customers. And if
10 you grant it, they have got to do it. So I don't see where --

11 CHAIRMAN JABER: Mr. Twomey, I recognize it has been
12 a couple of days since I have read the legislation, I don't see
13 the words right or obligation. I will allow the question. Mr.
14 Twomey, I will allow the question. I need you to rephrase it.
15 I need you to rephrase it not in the form of an argument, and I
16 will have Mr. Arnall address your question.

17 MR. TWOMEY: All right. Let me just clarify one more
18 thing. We're not talking about legislation. You don't have a
19 law or a bill before you that is seeking to be approved. That
20 has already been done by the Florida Legislature and it has
21 been signed by the Governor. What you have now before you, as
22 you know, is a petition which is an entirely different
23 document. So my question, Mr. Arnall, is do you or don't you
24 understand that the company is asking to increase its rates by
25 a specific amount of money?

1 MR. ARNALL: I do understand that.

2 MR. TWOMEY: And that it has to raise those rates?

3 MR. ARNALL: I do not understand that.

4 MR. TWOMEY: Okay. Now, you said that you had -- did
5 you say that you had paid as much as \$750 a month for a cell
6 phone?

7 MR. ARNALL: Yes.

8 MR. TWOMEY: You mentioned the \$1.95 in-state
9 connection charge.

10 MR. ARNALL: Yes.

11 MR. TWOMEY: Are you aware that that charge isn't a
12 charge that appears on the bills of all residential customers?

13 MR. ARNALL: No, I'm not.

14 MR. TWOMEY: Are you aware that by the terms of the
15 legislation that that charge doesn't have to be reduced until,
16 or eliminated until July of 2006?

17 MR. ARNALL: I think the way -- you know, the way the
18 law is written it may be different from the way the petitions
19 are, Mr. Twomey, and I think the petitions indicate that it
20 will be reduced incrementally as the other increases occur. Am
21 I correct? Well, you are the one that is reading the petition
22 not me. I read the law.

23 MR. TWOMEY: Well, that is true. I'm not supposed to
24 be answering questions, I'm supposed to ask them.

25 MR. ARNALL: Okay.

1 MR. TWOMEY: The companies can tell you.

2 MR. ARNALL: I'm just looking for clarification, sir.

3 CHAIRMAN JABER: And, Mr. Arnall, just to interrupt
4 the two of you, where you just don't know the answer to a
5 question, the best answer is I don't know. That doesn't
6 clutter up the record.

7 MR. TWOMEY: Lastly, you had indicated that you were
8 a consultant to the industry?

9 MR. ARNALL: Yes.

10 MR. TWOMEY: How many of the companies paid you or,
11 was it more than one?

12 MR. ARNALL: It was more than one.

13 MR. TWOMEY: And which companies were you a
14 consultant to?

15 MR. ARNALL: BellSouth, Sprint, Verizon.

16 MR. TWOMEY: Thank you very much.

17 CHAIRMAN JABER: Mr. Arnall, let me ask you a
18 question with regard to your fundamental understanding as it
19 relates to the marketplace. I was intrigued by your statement
20 that you are a telecommunications consultant. From a business
21 perspective and from a residential consumer perspective, answer
22 this question for me. How is it that granting the petitions --
23 and, of course, inherent in that is that some increase is
24 granted -- creates an environment where new competitive
25 providers are attracted to the Florida market? Help me

1 understand that.

2 MR. ARNALL: From what I recall, and what I know in
3 the simplistic sense is that the basic line rate is below cost.
4 That is borne by the fact that in the business market there is
5 a lot of competition with a higher line charge and in the
6 residential there is not much. One of the things that hasn't
7 been stated is that those who have chosen to go into the
8 residential line competition at the rate of \$10 plus or minus
9 have not necessarily done well and sometimes they have gone out
10 of business and sometimes they have failed to pay their access
11 charges which has caused a lot of cost to go to the LECs, the
12 local exchange companies, like BellSouth, Verizon, and Sprint.

13 So, that is one of the high costs that has been
14 reflected that Mr. Twomey commented on, just lumping it in with
15 all the other issues. But I would say that being able to
16 increase in the small incremental fashion that the petition is
17 asking would give some hope to some of these ALECs that are
18 trying to get into the business with the residential consumer,
19 hope that they can make a living.

20 Now, understand that if we were just talking about
21 the line charge, that is not the only thing that there is.
22 There are all the other add-on services from caller ID, call
23 waiting, to whatever which are high-profit items that will then
24 be affected by competition, as well. I mean, just because it
25 may seem like a good idea for you to have caller ID at \$3 a

1 month, the actual charge may be less than 5 cents a month. And
2 when you start getting competition, those services will also be
3 affected. So the overall effect of the bill should be much
4 lower than it is presently in the state.

5 CHAIRMAN JABER: And from a residential consumer
6 prospective, let me just ask you, who is your local provider?

7 MR. ARNALL: BellSouth.

8 CHAIRMAN JABER: And what would make you shop around
9 in terms of your residential local service? What are you
10 looking for?

11 MR. ARNALL: Well, actually all I have on my phone is
12 my basic phone, because I use my cell phone all the time.

13 CHAIRMAN JABER: So how does this bill help you as a
14 residential consumer?

15 MR. ARNALL: It probably doesn't help me. I don't
16 qualify for Lifeline. I would like to mention, though, that
17 Lifeline -- I think your statistics will bear this out -- have
18 the highest percentage of add-on services. Even though they
19 get a free basic line, there is a high, high percentage of
20 add-on services. Just a thought to ponder.

21 CHAIRMAN JABER: Okay. Thank you, sir. Thank you
22 for being here.

23 MR. ARNALL: Thank you.

24 CHAIRMAN JABER: Mr. Beck, your next witness.

25 MR. BECK: The next witness is Rick Fraser.

1 RICK FRASER

2 was called as a witness on behalf of the Citizens of the State
3 of Florida and, having been duly sworn, testified as follows:

4 DIRECT STATEMENT

5 MR. FRASER: Good evening, Commissioners. My name is
6 Rick Fraser. I'm president of the Workforce Development Board
7 of Flagler and Volusia Counties. Thank you for being here and
8 taking your time to hear this testimony. I'm here really to
9 speak only about the Lifeline issue. As you may or may not
10 know, the regional work force boards, there are 24 of them in
11 the State of Florida, provide recruiting and employment
12 services to not only businesses, but also to job seekers who
13 are looking to reenter or enter the work force for the first
14 time and are looking for some assistance. The way we look at
15 this is giving job seekers a handup rather than a handout. We
16 are trying to get some training and some educational services
17 to them.

18 One of the things that is important for these job
19 seekers is the availability of a phone. Most of these folks
20 are out of work, welfare or just recently dislocated or laid
21 off. In their seeking a job they need to stay in contact with
22 potential employers. Last year the regional board here in
23 Volusia and Flagler County served a little over 22,000 jobs
24 seekers in the two counties. And, again, most of those folks
25 were laid off or welfare trying to get off the welfare rolls

1 into the self-sufficient job market.

2 And, again, I am here to support the Lifeline portion
3 of the bill. In Volusia and Flagler Counties we have got over
4 50,000 people who would be eligible for Lifeline because of the
5 125 percent poverty level. Certainly I don't envy your job
6 here to rule on this, and I encourage your continued due
7 diligence in this matter. I also would like to state for the
8 record that the one-stop career centers which we are
9 responsible for would be an excellent place to get the word out
10 in terms of marketing Lifeline.

11 And I read in our local news journal this morning
12 that there is a marketing campaign, I believe it was one
13 million dollars or something like that, to do the marketing of
14 Lifeline. And I submit to you that the one-stop career centers
15 could assist in that marketing effort because of the people
16 that are coming through our doors. So, again, I am here to
17 support the Lifeline part of this bill.

18 CHAIRMAN JABER: Mr. Fraser, there may be questions
19 from the parties, but let me just quickly ask you, that notion
20 that there could be more partnerships in terms of increasing
21 Lifeline awareness is something our staff at our direction is
22 pursuing. And let me just get on the record, if the Commission
23 agrees to expand the list of partners, can we put on the record
24 your willingness to assist in that effort through your
25 workforce development agencies and the one-stop centers?

1 MR. FRASER: Absolutely. We are 100 percent -- we
2 stand ready to help wherever we can.

3 CHAIRMAN JABER: Questions? Mr. Twomey.

4 MR. TWOMEY: Yes, Madam Chairman. Thank you. Mr.
5 Fraser, did you hear my questions of the previous speakers in
6 terms of -- let me ask it this way. Do you understand that the
7 expanded eligibility for Lifeline protection is in existence
8 and will remain in existence irrespective of whether the rate
9 increases are approved or not?

10 MR. FRASER: Mr. Twomey, I heard you say that, and I
11 guess I will take you at your word.

12 MR. TWOMEY: Let me ask you this way. Had you been
13 told anything different, have you been led to believe that the
14 expansion of Lifeline eligibility was in any way dependent upon
15 the Public Service Commission increasing local rates?

16 MR. FRASER: No.

17 MR. TWOMEY: The people that you represent that
18 recently lost their jobs, or whatever, that you are trying to
19 assist, are you interested in seeing them -- are they -- to
20 your knowledge would they be eligible for Lifeline, all of
21 them?

22 MR. FRASER: Probably not all of them, but a good
23 portion of them.

24 MR. TWOMEY: Now, the people that are not eligible
25 for Lifeline, but they are still out of work that you could

1 assist, if you were given a choice -- just yes or no -- if you
2 were given a choice of having them have to pay \$46.32 more a
3 year or not paying 46.32 more a year for their telephone
4 service, which would you elect?

5 MR. FRASER: That's not a yes or no question.

6 MR. TWOMEY: I'm sorry. That's fair. Let's change
7 it. If you had a choice of sticking your clients with 46.32
8 more in telephone bills or not doing that, which would you
9 elect?

10 MR. FRASER: Well, Mr. Twomey, I have to say that I
11 am a proponent that competition does, in most cases, reduce the
12 amount of money that people pay. That is why you see Burger
13 Kings and McDonald's and Wendy's on the same block. Certainly
14 none of us want to pay more money, but I sincerely believe that
15 competition is a way to save money in the long run. I don't
16 know if that answers your question. I wouldn't want -- I
17 wouldn't want anybody to have to pay more money than is
18 absolutely necessary to remain competitive.

19 MR. TWOMEY: Well, if you don't want anybody to pay
20 more money, wouldn't your choice be no rate increases?

21 MR. FRASER: Not necessarily. I don't know that that
22 is a question that I can answer black and white.

23 MR. TWOMEY: Okay. Let me ask you one last question.
24 Does your organization receive any funding from BellSouth or
25 other telecommunications organizations?

1 MR. FRASER: No.

2 MR. TWOMEY: Thank you very much.

3 CHAIRMAN JABER: Let me ask you something. This is
4 frankly the first service hearing that I have been to that I
5 thought to ask this question from a workforce development
6 standpoint. If there are new telecommunications competitive
7 providers that come into the Volusia and Flagler County area,
8 how does your organization seek them out? I will tell you
9 where I am going with it, how do you find new companies that
10 come into the area and how do you get them to commit to
11 partnering with you in terms of seeking employment?

12 MR. FRASER: Well, let me answer that, and it may not
13 answer your question. You may have to re-ask it, I guess.
14 Because the workforce system is federally funded through public
15 tax dollars, it is necessary for us to do our FPEs for all the
16 services that we offer. So in terms of looking for a telecom
17 carrier, that is how we would procure that particular service
18 through our FPE. Does that answer your question?

19 CHAIRMAN JABER: I guess I am coming at it more from
20 an economic development standpoint. You mentioned -- and this
21 is what triggered the question for me, you mentioned that you
22 are seeking to help people who are maybe out of a job for
23 whatever reason. It seems to me that one of the goals you
24 should have is to target new companies coming into the state or
25 companies coming into the region for employment opportunities

1 for those people. And my question is really from an economic
2 development standpoint. If it is correct that implementation
3 of this bill creates a situation -- Mr. Twomey, I can hear you
4 whispering.

5 MR. TWOMEY: I'm sorry.

6 CHAIRMAN JABER: From an economic development
7 standpoint, is there a way to make these companies partner with
8 your organization?

9 MR. FRASER: Absolutely. We have a very strong tie
10 with the Volusia County and the Flagler County economic
11 development department. We have established protocols between
12 the two departments, and we actively work with those two
13 entities when they are out prospecting for new business to come
14 in. And it is absolutely kind of tied at the hip. What we do,
15 and I have often said this, is it doesn't do us any good to
16 provide the educational opportunities for our job seekers if
17 there are no jobs to be had. And vice versa, it doesn't do the
18 economic development departments any good to go out and recruit
19 new businesses if the workforce is not skilled and ready to go
20 to work. So, there definitely is a strong link between
21 economic development and workforce development.

22 CHAIRMAN JABER: One of the criteria we have to take
23 a look at is we have got to find that the development of a
24 competitive market is achieved for the benefit of the
25 residential consumer. Have you ever done any analytical work,

1 any study that would indicate to us that there is an economic
2 development aspect for the benefit of the residential consumer?

3 MR. FRASER: No, we have not. Again, our main focus,
4 Madam Chair, is to get folks the education and training
5 opportunities in order to make them self-sufficient in the
6 workforce.

7 CHAIRMAN JABER: And my final question is how did you
8 find out about tonight's hearing?

9 MR. FRASER: I saw the article in the paper this
10 morning and also talked with fellow workforce colleagues, as
11 well.

12 CHAIRMAN JABER: Thank you, sir. Mr. Beck.

13 MR. BECK: The next witness is Jarvis Schwarz.

14 JARVIS SCHWARZ

15 was called as a witness on behalf of the Citizens of the State
16 of Florida and, having been duly sworn, testified as follows:

17 DIRECT STATEMENT

18 MR. SCHWARZ: My name is Jarvis Schwarz and I am a
19 resident of Ormond Beach. This is more than I expected. I
20 can't begin to get into the details of competition and if it
21 does or doesn't profit the actual consumer. And I have all
22 sorts of questions about it. What I think I want to say is
23 that I represent just an actual citizen working -- well, I'm
24 not working now, I'm retired -- but an actual citizen. What I
25 don't hear or what I think is not dealt with or not part of

1 your consideration is what all this really means to the average
2 citizen who pays the bills when they come due. I cannot argue
3 whether the statistics I have heard are right or wrong, but if
4 I hear something like the legislation or petition, I'm not sure
5 the bill is already passed, if it really could result in a 35
6 to 90 percent increase in a person's telephone bill, and then
7 within four years it was represented 20 percent increase, with
8 a possible 20 percent increase. Unless my math is very bad,
9 that could be a 100 percent increase in five years. And I
10 don't see this being dealt with by the Commission in terms of
11 what these rates will really mean to the normal average
12 citizen. And apparently that is not going to be dealt with
13 tonight. Thank you.

14 CHAIRMAN JABER: Thank you. Mr. Schwarz, can Mr.
15 Beck ask you a question?

16 MR. BECK: I would like to make a short statement.

17 CHAIRMAN JABER: Go right ahead, Mr. Beck.

18 MR. BECK: Mr. Schwarz, I just want to let you know
19 we are sponsoring expert witnesses in front of the Commission
20 and we are going to do that type of analysis and present that
21 type of information to the Commission. And we are going to
22 look at the average toll usage of customers and try to compare
23 what they expect the toll bill to go down versus the local
24 rates to go up and see whether they can break even or not. And
25 our expert witnesses will say that even if get twice as much as

1 the average toll usage you still won't break even on the bill.
2 So that type of information will be presented to the
3 Commission.

4 MR. SCHWARZ: Well, I'm glad to hear that, but I will
5 be watching for it.

6 CHAIRMAN JABER: Absolutely. Mr. Twomey, before I
7 let you ask a question, let me also address Mr. Schwarz.
8 Tonight feel free to comment on whatever you want to comment
9 on, but Mr. Beck is absolutely right, this is only the tenth
10 service hearing. The part of our proceeding where we hear from
11 the customers, on December 10th and 11th we will be back in
12 Tallahassee and that is when these parties put on their
13 testimony. They bring in expert witnesses and they ask each
14 other questions of their expert witnesses and we act as a
15 collegial body. There are five of us. We will listen to the
16 testimony, and it is based on all of the evidence that we make
17 our decision.

18 MR. SCHWARZ: Thank you.

19 CHAIRMAN JABER: Mr. Twomey.

20 MR. TWOMEY: Yes, ma'am. Thank you. Mr. Schwarz, do
21 you recall what the recently announced COL would be for Social
22 Security?

23 MR. SCHWARZ: 2.1 percent.

24 MR. TWOMEY: 2.1 percent. Are you reasonably
25 satisfied -- is BellSouth your telephone company?

1 MR. SCHWARZ: Yes.

2 MR. TWOMEY: Are you satisfied with the service you
3 receive from BellSouth?

4 MR. SCHWARZ: Yes, I think so.

5 MR. TWOMEY: Are you interested in paying more to
6 receive competition even, if it results?

7 MR. SCHWARZ: Well, I still have real questions about
8 whether competition for the average man on the street means
9 lower prices. And I have a lot of questions on that.
10 Businesswise, you know, the corporate people in the companies
11 might have it, but what we are concerned with is what
12 happens -- where our paycheck goes. Or not our paycheck, our
13 retirement.

14 MR. TWOMEY: Yes, sir. I always get that question
15 wrong apparently. Let me ask you this way. If you had two
16 choices, paying 46.32 a year more for your BellSouth telephone
17 service or not paying any more at all, which choice would you
18 elect?

19 MR. SCHWARZ: Well, the normal thing I think would be
20 to say no raise, but that is not realistic. But just normally
21 I would say I don't want to pay any more than I have to. And I
22 have questions whether the figures that I am hearing are not
23 going to make it very easy for a retired person on a fixed
24 income. And, of course, the stock market even if you have
25 small investments, isn't letting you keep up. So, I would be

1 very hesitant to want to accept any raises.

2 MR. TWOMEY: Yes, sir. Thank you.

3 CHAIRMAN JABER: Thank you, sir. Mr. Beck, the next
4 witness.

5 MR. BECK: The next witness is Linda White.

6 LINDA WHITE

7 was called as a witness on behalf of the Citizens of the State
8 of Florida and, having been duly sworn, testified as follows:

9 DIRECT STATEMENT

10 MS. WHITE: Good evening. For the record, my name is
11 Linda White and I am Executive Director of the Chamber of
12 Commerce for West Volusia at 520 North Volusia Avenue in Orange
13 City. I wanted to tell you all that I appreciate the
14 opportunity to be here and offer some comments and to thank you
15 for your time and being around the state and taking comments.
16 We don't often get to have dialogue about these things.

17 I was particularly interested in coming here tonight
18 because about three years ago I spent almost nine months in
19 Volusia County going from community to community listening to
20 issues about phone service. Particularly at that time our
21 community was attempting to get a unified area code, and I
22 think I came before you in Tallahassee and you were gracious
23 enough to allow that to happen.

24 But we spent many, many hours in these communities,
25 across all aspects of the community. We talked to senior

1 citizens, we talked to commuters, we talked to students, we
2 talked to almost everyone trying to understand what their
3 feelings were about their phone service. And obviously they
4 wanted a unified area code because we had -- Deltona, which is
5 the largest city in Volusia County, actually had three area
6 codes. So that was an important thing to them just to cut down
7 on the confusion.

8 But we identified three factors as we went around the
9 community of values that people had about their phone service.
10 They wanted simplistic dialing. They wanted that unified area
11 code. They asked us to try to help them decrease the long
12 distance service in the county, and I want to talk a little bit
13 about that. For people on the west side of Volusia County, and
14 I suspect it is that way in any county that has an area that is
15 not metropolitan, health care becomes an area that people have
16 to use long distance. They may have their primary provider in
17 the community, but specialty care, as in the case of Volusia
18 County, you may have to call long distance to set up your
19 appointments, to see people in the hospital, that sort of
20 thing. So that was a real issue for them.

21 And the third thing we heard from them was that they
22 wanted a choice in their providers. Now, given we didn't talk
23 much about finances during these sessions, but it was just
24 about what they truly valued in their phone service. And then
25 just in closing comments, I would like to offer that our job as

1 chambers of commerce across America is to try to promote sound
2 principles of economy. We encourage competition and
3 adaptability to the marketplace, and we tell all of our people
4 that if it is a small business or a large business that there
5 absolutely has to be that competition and adaptability in that
6 marketplace. We know that competition creates innovation and
7 higher quality and most of the time lower cost eventually.

8 American consumers are empowered by choice. They
9 have been that way for many years. They have come to expect
10 the ability to choose, whether it is a hamburger or their
11 health care. They deserve no less in phone service. Thank you
12 for your time.

13 CHAIRMAN JABER: Ms. White, thank you. Questions?

14 MR. TWOMEY: Yes, ma'am.

15 CHAIRMAN JABER: Mr. Twomey.

16 MR. TWOMEY: Ms. White, did you just testify in favor
17 of the rate increases?

18 MS. WHITE: Yes.

19 MR. TWOMEY: How many members does your chamber
20 have?

21 MS. WHITE: We have about 600.

22 MR. TWOMEY: Six hundred. Is BellSouth a member?

23 MS. WHITE: Yes.

24 MR. TWOMEY: Do you know how many or what percentage
25 of your members would be small enough to be single-line

1 business customers?

2 MS. WHITE: It would be significant. In my area it
3 is probably 80 or 85 percent. A lot of home-based businesses.

4 MR. TWOMEY: So do I understand that notwithstanding
5 the fact that single-line business customers will receive rate
6 increases, you're testifying that you want their rates to go up
7 nonetheless?

8 MS. WHITE: What I have said is that I believe in our
9 area residential and single-line businesses use long distance,
10 and I believe that that will help to even out that total phone
11 bill.

12 MR. TWOMEY: Would you agree with me that in order to
13 make that calculation one would have to know two things; one,
14 how many phone calls you made in-state toll, and, secondly, and
15 just as importantly, what the rates would be?

16 MS. WHITE: Yes. And I am referring specifically to
17 anecdotal information that we have taken through community
18 listening groups.

19 MR. TWOMEY: Uh-huh. Did you hear me say at the
20 beginning of my introduction that the phone companies had not
21 provided the long distance rate reduction information in these
22 cases?

23 MS. WHITE: Yes, I heard you say that.

24 MR. TWOMEY: Would you agree with me that that would
25 appear to be necessary to figure out whether a residential

1 customer or even a single-line business customers could save on
2 their bill?

3 MS. WHITE: Yes.

4 MR. TWOMEY: Thank you very much.

5 MS. WHITE: Thank you. And I would also like to just
6 close by saying that the dialogue that we have been able to
7 have, especially with some of your groups about Lifeline, has
8 been a tremendous educational process for us. And I would go
9 on record to say the chambers of commerce would also be
10 interested in partnering to help make that happen. Thank you.

11 MR. TWOMEY: Thank you.

12 CHAIRMAN JABER: Mr. Beck.

13 MR. BECK: The next witness is Gary Earl.

14 GARY EARL

15 was called as a witness on behalf of the Citizens of the State
16 of Florida and, having been duly sworn, testified as follows:

17 DIRECT STATEMENT

18 MR. EARL: Good evening. Like one of my immediately
19 preceding speakers, I, too, am a president and CEO of a
20 workforce development board, but I'm not in front of you as
21 that tonight. I probably would have come to your hearing that
22 was in Orlando had I not been out of town and spoken to you
23 from that perspective. But as it happens, I live in New Smyrna
24 Beach, and I would rather speak to you as a resident.

25 I have pretty much my whole family in the central

1 Florida area. I have five kids who are all married. I have
2 eight grandchildren, and I have a 79-year-old mother who lives
3 probably about three miles from my house. I tell you that
4 because I will tell you that in our family probably 75 to 80
5 percent of the phone calls we make are out of area. No one
6 lives very close anymore. If you live so much as an hour's
7 commute, you are probably dialing long distance to get there.

8 I will tell you a story that happened to me just six
9 months ago. Living in New Smyrna Beach, New Smyrna Beach has a
10 utilities commission under the city government. They had for
11 some time marketed, and both my mother and I purchased a
12 package deal from a company by the name of Eficus (phonetic)
13 that was a flat rate. It included all long distance, no
14 charges, that sort of an arrangement. We moved from one house
15 to another. And when it came time to reconnect the service we
16 went three days, five days, six days and still no phone
17 service. And when I finally got someone directly from Eficus
18 on the line to talk about when we might see a telephone
19 connection at the new house, they couldn't give me a date. And
20 after about 30 minutes of discussion on the subject, I finally
21 said, you know what, I think I will just hang up and call a
22 phone company that can give me date. And I terminated their
23 service and went to BellSouth.

24 Frankly, there was probably maybe a dollar and a half
25 a month charge difference in the two services, even with long

1 distance being charged. But I have spent most of my
2 professional life dealing with provision of public services
3 through competitive bid processes. I believe in competition.
4 I believe, actually, that competition is much more capable of
5 controlling prices than this Commission is. I do not believe
6 in government control or government subsidies of things that
7 people need.

8 I took some pleasure in firing a phone company that
9 couldn't answer a question on the phone, quite frankly. And if
10 that does cost us somewhere in the neighborhood of four dollars
11 a month to get to that that level of competition, to the point
12 where the phone company at the other end of the phone line
13 needs to pay attention to the customers and needs to provide
14 quality services, then so be it. And so I would speak out in
15 favor of the petition.

16 CHAIRMAN JABER: Mr. Earl, thank you.

17 Mr. Beck, you have a question?

18 MR. BECK: Mr. Earl, who do use for your long
19 distance within the state?

20 MR. EARL: I went completely with BellSouth on
21 everything.

22 MR. BECK: Thank you.

23 CHAIRMAN JABER: Mr. Twomey.

24 MR. TWOMEY: Yes, ma'am, Mr. Chairman. Thank you.

25 MR. EARL: So did my mother, by the way.

1 CHAIRMAN JABER: I'm sorry, I didn't hear that.

2 MR. EARL: I said so did my mother.

3 CHAIRMAN JABER: Go with BellSouth long distance?

4 MR. EARL: (Indicating affirmatively.)

5 MR. TWOMEY: Do you have a package or a bundled
6 supply of BellSouth services, then?

7 MR. EARL: Whatever they offer. I basically just use
8 them.

9 MR. TWOMEY: Do you pay a fixed price for local
10 service?

11 MR. EARL: Right now we do not. Right now the local
12 and long distance is broken up.

13 MR. TWOMEY: You mentioned your belief that
14 competition could control prices, telephone prices better than
15 this Commission. Were you not aware that BellSouth and the
16 other local telephone companies have been subject to
17 competition since 1995, and that this Public Service Commission
18 has had very little control of their prices since then?

19 MR. EARL: Is that true in residential, sir?

20 MR. TWOMEY: I'm asking if you know whether they were
21 subject to -- yes, residential?

22 MR. EARL: I don't believe most residential telephone
23 customers have access to much competition at all. I mean, I
24 would like to see competition in cable. I don't believe
25 satellites give cable enough competition. I would like to see

1 competition in my power bill. I would like to have choice when
2 I go to pay a bill no matter what I buy.

3 MR. TWOMEY: Would you be interested in paying 51
4 percent more for satellite service if it gave you a choice,
5 more choice over your cable provider?

6 MR. EARL: I don't choose to purchase satellite
7 services, and I buy only what cable my household needs. One of
8 the reasons I don't deal with satellite services is because to
9 go to satellite you have to decide that you need 300 channels.
10 I don't need that.

11 MR. TWOMEY: Yes, sir. Who is your electric company?

12 MR. EARL: That is also controlled by the New Smyrna
13 Beach Utilities Commission.

14 MR. TWOMEY: If New Smyrna came to you, Mr. Earl, and
15 said we want to raise your already high electric bills by 51
16 percent a year in order to induce competition from other
17 electric companies, would you think that would be a good deal?

18 MR. EARL: I don't believe they would ever do that.
19 But in my heart of hearts, sir, I believe competition
20 ultimately in the long-term over a period of years would prove
21 more effective than government control.

22 MR. TWOMEY: So asking you the same question I have
23 asked the others, if you were given a choice of this Commission
24 exercising its discretion and not granting any rate increases
25 at all, or giving the company the additional \$46.32 a year that

1 it wants from you, your testimony is that you would want rate
2 increases?

3 MR. EARL: I would trust the free market before I
4 trusted the government, sir.

5 MR. TWOMEY: Thank you.

6 CHAIRMAN JABER: Mr. Earl, thank you for being here.

7 MR. BECK: The next witness is Jim Davis.

8 JIM DAVIS

9 was called as a witness on behalf of the Citizens of the State
10 of Florida and, having been duly sworn, testified as follows:

11 DIRECT STATEMENT

12 MR. DAVIS: Good evening. My name is Jim Davis. I
13 am a resident of Orange City, Florida, and I am a retired
14 federal employee. I have heard a lot of very interesting
15 things coming down this evening, but some of the things that I
16 have not heard are the specific answers that you are looking
17 for. When I look in the front of my telephone book, I see a
18 whole mountain of people that I can call and choose to provide
19 me CLEC level service, ostensibly selling me my local carrier's
20 services through another vendor. So I've got some choices
21 there.

22 I know that no matter who I choose in my geographic
23 area, the wire that carries that signal to my house is going
24 to come from Sprint. Sprint owns it and Sprint wholesales it
25 to that CLEC. I'm making an assumption that for the price that

1 they wholesale it to the CLEC, they are at least breaking even.
2 And when I look at what those numbers are, the fact that they
3 can sell that local access line for a small fraction of what
4 they charge me for it, I have to assume there is a pretty good
5 profit in that.

6 The other piece that comes into play, I'm a private
7 carrier, FCC licensed private carrier. As such I can buy lines
8 and numbers at a wholesale rate, so I can buy phone numbers for
9 50 cents. I don't understand why the infrastructure costs need
10 to be compensated by a local carrier's loss of revenue from
11 long distance providers who may give them a kickback for
12 directing services to that carrier or for making the last mile
13 connection, as it were.

14 The trends that I see reflect that we are going more
15 and more toward digital and wireless technology, and the wire
16 carriers are going to find themselves having a difficult time
17 no matter what you do anymore. And I have listened to
18 witnesses this evening say, gee, I use my cell phone or my
19 wireless device as much or more as I use my wire line. And I
20 think as technology evolves, we will see more and more of that
21 to the point where the competition is going to be do I get my
22 local phone service from my cable provider, or my satellite
23 provider, or do I just use a cell phone because it has got an
24 attachment that let's me transmit data, and I just don't need a
25 piece of wire coming to my house. Or I've got a piece of fiber

1 coming to my house that handles everything.

2 I believe that many of the phones costs are
3 artificial already. I don't support rate increases. I don't
4 support trying to maintain a parity because the local carrier
5 is loosing some of its revenue to competition, because that is
6 what I see this as happening. What I see is that the local
7 carrier, or the BOCs, or whoever the big buys guys are, needing
8 to become more efficient, not trying to pass on their losses
9 from competition to me, the local user, local consumer.

10 So I get to wear the hat of the local consumer that
11 pays for my single-line service, and I get to wear the hat of
12 the commercial consumer that buys a thousand numbers. And
13 granted the prospective is very different, but the point is
14 that I don't believe that any of the carriers that sell me
15 service are selling me their services at a loss.

16 I listened to one of your witnesses suggest that the
17 features are a high profit item, and I fully recognize that.
18 They are for me as far as being a carrier is concerned. Call
19 forwarding in an electronic switch virtually costs nothing. It
20 is part of the feature of the switch. Three-party calling
21 basically costs nothing. It is a feature of the switch. There
22 was cost in putting in the switch, which I would expect has
23 long been recovered. In a conversation with Mr. Twomey before
24 this meeting started, I commented to him that the perspective
25 of the carriers charging an extra dollar to have Touch-Tone

1 service when we know that that has been an obsolete necessity
2 fee for years, and years, and years. And, in fact, if
3 everybody said I don't want Touch-Tone, I am going to use
4 rotary service right now, we would probably shut down the
5 carriers because they would have to convert all of those pulses
6 to tones. And yet they are charging us a buck or some of them
7 were. I think it has about ended now. And that went on for
8 years, even beyond the necessity. So this type of thing puts a
9 distrust in my heart and mind for some of the fee structures
10 that I see that I'm paying.

11 I heard a comment and discussion about the proposal
12 putting a may into the price structure. Not a you will, but
13 you may charge a certain amount. We have some of that right
14 now. The FCC charges the carrier is allowed to pass along if
15 they choose to. It is not a mandatory fee, it is a
16 discretionary fee, and yet I don't know of very many carriers
17 that don't pass it along to the fullest extent they can.

18 We see any number of discretionary types of fees that
19 carriers charge us that aren't in the middle of the range, or
20 in the low end of the range. They get maxed out. And that
21 angers me as a consumer. I oppose approval of the rate
22 increases, particularly in the perspective of trying to achieve
23 parity. I think the numbers are already skewed.

24 CHAIRMAN JABER: Mr. Davis, thank you for your
25 testimony. Questions? Thank you, sir. Mr. Beck.

1 MR. BECK: The next witness is Bill Warfel.

2 BILL WARFEL

3 was called as a witness on behalf of the Citizens of the State
4 of Florida and, having been duly sworn, testified as follows:

5 DIRECT STATEMENT

6 MR. WARFEL: My name is Bill Warfel and I'm from
7 Ocala, Florida. I am formerly a resident of Birmingham,
8 Alabama, a former Bell system employee, and a contractor for
9 big utility companies in the State of Alabama for 30 years. I
10 started out as an accountant in Birmingham, and one of my first
11 assignments was to supervise a rate under bond procedure that
12 we had cooking at the time. The Bell system sought rate relief
13 from the Public Service Commission, which was denied. They
14 then went to court to have it overturned and have the increase
15 granted. In doing so, they had to put the rates under bond and
16 it was a nightmare, because this was 1960, before computers.
17 We had to do it all by hand.

18 I have come to you as a free enterprise businessman.
19 I can see both sides of this thing. I have always believed
20 that the utility companies should be paid for what they do.
21 They should have profit that is directly related to their rate
22 base, which is the way I was brought up in the business. And I
23 think that's fair. However, what I see today is a total
24 corruption of the process mainly by the federal judiciary who
25 took the greatest telephone company in the world and broke it

1 into little pieces. The result of that has been that long
2 distance rates have plunged. You can talk your head off on
3 long distance service now for very little money. Local service
4 rates have gone steadily up ever since the big breakup.

5 Competition. As a free enterprise businessman and
6 dealing in a competitive bidding process with utility companies
7 over the years, I never got a job where I was the high bidder.
8 I never was able to charge more money for my service and expect
9 to get any work out of it.

10 One of the gentleman talked about competition with
11 Wendy's, McDonald's, and Burger King. If I could persuade
12 Wendy's, Burger King, and McDonald's to raise the price of a
13 hamburger to five dollars, I would go into the burger business
14 and I could compete with them. That's crazy. And for this
15 proposal to pass the reduction in access charges for people who
16 want to make long distance phone calls from Ocala to Tampa and
17 pass that along to me, as a residential customer, is just nuts.
18 I don't get that at all.

19 One of the gentlemen alluded to the fact that we are
20 selling line charges for ten bucks or below cost. Well, I
21 don't know where he gets that, because my bill in Ocala with
22 Sprint -- is anybody here from Sprint tonight?

23 CHAIRMAN JABER: No, sir.

24 MR. WARFEL: I don't blame them, I wouldn't have
25 shown up either; \$9.94 for the basic line charge. That is

1 pretty cheap. In Alabama, I still have some phones in Alabama
2 at my farm up there. My line charge with ALLTEL in Leeds,
3 Alabama is \$17.87. But then again I can call half a million
4 people from that telephone, which I can't do in Ocala.

5 But then we come along here and we have a \$6.50
6 access fee that is FCC mandated. Now, I have been trying for a
7 long time to figure out where that came from. And finally I
8 got a congressman to send me this nice little report here about
9 the access charges. I tried to talk to the Public Service
10 Commissioners in Tallahassee, and I tried to talk to the Public
11 Service Commissioners in Montgomery, Alabama, and got nowhere
12 with it. The people in Alabama wouldn't even talk to me about
13 it. The people in Tallahassee said, well, there is nothing we
14 can do about it. And it is true, there is nothing you can do
15 about it. But I grew up in a simpler time when you didn't have
16 all this access charges business. The FCC wasn't raising local
17 telephone rates. You had a rate base, you went to the Public
18 Service Commission and said we need 8.6 percent, or whatever
19 the number was at the time, and they either did it or they
20 didn't do it, and if they didn't do it, you litigated it. And
21 that is how it was.

22 But now we have got a situation where you have got
23 the Public Service Commission on one hand trying to raise the
24 rates on the front door, or perhaps raise the rates on the
25 front door, and you have got the Federal Communications

1 Commission raising the rates in the back door. And the first
2 thing you know my \$9.94 telephone bill shows up as a bottom
3 line of \$19.57, which includes a \$6.50 access fee, which used
4 to be three bucks, now it is 6.50 going higher than that: 62
5 cents for Al Gore's universal service fee, that's what it is.
6 he wanted to put the internet in every public library and every
7 school in the world, or in the United States. That has long
8 since been accomplished.

9 COMMISSIONER DAVIDSON: I am just glad you gave
10 credit where credit is due.

11 MR. WARFEL: But this charge is still there. By the
12 way, the \$6.50 access fee, in case any of you folks don't know
13 where that came from, it was intended to allow local telephone
14 companies to recover some of the fixed costs, telephone wire,
15 poles, and other facilities of connecting phone customers to
16 the interstate long distance network, circa 1984. Now, like
17 the previous gentleman testified, a lot of this stuff now is
18 the function of the switch. Any cost that they had to connect
19 you to the long distance service network has long since been
20 recovered, especially at \$6.50 a month.

21 If you figure that 100,000 phone customers in Marion
22 County, Florida, that is \$650,000 a month that they are
23 knocking down on this universal access fee alone. That is,
24 what, \$8 million a year. I'm kind of hard pressed to
25 understand how we are in need here. But it goes on. Number

1 portability, 53 cents, which I can't even use. If I move
2 across the street in Ocala, Florida, I can't take my number
3 with me, because they don't have the technology to do that.
4 Telecom relay charge, 12 cents; 50 cents, 911; 54 cents federal
5 tax; 40 cents -- I guess that is local tax; 42 cents state tax,
6 for a grand total of \$9.63 in fees and taxes on \$9.94 access
7 charges.

8 The real money, though, is in the \$6.50 that the FCC
9 has stuck us with. And to me it is back door. When they
10 started all of this business breaking up the Bell system, the
11 idea was that it was going to cost us less. Well, it worked on
12 long distance, but on local service, huh-uh. Because the first
13 thing that happened, all the telephone companies went in there
14 and said, hey, we are getting creamed on this. We have got to
15 have some help. So the FCC, in its infinite wisdom, provided
16 this sliding scale of increases that started at \$3 and now it
17 is 6.50 and probably go up to 7 and change before it is over
18 with.

19 Competition, local competition. I have heard that
20 talked about a lot. Local competition for local telephone
21 service is a myth. The only real competition that your
22 hardwire services, BellSouth, Verizon, and Sprint have is with
23 the wireless companies. These people that are listed in the
24 front of the phone book that you are trying to call and say,
25 hey, I would like some local service, they can't do anything

1 unless the big company, the Bell system, Verizon, or Sprint
2 decide to get them a pair out there so they can wholesale that
3 to them somehow, some way, run it into a central office, hit a
4 switch, switch it over into the BellSouth switch, and then make
5 the call.

6 I called two of them when I moved to Ocala, because I
7 couldn't get a pair in my house which had a cable running right
8 in front of it. And the guy said, "Well, yes, we will come out
9 there and see what we can do." He came out there and he said,
10 "Well, where is your cable?" I said, "It's out there." And he
11 said, "Well, where is your nearest terminal?" And I said,
12 "It's down there." And he said, "Well, okay. I'll get back to
13 you." He called me back in a day or two. I needed a phone
14 bad. He called me back in a day or two, and said, "We don't
15 have a pair out there." I said, "Are you in the phone business
16 or aren't you?" He said, "Well, we have to have a pair from
17 Sprint before we can do anything for you." I said, "Let me see
18 if I've got this right. You're going to have to get a pair
19 from Sprint, you are going to have to run it down into the
20 central office, you are going to have to switch it from your
21 switch into their switch, and then send the call over to
22 wherever I want it to go, right?" He said, "Yes." I said,
23 "Then why do I need you? If this thing breaks down, who is
24 going to fix it?" He said, "Sprint." I said, "You guys are a
25 joke. I think I'll go get a Nextel cell phone," which I did.

1 Quality of service. I don't know about the Bell
2 system, because I don't have it anymore. I used to. It was a
3 wonderful company. I loved it. You guys do a good job and
4 always have. But Sprint is laughable. I have had line noise
5 on my phone for over a year ever since lightening hit the pole,
6 the power pole across the street from my house about a year
7 ago. And the guy came out, and first he said it was in my
8 house, which it was not. My house didn't get hit. So we get
9 him back again, and he came out, and he finally checked it out
10 again. He has these bad connecters. Any of you all know what
11 a pedestal is? It's a little green box on the side of the
12 street that looks like a big Spam can. Anyway, he starts
13 checking it, and he has got bad connecters. You know what
14 beenies (phonetic) are, don't you? The pairs come up into the
15 pedestal and they are hooked to a terminal or they are spliced
16 together with little beenies, little connectors you stick on it
17 and clamp it shut. So he finds four or five little beenies
18 bad. And he checks it all the way down the street, makes a
19 right and heads towards town still finding bad beenies.
20 Corrosion. Bad deal. So he finally got rid of most of the
21 noise, and he came back, and he said, "That is the best I can
22 do now. In order to fix this thing, we are going to have to go
23 all the way back to the office with it." I said, "Well, that's
24 what you are here for, isn't it, to go all the way back to the
25 office if that is what it takes?" He said, "Well, I've got to

1 go clear some other troubles. I will be back later." Well, he
2 has never been back. We have called again. They said, "Well,
3 we are going to have to really work on this thing." These are
4 the same people who -- they had to go up the street and tie
5 into another pedestal, run another cable down the road parallel
6 to the existing cable to get me a pair in the first place.
7 These people are living in the 1940s. But the line noise is
8 still there and probably still will be forever, and there is
9 not a heck of a lot I can do about it.

10 CHAIRMAN JABER: Mr. Warfel, if you will make sure
11 Mr. Durbin on your way out has your address, we will follow up
12 with Sprint.

13 MR. WARFEL: Okay. I will finish up. I have covered
14 just about everything. I resent the heck out of this \$6.50
15 access charge that is on my bill by the FCC that we didn't get
16 a chance to vote on. We didn't have a public hearing on it.
17 We didn't get to come and talk to you nice people tonight about
18 it or anything else, we just got stuck with it. And that is
19 your government in action.

20 The only option that you have on local service is
21 wireless. You will never create competition on local telephone
22 service if you have got some fly-by-nighter, some opportunist
23 to try to hook up to the Bell system or Sprint lines and try to
24 make a go of it. It just ain't going to happen, folks.

25 CHAIRMAN JABER: Thank you, sir, for your testimony.

1 Hang on, Mr. Twomey. Ms. Salak, if you will make sure to
2 follow up with Mr. Durbin and that we have Mr. Warfel's
3 address, we will follow-up on the line noise and get you an
4 answer back. Mr. Twomey, you had a question?

5 MR. TWOMEY: Yes, ma'am. Mr. Warfel, you recognize,
6 I think, or do you recognize where the \$6.50 goes?

7 MR. WARFEL: Yes.

8 MR. TWOMEY: Where does it go?

9 MR. WARFEL: To the local phone company, does it not?

10 MR. TWOMEY: It doesn't go to the FCC, does it?

11 MR. WARFEL: No, it goes to your local phone company.

12 MR. TWOMEY: Now, Chairman Jaber just offered to have
13 the Commission staff look into your line noise problem. Did
14 you hear my introductory statements to the effect that if the
15 rate increases are granted, that within as little as two years
16 these companies can attempt to take away the Public Service
17 Commission's ability to control quality of service?

18 MR. WARFEL: I heard that.

19 MR. TWOMEY: Would you rather the Commission maintain
20 its quality of control service over the phone companies or not
21 have it?

22 MR. WARFEL: I would much rather the Commission have
23 a voice in it, of course. But to take Sprint, for instance,
24 they are going to increase rates by \$6.86 on a \$9 and change
25 bill, that is over 60 percent for poor service. The stuff is

1 antiquated. it should have been junked years ago. Sprint has
2 always been behind the curve in telephone technology. When I
3 worked for the phone company of Birmingham, Sprint I believe
4 was part of GTE, was it not? Am I correct in that?

5 CHAIRMAN JABER: In Alabama, frankly --

6 MR. WARFEL: No, even down here.

7 CHAIRMAN JABER: No, that was -- and you all can
8 correct me if I'm wrong, but GTE has become Verizon. Were
9 Sprint systems ever --

10 MR. CRISER: I believe it used to be Centel and
11 United.

12 CHAIRMAN JABER: You're testing our history here. I
13 will have to tell you that was probably before all of our
14 collective time. But thank you, sir, for your testimony.

15 MR. WARFEL: You're welcome.

16 CHAIRMAN JABER: Mr. Beck.

17 MR. BECK: The next witness is Lucille Bornmann.

18 LUCILLE BORNMANN

19 was called as a witness on behalf of the Citizens of the State
20 of Florida and, having been duly sworn, testified as follows:

21 DIRECT STATEMENT

22 CHAIRMAN JABER: Ms. Bornmann?

23 MS. BORNMANN: Yes. My name is Lucille Bornmann, and
24 I guess you have my address there?

25 CHAIRMAN JABER: Yes, ma'am.

1 MS. BORNMANN: I would like to say up front that my
2 presentation is going to be a lot different than what you have
3 heard so far. My husband retired with 40 years from BellSouth,
4 and so I am well aware of the lot of things that have gone on
5 in telephone companies. Anymore it is hard to tell who works
6 for who, and who is really the big dog, and is it all still one
7 company or whatever.

8 I appeared before this Commission a number of years
9 back when Attorney Shreve was the greatest representative for
10 the public.

11 CHAIRMAN JABER: He is right behind you.

12 MS. BORNMANN: I know it. It is good to see you
13 again. I took my notes I planned on presenting to the
14 Commission for Attorney Shreve to review before I spoke. He
15 read them, said great, go with it. I brought out facts I knew
16 were going on with the telephone company at the same time my
17 phone was continually messed up, and so one seemed to be able
18 to keep it working right.

19 So many times they said my line was crossed with
20 another. I asked what was happening to the messages my friend
21 said they left. I was told someone else was getting them. My
22 friends can verify all of this. Mr. Clendenon (phonetic) was
23 at the meeting I spoke. And he talked to me after the meeting.
24 He was very concerned. Evidently he spoke to Nick Triventhor
25 (phonetic), who was over the toll office where my husband

1 worked. My husband told me the next day that Nick called a
2 meeting of those in the office to discuss me. He told my
3 husband to control his wife.

4 I don't know what the rest of the meeting or the
5 discussion was, but I do know that my life has been a living
6 hell since. I have not had a private conversation on my phone
7 since then. I have bought at least 12 to 14 phones, at a cost
8 of \$49 to \$149 over the years. They work fine for one day and
9 then right back to the noises on the phone. It makes my
10 friends leery to discuss anything personal. They say my phone
11 is the only one they hear these noises on.

12 I have been in terrible pain the last few years
13 because my hip had deteriorated. It was very hard for me to
14 try to get to a phone when you don't have but one that works.
15 I had surgery in June and am still in therapy three times a
16 week. A telephone repairman came to my house to check out the
17 system. When he left not one jack in my upstairs bedrooms
18 worked. They were just left a bunch of wires pushed into the
19 openings, so I was left with no way to have a phone upstairs.
20 So each time I climbed 21 stairs to go to my bedroom, I had to
21 take the phone from the only jack that worked downstairs and
22 hold onto the phone and cane in one hand and pull myself up
23 each step holding onto the rail. Do you know how painful that
24 was for me?

25 I bought another phone, over \$100. Called repair to

1 say if I fell upstairs there was no way I could call for help.
2 Would somebody please fix the jacks upstairs and make them
3 operational again. A repairman came and put in all new jacks.
4 He tested the new phone I bought and everything was working
5 fine for one day, and then right back to the same thing. What
6 is going on here? All of these years why is someone so afraid
7 of what I may say to someone?

8 We talk about the companies and hard to tell which
9 one is which, who does what, and all of that anymore. I would
10 like to give you a little background so that those that
11 probably will look to discredit me, you will know that I am an
12 intelligent woman. I have served as vice chair and chairman of
13 a hospital board. I have served as vice chair of two different
14 zoning boards at different times. I served eight years on the
15 ACT Corporation (phonetic) which handles all of the mental
16 health for Volusia and Flagler Counties. I served on the
17 Stewart Marchman (phonetic) board, which is over all of the
18 substance abuse and alcohol for Volusia and Flagler. I have
19 been in politics. I have lobbied in Tallahassee. I have
20 worked with many people that have become senators,
21 representatives, and so forth. I do my homework. I do not
22 lie. And so I want you to know that when I tell you these
23 things, they are true.

24 I have a good memory for being able to recall things
25 and remember it word-by-word. I can remember telephone

1 numbers, license numbers, et cetera. I have been going back
2 and forth to therapy three times a week now for a number of
3 months, and I have to go from Ormond all the way out to Halifax
4 Hospital, so I pass a lot of telephone companies. What kind of
5 bewilders me is why is it that some of the cars I see at one
6 company one day are at another company another day. And then
7 they may be in New Smyrna, they may be in Ormond, or whatever.
8 So whose employees are these? Who is paying them, and just
9 what is going on?

10 I would also like to say that I have seen so many of
11 these people just plain goofing off. Sitting in parks down at
12 the end of my street, across the river, whatever. Just plain
13 goofing off. If somebody is paying them to work during the
14 day, they are getting cheated, and we are getting cheated.

15 I am so tired of what has gone on in the system for
16 years and years, and every time I call this one will say I
17 don't do this. Or I don't do that. I have a transformer right
18 in front of my house, and yet one told me that my phone was in
19 one that was three or four blocks away. And you are lucky to
20 ever get one to go in one of them and check something to see if
21 your lines are crossed or whatever. But I have seen so much
22 waste in these companies. And these people do not deserve any
23 increase. It used to be that the telephone companies was
24 service, service, service. Now it is money, money, money.

25 Do you have an office anymore that your public can go

1 in and talk to somebody or get them to help you decide what
2 your best service would be and this type of thing at all? No.
3 There is nothing for the public anymore. You have to pick up a
4 phone and talk to somebody in another state or whatever to do
5 whatever you want to do pertaining to communications. And we
6 are supposed to pay more for that? You know, the telephone
7 company is saying we need money, money, money. Do you realize
8 how many employees they have laid off? Do you know how many
9 empty buildings they have right here in Volusia County that sit
10 on prime real estate? If they are so broke, why don't they
11 sell some of them? Why are they coming to the public, to the
12 public, to the public?

13 They have these big buildings that only have a few
14 people in them. They even rent out parts of some of them and
15 most of them are sitting there almost empty. So they are not
16 really trying to sell telephone service to the public anymore,
17 they don't want to have to give service. If everybody goes
18 wireless, they just go in and buy a phone and go home. So this
19 thing about long distance and all of this other bull and all,
20 you know, I came across a paper that I had, and my husband
21 worked in the toll office for many, many, many years, and I
22 assume he always worked for -- they were BellSouth then, they
23 are Southern Bell or whatever, I don't know. They keep
24 changing names of everything and selling companies, because as
25 they sell them then they stop paying dividends.

1 They are also fooling around with the pension funds
2 and the health funds that they promised those employees many
3 many years ago, and now these people are retired and dependent
4 on the word of those companies, and they are fixing to get
5 screwed here. It is not right.

6 But right in here in 1984 it states that AT&T in this
7 area took over the toll offices in Daytona Beach. They took
8 over the offices on Nova Road in Ormond Beach and at 227 South
9 Ridgewood in South Daytona. They are all now AT&T phone
10 stores, but it doesn't say that. So, my husband was supposed
11 to have retired from BellSouth in 1985. And yet this says that
12 AT&T took over that toll office in 1984. So who did he really
13 retire from and why does he get things from BellSouth instead
14 of AT&T?

15 Now, when he retired 40 years, he received \$1,100 a
16 month pension, and he received the larger checks that showed
17 the itemized list of what was taken out for what and so forth.
18 Well, he had one little policy that was being deducted through
19 the telephone company that we have paid for over 40 years and
20 as you get older the benefits go down but the price goes up.
21 And so between that and what the telephone company has done
22 now, they promised these people that they would get a cost of
23 living with their pension. That has never happened. Now, he
24 starts with \$1,100, then it goes to \$900, in the last six
25 months it is now \$600. Which means if anything happened to him

1 as his widow I would receive \$300 a month. And I would have to
2 pay for the health insurance and right on down the line. So,
3 now instead of getting the checks that he got before that told
4 you what they were taking things out for, these last few months
5 and all he has gotten a little narrow check that all it says on
6 it is his name and \$600. And that's it. So, I mean, I could
7 write a book. I really could. And to listen to all of these
8 other people and their reasons why they should or should not go
9 along with the raises, I can tell you that telephone company
10 has more money than they know what to do with. They have their
11 real estate companies, they have their other companies. One
12 thing they don't have is service for the local residents
13 anymore. So they do not deserve a rate increase. Thank you.

14 CHAIRMAN JABER: Thank you, Ms. Bornmann. There may
15 be questions and comments, but let me just confirm some
16 information so our staff can follow up with you on your service
17 issue, as well. You live in Ormond Beach is what I heard you
18 say?

19 MS. BORNMANN: Yes.

20 CHAIRMAN JABER: And for the record, you receive
21 service from BellSouth?

22 MS. BORNMANN: I guess. I'm supposed to be.

23 CHAIRMAN JABER: What I would like to do, we have
24 asked the telephone companies at all of these service hearings
25 to have representatives here that can follow up with you and

1 our staff to make sure that you no longer have any service
2 issues. So I will ask again, Ms. Salak, Mr. Durbin, and Mr.
3 Criser, I don't know who you have here tonight to do that.
4 but --

5 MR. CRISER: Ms. Sims is here.

6 CHAIRMAN JABER: Great.

7 MS. BORNMANN: And also if the AT&T took over the
8 toll office in '84, my husband retired in '85, I don't know
9 which one he retired from. And it was in an early out, and if
10 so, what happened to the good-sized check he should have
11 received as early out? Those are questions I really would like
12 to have answered.

13 CHAIRMAN JABER: That question the PSC won't be able
14 to address for you, because it is not a regulatory issue. But
15 certainly Ms. Sims can given you the information to follow up
16 on that question. But as it relates to the service issue, Mr.
17 Criser, I would like to have some response from your company by
18 Wednesday, please. Thank you.

19 MS. BORNMANN: Could I leave this with the attorney?

20 CHAIRMAN JABER: Absolutely. If you will hand it to
21 Mr. Shreve, he will be kind enough to give it to us before he
22 leaves.

23 MS. BORNMANN: We miss you.

24 CHAIRMAN JABER: Thank you, Ms. Bornmann. Were there
25 any questions?

1 MR. TWOMEY: No, ma'am.

2 MR. BECK: The next witness is John Williams.

3 MR. WILLIAMS: I think you guys could take a
4 ten-minute break. We have been here for two hours. If nothing
5 else, stand up and at least they move around like we do.

6 CHAIRMAN JABER: Are you Mr. Williams? We've been
7 waiting for your testimony. Maybe we will break right after
8 you.

9 MR. WILLIAMS: Mine is going to be so brief you will
10 be amazed.

11 CHAIRMAN JABER: Thank you for being here.

12 MR. WILLIAMS: But you really should take a
13 ten-minute break. You have been at it for two hours. Even in
14 the army we used to take ten-minute breaks every two hours to
15 let guys pee over the side of the truck. (Laughter.)

16 CHAIRMAN JABER: I am afraid you have touched a sore
17 spot.

18 JOHN WILLIAMS

19 was called as a witness on behalf of the Citizens of the State
20 of Florida and, having been duly sworn, testified as follows:

21 DIRECT STATEMENT

22 MR. WILLIAMS: My name is John Williams. I live here
23 in Daytona Beach, and I want to welcome all of you here to
24 Daytona Beach. It's a beautiful city, and it has been -- I
25 came down from the north, as you probably suspect with my

1 accent. I'm a Yankee from Boston.

2 CHAIRMAN JABER: Well, welcome. And by the way, I
3 don't let them eat, either.

4 MR. WILLIAMS: And I have travelled the whole state,
5 but I decided that Daytona Beach was alive and well and I loved
6 it. I want to ask you folks, I have been with the telephone
7 company for a long time. I'm over 80 years old now, so I have
8 had them for a long, long time. And I find no fault with the
9 telephone companies as such, but I would like to propose a
10 question. You don't have to answer the question, but to
11 yourself I would like to have you give me or give yourself an
12 answer to this question. If you folks had to make a choice in
13 the future, within a couple of weeks, or months, or a year
14 between your telephone and your automobile, I tell you, you
15 would have a very difficult decision to make. We don't
16 appreciate the telephone. I appreciate the telephone. You are
17 going to have to appreciate the telephone. This summer I spent
18 three weeks without a telephone up in Nova Scotia. I want to
19 tell you something, I felt like the most naked person in the
20 world until somebody told me to go down and buy a \$20 telephone
21 card and, therefore, you can make some phone calls.

22 I'm here primarily for one reason. I have no beef
23 against anybody and anything. It is inflation that I am
24 worried about. Inflation is killing everybody. I have heard
25 people say I've got out of this, I have been here, I have been

1 there. Yes. I get out of my company after almost 40 years. My
2 pension has not changed. They were wise enough not to build in
3 a cost of living so-called, so the \$85, I don't know how much
4 it is worth today, but this is what I represent, 140,000 Social
5 Security recipients. And so, therefore, when the federal
6 government says to me that next year, guess what, we are going
7 to give you a 2.1 percent increase in your Social Security.
8 That is what I want you to give the telephone companies and
9 that is it. If I have to live with 2.1 percent, let them live
10 with 2.1 percent.

11 And I'm happy to be able to pick up the phone. I
12 sleep with a phone on the floor next to my bed. And the reason
13 for it is one of my close friends was a day and a half on the
14 floor dead because he couldn't reach up to take the phone off
15 the wall. That is how important the phone is. We don't
16 realize the importance of the phone. Right here in Daytona
17 Beach I have had a woman who couldn't get out of the bathtub
18 for a day and a half until her daughter came and rescued her.
19 But the daughter had to pick up the phone and call 911. And
20 so, therefore, give the phone company a 2.1 increase the same
21 as I get. Thank you very much.

22 CHAIRMAN JABER: Thank you, Mr. Williams.

23 MR. WILLIAMS: And I hope you take a break.

24 CHAIRMAN JABER: Thank you. Mr. Twomey is going to
25 ask you a question.

1 MR. TWOMEY: But I will be brief. You said, Mr.
2 Williams, that they should give the phone company no more than
3 2.1 percent.

4 MR. WILLIAMS: Which is what the government says I'm
5 going to get.

6 MR. TWOMEY: Yes, sir. Now, did you hear my
7 introductory remarks where I said that if the Public Service
8 Commission denies these rate increases, that the current law
9 will allow the companies to raise their rates only by the rate
10 of inflation minus one percent?

11 MR. WILLIAMS: I didn't think I heard the minus one
12 percent.

13 MR. TWOMEY: My question is --

14 MR. WILLIAMS: I don't mind. If you will give them
15 2.1 percent minus percent, hey, that's good for me, too.

16 MR. TWOMEY: Thank you.

17 CHAIRMAN JABER: Thank you, sir.

18 MR. WILLIAMS: Thank you.

19 CHAIRMAN JABER: And I have to tell you, against your
20 recommendation, we are going to move on. They don't get a
21 break.

22 Mr. Beck, call your next witness.

23 MR. BECK: Thank you, Chairman Jaber. The next
24 witness is Tom Baruth.

25 TOM BARUTH

1 was called as a witness on behalf of the Citizens of the State
2 of Florida and, having been duly sworn, testified as follows:

3 DIRECT STATEMENT

4 MR. BARUTH: Good evening. My name is Thomas Baruth.
5 I live at 1014 East Georgia in DeLand, Florida. And I'm here
6 to be brief and very concise. I would like to oppose the
7 present rate increases on the telephone service. I was faced
8 with -- I was receiving a \$22 bill a month, it jumped to 28 to
9 32 in about 60 days. I think it is unreasonable for the
10 service that I get and for the limited use of the phone that I
11 use. I'm a disabled veteran on a fixed income and I can't
12 afford a rate increase. I have one land-based phone, and I
13 make very few long distance phone calls. I'm not pleased with
14 cell phones or the inconvenience they cause to others. I'm not
15 on the Internet and I don't intend to be. And I don't
16 appreciate the rate increases.

17 CHAIRMAN JABER: Mr. Baruth, thank you for your
18 testimony. Mr. Beck.

19 MR. BECK: Thank you. The next witness is Marsha
20 Radulovich. Is Marsha Radulovich here? Jim Cameron.

21 JIM CAMERON

22 was called as a witness on behalf of the Citizens of the State
23 of Florida and, having been duly sworn, testified as follows:

24 DIRECT STATEMENT

25 MR. CAMERON: My name is Jim Cameron. I'm Vice

1 Government of Government Relations with the Daytona Beach
2 Halifax area Chamber of Commerce. Glad to be with you tonight
3 on behalf of our 1,200 members, which includes church
4 facilities, manufacturers, professional businesses. as well as
5 our many small business members.

6 And this past session our chamber -- I was in
7 Tallahassee, we worked with other business organizations,
8 including the Florida chamber in support of Senate Bill 654 as
9 we believed it was in the best interest of our members. We see
10 it as a means to modernize the communications,
11 telecommunications market by promoting new technologies, and we
12 feel that this will encourage innovation and spur competition,
13 especially in the local phone service market.

14 We believe that it will further reduce long distance
15 access charges and we are glad that it does include the
16 expanded Lifeline program. We want to encourage the Commission
17 to keep in mind that telecommunications companies must be
18 permitted to price important services that they provide at a
19 fair market value subject to, again, PSC oversight.

20 And if I'm not mistaken, this legislation that was
21 approved this session, that clause was not in previous bills.
22 I may be mistaken, but we were glad to see that. But, prior to
23 this legislation, telecommunication companies had to offer
24 services at below cost with the difference being made up with
25 commercial and long distance rates along with other services

1 and charges. Pricing must reflect the true cost and realities
2 of today's communication market if the telecommunications
3 industry is to provide service in the Florida marketplace.

4 And I will add, for the record, that BellSouth,
5 Sprint, and Verizon are members of our chamber.

6 CHAIRMAN JABER: Mr. Cameron, thank you. Are there
7 questions?

8 MR. TWOMEY: Yes, ma'am.

9 CHAIRMAN JABER: Mr. Twomey.

10 MR. TWOMEY: Mr. Cameron, how many of your 1,200
11 members would you suppose are single-line business customers?

12 MR. CAMERON: And I remember hearing you ask that of
13 Linda White, and I believe she said about 80 or 85 percent.
14 I'm guessing in our membership, and this is just a rough guess,
15 I would say more than half, at least 50 percent. I'm just
16 saying that right off the top.

17 MR. TWOMEY: Do you recognize that under these rate
18 increase petitions that the single-line business customers will
19 get rate increases, but that the multi-line will not?

20 MR. CAMERON: And, again, I'm going to go back to
21 like Linda White was saying, that we feel that the difference
22 will be made up as far as increased competition with long
23 distance rates, and we feel that that will make up that savings
24 with long distance rates, lower long distance rates.

25 MR. TWOMEY: Yes, sir. And like Ms. White, would you

1 agree that it would be important to know what the reduced
2 in-state long distance toll rates would be to calculate the
3 ability to make those savings?

4 MR. CAMERON: Like I said, again, we can't predict
5 the future and all, but we just feel, again, that this will
6 mean a savings for businesses in the long run, all things
7 considered.

8 MR. TWOMEY: You spoke about new technologies and
9 innovations that you would expect to see as a result of these
10 rate increases. What new technologies and innovations do you
11 have in mind?

12 MR. CAMERON: Again, I mean, I am just saying new
13 means of service. I'm not in the phone business myself, per
14 se, but, I mean, again, probably 20 or 30 years ago I never
15 would have thought of things like three-way calling that they
16 have. Also, what is it, caller identification. What is it,
17 *69. That type of calling that you can get a return call back
18 to. I never would have thought they would have had those
19 things, but who knows what they are going to have coming in the
20 future that we will see as a necessity in the future.

21 MR. TWOMEY: I believe I heard you say that you
22 believe that the telephone companies are selling their local
23 service at below cost, is that correct?

24 MR. CAMERON: That's my understanding, yes.

25 MR. TWOMEY: Do you know that as a fact, Mr. Cameron,

1 or is it just something that you have been told by the
2 telephone companies?

3 MR. CAMERON: No, that is our understanding as a
4 chamber of commerce.

5 MR. TWOMEY: And where did you get that understanding
6 from?

7 MR. CAMERON: Like I said, we looked at -- I have
8 attended Public Service Commission meetings, and I have looked
9 at the staff analysis that was prepared by the House and Senate
10 committees on this bill. Mr. Arnall, I was up there following
11 this bill back when Mr. Arnall was telecommunications chairman,
12 so I have looked at this bill in Tallahassee. I have been
13 going up there since '87. I remember sitting in on meetings
14 and reading the staff analysis on this bill since, again, I
15 would say mid-'90s, my guess.

16 MR. TWOMEY: Yes, sir. Do you expect your members
17 make an appreciable amount of in-state toll calls?

18 MR. CAMERON: I feel so, yes. They have got
19 suppliers and customers and all, so, yes, I believe there is a
20 good bit of long distance service there.

21 MR. TWOMEY: And have you been led to believe that
22 those members that make appreciable in-state toll calls will
23 receive benefits by these in-state toll rates going in?

24 MR. CAMERON: It is my belief that it is, yes.

25 MR. TWOMEY: Okay. Thank you.

1 CHAIRMAN JABER: Thank you, sir, for your testimony.
2 Mr. Beck.

3 MR. CAMERON: Anything else?

4 CHAIRMAN JABER: I think you are good to go. Thank
5 you.

6 MR. CAMERON: Thank you.

7 MR. BECK: The next witness is P. Terri Malia.

8 TERRI MALIA

9 was called as a witness on behalf of the Citizens of the State
10 of Florida and, having been duly sworn, testified as follows:

11 DIRECT STATEMENT

12 MS. MALIA: Thank you. That is pronounced Malia. I
13 would like to thank you for having this forum here in Daytona.
14 We really appreciate it, and also for hearing us today. I am
15 speaking as a residential consumer and as an independent
16 representative of an alternate provider of telephone service
17 that has just launched local service in the State of Florida,
18 Georgia, North and South Carolina, Tennessee, and the other
19 BellSouth states.

20 CHAIRMAN JABER: What is that?

21 MS. MALIA: American Communications Network, ACN,
22 based out of Farmington Hills, Massachusetts. A ten-year-old
23 company. We are also licensed to market gas and electric in
24 nine states in the United States and Europe, and all 50 states
25 for local and long distance service.

1 There was an article in the newspaper recently that
2 said that the three phone giants are seeking a rate increase to
3 spur competition. I don't believe that's the case. In
4 actuality competition already exists. It is just that
5 consumers don't know about it yet, or haven't been as informed
6 as they could be. My company, ACN, as I said, just launched
7 local service and we offer a 23 to 41 percent decrease over
8 local and long distance rates just in the State of Florida.
9 Other states are different rates.

10 My question is is it not the Public Service's mandate
11 to dispense information to the consumers so that they know that
12 they have a choice? A lot of consumers just don't know that
13 they have a choice. My company is changing that, but it still
14 is something that I think it is a public service mandate to do
15 that.

16 Other states, other PSCs in other states, New York,
17 for example, Ohio, Pennsylvania, and Illinois have taken
18 proactive charges and done just that by putting articles in
19 newspapers and letting out information. I know there is a cost
20 bearing by that, but there is -- that is happening in other
21 states. And my company is also entering into the advertising
22 and is disseminating information to the consumer.

23 I do have these brochures, but I also have 30 years
24 with BellSouth. I retired as a BellSouth employee doing just
25 about everything but climbing telephone poles. And part of

1 that was in testing and in the central office. and I know that
2 the lines already have on them -- all the central offices are
3 computers, or mostly, I will say 99 percent of them are
4 computers now -- so the lines are all providing all of the
5 services. If you don't want the service, you just remove it
6 from the line and you don't pay for it. But, again, those
7 services are already there, it doesn't cost anything more. One
8 of the other gentlemen spoke about the fact that those services
9 were there and the consumer can either pay for it or not pay
10 for it, but the cost has already been recouped by the company
11 as far as I'm concerned.

12 Like I said, I like these brochures, but even with 30
13 years service with BellSouth, I didn't know they existed. My
14 customers know because I tell them to look for them and compare
15 my company with BellSouth.

16 CHAIRMAN JABER: Ms. Malia, have you ever gotten on
17 the Florida PSC website?

18 MS. MALIA: I have, yes.

19 CHAIRMAN JABER: Then perhaps you didn't see the
20 information on those brochures?

21 MS. MALIA: You would have to know to go there. But,
22 yes. My other statement is that I just appreciate what you
23 have brought to the community. At least it was, you know,
24 noted in the newspaper that you would be here. And, again, I
25 appreciate that.

1 COMMISSIONER DAVIDSON: I have one question. Is ACN
2 a facilities-based competitor?

3 MS. MALIA: It can be a facilities-based, but it is
4 not in this state.

5 COMMISSIONER DAVIDSON: Is it a UNE-P provided, or
6 how is it providing local residential service, via what
7 platform?

8 MS. MALIA: Through the BellSouth platform. So we
9 resell, if you will.

10 COMMISSIONER DAVIDSON: Resale.

11 MS. MALIA: In this state, yes. In this state we
12 have Verizon, AmeriTech, and out in California it is Pac-Bell.

13 CHAIRMAN JABER: And in terms of marketing -- were
14 you done, Commissioner Davidson?

15 COMMISSIONER DAVIDSON: Yes.

16 CHAIRMAN JABER: In terms of marketing, what you have
17 done to disseminate information in the areas where you have
18 launched local service?

19 MS. MALIA: It is word of mouth mostly. Mine is a
20 home-based business. I'm an independent contractor, if you
21 will. Multi-level marketing. I sell to people I know. I
22 don't stand in front of BellSouth and say, "I will save you
23 money." I don't do telemarketing. I don't do mass mailings.
24 That is not part of what my company is.

25 CHAIRMAN JABER: How do you disseminate information

1 about your website?

2 MS. MALIA: I pass out information. It is on the
3 website if anybody wants to go to telecom it is right on the
4 website.

5 CHAIRMAN JABER: So how do they know about your
6 website, I'm sorry, I missed that.

7 MS. MALIA: You can go to telecom providers. You
8 just search for telecom providers and you will get a list that
9 way. If you would like the website, I can give it to you.

10 CHAIRMAN JABER: Mr. Twomey.

11 MR. TWOMEY: Briefly, Madam Chairman. How long did
12 you say ACN has been providing service in Florida?

13 MS. MALIA: We have provided long distance service in
14 Florida for ten years. We have only launched local service
15 this month. We have provided local service in eight other
16 states for over two years now, and in Europe -- we are very,
17 very active in Europe. Most of Europe is mobile. We are
18 launching mobile service. We provide gas and electric in some
19 states, eight other states.

20 MR. TWOMEY: Okay. Thank you.

21 CHAIRMAN JABER: Thank you, Ms. Malia, for your
22 testimony.

23 MS. MALIA: Thank you, Chairman.

24 CHAIRMAN JABER: Mr. Beck.

25 MR. BECK: The next witness is Luther Davidson.

1 LUTHER DAVIDSON

2 was called as a witness on behalf of the Citizens of the State
3 of Florida and, having been duly sworn, testified as follows:

4 DIRECT STATEMENT

5 MR. DAVIDSON: My name is Luther Davidson. I reside
6 at 912 Juniper (phonetic) Tree Place, Port Orange, Florida. I
7 became aware just through radio, listening on the radio,
8 reading it in the newspaper, et cetera, and I have sat here and
9 listened to all kinds of people come up here tonight. Of
10 course, the chamber of commerce is going to come up here and
11 talk about how great it is because if they get up here and talk
12 about how bad it is, or something like that, BellSouth and all
13 the other ones may not want to be members of the chamber any
14 more, and pay their dues, or whatever the case may be.

15 Somebody had a real good suggestion up here about
16 cost of living allowances and, you know, maybe that is what the
17 telephone companies should get. But, again, I have sat here
18 and heard all of this testimony, and I guess my question my,
19 biggest question is it appears that everybody is talking about
20 competition, this will increase competition, this will increase
21 competition, this will increase competition. If I'm not
22 mistaken, somebody awhile back deregulated the pricing industry
23 for the cable industry to talk about the increased competition.
24 Well, there is no increased competition. Through various
25 franchising agreements and everything else, you don't have a

1 choice.

2 Now, I moved into an area where my cable for more
3 channels than I've got right now was \$11 a month and was part
4 of the homeowners association. And they were bought out by the
5 local cable company, who I guess now is Brighthouse (phonetic),
6 I guess, Time Warner, Brighthouse, or whatever. And the basic
7 cable rates have constantly gone up, and gone up, and gone up.
8 And I have less channels initially when they took over my
9 system than what I had when I had it. The same thing with the
10 telephone stuff. I mean, I have a cell phone. Yes, I have a
11 cell phone from work and a cell phone that I use personally. I
12 use a calling card to call long distance because I can buy a
13 calling card and get long distance for 3.5 cents a minute. And
14 if I don't use my calling card, because I do call Germany and a
15 I don't use a calling card on it, I only pay 14 cents a minute
16 for long distance, or 12 cents, whatever it is through AT&T.

17 So sitting here and telling me that you are going
18 increase my basic home telephone rate and increase long
19 distance competition or increase this competition, I'm sorry, I
20 haven't seen any. The airline industry wanted to be
21 deregulated to increase competition. There wasn't any
22 increased competition. All these things that we deregulate or
23 do price changes to increase competition because of government
24 regulation more than anything else, there is no competition. I
25 mean, I can't decide that I want to go with somebody else to

1 get my power in this area, because Florida Power and Light has
2 got the only name in the game. They are the only name in town,
3 and there is a reason for that and I understand that.

4 But I think one gentleman hit it on the head. Most
5 of the infrastructure that is in the telephone companies today
6 is bought and paid for 100 times over. And everything you are
7 getting right now is more profit than anything else. You know,
8 I haven't seen one good reason, or have not heard one good
9 thing from the telephone companies as to why they need more
10 money. One lady said you can't get anybody on the phone. Most
11 of the people don't realize when you dial a number what you get
12 is a very updated computer that has a real good voice that
13 sounds like a human being on it, and it is not a human being on
14 the end of that thing. It is not like the days when 2001: A
15 Space Odyssey was out there and HAL was talking. Those days
16 are long gone. We are sophisticated now. What you get is a
17 computer with a whole bunch of menu selections. Do this, do
18 this, do this, or et cetera.

19 I don't understand the reason for the rate. And I'm
20 not on Social Security yet, but there are people in here that
21 have talked about their cost of living, and they might have
22 been 2.1 percent Social Security cost of living, but on the
23 other end of that thing their Medicare premium went up. So I
24 think their cost of living increase might have been like minus
25 5.8 percent when it all balances out. I just think it is a

1 real bad idea and especially in a time like this.

2 You can talk about modern communication, you can do
3 this, to me the most modern communication is if every telephone
4 call were to go up to a satellite and then be gone somewhere
5 else so that when you have a storm come through, it doesn't
6 take down the telephone lines or anything else as hurricanes
7 and everything else have done. I mean, that technology is up
8 there, but it is too expensive right now. I would be willing
9 to bet they can do it, but it is too expensive right now. So,
10 I mean, what are they going to get, what is the increase in
11 fees going to give us? And don't tell me competition, because
12 there isn't any. That's it. Thank you.

13 CHAIRMAN JABER: Thank you, sir.

14 MR. BECK: Chairman, Mr. Davidson is the last person
15 who signed up.

16 CHAIRMAN JABER: There was someone we were going to
17 call out again.

18 MR. BECK: Ms. Radulovich. Ms. Radulovich.

19 CHAIRMAN JABER: Okay. Before we adjourn, let me ask
20 is there anyone else that wishes to testify? And, sir, you
21 weren't here when I administered the oath, right? Let me have
22 you stand and raise your right hand.

23 (Witness sworn.)

24 CHAIRMAN JABER: Thank you, sir. When you come up, I
25 need you to state your name since we don't have it here. Is

1 there anyone else in the audience that wishes to testify? Go
2 ahead, sir.

3 MAURICE GREENBERG

4 was called as a witness on behalf of the Citizens of the State
5 of Florida and, having been duly sworn, testified as follows:

6 DIRECT STATEMENT

7 MR. GREENBERG: Good evening and thank you for being
8 here. My name is Maurice Greenberg. I live in Ormond Beach.
9 And I really didn't intend to speak tonight, however I have
10 been listening the whole evening to what has been going on and
11 it is a little depressing. It sounds to me like everyone from
12 the chamber of commerce, which represents big business, is
13 enthusiastic about an increase, and the ordinary resident who
14 has to pay these increases obviously is against them. It is a
15 very strange thing that telephone companies will ask for an
16 increase that is revenue neutral. Why ask for an increase that
17 is revenue neutral? If you don't benefit from it, why do you
18 want it? Obviously it isn't revenue neutral.

19 And looking at the size of the increases, the three
20 different companies have very, very, different increases. And
21 if competition is what drives these things, it looks to me like
22 Verizon and Sprint are going to go out of business since
23 BellSouth is the most reasonable. BellSouth proposes an
24 increase that over a three-year period of time it looks to me
25 like it is roughly an 18 percent increase. And what I hear

1 tonight is followed by that they can get a 20 percent increase
2 every year. The government doesn't increase my Social Security
3 20 percent every year.

4 And I find it also interesting that the governor who
5 vetoed this bill last year signed it this year because he
6 doesn't have to run for office again. I find that fascinating.
7 So it seems to me that what should benefit the consumer,
8 according to what the charge is, will do nothing for the
9 consumer. After all, it has to take years before competition
10 will be there that will drive these costs down. And by that
11 time, many of us will be long gone. So, I think it is
12 something that this commission ought to consider very
13 carefully. Thank you very much for your time.

14 CHAIRMAN JABER: Thank you, sir, for being here.

15 UNIDENTIFIED SPEAKER: Especially in the State of
16 Florida.

17 CHAIRMAN JABER: Let me again state that this is the
18 tenth hearing, tenth public hearing in fourteen. And we really
19 appreciate you all being here with us tonight, both
20 Commissioner Davidson and I, and being part of the process. We
21 will evaluate all of the information as we deliberate on this
22 proceeding.

23 Thank you, and that concludes this hearing.

24 (The service hearing concluded at 8:25 p.m.)

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STATE OF FLORIDA)

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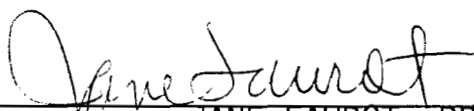
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED THIS 10th day of November, 2003.



JANE FAUROT, RPR
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