

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.

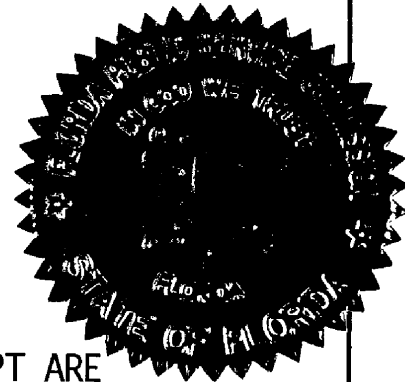
DOCKET NO. 030867-TL

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: MIAMI SERVICE HEARING

BEFORE: COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER RUDOLPH "RUDY" BRADLEY

DATE: Thursday, October 30, 2003

1 TIME: Commenced at 6:30 p.m.
2 Concluded at 9:26 p.m.

3 PLACE: Crowne Plaza Hotel
4 950 N.W. LeJeune Road
5 Miami, Florida

6 REPORTED BY: LINDA BOLES, RPR
7 Official FPSC Reporter
8 (850) 413-6734
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1 APPEARANCES:

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3 c/o The Florida Legislature, 111 West Madison Street, Room 812,
4 Tallahassee, Florida, 32399-1400, appearing on behalf of the
5 Office of Public Counsel.

6 MICHAEL B. TWOMEY, ESQUIRE, P.O. Box 5256,
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9 NANCY WHITE, ESQUIRE, and MARSHALL CRISER, III, Vice
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12 Tallahassee, 32301-1556, appearing on behalf of BellSouth
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15 ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak
16 Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf
17 of Commission Staff.

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P R O C E E D I N G S

1
2 COMMISSIONER BAEZ: I'd like to call this hearing to
3 order. Good evening. My name is Braulio Baez. I'm a member
4 of the Public Service Commission. And to my right is
5 Commissioner Rudy Bradley. We'll be presiding over this public
6 hearing today. I have some brief comments in Spanish for those
7 of you who have trouble with the language.

8 I want to welcome you all here. This is a public
9 hearing to take comment on the petitions that have been filed
10 by BellSouth in this territory, along with other incumbent
11 local companies around the state. The information on the case
12 is in the yellow pamphlet that you may have received or taken
13 from the table outside. If you don't have one, I urge you to
14 go and get yourself one. It provides all the information as to
15 the case that might be informative for you.

16 In a few minutes, just to give you a breakdown on
17 what we're going to do today, in a few minutes we're going to
18 take appearances. This is an official public hearing; it is on
19 the record. You can see the court reporter here to my left.

20 We'll be hearing opening comments from the parties;
21 that is, the petitioning company, BellSouth in this case,
22 there's another party representing the AARP tonight, and also
23 the Office of Public Counsel. They're going to have some brief
24 comments. After that, we're going to have a brief presentation
25 by the Public Service Commission staff to try and frame the

1 issue for those of you that are going to speak before us today.
2 The law, in case you haven't had a chance to go over it,
3 establishes certain, certain questions, if you will, that the
4 Commission has to answer as it considers these petitions. And
5 the staff -- there's a PowerPoint presentation that tries to
6 clear that up for everyone. I know I speak for my fellow
7 Commissioner when I, when I ask that if you pay close attention
8 to the presentation, it will help you. It will help us much
9 more if you, if you try and answer those questions for us or
10 tailor your comments to try and answer those kinds of issues
11 for us, because those are really the things that we're looking
12 to hear from you.

13 Moving on, if you'll indulge me, I'd like to give a
14 welcome in Spanish briefly.

15 (Statement by Commissioner Baez in Spanish.)

16 COMMISSIONER BAEZ: Now I think we're -- we'll have
17 counsel read the notice. Ms. Christensen, if you would.

18 MS. CHRISTENSEN: By notice issued September 23rd,
19 2003, this time and place has been set for a customer hearing
20 in Dockets Numbers 030867-TL, petition by Verizon Florida,
21 Inc.; 030868-TL, petition by Sprint-Florida, Incorporated; and
22 030869-TL, petition by BellSouth Telecommunications, Inc. The
23 purpose of this hearing is as set forth in the notice.

24 COMMISSIONER BAEZ: Thank you. We'll take
25 appearances.

1 MR. CRISER: Marshall Criser and Nancy White for
2 BellSouth.

3 MR. TWOMEY: Mike Twomey appearing on behalf of the
4 AARP.

5 MR. BECK: My name is Charlie Beck with the Office of
6 Public Counsel.

7 MS. CHRISTENSEN: Patricia Christensen, along with
8 co-counsel Felicia Banks, with Dick Durbin, who is providing
9 information out front, appearing on behalf of the Commission.

10 COMMISSIONER BAEZ: Thank you, Ms. Christensen.
11 We're going to move now to the different presentations of the
12 parties. And I do want, I do want to ask a question, and I'll
13 ask it in Spanish and you'll understand why.

14 (Statement by Commissioner Baez in Spanish.)

15 COMMISSIONER BAEZ: For those of you -- I'm just
16 asking to see, I'm trying to gauge how much -- we have, we have
17 a translator here for those that speak Spanish and don't speak
18 English, and I'm trying to gather information -- maybe we can
19 cut down on this time and that way we don't have to translate
20 the comments by the company. So if anybody wants to raise
21 their hand now, those of you that don't speak English.

22 (Statement by Commissioner Baez in Spanish.)

23 COMMISSIONER BAEZ: Ms. White, you can proceed. And,
24 Karen, I don't think we're going to need to translate the
25 comments that come. Thank you.

1 Go ahead.

2 MS. WHITE: Mr. Criser will be giving the
3 presentation.

4 COMMISSIONER BAEZ: Mr. Criser, I'm sorry. I keep
5 wanting to hear from Ms. White, but apparently I'm not going to
6 get the chance. Thank you. You guys go ahead.

7 MR. CRISER: Good evening. Again, I'm Marshall
8 Criser. I'm here tonight representing BellSouth. As you may
9 already know, following a decision by the Florida Public
10 Service Commission, BellSouth refiled its proposal on September
11 30th. What I'd like to do is take just a couple of minutes and
12 summarize the proposal as we've revised it for you.

13 Specifically our revised proposal will reduce the
14 in-state toll access charges in three 12-month increments
15 instead of the two increments that we previously requested.
16 These reductions will reduce the amount that BellSouth charges
17 to long-distance carriers for in-state toll calls, excuse me,
18 to the same amount as we charged them for calls that go between
19 states. These reductions will apply to calls that you make
20 from your home telephone, as well as to calls that you may make
21 with a prepaid calling card like a Sam's card or through access
22 numbers like 1-800 or 10-10 services.

23 The implementation of our proposal will require that
24 the long-distance carriers reduce their charges to you by an
25 equal amount. By law, the amount of these reductions must be

1 equal and is subject to verification by the Public Service
2 Commission. If our proposal is approved, we plan to implement
3 adjustments in our other rates to offset those proposals.
4 Specifically we plan to simplify the rate that we charge for
5 business single-line service by reducing the 12 rate groups
6 that we currently have in Florida to three rate groups, and we
7 plan to implement that over two years.

8 In addition, we have modified our previous proposal
9 to adjust the rate for basic residential basic service to a
10 three-increment implementation rather than two increments that
11 we previously proposed. Specifically we're proposing to adjust
12 that rate by \$1.25 in 2004 and 2005, and by approximately \$1 in
13 2006. However, we have continued our voluntary commitment to
14 extend the exemption for Lifeline customers to the full four
15 years that could be provided under the statute in Florida. We
16 also plan to adjust our nonrecurring charges by approximately
17 17 percent over the same three increments that we plan to
18 adjust the residential basic services for. Again, all of these
19 adjustments are subject to verification by the Public Service
20 Commission to ensure that they are revenue neutral to
21 BellSouth.

22 BellSouth has continued to pursue this effort because
23 we believe that a strong economic foundation and competition
24 are essential to Florida and to Florida's telephone customers.
25 We appreciate you taking the time tonight to participate in

1 this process. Thank you.

2 COMMISSIONER BAEZ: Moving on down. Mr. Twomey.

3 MR. TWOMEY: Thank you, Mr. Chairman, Commissioner
4 Bradley, ladies and gentlemen. I'm Mike Twomey. I'm appearing
5 on behalf of the AARP and their 2.6 million members in the
6 State of Florida who have intervened in these cases in order to
7 kill the rate increases in their totality inasmuch as they are
8 not deserved in our view.

9 I'm going to take a few minutes and tell you how AARP
10 views these cases. First of all, they're the largest rate
11 increases in the history of this state; it's \$355.5 million a
12 year that will go to single-line business and residential
13 customers only.

14 The telephone companies took two years to get this
15 law passed. They courted the Legislature, massive campaign
16 contributions, heavy lobbying, and won last year, finally got
17 the Governor to sign it. It's now a law. Certain provisions
18 of the law may benefit consumers without the rate increases
19 being granted, and it's key that y'all understand that.

20 The underlying theory of the law presented to the
21 Legislature was laughable on its face. The companies came in
22 basically and said, we've taken two years, three years or more,
23 spent millions of dollars in expenses to get this law passed.
24 And, if successful, what's going to happen, ladies and
25 gentlemen, is we're not going to make any money. They say this

1 is revenue neutral. You've heard it; now you'll hear it from
2 the staff again. We're not going to make any money. And if
3 we're successful in what we're trying to do with these rate
4 increases, we're going to lose tens of thousands of customers.
5 It doesn't wash.

6 The AARP believes the real reason the telephone
7 companies are doing this is that they are losing
8 9 to 10 percent per year of what's called access revenues,
9 interestingly enough, as a result of competition -- from cell
10 phones, e-mail and calling cards. They're losing that money
11 that they get from the long-distance companies in the State of
12 Florida. Excuse me. And what they've done in a rather
13 brilliant but diabolical stroke is they've decided they'll have
14 this case and they'll say, we're going to shift \$355.5 million
15 a year of access revenues that's a shrinking pot from the
16 long-distance companies, and we're going to put it on the backs
17 and shoulders of residential customers and single-line little
18 businesses. And since they wrote every word of the law, what
19 they did -- one of the first things they did was they wrote out
20 their big business customers. Big business, anybody with over
21 two lines, multiple lines, don't get any rate increases at all,
22 ladies and gentlemen. They wrote them out.

23 Unfortunately, AARP feels and fears that the rate
24 reductions that the company told you about in in-state toll
25 calls, those could go legally as much as 99 percent to the big

1 business customers that don't pay any local increases.

2 And you're going to hear, undoubtedly, a number of big
3 business type customers here represented by chambers and others
4 who are going to say, we are more than happy, ladies and
5 gentlemen, to see you retirees, low income people, residential
6 customers and small businesses have your rates raised by as
7 much as 35 to 51 percent per year so that we might enjoy the
8 fruits of the law and get the benefits of the in-state
9 reductions. They're not going to say that, but that's what
10 they're really going to mean.

11 Since the pot of money is shrinking by 9 to 10 percent
12 per year, this access, if they get these rate increases, it's
13 better to transfer the responsibility for all this money to the
14 backs of the residential customers as soon as possible. Okay?
15 This is why, despite the fact that they promised the
16 Legislature, BellSouth did, that they were going to implement
17 their rate increases over three years to, quote, reduce rate
18 shock for our customers, they reneged and came in with two
19 years. The other two companies in these cases were worse.
20 Verizon and Sprint said, we're going to do it over four years.
21 They came in with two years as well. And the only reason
22 they're doing it, and I understand, is because this pot of
23 money is shrinking rapidly. They needed to cut their losses
24 and cut them quickly and put them on the residential customers.

25 Now the AARP believes fully that the Public Service

1 Commission, consistent with what the companies told the
2 Legislature and what the legislators said when they voted for
3 this bad bill, is that the Public Service Commission has the
4 complete discretion to deny these rate increases if, one, they
5 don't find that these companies prove that actual competition
6 will not result in the local service. Not maybe competition,
7 but actual competition. And, two, have both -- two, that
8 residential customers have to benefit. And the AARP and the
9 Public Counsel, I believe, believe that you can't benefit,
10 ladies and gentlemen, if you're a residential customer unless
11 you have the opportunity to break even on your total monthly
12 bill as a result of the in-state rates going down. And we say
13 that's impossible to know in these cases because while the
14 local companies succeeded in getting the long-distance
15 companies to work with them in passing this bill, they haven't
16 brought them in these cases, and we don't know, the companies
17 don't know, the Commissioners don't know, there's not one word
18 of data or testimony in these cases on how much these in-state
19 rates are going to amount. Hence, we can't begin to tell and
20 the Commission can't begin to tell if residential customers
21 have a chance at breaking even.

22 As a result of that, the AARP several weeks ago filed
23 a motion to dismiss the case, cases for failure of the
24 companies to join indispensable parties because we don't know
25 what's going to happen. That's going to be ruled on or at

1 least considered next Monday.

2 I want to close by telling you what will happen and
3 what won't happen if the PSC denies these increases, as they
4 should, versus if they grant them, which they shouldn't.

5 Rates. These companies -- you may hear some
6 witnesses out there that are the business types that say they
7 deserve a chance to make more money, they haven't had a rate
8 increase for a long time. They're a declining cost business.
9 Their rates went down for years until they wrote a bill to stop
10 it. They can still raise their rates, ladies and gentlemen,
11 and the law provides that they can raise their basic local
12 rates by the rate of inflation minus one percent. It's kind of
13 like what y'all are getting in your COLA if you're receiving
14 Social Security next year.

15 If they grant the increases, they can raise the rates
16 for BellSouth 35 to 51 percent; for the other companies, as
17 much as 90 percent over the course of a mere two years. And
18 after that, they can raise their rates 20 percent per year
19 without asking anybody's permission. They will tell you, we
20 wouldn't do that. They wrote it in the law. Of course they
21 will. But they can do it.

22 Quality of service. Right now one of the few
23 remaining areas of jurisdiction that the Public Service
24 Commission has over local telephone companies is the ability to
25 monitor their quality of service and make sure they meet

1 minimal standards. If the petitions are denied by the
2 Commission, that remains solid, that jurisdiction and that
3 ability to help y'all with the quality of service. If they
4 grant the petitions, these companies, within as little as two
5 years, can take that authority away from the PSC and make them
6 try and get it back.

7 Last area, Lifeline protection, eligibility.
8 BellSouth was obliged as a result of the settlement with Jack
9 Shreve, the former Public Counsel who is in the audience, to
10 expand their Lifeline eligibility to 125 percent of the poverty
11 level anyways. They made it a virtue of necessity in this
12 legislation by saying they would increase it to 125. Okay? It
13 stays at 125 percent whether the rate increases are granted by
14 the Commission or denied. Okay?

15 The second area of Lifeline that's very important to
16 understand and especially important for those that might get up
17 and testify that they think there should be rate increases
18 because of the Lifeline aspect; that is, if the petitions and
19 increases are denied, nobody gets rate increases, including the
20 Lifeline beneficiaries. Okay? Nobody gets them at all except
21 for your basic rate increases; inflation minus one percent. If
22 the increases are granted, all of us will get -- those of us
23 not on Lifeline and the residential and single-line business
24 will get rate increases in the first two years. The Lifeline
25 recipients will only get \$13 to \$13.50 of assistance for their

1 bills, will get the increases in from two to four years, and
2 there's no provision in the law or anyplace else to give them
3 more assistance to help them meet the increases. Okay? AARP
4 fears that many of these people, who are by definition very low
5 income, below poverty level, will lose their service.

6 I want to urge you to look at the, the AARP handout
7 on the back. There's a Web site link, if you have a computer.
8 Go to that, see what the AARP is doing to try to help you. You
9 can communicate to the Public Service Commission through there
10 and to your legislators who may have voted for this
11 legislation.

12 Lastly, let me say, get up and testify. Don't be
13 afraid about the oath you're going to have. It's an official
14 deal; you need to be under oath. And tell the Commission the
15 business about competition they want to hear, and tell them you
16 don't think it makes any sense at all to pay for competition in
17 this country. That's not the way it's supposed to work. You
18 don't buy competition. Competition brings you better services,
19 more choices at lower rates. And lastly, tell them -- if you
20 can't afford rate increases, tell them. And, secondly, if you
21 can afford it but you don't think it makes any sense, tell them
22 that, too. Thank you very much.

23 COMMISSIONER BAEZ: Thank you, Mr. Twomey.

24 Mr. Beck.

25 MR. BECK: Thank you, Commissioner Baez.

1 Good evening. My name is Charlie Beck. I'm with the
2 Office of Public Counsel, and I'll be relatively brief. But
3 many of you may not be familiar with our office. I thought I'd
4 describe it first. We have a relatively small office. We're
5 less than 120th the size of the Public Service Commission. But
6 we're completely independent of the Commission and we appear
7 before them as advocates in proceedings. So we -- just like
8 any other party, we will cross-examine the witnesses, we engage
9 in discovery, we get to file briefs with the Commission and
10 argue before them, and we can appeal their decisions to the
11 Florida Supreme Court, if we decide that's the thing to do.

12 Jack Shreve was the Public Counsel for 25 years. He
13 recently retired. He's here in the audience. Jack, I was
14 wondering if you could stand or identify yourself to everybody.

15 Jack is now working with Attorney General Charlie Crist and
16 has been at all the hearings so far monitoring the cases as
17 they're going on.

18 Early on in the case all three companies, BellSouth,
19 Verizon and Sprint, filed for rate increases or rate changes
20 that would have taken place over a 12-month period. They had
21 proposed two increases; one to take place January 1st, 2004,
22 and the second to take place one year later. We moved to
23 dismiss those petitions because we felt it violated the
24 criteria that the statute sets forth for this. The statute
25 says that the rate changes have to take place over a period of

1 no less than two years. And the Commission agreed with our
2 motion to dismiss and they dismissed the petitions by all the
3 companies. I think their decision is important for a number of
4 reasons. First of all, they did throw out the first cases that
5 the companies filed. And second of all, it shows that they
6 have wide discretion to either grant or deny the petitions that
7 the companies have filed. And that makes your testimony here
8 very important tonight because it's part of the record and it's
9 part of what the Commission can rely on when they make their
10 decision.

11 Since that time the companies quickly refiled their
12 cases. We've been engaging in discovery where we ask the
13 companies to produce documents, we ask them to answer questions
14 under oath. We've had to file motions with the Commission to
15 try to force the companies to provide the documents we've asked
16 for. Commissioner Bradley, the prehearing officer, has ruled
17 on our first set of motions and has largely granted them and
18 required the companies to produce information.

19 We have hired expert witnesses who will be filing
20 testimony tomorrow. And based on our review of the information
21 we've gotten from the companies, we do not believe that they
22 have met the criteria of the statutes for granting their
23 petitions. The companies have to show that the local
24 ratepayers are subsidized by access charges. We don't believe
25 that's true. They have to show that their proposals would

1 benefit residential customers. We don't believe that's true.
2 And they also have to show that the petitions would enhance
3 market entry by their competitors. We don't believe that's
4 true.

5 One of our witnesses is a professor of economics at
6 Queens College in New York. He's a visiting scholar at MIT's
7 consortium about the convergence of telephony and the Internet.
8 And then we have another consultant who will talk about the
9 practical aspects and the effect on customers.

10 So we thank you for coming tonight. I'm going to do
11 my best to try to call everybody in exactly the order that you
12 signed up for when you came in this evening. Okay. Thank you.

13 COMMISSIONER BAEZ: Thank you, Mr. Beck.

14 Ms. Christensen.

15 MS. CHRISTENSEN: Thank you, Commissioner.

16 As was just stated, we are here to hear from you, the
17 customer. Commission staff has put together an overview of
18 this legislation in the process. As noted before, three
19 dockets have been established to address each of the petitions.

20 Each of the companies have filed revised petitions:
21 BellSouth refiled its petition on September 30th, 2003; Sprint
22 refiled its petition on October 1st, 2003; and Verizon refiled
23 its petition on October 2nd, 2003.

24 The next slide shows the -- Section 364.164 is
25 entitled, "Competitive Market Enhancement." Under this section

1 the local telephone company may decrease the rates charged to
2 long-distance companies for access to its network in a manner
3 that's revenue neutral.

4 The Public Service Commission must consider four
5 criteria in reaching its decision on each of the companies'
6 requests. First, the Public Service Commission must consider
7 whether saying yes to the petitions would remove current
8 supports for basic local telecommunications service that
9 prevents the creation of a more attractive, competitive local
10 exchange market for the benefit of residential customers;
11 second, the Commission must consider whether the petitions will
12 induce enhanced market entry; third, the Commission must
13 consider whether the petitions will require intrastate switched
14 network access rate reductions to parity over a period of not
15 less than two years or more than four years. Parity means that
16 the Florida in-state, in-state access rates equal those for
17 state-to-state calls. And finally, the petitions must -- and
18 the Commission must consider whether the petitions will be
19 revenue neutral. Revenue neutrality is defined as changes in
20 access revenues offset by equal changes in local rates.

21 Today at this customer hearing the purpose is to
22 receive customer testimony regarding the following four
23 criteria: To what extent there is competition in your area for
24 basic local telephone service, and what types of competition
25 you would like to see; second, your comments on the extent of

1 competition that already exists in your area; third, whether
2 you believe there are other options available to you for local
3 phone service; and, fourth, whether you would like more options
4 or services than are currently available to you and what those
5 types of services might be. Finally, the Public Service
6 Commission wants to hear from you, the customer.

7 The Commission's process. As noted before, requests
8 were filed by the local telephone companies. Second, the
9 process must be completed within 90 days. This process would
10 be concluding towards the end of December. Third, public
11 hearings have been held where the customers have testified,
12 just as they will tonight. Fourth, the technical hearing will
13 be held December 10th through 12th in Tallahassee. And
14 finally, during the technical hearing the companies and
15 opposing parties will present evidence to litigate the issues
16 that were discussed previously.

17 For the technical hearing each party is responsible
18 for filing testimony, conducting depositions, attending the
19 prehearing conference that is to be held in Tallahassee,
20 putting on witnesses and conducting cross-examination.

21 And finally, after the hearing Commission staff will
22 prepare a recommendation based on the testimony given at the
23 customer hearings as well as the technical hearing, which will
24 be held in Tallahassee. When the final recommendation is
25 presented, no participation from the utility or customers will

1 be permitted. Then the Commission will take a final vote and
2 an order will be issued, and any of the parties may seek review
3 of the decision by the Commission to the Florida Supreme Court.

4 Thank you for your attention.

5 COMMISSIONER BAEZ: Thanks, Ms. Christensen.

6 Mr. Shreve, I know that Attorney General Crist wanted
7 to be here. Do you want to give any quick comments on his
8 behalf?

9 MR. SHREVE: If I could.

10 COMMISSIONER BAEZ: Okay.

11 MR. SHREVE: Attorney General Crist would be here
12 tonight, if he possibly could. He's trying to attend as many
13 of the hearings as he possibly could. He's asked me to attend
14 all of them and monitor them and to report back to him. He's
15 very interested in what the customers have to say, and we look
16 forward to hearing what you have to say tonight. Thank you.

17 COMMISSIONER BAEZ: Thank you, Mr. Shreve.

18 Can I ask everyone that signed up to give testimony
19 tonight, please stand up and raise your right hand.

20 (Statement by Commissioner Baez in Spanish.)

21 (Witnesses collectively sworn.)

22 MS. CHRISTENSEN: Commissioner, staff would note that
23 there are several exhibits that were presented in previous
24 hearings that have been identified for the record --

25 COMMISSIONER BAEZ: Yes.

1 MS. CHRISTENSEN: -- but which have not yet been
2 moved into evidence.

3 COMMISSIONER BAEZ: And if there's no objection, at
4 this point we'll accept them into the record. And that would
5 be --

6 MS. CHRISTENSEN: Hearing Exhibit 1, 2 and 3.

7 COMMISSIONER BAEZ: -- Exhibits 1, 2, 3. Okay.
8 Thank you.

9 (Exhibits 1, 2 and 3 admitted into the record.)

10 COMMISSIONER BAEZ: Mr. Beck, I think we're ready to
11 begin.

12 MR. BECK: Thank you, Commissioner Baez. The first
13 witness is Mike Dan.

14 MIKE DAN
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. DAN: Good evening, friends, everybody here
19 tonight. I'd like to address -- my name is Mike Dan and --

20 COMMISSIONER BAEZ: Can you spell your last name,
21 Mr. Dan?

22 MR. DAN: What?

23 COMMISSIONER BAEZ: Can you spell your last name for
24 us?

25 MR. DAN: D-A-N.

1 COMMISSIONER BAEZ: Oh, okay. That was good.

2 MR. DAN: I'm a South Florida resident living in Palm
3 Beach County, and I'd like to address two issues here tonight.
4 I will not be too long, I promise you.

5 One regards open -- regarding open and fair
6 competition versus certain possibly anticompetitive actions
7 taken by BellSouth that reduces competition, while on the other
8 hand BellSouth is saying this price increase is to increase
9 competition.

10 I'm going to refer directly to a program that
11 BellSouth started about three to six months prior to publicly
12 announcing that they wanted to have a price increase. That
13 program was to offer the public a 25-percent discount on their
14 BellSouth bill if they agreed to stay as customers of BellSouth
15 for up to three years. Well, with this new price increase
16 request of approximately 20 percent, this will negate not
17 100 percent of that 25-percent discount out of the present
18 rates, but about 80 to 90 percent of it will be evaporated.
19 And if the customer wants to go to a competitor for any reason,
20 not that they can't, but they'll be severely penalized
21 financially based on the agreement that BellSouth had them
22 sign. So I feel that if this is truly for competitive purposes
23 to increase competition, then BellSouth, before being granted
24 this increase, should be required to eliminate the penalty for
25 any customer who wants to leave for a, to a competitor for any

1 reason, since they signed that with good faith thinking that
2 they're going to be receiving discounts on their present rates.
3 In reality BellSouth knew clearly that when they were offering
4 this 25-percent discount with the right hand, that they would
5 take it, almost all of it right away with the left hand. And
6 even though they continue to get discounts in the future for
7 the three-year period, the discounts are on a, on a bill that's
8 now going to be increased by 20 percent. So the 25 percent is
9 malarkey. That's the first thing that I wanted to address is
10 that if the bill is really for the increase of about a third of
11 a billion dollars a year, it's going to be handed as a gift
12 almost to BellSouth, BellSouth should be required, in order to
13 receive this gift of a third of a billion dollars from every
14 consumer that's contributing to this, whether they be small
15 business or residential, they should eliminate this restrictive
16 anticompetitive clause they have inserted in thousands and
17 thousands of people's bills. That's part one.

18 Part two is in the offering of the sale of, of
19 telephones or equipment to the public, the BellSouth operators,
20 customer service operators offer a program that sounds very
21 attractive. Would you like to have a new caller -- a telephone
22 with built-in Caller ID for whatever price? And we hope you
23 like it. But if you don't like it, you can return it for a
24 full credit without any problems. Well, that sounds great.
25 Well, I figured I'd surprise my wife, and I ordered two phones.

1 one for her, one for myself, without her knowing it in advance.
2 And when she -- the phones arrived. When she saw the phones --
3 I tried to put them aside for a special occasion. When she saw
4 them, she didn't care for them. And she said, they're not
5 going to be here in this house; they're not going to be in the
6 bedroom, the living room, anywhere. I said, all right. I
7 called up BellSouth, I'd like to return them, and I made the
8 arrangements.

9 Then the phones -- I thought my wife had returned
10 them, but apparently she just put them out of sight. When I
11 realized and found them, oh, my, they were not returned, I
12 called up BellSouth with an apology. I was told by an operator
13 that BellSouth would send a label that you just stick on the
14 box. They had never been used. She saw them, she opened it,
15 looked at it, said, I don't want it. And I called up
16 BellSouth, and they said, I'm sorry. It's over 30 days. We
17 can't take them back. I said, what do you mean? I said,
18 they're brand new. It's two months, it's two months and seven
19 days. She said, I'm sorry. This is BellSouth policy. I said,
20 BellSouth policy? I said, you can go to any top office supply
21 house, whether it's Office Depot, Office Max, Staples,
22 Wal-Mart, any one, and they don't have a restrictive -- a
23 restriction that says 30 days or you have to keep it or you
24 have to pay for it. I said, I want to return it. I don't want
25 the phone. And she said, I'm sorry. You have to keep the

1 phone.

2 I said, I'd like to speak to your supervisor. And
3 she says, one moment, please. Then she comes back and says,
4 our supervisor is not available. I said, you're going to tell
5 me in a giant organization such as BellSouth there's no other
6 supervisor who you can transfer me to? She said, I'm sorry.
7 We'll take your name and phone number and someone will call you
8 back within 24 hours. Never got the call.

9 So I called again today and, again, the supervisor is
10 not available. We'll have someone call you. But -- and I
11 said, well, I'll speak to anybody right now, and she connected
12 me to a supervisor who seconded the same thing. It's over 30
13 days. We can't take it back. I said, but I was told when I
14 ordered the phones, if I ordered them, I don't remember the
15 detail, but I think I'll try them. I was told clearly that if
16 you're not happy with them for any reason, you can return them.
17 I was never told that you have to return them -- you ought to
18 return them within 30 days or you have to keep them.
19 That's 200 and some odd dollars for the two phones. They said
20 originally that I just had to send it back insured to such and
21 such an address.

22 Well, they said, well, it's written in a pamphlet.
23 Written in what pamphlet? It's in the box. I said, we didn't
24 get that far. My wife looked at the receiver, saw that the
25 latch or the catch where the receiver fits onto the phone is so

1 flimsy that if you hang it up or put it on the tilt, it's going
2 to fall off. We had that problem once before. And she said, I
3 don't want the phones. I don't like the phones. I don't like
4 the style of them.

5 The BellSouth operator again, the BellSouth
6 representative said, you have to keep the phone. We are not
7 taking it back. That's our policy. I said, that's a terrible
8 policy. I said, as a customer, I said, not just with myself,
9 my whole family, I said, we contribute thousands of dollars a
10 year. Over a five-year period that's substantial. I said, you
11 want to lose all of this revenue because of a policy with two
12 \$100 phones or approximately that? She said, that's our
13 policy. I said, that's a terrible policy. If you're going to
14 say that you can't return it after 30 days, you should instruct
15 every employee who offers the equipment to say it clearly at
16 the same time, that if for any reason you don't want the
17 phones, you can return them only during the first 30 days but
18 not thereafter. And that was never told to me. She said,
19 well, it's in the pamphlet. I said, we never saw the pamphlet.
20 So it's at a stalemate right now, and I think that's
21 outrageously wrong. If it's committed against me, it's
22 possibly committed against God knows how many thousands of
23 others who decide they don't want it, don't get it back to
24 BellSouth within a so-called 30-day time frame -- I think
25 that's wrong and it should be addressed and changed.

1 COMMISSIONER BAEZ: Well, Mr. Dan, two things. I do
2 feel for you. I mean, who hasn't had that happen to them. And
3 I think, I think having told that story here in front of
4 everybody, perhaps there's a representative of BellSouth
5 somewhere around that you might be able to, to rediscuss this.

6 MR. DAN: All right.

7 COMMISSIONER BAEZ: One of the many things that we,
8 that the Public Service Commission doesn't regulate is the
9 products side of the businesses. So --

10 MR. DAN: It's the policy. It's not the product.
11 It's the policy.

12 COMMISSIONER BAEZ: Well, and along with not
13 regulating their, their products, the hard products in essence,
14 the telephones and so on, equipment that they, that they sell
15 to their customers, we don't have any jurisdiction over the
16 policies of it. But I suspect that in this particular case you
17 may find someone in the back of the room that might be able to
18 talk to you about it and maybe, maybe figure out some
19 resolution to it. If they can raise their hand. Ms. Sims,
20 you're wearing red today, so you, you draw the duty. You can
21 talk to Ms. Sims. Perhaps you can come to some kind of
22 resolution.

23 As to the other question that you did present, I'm
24 interested in knowing that, too. I'm not expecting the company
25 to have a position on it. But I think if we can carry that

1 question forward to the appropriate time, I think some kind of
2 clarification, whatever it is, will probably be appropriate.

3 MR. CRISER: Commissioner. Mr. Dan, if you don't
4 mind providing us your account information, I'd be happy to
5 have somebody take a look at it also in terms of the contract
6 that you referred to, because I'm not familiar with anything
7 that would be relative to the proposal we're talking about
8 tonight. But I'd be more than happy to make sure that that's
9 clear for you.

10 MR. DAN: Sure.

11 MR. CRISER: And I'd be happy to provide that to the
12 Commission as well.

13 COMMISSIONER BAEZ: Thank you, Mr. Criser.

14 Mr. Dan, are those -- does that conclude your
15 comments?

16 MR. DAN: That's it.

17 COMMISSIONER BAEZ: Thank you for coming.

18 MR. DAN: Thank you for the opportunity to speak.

19 COMMISSIONER BAEZ: Oh, Commissioner Bradley.

20 MR. TWOMEY: Mr. Chairman, I just wanted to ask him
21 briefly.

22 COMMISSIONER BAEZ: Oh, Mr. Dan, forgive me. I know
23 I sent you away, but as part of the process the parties do have
24 an opportunity to ask the witnesses questions. So if you don't
25 mind just holding on and see if there are any.

1 MR. DAN: Sure.

2 MR. TWOMEY: If I may first, I wanted to correct
3 something that --

4 COMMISSIONER BAEZ: And, Mr. Twomey, before you do
5 that --

6 MR. TWOMEY: I'm sorry.

7 COMMISSIONER BAEZ: -- Commissioner Bradley had
8 something.

9 COMMISSIONER BRADLEY: Yes. I just wanted to point
10 out the BellSouth person in the back who's going to help you
11 out.

12 COMMISSIONER BAEZ: Ms. Sims is the lady in red over
13 there. You can follow her out when you're done.

14 Okay. Mr. Twomey, I apologize.

15 MR. TWOMEY: I'm sorry. I didn't mean to interrupt
16 Commissioner Bradley.

17 CROSS EXAMINATION

18 BY MR. TWOMEY:

19 Q I wanted to clarify something, Mr. Dan. The
20 literature that the AARP handed out -- I kept referring to this
21 as being the largest rate increase in the history of the state,
22 which is true. I didn't want to mislead you into thinking that
23 all of that \$355.55 million was BellSouth's because it's not.
24 Their share of it is \$136.4 million. It's not that -- it's not
25 the whole amount. A third of a billion for them.

1 A So it's an 8th of a billion, 7th of a billion. Every
2 six years is a billion dollars, the bottom line is, which is
3 nice. But then again, it's got to have open, fair competition.
4 And if you say that thousands of customers can't switch away
5 unless they pay a big financial penalty, which most people are
6 not willing to do, that means those people cannot enjoy the new
7 available competition. They're stuck, they're tied up with an
8 anticompetitive clause that's been thrown in, that they're
9 told, if you'd like to have a 25-percent discount on your
10 presents -- I don't know the word "present" was ever pretend
11 (phonetic) -- on your BellSouth service, you have to agree to
12 stay with us for X amount of time. I believe that time is two
13 or three years. And if you leave before that two or three
14 years, you have to pay the difference of however many months is
15 left for a certain amount every month for the either 24
16 remaining months or 30 to 36 remaining months. That's a big
17 penalty. Thousands and thousands of people will not be able to
18 enjoy this so-called new competition. I'm in favor of
19 competition, but for everybody. Not just for those who didn't
20 sign that absolutely anticompetitive agreement.

21 Q Yes, sir. I wanted to ask you about that. First of
22 all, do you have the literature or contract you're referring
23 to?

24 A Not with me. I'll be happy to give it to you. I'll
25 either e-mail it to you or fax it to you.

1 Q Yes. Would you please? And Public Counsel and
2 perhaps the Commission. And did it refer to local service or
3 long distance?

4 A It referred to your BellSouth bill to try -- I think
5 it was -- I don't want to misquote, but I believe it was, you
6 will receive a discount up to 25 percent off your BellSouth
7 bill depending on how long you agree to stay as a BellSouth
8 customer. Okay. That's fine and dandy, if BellSouth at the
9 same time was not planning, and which BellSouth was, to take
10 away that 25-percent discount or gift with this price. So,
11 therefore, it's an anticompetitive measure under the auspices
12 of competition. Competition only for those who didn't sign it.
13 That's not right. It's got to be competition available to
14 everybody without penalty or no competition at all.

15 Q Yes, sir. And if you care to stay after the meeting,
16 I can give you my address.

17 A Sure.

18 Q Thank you. Are you in favor of the rate increases?

19 A I am in favor of competition. Now the exact amount
20 of the rate increase, I'm not qualified to answer that. You
21 guys are much better than I am at that.

22 Q Well, let me ask it this way. If the Public Service
23 Commission has two choices, which they basically have, they
24 can, they can vote these increases up, they can vote them down,
25 and if their choices are to increase -- you're a customer,

1 right, still? If they have the choice of increasing your rate
2 by \$46.32 a year plus the applicable additional taxes and fees
3 or giving you no rate increase, which is your choice?

4 A I think that, believe it or not, there, there should
5 be a third choice. And that choice is based on the rate of
6 inflation in the United States minus one percent is the proper
7 way to address it, not a, a 20 percent. We are not into a
8 20 percent inflation. We may -- I mean, interest rates are
9 down so low it's deflation. If people who are dependent on
10 income who are members of the AARP who are receiving income on
11 whatever assets they have left, that they haven't been forced
12 to sell to meet increased gasoline, fuel costs and other costs,
13 if the rate of inflation is pretty, pretty minimal, then why
14 should BellSouth or any company be allowed to gouge? And
15 that's the word, gouge the public with 20-percent hikes every
16 year. Come on. That's -- if BellSouth needs a rate hike, if
17 they're losing money or about to lose money, all right, grant a
18 rate increase, but not 20 percent, which is possibly ten times
19 the rate of inflation, if we're at a 2-percent inflation rate.
20 I don't think we're at even 2 percent inflation.

21 But if these are the laws of the COLA, and I don't
22 know if they are or aren't -- in Social Security, even in
23 paychecks, if people are granted an increase of minus
24 1 percent, 1 percent less than the rate of inflation, then
25 certainly a company that still really is a monopoly, even

1 though it's competition, BellSouth has just enjoyed the highest
2 price, the highest earnings level in their history or in recent
3 history. I don't know that they need such a tremendous
4 percentage of a rate hike now.

5 I believe in competition, 100 percent fair. I don't
6 believe in unfair competition. But I do feel that, that we
7 should really be serious that if we want to grant a rate hike,
8 do it within economic reasonableness. And if there's a
9 gentleman here who's a professor of economics at one of the
10 schools, let him speak. He's probably more qualified than all
11 of us put together to hear about economics and the correct
12 price hikes, the correct percentages. I mean, unless everybody
13 here is going to profit, you know, through stock options and
14 BellSouth, that's different. But if you're here to do the
15 right thing, I don't know that a 20-percent, yes, is really the
16 right thing. A rate hike, yes, but not 20 percent. And
17 certainly not to only some people who didn't sign that
18 anticompetitive clause. That should be released before Bell is
19 given the right to raise anybody's rates any percent. Then
20 everybody can enjoy the rate, the competition freely, not under
21 duress of penalty.

22 MR. TWOMEY: Thank you.

23 COMMISSIONER BAEZ: Thank you, Mr. Dan.

24 MR. DAN: I thank you for the opportunity to speak.

25 COMMISSIONER BAEZ: Mr. Beck.

1 MR. BECK: The next witness is Sandra Padron.

2 SANDRA PADRON

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 MS. PADRON: Good evening. Good evening. I'm here
7 to represent the consumer. I worked at BellSouth for ten
8 years. I know all their practices of sales and what they do to
9 the consumers, to the old people, to the multilingual people in
10 different states, all nine states. I'm just going to briefly
11 read a statement that I have. And for note, I am against the
12 increase.

13 During so much of the, much of these service hearings
14 we hear about how people can't afford phone service. What I
15 wish to cover is not widely discussed, and that is service
16 quality that will be relaxed or erased from the Public
17 Service -- or the public view. I'm not comfortable with that,
18 and neither should be the consumer.

19 Companies never want to pay employees. I would like
20 to believe that the OSS process was fair and the review of
21 complaints for breach of contracts between BellSouth and CLECs
22 were professionally and ethically done. Unfortunately, this
23 did not occur. From review of e-mails between the Florida PSC
24 employees and Commissioners, Peggy Arvanitas and I have
25 received a shock to our moral conscience. Many rules were

1 broken and violations overlooked for companies that found
2 favors prior to elections. That in itself is another story.

3 I was a ten-year call center employee that was
4 employed by BellSouth during the initial monitoring for the
5 first \$80 million cramming fine imposed on them in 1992. The
6 monitoring ended towards the end of '97. Once that occurred,
7 profits became the policy for BellSouth. As a top salesperson
8 making almost \$50,000 a year in a Spanish speaking call center
9 handling all nine states of BellSouth customers, while employed
10 at BellSouth, five of us protested and wrote a signed formal
11 complaint to the company, the FCC, the Florida Public Service
12 Commission, who did nothing but fire almost all of us except
13 one. Okay. Additionally, I personally protested with a formal
14 certified mailed complaint to the Florida PSC, as well as the
15 Florida Attorney General. You could not even -- the Florida
16 Public Service Commission could not even investigate without
17 three certified letters with evidence from, from me and the
18 Florida Attorney General under office -- under -- sorry, excuse
19 me -- under Bob Butterworth.

20 I have brought the investigation and evidence with me
21 today, and I believe the consumer should be made aware of what
22 has been going on for over four years, because my investigation
23 and the other current employees from 1999 were never opened on
24 a docket. Neither Jack Shreve nor Charlie Beck of the Office
25 of Public Counsel were told by the Florida Public Service

1 Commission that an investigation was underway, although
2 postponed from formal review. The nondocketed investigation
3 did not start until one year later and until I sent my third
4 certified mail of evidence to both the Florida Attorney General
5 and the Florida Public Service Commission. The investigation
6 was completed and the document was given to BellSouth, who
7 proceeded to black out most of the document before publishing
8 it.

9 Why do I bring this up? In 1992 BellSouth had this
10 same problem that resulted in an \$80 million fine. The call
11 center here in Florida handles all nine states. Only Florida
12 received -- Spanish speaking customers receive a Spanish truth
13 and billing statement and bills. The other eight states
14 receive everything in English, a language they don't speak nor
15 read.

16 It is sad that after ten years of service a top
17 selling sales representative and trainer would be terminated
18 for standing up for consumers and then watch as the Florida
19 Public Service Commission and the Attorney General's Office
20 since 1999 did nothing for the consumers in this area, and
21 still -- and this is still going on.

22 The BellSouth state-filed tariff of the call center
23 script was changed to mention that the unlimited calling for
24 \$11.70 is at the end of a five-minute script, which I have with
25 me here today. It's in Spanish. Jack Shreve -- I have it here

1 today with me for Jack Shreve and Charlie Beck. Since the
2 Public Service Commission has not been looking out for the
3 public's interest, I am inviting our congressman to investigate
4 this matter.

5 By the way, I would like to add that I have an e-mail
6 dated October of 2000 where the Public Service Commission
7 investigator, Johnny Hollenstein, gave the cramming report to
8 the Commissioners for review. I believe, Commissioner Baez,
9 you were working for the Public Service Commission at that
10 time, in 2000?

11 COMMISSIONER BAEZ: At some point in 2000, yes.

12 MS. PADRON: Okay. Well, that is my statement. And
13 I do have documentation here for Mr. Beck. If you have any
14 questions about BellSouth, their servicing, anything, you can
15 ask me. I worked there ten years.

16 COMMISSIONER BAEZ: Thank you, Ms. Padron.

17 Right now I have a question for Mr. Beck. I'm at a
18 loss at how to deal with what's been presented. I mean, I'm
19 assuming the parties need to get copies or whatever your intent
20 to, to do.

21 MR. BECK: Certainly.

22 MS. PADRON: I have extra copies, if you need.

23 COMMISSIONER BAEZ: Then give some to Mr. Criser and
24 Ms. White, and let Mr. Twomey have them, too, please.

25 MR. TWOMEY: I would, I would ask, Mr. Chairman, that

1 since she addressed it in front of the meeting, that you enter
2 it in the record.

3 COMMISSIONER BAEZ: Well, we'll identify it. But I
4 --

5 MR. TWOMEY: Or identify it.

6 COMMISSIONER BAEZ: I don't think -- I think this
7 opens up other questions that need to be answered or perhaps
8 need to be thought about how they're answered. I'm not sure
9 that all the questions are before us. I'm not going to make a
10 ruling as to how it gets entered into the record at this point,
11 Mr. Twomey.

12 MR. TWOMEY: Well, I mean, identifying it would be
13 fair.

14 COMMISSIONER BAEZ: We'll identify it as an exhibit.
15 Thank you, Ms. Padron.

16 Mr. Beck, you can make sure that staff gets a copy
17 and the court reporter gets a copy at the appropriate time?

18 MR. BECK: Yes.

19 COMMISSIONER BAEZ: Okay. Thank you. I will give
20 you that responsibility. Thank you.

21 MR. BECK: All right.

22 (Exhibit 4 marked for identification.)

23 COMMISSIONER BAEZ: Mr. Twomey, do you have any
24 questions?

25 MR. TWOMEY: No, sir.

1 COMMISSIONER BAEZ: Commissioner Bradley?

2 COMMISSIONER BRADLEY: No.

3 COMMISSIONER BAEZ: Ms. Padron, thank you very much.

4 MS. PADRON: You're welcome.

5 COMMISSIONER BAEZ: Mr. Beck.

6 MR. BECK: The next witness is Willie Logan.

7 WILLIE LOGAN

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

10 DIRECT STATEMENT

11 MR. LOGAN: Good evening. My name is Willie Logan,
12 and I reside at 1887 Northwest 53rd (phonetic) Place. I'm
13 employed by the Opa-locka Community Development Corporation
14 where I serve as president. In addition to that, I served as a
15 member of the Florida Legislature for 18 years, 12 of which I
16 served in the committee that had jurisdiction over
17 telecommunications. Quite frankly, I'm a little offended by
18 the characterization that the legislative process is one that
19 is driven, is driven like a herd of cattle by special interest
20 groups and that all of its members are incapable of making
21 deliberate decisions in the best interest of their
22 constituents.

23 I'm here this evening for several reasons: One, as a
24 representative of an organization to serve the working poor, to
25 build assets and to become entrepreneurs. The Opa-locka

1 Community Development Corporation, a small business, a
2 not-for-profit neighborhood organization, has 13 phone lines,
3 two of which are dedicated for free income tax services for
4 those individuals who are eligible for earned income tax
5 credits, two of those lines are dedicated for free financial
6 counseling and home ownership programs, and the other lines are
7 either dedicated for computer access or for general operations
8 of the company. And we are a small business that serves the
9 working poor. I'm also here as a user and customer of local
10 phone service, and I also consider myself an informed citizen.

11 I would like to speak on behalf and in favor of the
12 petition to reduce intrastate access fees in a revenue-neutral
13 manner.

14 I subscribe to the premise, as so eloquently spoken
15 and theorized by Adam Smith some 300 years ago, in the economic
16 system that we base in this country, and that is a free market
17 system. I truly believe that under certain conditions and
18 circumstances it works. It works for the betterment of
19 services, it works for the betterment of costs, and it works
20 for the benefit of consumers. I believe those conditions
21 require there to be adequate or the potential adequacy of
22 demand, the adequate number of suppliers or potential number of
23 suppliers, access to capital, and I believe that those
24 ingredients are here in the case of the local phone industry.

25 I believe that competition does not work when there

1 are unfair subsidies, when there is interference from
2 government, when there is, when there are monopolies, when
3 there's overregulation, as well as when there are policies that
4 are in place that are outdated. I believe there was a time
5 when this industry needed the regulation that we have before it
6 and that there was not a real opportunity for competition. But
7 I believe, as we've seen with the cellular phone industry and
8 many other industries in this country, that given the
9 opportunity for adequate competition and given the opportunity
10 for the free market to take place, that phone rates not only
11 will be reduced, but our services will be much better.

12 There was a study some seven, eight years ago that
13 was presented to the Legislature by the Public Service
14 Commission that said that if rates increased up to about \$5,
15 that they would have no effect on the ability of Florida
16 consumers to still access their local services, a study by this
17 Commission. There also was a finding by the then Chair Rojas
18 of the telecommunications committee that said that over
19 80 percent of the people who subscribe to local services had
20 all types of add-ons, call waiting, call forwarding,
21 maintenance insurance, et cetera, that almost equal to about a
22 third of their bill. We have found in the Opa-locka Community
23 Development Corporation as we counsel our working poor, that 80
24 to 90 percent of them can reduce their phone bill by doing away
25 with unnecessary services.

1 And so I say to you today that, yes, we may have some
2 increase in local services for a short period of time, but if
3 we create an environment for true competition, we will have
4 lower rates in the end and better services.

5 And for those individuals who cannot afford that
6 additional dollar or two over the next two or three years there
7 are some safeguards. Lifeline is a safeguard. Nothing is
8 guaranteed in this life, but it is in place today and it is a
9 safeguard. There are services that you can remove from your
10 phone bill or move from the phone company that can reduce your
11 services. And I say to you today that 80 to 90 percent of the
12 people today, particularly the working poor, if they were
13 better educated and better informed, they could reduce their
14 rates today, which they're not doing.

15 So I really do believe the free market is ripe and
16 ready here for the telephone industry, and I believe that we
17 need to subscribe to the action within the environment that the
18 Legislature provided you this year and create that opportunity
19 for more competition and more participation of companies in
20 providing local phone bills. And I know as a consumer and an
21 educated consumer that my phone bill and my mother's phone bill
22 and my friends' phone bills and people who come to our
23 businesses always lower our rates because we're educated
24 consumers, not only because we're able to shop around, but more
25 importantly because we're able to look at the phone bill and

1 reduce expenses that are unnecessary.

2 So in conclusion, I would just like to say that, that
3 I really truly do believe that the environment is correct for
4 the free market to work and for phone bills in the long run to
5 be reduced and services to be improved. Thank you very much.

6 COMMISSIONER BAEZ: Thank you, Mr. Logan.

7 Mr. Twomey, you have a question?

8 MR. TWOMEY: Yes, sir, Mr. Chairman. Thank you.

9 CROSS EXAMINATION

10 BY MR. TWOMEY:

11 Q Good evening, Mr. Logan. You say you counsel the
12 working poor?

13 A Yes, sir.

14 Q How many people do you typically counsel or is there
15 a --

16 A Well, last, last year we served during the tax season
17 over 300 individuals in preparing free income tax services.
18 They all were eligible for earned income tax credit. We have
19 workshops each month of individuals who are interested in
20 becoming first-time home buyers. Our threshold, once again, is
21 that they have to be 80 percent of medium income in this
22 county, and we generally counsel about 80 people a month in
23 those workshops. We also do individual counseling for folks
24 who need credit repair and need specific individual help. And
25 so we see several hundred people in a given month's time.

1 Q Okay, sir. Thank you. The -- now you said that one
2 of the reasons that you're in favor of the PSC granting these
3 increases, if I heard you correctly, was that you believe that
4 they're unfair subsidies; is that correct?

5 A No. When I mentioned the term -- when I referred to
6 unfair subsidies, I said that there are certain environments
7 that created uncompetitive -- there are certain things that
8 created uncompetitive environments. And unfair subsidies and
9 monopolies were two examples that I gave that created an
10 environment where you would not have competition in the free
11 market system, it could not work.

12 Q Yes, sir. And I wanted to ask you on those, if I
13 may, by unfair subsidies, are you referring to the, to the fact
14 that some people believe that, that residential rates are
15 subsidized by other services?

16 A I was not referring to a specific instance as regards
17 to the phone companies or local phone bills. I was talking
18 about theoretically because you -- quite frankly, it came about
19 because of your comment as regards to the theory that the
20 Legislature had in passing this bill or the theory that the
21 phone companies had in advocating this bill.

22 And, and I -- what I was talking about was the theory
23 of free market, the theories of competition and the factors
24 that, that make up those theoretical things. And clearly there
25 are factors that create an environment where you cannot have

1 competition and there are factors that create an environment
2 where you could have competition, and that was the, the --

3 Q Yes, sir. But -- I'm sorry. Yes, sir. But you
4 recognize, don't you, that in the monopoly issue that these
5 telephone companies, BellSouth included, have been open to
6 competition since the passage of the 1995 law; correct?

7 A And I recognize that when we passed that law, we --
8 and I was a member of the committee and a member of the
9 Legislature during that particular time, and I recognize that
10 when we passed that law, we understood at that time that this
11 was going to be a deliberative process, that we knew
12 competition wouldn't start overnight, we knew that that bill in
13 and of itself was not the panacea to bring about competition,
14 and there were several other steps that had to take place,
15 including what was done this year, including the role of the
16 Public Service Commission to create that environment.

17 We also understood that, that there were changes in
18 the industry such as the cellular phone and cable companies
19 getting into the local phone business, and the fact that there
20 had to be additional capital markets that would provide access
21 to this industry to take place before you would have this
22 competition. So it was not the panacea; it was just the
23 beginning.

24 Q Okay. The, the -- you mentioned that -- you
25 recognize, don't you, that, that, that if these rate increases

1 are granted, that as much as \$3.86 a month will be increased on
2 the residential, which is \$46.32 a year plus taxes? And you
3 went on and said, I think, that, that you think that those
4 rates will eventually come down. Am I correct?

5 A I recognize that this Commission has the ability to
6 approve as, as submitted by the telephone companies or make
7 some modifications to, to what's been submitted and to what
8 they think would be a neutral, a revenue-neutral plan. And if
9 they find that the specific increases are not revenue neutral,
10 then they can act on that. And I'm not here -- because I don't
11 have all the data to say whether or not this specific request
12 meets that particular standard. What I'm here advocating is
13 for this Public Service Commission to continue to move in a
14 direction to create a competitive environment and an open
15 marketplace. And if it's done -- if this increase, as you
16 refer to it, but if this petition is passed, if it's done in a
17 revenue-neutral way, I am in support of that.

18 Q Yes, sir. But I want to make sure, I want to make
19 sure that I understand what you're saying completely. Do you
20 recognize though that, that if they grant the petition, that
21 the residential rates have to go up \$46.32 a year?

22 A What I recognize, sir, is that -- and as I said it to
23 you before, that there are individuals now who are paying more
24 than \$3 a month on services and, and, and the add-ons to their
25 phone bill that are unnecessary. So I don't believe in the end

1 that the individual residential rate would aggregately go up by
2 \$3 and some change. I think that if we spend as much energy
3 informing and educating citizens about how they can save on
4 their phone bills, that there will not be necessarily an
5 increase for the individuals.

6 Q Sir, are you saying that if people are educated, that
7 they can cut off their or discontinue their custom calling
8 features, then they can afford the increase?

9 A Or call forwarding. What I said to you -- what we've
10 discovered in our organization, and we do certainly work with
11 the poor, that we help them to save 10s and 20s of dollars on
12 very, very small things. One of the biggest areas where we
13 help them to save money is on their phone bill. Because often
14 times when they, when they subscribe to the phone business, oh,
15 yes, I want that, I want this, and one little thing may be 50
16 cents, one may be 75, one may be \$1.50, one may be \$2, and when
17 you look at all of it, they're paying an additional \$10 to \$12
18 a month more for phone service than is absolutely necessary to
19 have those local phone services. So what I'm saying to you,
20 sir, that I think if you had an educated consumer, that there
21 are savings that they could bring upon themselves that would
22 offset the potential increases that we're discussing here
23 today. But I think in the long run, even without that, the
24 competitive market will bring about lower prices as well as
25 better services. And that's my opinion.

1 Q Thank you. I've got two more questions.

2 The first is if -- the Public Service Commission has
3 two choices here, and one is to grant zero increases, which
4 would, which would mean your constituents or clients would have
5 no increases, or their choice is to grant the increases fully
6 requested, which would be \$3.86 a month, is it your testimony
7 that you want the Commission to increase the rates?

8 A It is my testimony that I believe that the Commission
9 should grant the petitioners' request to reduce intrastate
10 rates in a revenue-neutral way.

11 Q Okay. Last question. Have you ever been a paid
12 consultant to the telephone industry?

13 A I have not been a paid consultant to the telephone
14 industry.

15 Q Okay. Thank you.

16 A Thank you.

17 COMMISSIONER BAEZ: Thank you, Mr. Logan.

18 Mr. Beck.

19 MR. BECK: Thank you. The next witness is Elaine
20 Adler.

21 ELAINE ADLER

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 MS. ADLER: Good evening. I'm Elaine Adler. I'm

1 president of the Aventura Marketing Council. That is a
2 not-for-profit business organization similar to a chamber of
3 commerce. We are now in our 15th year of doing business in the
4 Greater Aventura area. We represent about a little over 450
5 different businesses in the Broward and Miami-Dade County
6 areas. And the bottom line is that business is always and
7 should always be open to free and open competition. Our board
8 of directors met, unanimously voted in favor of open
9 competition and providing as many choices and as many
10 opportunities to better the pricing for the consumers.
11 Therefore, we are in support -- we are now representing our
12 businesses in support of the request for the rate increase.
13 But it is not the rate increase; we truly believe it is
14 competition that will ultimately lower. Competition is always
15 good.

16 COMMISSIONER BAEZ: Mr. Twomey, do you have
17 questions?

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

19 CROSS EXAMINATION

20 BY MR. TWOMEY:

21 Q Good evening, Ms. Adler. Is, is BellSouth a member
22 of your organization?

23 A Yes, they are. They are one of 450 plus members.

24 Q Okay. Thank you. And do they pay dues or membership
25 fees to your organization?

1 A Yes. Just like the 449 other members.

2 Q Okay. What, what ratio would you estimate that, of
3 your 450 members, have single-line business accounts versus
4 those that might have multiline business accounts?

5 A Our organization is composed of mostly small and
6 medium businesses. To try and estimate what they would have,
7 single line versus, you know, multiple lines, probably -- I
8 would say most homeowners have multiple lines now. So I would
9 say most businesses would have multiple lines, yes.

10 Q Okay. Are you aware, as I said in my opening
11 statement, that, that multiline business customers won't
12 receive any local rate increases?

13 A Yes, sir.

14 Q Okay. The -- you said that your board voted that
15 there should be -- you're in favor of local competition. In
16 that regard, I want to ask you, aren't you aware, or are you
17 aware that BellSouth and the others have been open to
18 competition since 1995?

19 A Yes, sir. Are you aware that the world goes around
20 on business and that is what keeps economic stability?

21 Q Thank you.

22 A Thank you.

23 COMMISSIONER BAEZ: Any questions? Thank you, Ms.
24 Adler.

25 MR. BECK: The next witness is Carlos Valdes.

CARLOS VALDES

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

DIRECT STATEMENT

MR. VALDES: Thank you, Mr. Chairman, and Commissioner Bradley. Let me start off by saying that I do not envy your job. The issues that you handle every day are very complex and touch the quality of lives of every Floridian in our state. As most of you know, I served -- I, too, served in the Florida Legislature, and I did so for 12 years. And I can't remember one regular session in which these utility issues were not a major issue during that session, and mostly because of the fact that it touches everybody. It touches the little guy, the big guy, the big business and the little business.

We take the services that you all regulate for granted. When we turn on the switch, we expect the light to go on immediately. When we pick up the receiver, we expect the dial tone immediately. That's what makes us the society that we are.

Some of you travel abroad just like I do. I remember the last time I was visiting, I was visiting Caracas in Venezuela, not a small country, a huge capital, and I remember vividly at times when I would get up in the morning and you go wash your face and there's no running water. You call

1 downstairs, the front desk, and they'll tell you, it'll come
2 back in about 45 minutes. That's when I realized how fortunate
3 we are here.

4 I remember also vividly being at a meeting in the
5 afternoon, and all of the sudden you lose power abruptly and
6 all of the sudden you have to stop conducting business. I
7 remember being in capitals and picking up the phone and trying
8 to call home and the operator says, hang around for a while.
9 I'll call you back when I get a line. That's when everything
10 comes together. The more I travel, the more I realize the
11 challenges that we have dealt with and how we have been
12 successful in creating a system that we call the United States
13 of America.

14 But you don't have to really travel abroad to realize
15 what having good utility services means to all of us. Those of
16 us -- I've lived in this county for 43 years permanently. And
17 who can forget -- and I see one of the former members, I see
18 Representative Cosgrove here, I know Representative Logan
19 probably just left, but do we remember when Hurricane Andrew
20 hit our area? Don't we? And I remember having my district
21 office right there on Calle Ocho where I've been almost 20
22 years now, the same location. The biggest complaint I had from
23 my constituents was, I can't live without air conditioning, and
24 yet here we were facing the largest natural disaster that our
25 nation has ever been hit with.

1 I remember being taken up in a helicopter to show us
2 the devastation and what needed to, to take place. And when I
3 saw that devastation, I said, how are we going to be able to do
4 this? Luckily we live in a country where you have big
5 business, yes, big business, little businesses can't do it,
6 where you have little business reaching out to big business and
7 demanding, because there were demands, put my power back now.
8 Even though we were suffering through a major tragedy, the
9 consumer -- we have gotten used to this kind of response and
10 this kind of service. That's what makes us who we are and
11 that's what makes us great.

12 But today I'm here to wear two hats. First, I want
13 to wear the hat of a small businessman. I am as small a
14 businessman as you are going to find. I'm a one-man operation.
15 I have been a one-man operation, practitioner in real estate
16 for the last 30 years. That's all I've done. When I got out
17 of school, I went into real estate, and I've always been a sole
18 practitioner. And when I get my bill at the office, I ask
19 myself, why this much, when the bill at home is 20 some
20 dollars?

21 Now I heard before me Representative Logan mention
22 how you can -- if you pay attention, if you do your homework,
23 you can reduce your bill. I've reduced it. My bill is in the
24 20s, and yet I have a fax machine. And I can attest to you
25 that I probably use the phone at home more than the phone at

1 the office, and I'll explain now why. I have an office at
2 home. And in real estate, if you're in the office, you're not
3 making any money. So during the daytime you have to have an
4 office to conduct business. But most of my business is on the
5 road, in my car or at home in my home office at night reaching
6 out to my prospective clients. So it dawns on me that here I
7 have a phone, but the phone that I use the most is the cheapest
8 of them all.

9 Being a small businessman, I've always been amazed at
10 the fact that, and I ask myself the following question -- and
11 having been involved in the Legislature, I got to learn a
12 little more about rate structures and so forth. How can you
13 sell a service that costs \$18 for \$11 and survive? I mean,
14 common sense will tell you it's impossible. I mean, you don't
15 have to be a rocket scientist to realize that if you sell
16 something for \$11 and it costs you \$18, not only are you not
17 making a profit, but you're losing money and you've got to make
18 it someplace else.

19 Imagine a store selling a gallon of milk for less
20 than what it cost them to put it in the store. Imagine
21 Sears, Roebuck selling a Craftsman hammer for less money than
22 it cost them. It doesn't make any sense. Somehow something is
23 broken when you have that type of a setup. Something was
24 telling me all along that the party was going to end. I'm just
25 surprised that it lasted so long.

1 Now do I want to pay more money? No. Do I want to
2 pay less? You bet you. I'd like to pay nothing, that's what
3 I'd like to do, but that can't happen. Common sense tells me
4 it can't happen. So my best hope is that those responsible for
5 creating an attractive market, a marketplace that is inducive
6 for an investor to build the infrastructure that we need for
7 competition to take place. That's what I hope after you digest
8 everything that you've heard throughout the state and keep that
9 in mind. Whatever decision you make, please make sure that you
10 are creating an environment that is inducive for competition.
11 If you create a competitive environment, they're going to
12 compete for my business. I'm going to get choices, I'm going
13 to make those choices, I'm going to choose who can best provide
14 me with the services that I need better, cheaper and faster.
15 And I say fast because now in today's world everything is
16 speed. They sell you speed dialing, they sell you a faster DSL
17 service. So before it was just better and cheaper. Now it's
18 got to be better, cheaper and faster to be able to compete.

19 I tell you, personally I pay 2.9 cents per minute in
20 long-distance phone calls. Competition allowed that to take
21 place. And if somebody out there can provide me with a better
22 rate, I'm all yours, baby. Come get my business.

23 Now let me wear another hat. I had the -- let me
24 wear the hat of the ordinary citizen that had the opportunity
25 to, to serve in the Legislature for six consecutive terms, 12

1 years, and I had the opportunity to serve as chairman of the
2 Economic Council and the Economic Development Committee. And I
3 see Commissioner Bradley here, who also served in that capacity
4 during his tenure in the Legislature.

5 One of my responsibilities as chairman of that
6 committee was to create, make sure that we created an
7 environment that would help those businesses that call Florida
8 home. Let's help them. Let's help them grow.

9 The other responsibility we had was to lure to our
10 state those companies that will come in, create jobs, which is
11 in essence what we need so we can reduce the number of people
12 on welfare that we are subsidizing even in the phone rates.
13 That was our job. I'm sure you remember, Mr. Chairman.

14 Let me, let me give you an example of one of the
15 efforts that we were trying to lure, you know, trying, trying
16 to lure business to come to Florida and establish themselves in
17 Florida. The manufacturing of jobs. They have to -- they're
18 leaving our state, they're leaving our nation both. We're
19 losing them to foreign competition and we're losing them to
20 domestic competition. Neighboring states, Alabama, Georgia,
21 South Carolina, North Carolina, our own neighbors are hungry
22 after our business. So when they come down to Florida, just
23 the same as I do when I start shopping around to see where I
24 can cut my best deal, one of the primary things these
25 manufacturing companies -- because even though most of them

1 have gone, we still have some left. One of the first things
2 they look for, does this piece of real estate we call Florida,
3 does it provide me with the utilities I need to manufacture or
4 to deliver the services that I'm trying to deliver? Does it
5 have adequate electricity, does it have adequate water, does it
6 have adequate telephone, all the utilities involved? And then
7 they make a decision to come to Florida or go someplace else.
8 We cannot create that infrastructure to attract those
9 businesses that we so desperately need unless we create an
10 environment that is inducive for somebody out there to make an
11 investment of millions, billions of dollars to put it in place.
12 The infrastructure has to be built. The money has to come from
13 someplace. It doesn't grow on trees, as you well know.

14 Let me, let me leave you -- maybe I've said too much,
15 Mr. Chairman. Let me leave you with one request. If you give
16 me options and you give me choices for me to decide who I buy
17 my services from, I can make a better decision than anybody
18 else can, I think. After all, I've been able to survive in
19 this jungle we call business by being competitive, by providing
20 a service, because that's all I've got in the real estate
21 business. I provide a service.

22 Let the free enterprise system work. It works better
23 if you remove some of those burdens that sometimes we have
24 unintentionally, I'm not going to say it's intentional,
25 unintentionally created.

1 I commend the Legislature and the Governor for
2 wrestling with this issue. I commended the Governor last year
3 for vetoing the piece of legislation because it forced all the
4 parties to sit at the table and come back with a better
5 product, and that's what happened. And I trust that my
6 colleagues in the Legislature and the Governor, who they all
7 have more information than I have being in the outside now,
8 make the right decisions for Florida.

9 I thank, I thank you all for taking the time to reach
10 out to the different communities in our state. This is not
11 about a \$4 increase the way I see it. You do not empower
12 people by giving them a \$13 credit on their phone bill. That's
13 not how you empower people. You empower people by giving them
14 a job, by creating the infrastructure that allows that to
15 happen. And I'm not talking about creating jobs that are
16 hamburger flipping wages either. I'm talking about real jobs.
17 That's how you empower people. You don't empower them by
18 giving them a \$13 credit on their telephone bill once a month.

19 I haven't heard anybody say that I'm 100 percent in
20 favor of the legislation that passed, not one side, not the
21 other. I can tell you -- I would submit to you that that might
22 be a good signal. When both sides are not 100 percent
23 satisfied, that tells me that somewhere in the middle people
24 are benefiting. The state will benefit. Let's stop talking
25 about me, me, me, I, I, I. Let's talk about the big picture.

1 We are the fourth largest state in the union. We
2 want to call ourselves the gateway to the Americas. Well,
3 what's wrong with becoming the superhighway? We can do it with
4 the right infrastructure. And that leads to other subjects
5 that we can spend all night here talking; Commissioner Bradley,
6 you and I have discussed many times. I have been discussing
7 them for 15 years, and I think 15 years from now I'm still
8 going to be discussing them because they're important to our
9 well-being and they're important to Florida. Thank you, and
10 I'll take any questions. Yes, sir.

11 CROSS EXAMINATION

12 BY MR. TWOMEY:

13 Q Yes, sir. I wanted to -- good evening. I want to
14 ask you first, your last point, you mentioned that, that, that
15 you thought that maybe the bill, the legislation was good
16 because both sides are unhappy with it. And to that end I want
17 to ask you -- because it was my belief that the industry wrote
18 the bill. They haven't -- they've never denied it, that I've
19 heard. And if they wrote it, how could they be unhappy with
20 it?

21 A I don't know. You have to ask them. I'm not the
22 industry. I'm a real estate broker.

23 Q The -- I want to ask you just a few questions in
24 your, your small businessman hat. You talked about the \$18
25 product being sold for \$11, Representative Valdes. And I want

1 to, I want to ask you, are you familiar enough with your bill
2 to know about the FCC's subscriber line fee?

3 A No, sir.

4 Q Okay. The \$6.50 charge that's on there?

5 A No.

6 Q Okay. Would it surprise you to know that that
7 fee, \$6.50, despite the FCC moniker on it, is kept by
8 BellSouth? If that's true, then they have \$6.50 on top of
9 the \$11 in your example; right?

10 A Mr. Twomey, let me, let me see how I can say this
11 where it doesn't sound like I'm evading your question, because
12 I'm not. I will answer your question as thorough as I can.

13 I am not here trying to solve things one way or the
14 other. I'm here to try to expand the horizon a little bit, to
15 force the decisionmakers to think out of the box. I'm not a
16 rate expert. I don't intend to be, I don't want to be. Like I
17 told you, if, if, if I can get the services cheaper, I'll take
18 them. But I understand that there's got to be an investment
19 made by somebody. And when, when I say somebody, somebody is
20 us. I understand -- the little I know of this legislation, I
21 understand that out of approximately, and you correct me if I'm
22 wrong, I might be wrong, out of approximately 6 million users,
23 household users here in our state, 1 million of them are
24 eligible with this piece of legislation to get the subsidy.
25 That's one out of six that I, you and the rest of us here are

1 subsidizing. And I'm okay with that, too. But I'm looking at
2 a little bigger picture. I want to see if we can somehow,
3 before it's too late -- instead of adding more people to that
4 million dollar list, if we can reduce that list by empowering
5 the people to get out of welfare, those that are eligible for
6 it. That's, that's, that's the picture I see here. I'm not
7 here advocating do this, do that. I'm here as an ordinary
8 private citizen just trying -- I'm going to say educate you
9 because we all get educated by talking among each other. I
10 learn something every day.

11 Q Yes, sir. But the, the -- I'm sorry. I didn't mean
12 to interrupt you.

13 A No. That's okay. I'm through.

14 Q But I took from your conversation about the, the \$18
15 product being sold for \$11, that you thought there was, it was
16 not being as cost, and so I just wanted to ask you a few more
17 questions. If you don't know the answer, you can just say you
18 don't. That's not a problem.

19 A Sure. If I don't know the answer, I'm going to tell
20 you I don't know.

21 Q The -- in your, either your home office or your, or
22 your business office --

23 A Yes.

24 Q -- do you ever make or receive long-distance calls?

25 A Do I receive? I receive them.

1 Q Yes, sir.

2 A Don't make them.

3 Q Okay. The, the -- who do you get your 2.9 cent
4 service from?

5 A BigZoo.

6 Q Okay.

7 COMMISSIONER BAEZ: I'm sorry. Did you say BigZoo?

8 MR. VALDES: Yeah.

9 MR. TWOMEY: BigZoo.com, Mr. Chairman.

10 MR. VALDES: I've been using them for years. And let
11 me tell you --

12 COMMISSIONER BAEZ: I'm writing it down.

13 MR. VALDES -- if Little Zoo provides me 2.7, I'll go
14 there because I don't have a contract.

15 BY MR. TWOMEY:

16 Q Now on the, on the, on the long-distance calls you
17 receive, are you aware that, that BellSouth gets the money from
18 the long-distance companies and that they don't count that in
19 that \$11?

20 A I don't care about that.

21 Q Okay. Do you have any custom calling features?

22 A In my house?

23 Q Your house. Yes, sir.

24 A Such as? I've got --

25 Q Caller ID, voice mail.

1 A No. What do I need caller ID for?

2 Q Voice mail, any of that?

3 A No.

4 Q Okay. If you -- are you aware whether or not if you
5 had those services, whether BellSouth would count those
6 revenues against the cost of the service?

7 A I will find out if, when I need it.

8 Q Okay. You said in your small business hat that you
9 want to get your service as cheap as possible and perhaps pay
10 nothing. But are you saying that you're willing to helm the
11 experience of a \$46.32 increase as opposed to zero if they
12 elect to deny the increase?

13 A Mr. Twomey, let me respond this way. I trust that if
14 you let competition in and they compete for my business and I'm
15 free to choose where I buy my services from, I will find a
16 better deal than maybe you can. And I'll call you and I'll
17 tell you when I find one out.

18 Q Yes, sir. But you are aware because you were in the
19 Legislature during the time that they became, BellSouth,
20 Verizon and Sprint became subject to competition and have
21 experienced some competition since 1995; correct?

22 A Uh-huh. Yes.

23 Q Okay. The -- you said in your other hat that in
24 attempting to lure businesses to Florida, that a prudent
25 business would come here and would examine the cost of doing

1 business, whether it's electricity, phone service, that kind of
2 thing. And yet is it, is it your conclusion or is it your
3 testimony that, that you want to raise the phone rates for
4 those businesses that come here?

5 A I didn't say that. Did you hear me say that?

6 Q No, sir. I'm asking you.

7 A No. Of course not. I didn't say that.

8 Q But what I'm saying is, what I'm asking is --

9 A Are you saying it or you're asking me?

10 Q I'm asking you. Is it your testimony that those
11 businesses that you want to come, to be lured to Florida, that
12 you want to increase one of the costs of doing business for
13 them?

14 A Of course not. I want to reduce the cost, not only
15 of those big businesses, but the little businesses, the guy
16 like me.

17 Q That's all I have. Thank you very much.

18 A Thank you.

19 COMMISSIONER BAEZ: Thank you, Mr. Valdes. We're
20 going to take a five-minute break to let the --

21 MR. VALDES: Oh, excuse me. May I say one thing for
22 the record?

23 COMMISSIONER BAEZ: Yes, of course.

24 MR. VALDES: Mr. Twomey, I want to attest to
25 something that I didn't want to do publicly, and that's that

1 I'm an AARP member.

2 MR. TWOMEY: I thought you said you were 43.

3 MR. VALDES: No. I've been here 43 years, I said.
4 I've lived in Dade County 43 years.

5 MR. TWOMEY: Well, thank you very much.

6 MR. VALDES: But I am an AARP member. And for the
7 record, the testimony I've heard you represent to this body
8 today does not represent my views. And I am a paying dues
9 member. Thank you.

10 MR. TWOMEY: Fair enough.

11 COMMISSIONER BAEZ: Thank you, Mr. Valdes.

12 Ladies and gentlemen, if you'll indulge us, we're
13 going to take a brief five-minute break. And we'll be back
14 here -- what time do have you?

15 MS. CHRISTENSEN: 8:10.

16 COMMISSIONER BAEZ: 8:15, ladies and gentlemen.
17 Thank you.

18 (Recess taken.)

19 COMMISSIONER BAEZ: Let's get back on the record.
20 Mr. Beck, can you call your next witness, please.

21 MR. BECK: Yes. Thank you, Commissioner Baez.

22 The next witness is Terry Cuson.

23 TERRY CUSON

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

DIRECT STATEMENT

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MR. CUSON: You know, we AARP members, when you're 70, this is a little late. So let's move it along, please.

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COMMISSIONER BAEZ: My apologies, Mr. Cuson.

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MR. CUSON: Incidentally, I have to correct your blue sheet here. This is false information. It's now down to 2,598,000. Valdes and I don't support this. So get accurate numbers will you, please, Mr. Twomey.

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I'm here to talk to you about fundamental fairness and a level playing field, competition that brings more choices and job and investment retention. In years past when a few companies dominated the communication field and there were fewer types of service, it was important to protect the public interest from arbitrary pricing and service. Today the panorama of communication services has expanded vastly. From TIs to cell phones, many opportunities abound. The industry change has outstripped regulation. No longer is there one dominant service or company. For example, many consumers are abandoning their home phone lines for mobile phones that can just about do everything today, including taking your picture. I just got one today, as a matter of fact.

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The business field of telecommunications is no longer simple, level or fair. New profitable telecommunications companies cherry-pick services from competitors and are not on the same public service mandates; that is, to provide line

1 service to everyone. There is nothing new about the situation.
2 You've heard it all before. Heretofore this was not considered
3 a serious or overwhelming movement. After all, BellSouth was
4 the only game in town. But this is no longer the situation.
5 Many companies now feast on BellSouth's assets, while they,
6 BellSouth, are helpless to fend off them because of mandated
7 regulations.

8 BellSouth is required to provide residential service
9 at below cost, which serves as a disincentive for competition.
10 Business reality and simple math tell me that the future of
11 BellSouth is dim, and the resulting economic impact on South
12 Florida will be significantly negative, to say the least. New
13 start-up companies purchase business lines and equipment from
14 BellSouth by mandate at wholesale rates and resale it at a
15 profit. That capability does not exist with residential
16 service at the current pricing, which is now below cost.
17 Permitting a mere \$1.25 residential increase will result in a
18 net gain of 75 cents to the consumer since the long-distance
19 charge of \$1.95 access charge must be eliminated. My math is
20 different than others apparently. With this small proposed
21 increase, other companies will be encouraged to build their own
22 infrastructure and provide expanded residential services. And
23 a residential increase by statute will not be permitted on most
24 needy Lifeline and link-up phone subsidies.

25 Earlier I alluded to the dim outlook for BellSouth,

1 and I wish to make clear my thinking on this matter. It's
2 rather simple. If companies continue to purchase at wholesale
3 prices the business line services from BellSouth, which you
4 know, in fact, subsidizes residential services, eventually
5 BellSouth will be left with only residential customers. And at
6 the current rate of \$11, given even the \$6.50 makes very little
7 difference, it's still a loss situation, they're going to
8 continue to operate at a loss. Simply a company cannot survive
9 with sustained losses. You're talking 14,000 jobs, 72,000
10 stockholders who stand to lose their money; a stock that has
11 gone from \$52 to \$25. Shareholders will lose their investment.
12 On behalf of two chambers of commerce -- I happen to represent
13 the Red Coats, who supported the Telecom Act of 2003 and have
14 gone to Tallahassee for the last 28 years, the longest standing
15 organization to go to the opening of the Legislature, and did
16 not observe millions of dollars being spent. I would refute
17 that and would like to see the fact base that says they spent
18 millions of dollars to get this Act passed. We, as a group,
19 supported this Act. We think it was good business. The other
20 chamber is a new chamber, the Miami Gardens Chambers, now your
21 third largest municipality in Miami-Dade County. We have a
22 total of about 1,500 associates in our chambers, and that
23 extrapolates to approximately four times the size.

24 Now I think you need to know a little bit about the
25 demographics of Miami-Dade County because we refer to big

1 business. And let's allay the question: BellSouth, yes,
2 they're a member of my one chamber. They're a member of many
3 chambers because BellSouth is a very good corporate citizen,
4 but so is Verizon, so is DSLI, so is IDS, so is Radiant. Many
5 telecom companies join chambers of commerce and business
6 associations because that's how they make the business grow.
7 It's helpful to them.

8 I want you to know about Miami-Dade County though
9 because of the illusion of big business. Miami-Dade County
10 totally -- I had the privilege of chairing the mayor's Economic
11 Task Force, Small Business Division, and Miami-Dade County is
12 principally made up, 75 percent in total are small businesses.
13 94 percent of those in the North Dade area, including the
14 Marketing Council who testified earlier, are small businesses.
15 So, yes, we're small businesses, we're not big businesses, and
16 we do support the residential line. So that's not fair.

17 So in conclusion, I'd just ask you to make those
18 considerations, to level the playing field, be fair and retain
19 investments and jobs for the public. Thank you. Did I say who
20 I was? I'm sorry.

21 COMMISSIONER BAEZ: Yes, you did. Thank you, Mr.
22 Cuson.

23 MR. CUSON: Mr. Twomey, you have questions, sir?

24 CROSS EXAMINATION

25 BY MR. TWOMEY:

1 Q Yes, sir, I do.

2 A Thank you.

3 Q You spoke about the residential service being sold at
4 below cost, at least I thought I heard you say that. And if
5 I'm correct -- let me ask you, do you know that as a fact, sir,
6 or is that something that was told to you?

7 A Well, it's something that we, we researched at the
8 chamber last year, and it was our information the best we could
9 find out, yes. I attended hearings last year as well, and I
10 think it was well established that residential lines -- now do
11 you understand, Mr. Twomey, what the requirement -- I'm sure
12 you do, but if you don't, I'm going to tell you. The
13 requirement of BellSouth is that they must provide a wire line
14 and service that wire line to the residents at a great cost and
15 a labor cost as well. No other company has to do that. Now
16 they put a figure of \$11 on that and you add \$6.50, that still
17 is only \$17.50. That is still a loss because it costs a
18 minimum, by your numbers, of about \$18, I believe. It's a loss
19 situation. I don't care if it's a penny or 50 cents. So,
20 yeah, I think I'm pretty well aware.

21 Q Well, let me add -- did you hear the questions I
22 asked Representative Valdes? Did you hear the questions?

23 A Did I -- yes, I think I did, but I don't remember
24 them.

25 Q Well, the, the, the -- are you aware that there's

1 access fee revenues that go to BellSouth?

2 A Yes. I already alluded to that. The \$6.50?

3 Q No, sir.

4 A Oh.

5 Q The \$6.50 that I asked about is called a FCC
6 subscriber line charge. And so I want to ask you, are you
7 aware that there are access fee revenues --

8 A The \$1.95?

9 Q No, sir. We'll get to that in a minute.

10 A Okay.

11 Q If you'll let me finish my question. The access fee
12 revenues that are paid to BellSouth and the others as a result
13 of originating, long-distance companies originating and
14 terminating costs, if you'll accept that there is revenue
15 there, do you know whether or not that's included in the \$11?

16 A No, I do not.

17 Q Okay. The -- in your -- do you have your residence
18 phone with BellSouth?

19 A Yes, I do.

20 Q Do you have any vertical or custom calling features?

21 A Do I have any what?

22 Q Vertical or custom calling features.

23 A I have Complete Choice.

24 Q Sir?

25 A Complete Choice.

1 Q Okay.

2 A That means I got the whole schmeer.

3 Q Okay. The, the -- are you aware of whether or not
4 the people that pay individually for those caller ID, voice
5 mail kind of things, whether BellSouth counts those revenues in
6 the \$11?

7 A I wouldn't think so. I mean, I'm paying those
8 voluntarily. I mean, if, you know, you want to go down to
9 basic, basic service, the charges could be considerably less.
10 I choose to have a lot more services because I use the phone an
11 awful lot.

12 Q Now you spoke to the \$1.95 in-state connection fee
13 and suggested by your math that it would help people with a
14 \$1.25 charge to have a net profit --

15 A Of 75 cents.

16 Q -- of 75 cents.

17 A Is that not true?

18 Q Do you have that, do you have that in-state
19 connection fee on your phone bill?

20 A No, I don't.

21 Q And would you agree with me that if you don't have
22 that connection fee on your phone bill, it can't go away and
23 you can't save as a result thereof?

24 A That's true. But then again it doesn't apply to the
25 customers that have Complete Choice, and that's what I happen

1 to have.

2 Q Okay. The --

3 A Are you aware of that?

4 Q I ask the questions.

5 A Okay.

6 Q The -- because it's not appropriate for me to answer
7 them.

8 A Oh, I see. Sorry.

9 Q The, the -- now you said that, that the people that
10 have that would be able to save immediately, and you mentioned
11 the \$1.25 fee.

12 A Yes, sir.

13 Q But you recognize, don't you, that over the course of
14 two years and a day, if they get what they're asking for,
15 they're going to raise their rates by \$3.86?

16 A Recognizing and acknowledging are two different
17 things. I tend to live in today. At my age I'm happy to be
18 here. So I'm only concerned about this year.

19 Q Now the last question I have on that in-state
20 connection issue is that are you aware of the fact that that
21 charge isn't removed until July of 2006?

22 A No. And I really don't care.

23 Q Well, if it, in fact, sir, is not removed until 2006,
24 then your math that shows a reduction of that amount on the
25 first increment of the rate increase would, in fact, be, if I'm

1 correct in that, would be incorrect, would it not?

2 A Excuse me. I'm sure you can't answer questions, but
3 are you sure?

4 Q Yes, sir.

5 A Okay. Are you sure, also, that -- you know, when I
6 started the AARP about 20 years ago, I think, 15, 20 years ago,
7 I think it was about \$4 and now it's like about \$12, a
8 300 percent increase. I mean, everything has gone up in this
9 country and it's going to continue -- my Social Security isn't
10 going up very much, but it's going up, thank God. Everything
11 goes up a little bit here and there, and this is really not an
12 unreasonable request. I think, you know, we tend to get a
13 little emotional and cranky about it. But from a good
14 business, sound business point of view this makes sense. This
15 company stands to go out of business. That is obvious. Why
16 would the stock almost go down 50 percent? If BellSouth
17 continues at the rate they're going, they're not going to be
18 here. They're not going to be here. There will be other
19 companies, granted. Maybe that's what competition is all
20 about. But I don't know, I'm just a simple business analyst
21 type person.

22 Q Well, as a simple business analyst person and a sound
23 businessman, do you pay more for computers today and television
24 sets than you did five years ago or ten years ago?

25 A No. And what drove them down? Competition.

1 Q Have you ever heard of a declining cost industry,
2 sir?

3 A I don't believe that has any -- competition drove
4 those things down and productivity and, as a matter of fact,
5 moving jobs out of the local economy also helped that. I know
6 I got a call the other day from India, a telemarketing call.

7 Q I have one last question.

8 A Surely.

9 Q You spoke about the Lifeline recipients being
10 protected from the rate increases.

11 A That's true. To my knowledge, that's, that's not on
12 the table. Is that --

13 Q Are you -- let me ask a different question.

14 A Go ahead.

15 Q Are you not -- are you aware that the Lifeline
16 protection from rate increases will expire under their plan at
17 least in four years and possibly as few as two?

18 A I am aware of it now.

19 Q Thank you very much.

20 A Thank you, sir.

21 COMMISSIONER BAEZ: Thank you, Mr. Cuson.

22 Any questions?

23 MR. CUSON: Thank you very much.

24 COMMISSIONER BAEZ: Thank you for your comments.

25 Ladies and gentlemen, very quickly, something I

1 failed to mention. In the yellow brochure that you all may
2 have picked up, if those of you that signed up are running low
3 on time -- I know that we're running late and I apologize.
4 We'll try and move it along shortly. You do have an
5 opportunity to provide your comments in writing. You can fax
6 them, leave them at the table with Mr. Durbin, who is outside,
7 or mail them into the Commission. They'll be placed in the
8 file, in the correspondence side of the file, and they will be
9 available for the Commissioners to read. Just another way of
10 trying to give you an opportunity to get your comments in any
11 way you can. Thank you.

12 Mr. Beck, go ahead and call your next witness,
13 please.

14 MR. BECK: The next witness is Sol Weinstock.

15 SOL WEINSTOCK

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. WEINSTOCK: Surprise. No written agenda. I'm
20 going to just ask a few really stupid questions, and I hope I
21 can get some answers.

22 COMMISSIONER BAEZ: Mr. Weinstock, could you speak
23 directly -- over here. Can you speak directly into the
24 microphone? That way the court reporter can take down what
25 you're saying.

1 MR. WEINSTOCK: I'll try the best I can. I in the
2 next two months will become 84 years old. My wife is 77.
3 Neither one of us are chickens. We are both living on very
4 fixed incomes. I was forced to retire from work 15 and a half
5 years ago. We have absolutely no sources of income other than
6 Social Security and some small pensions.

7 My only plea to you people is that you don't -- if
8 you're going to have to raise this thing, don't raise it so
9 that people who are just short of -- and I don't plead poverty
10 as a beggar or nothing, but I'm saying that I don't have any,
11 what's the word, some kind of income that you can toss around,
12 I don't have any of this.

13 COMMISSIONER BAEZ: Discretionary income.

14 MR. WEINSTOCK: And I need to be as tight as I can
15 be, and I'm hoping that you don't hurt me too much.

16 Also, the only thing that struck me very strange was
17 at the beginning of all this talking there was some mention of
18 millions of dollars being spent by lobbyists. There must be a
19 hell of a lot of money floating around to people that are
20 getting -- for this stuff to happen, and I don't think that
21 it's coming out of the poor people's pockets. It's coming out
22 of somebody who's making big bucks, and I'm sure it's not me.
23 And please have pity on me and my kind who are limited, very
24 limited in what we can throw away, spend or use for frivolous
25 endeavors. Thank you very, very much.

1 COMMISSIONER BAEZ: Thank you, Mr. Weinstock.
2 Any questions? Thank you very much for coming out.
3 Mr. Beck.

4 MR. BECK: The next witness is John Cosgrove.

5 JOHN COSGROVE

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. COSGROVE: Thank you, Mr. Chairman, and
10 Commissioner Bradley. My name is John Cosgrove. I live at
11 8230 Southwest 192 Street, Miami, Florida.

12 First I want to thank you for holding the hearing in
13 Miami-Dade County. I know that was not originally a part of
14 your plan and you've got a big state. We're a county, however,
15 2.2 plus million people, larger than 17 states just in this one
16 county. So we do appreciate the opportunity to share our views
17 with you. I want to point out that I'm the "be" speaker: Best
18 be brief, be bright and be gone. So I'm not going to
19 hopefully -- I'll try to keep my comments down and I'll -- I'll
20 be as brief in my comments as, probably as the questions to me
21 from any of the counsel, and hopefully that will be
22 appropriate.

23 I served in the Florida House of Representatives for
24 17 years representing the people in this community. I was
25 privileged during that period of time to not only serve on the

1 Telecommunications Committee in its various shapes and forms,
2 but also to represent Florida in the National Conference of
3 State Legislatures, and I served as chairman of the Commerce
4 and Communications Committee in 1996. That's the year the
5 Federal Communications Act revision or the revised act passed.
6 I represented all 50 state Legislatures on that, in that
7 negotiation. The Chairman of the FCC, Reed Hundt, Governor
8 Carper from Delaware represented the National Governors
9 Association, but I was the sole legislator representing 50
10 states. I went to the bill signing. I was invited by the
11 President. Vice President Gore conducted the ceremony, but it
12 was at the Library of Congress. I sat right behind the
13 President. It was a great honor. But also I felt more
14 importantly it was a great time for America to, to really take
15 an industry that I think was being held back from doing the
16 things in America that were happening around the world. I
17 mean, the technology and the, and the advances in technology
18 were happening in other countries, but were being constrained
19 in America because of not only the antiquated monopoly system,
20 but because that painful birthing from the monopoly system to
21 competition wasn't being allowed to happen. And here in Japan
22 and even in South America, I mean, there's no infrastructure in
23 South America for, or very little infrastructure for actual
24 land use telephones. Why? They don't need it. They're
25 already advanced beyond us in that technology. It's available

1 in the world. But it's because of, of the, of the constraints
2 and the, the shackles on competition that this isn't being
3 allowed to happen in Florida and across America.

4 So in 1996 we actually thought in passing the Federal
5 Communications Act, that that was going to blow up competition
6 in America and all these great things were going to happen.
7 And Florida actually was one of the, one of the states that
8 had a forerunner. Some of the legislation in 1995 in Florida
9 were actually looked at by the, by the national commission, the
10 U.S. Attorney General's Office was involved in that, it was a
11 group of people who were putting together that bill,
12 negotiating that and then, of course, for it to pass Congress.

13 I also served as a Democratic leader for the Economic
14 Impact Council after that. It dealt with all of the business
15 issues and all of the issues of telecommunications and banking
16 and insurance and anything else. In fact, had it not been for
17 my home being destroyed in Hurricane Andrew, I probably
18 wouldn't have learned anything about insurance, which is
19 probably something I was more known for but I didn't want to
20 be.

21 I'm interested in this because it's competition,
22 because it's good for the marketplace, because I think it's
23 going to help our state. And I would take issue with the fact
24 that, you know, historically, if you look at what competition
25 has done, even if there's a price bump now, competition brings

1 those prices down. That's the historical nature.

2 Just a week or so ago the FCC issued a report -- I
3 don't have it, but I read about it. I read about it myself.
4 It wasn't brought to my attention by anybody. The report said
5 that when cable TV, cable TV, in areas of competition, that the
6 service was better and the prices were lower. And in areas
7 where there wasn't competition the prices were higher and the
8 service levels were not as good. Point being that in a similar
9 industry, in a situation where the FCC looked at other
10 competition, prices for me and my service have gone up
11 significantly. I'm not saying that service has gone up in the
12 same manner. But the fact is that that study, I think,
13 reaffirms what many of us who served in the Legislature felt
14 when we voted in 1995 for this, and I would have voted for this
15 again in 2003, and that is that competition will serve our, our
16 public.

17 That's what your responsibility is. You set out your
18 four criteria that was in the legislation for you to evaluate
19 and for you to determine. And it's really me talking to you --
20 I realize there are advocates and counsel and, you know, paid
21 people over here on my left, all of them paid, by the way.
22 None of them are here gratis for free, even, even Mr. Beck from
23 the Public Service -- Counsel's Office. So I'm the only one
24 speaking right now who is not being paid for anything.

25 My, my comments to you are that the rhetoric versus

1 the reality, that competition will work. And as a consumer
2 myself in my business and in my home I want to see better
3 service. Nobody is talking about service, they're only talking
4 about price. Well, I want to see better service, too, which I
5 think will come from this.

6 If we have a situation where this rate consideration
7 is not ruled on favorably by the Public Service Commission,
8 what we're doing in effect is saying we're going to hold back
9 Florida from all the technological advances and all because all
10 the antiquated infrastructure that is currently in place, we're
11 going to just hold that because we're afraid to let competition
12 in the marketplace get better service that will come from this.
13 And then we'll be able to -- like my mother, I tried to put my
14 mother on a cell phone and tell her she didn't need to have a
15 landline. Well, she was terrified of it. She's 76 years old.
16 She didn't know how to handle that. Well, we need to -- you
17 know, the technology is there to have it all do everything, but
18 she felt she couldn't open the gate to her apartment building
19 if she didn't have a landline because their apartment building
20 said you had to have a landline to do that.

21 The technology exists, but all the infrastructure
22 doesn't. And unless we let the competition get into the
23 marketplace, we're going to hold back that very same technology
24 that people around the rest of the world frankly are laughing
25 at us. It's so bizarre that third world countries have better

1 telecommunications systems than Florida does because they have
2 the newest technology and we're holding ours back. It doesn't
3 make any sense.

4 And when I participated in that, all the excitement,
5 all the interest -- in fact, Al Gore, after the President
6 signed the bill at the Library of Congress, Al Gore, there was
7 a little ceremony, had Lily Tomlin on the phone, you know, "Is
8 this the party to whom I'm speaking?" And then it's the first
9 legislation ever in the history of America, we're sending it
10 out into cyberspace for everybody to be able to have.

11 Where are we in Florida? Well, we're not in
12 cyberspace. We're in the Stone Age. I mean, we need to get
13 competition to get better service for our people.

14 The business subsidy for residential. I think it's a
15 public policy issue for you to determine. That's why the
16 Legislature put that here for your consideration. We're no
17 longer in a monopoly utility, but yet without releasing those
18 shackles, we are actually going to be continuing that same
19 philosophy that should have been rejected in 1995 and certainly
20 in 1996 with the passage of the federal act. In fact, in
21 today's political parlance, I would call it a hidden tax. I
22 mean, this inequitable, unrealistic phone charge system,
23 telecommunications charge system of how much you pay for
24 services is not reflective of the reality of what the costs
25 are.

1 Even in this legislation, even with Lifeline going
2 down to 145,000 Floridians, families, homes that could be
3 eligible, a million could be eligible, the fact of the matter
4 is that although that's a public policy and a public -- it's a
5 social service program to provide for our people on balance
6 that we need competition, but we have to have a social service
7 policy within. That is still a carryover from, from a heavily
8 regulated industry that in today's world we ought to say what
9 we need is oversight, not overkill. If you fail to pass and
10 approve this, you are actually going to be participating in
11 overkilling rather than overseeing an industry that should
12 grow. And it's not just growing for BellSouth or Verizon or
13 Sprint; it's growing for all the other mom and pop businesses
14 that would benefit from letting competition occur and from all
15 the new jobs and all the things that would happen.

16 I believe the issues for you are parity and equity,
17 and I think probably some of the advocates for various special
18 interests because they're a special interest couldn't refute
19 it's parity and equity. That's what you've got to balance.
20 But the fact of the matter is at the end of the day that
21 consumers will be hurt more by keeping the shackles on than
22 letting competition occur and letting the marketplace help.
23 And I would bet that the marketplace will drive the prices
24 down. The competition and social policies will help consumers
25 receive the best technology -- I mean -- I'm sorry. The

1 competition and real pricing will help consumers receive the
2 best technology available rather than being stuck with the
3 older infrastructure because capital is not there to improve
4 it. And that's part of your responsibility as well.

5 And lastly, I'll just close with this, let the
6 competition begin. If the Florida Marlins could succeed in
7 winning through competition and not through pricing, then I
8 think we can survive the marketplace through competition and
9 not just worrying about the highest price and what that will
10 buy. If you want to do that, talk to the New York Yankees.

11 COMMISSIONER BAEZ: Thank you, Mr. Cosgrove. Any
12 questions?

13 MR. TWOMEY: Yes, sir, I do.

14 CROSS EXAMINATION

15 BY MR. TWOMEY:

16 Q Representative Cosgrove, you spoke about us being,
17 the United States being a laughing stock of sorts. And I want
18 to ask you, can you name one innovation in landline telephony
19 in another country that BellSouth doesn't have available to it?

20 A First of all, I think you're characterizing some of
21 my comments, but that's okay. What I'm referring to is that in
22 South America where I've been and in other countries, other
23 emerging countries, they don't even bother putting in
24 landlines. They totally use cell phone systems and other more
25 modern communications because they don't have to pay for the

1 infrastructure. The infrastructure of our telecommunications
2 system in America maybe is similar to the fact that we chose to
3 build interstates rather than have trains because gas was 25
4 cents a gallon. Well, now it's not. So the world has changed.
5 And in these merging countries they don't even bother putting
6 in underground cable or aboveground wire systems. They go
7 right to cell phone systems. So I don't think your question
8 applies, respectfully.

9 Q Sir, but how does, how does, how does raising
10 Mr. Weinstock's telephone rates 35 percent or more rectify that
11 situation that you just described?

12 A Okay. I think there are two issues with that in my
13 judgment. One is that there is an existing cost of
14 infrastructure that back in the days of a monopoly that
15 infrastructure cost would have been factored and say, okay,
16 what's the amortization on this infrastructure of putting this
17 in? 30 years. Okay. Spread that out over 30 years, and the
18 payments would have then reimbursed the monopoly for putting in
19 the infrastructure. That's part of the concern about how much
20 the access tolls are and all the other issues there, which
21 you're not dealing with right now.

22 My opinion for Mr. Weinstock and other good citizens,
23 one, if they don't qualify for Lifeline or for the increase of
24 125 percent of poverty or whatever elements are there, my
25 opinion that his service will be better and he would pay,

1 although he would pay more, now the price will go down because
2 competition will come in and allow the -- most of the
3 long-distance companies want to get into the residential market
4 and they can't get in because all of these maneuvers and all of
5 this fighting and arguing and bickering is keeping them out as
6 well.

7 So I, I believe that if you -- if we would let
8 competition occur, we would see that happen and his price would
9 go down. It might go up, but it will go down and it will then
10 be equalized. That's the equity and the parity that I believe
11 would happen.

12 Now what do I base it on? I mean, that's what's
13 historically happened with competition. There's a bold move to
14 deregulate all the airlines in America. You could argue and
15 debate about service and levels of service or cost, but the
16 fact of the matter is if you look at cost of airlines after
17 deregulation, forget about the lessening of service, the cost
18 is down, not up.

19 Q Now you, you mentioned that you have cable vision,
20 did you not?

21 A Cable vision?

22 Q Do you have cable TV?

23 A I have cable TV. Yes.

24 Q Yes, sir. Is it subject to competition?

25 A Not really. Well, let me, let me clarify. Are you

1 talking about to provide my TV service like Direct TV versus
2 cable? Yes.

3 Q Yes, sir.

4 A Yes.

5 Q And you -- I thought I heard you say that your
6 service hasn't necessarily gotten any better but the prices
7 have gone up.

8 A Yes. In my opinion.

9 Q And my question to you is would you be willing to
10 have your cable rates go up 35 to 90 percent in order to induce
11 more cable competitors into your neighborhood?

12 A It, it all depends. I think that it's -- the, the,
13 the issue that you're talking about are two different things.
14 I mean, one, there are hundreds of telephone,
15 telecommunications systems ready to be in competition in the
16 market right now, and that's not necessarily true for providing
17 my television service. I mean, I really only have cable TV or
18 satellite TV or I could stay with my local stations. I
19 don't -- I wish it were that way. I'd love to see it that way.
20 Then I don't think I'd be paying what I'm paying.

21 Q So you would suffer a large increase with that
22 expectation that service would get better and might come down
23 later?

24 A I think large increase is a characterization and is
25 not something that I said.

1 Q Okay. The -- you mentioned the antiquated
2 infrastructure. Are you of the impression that there's
3 something antiquated about the infrastructure that BellSouth
4 has?

5 A I think in general in America the telecommunications
6 industry has antiquated infrastructure because of the very
7 nature of how it was put together. It was put together based
8 upon a monopoly with landlines before cell phones and other
9 types of telecommunications systems, which, which also some are
10 offered through cable television companies now that don't have
11 the same regulatory restrictions here.

12 So, yes, I would argue -- in fact, it's not just my
13 argument. This was part of the consideration in 1996 on the
14 federal level about America's telecommunications infrastructure
15 system not being able to handle the technology. I mean, the
16 technology exists. I probably shouldn't have to say this, but,
17 I mean, so much technology exists in the world right now for
18 telecommunications. It is not even in America because we're
19 still held back. But if you go to other countries and you
20 look -- I mean, the phones that are just coming out now with
21 the pictures on them, they've been in Japan for years. Now
22 it's a big deal. Oh, my gosh, we just discovered it in
23 America. They've been having that for years. Why is it
24 something new here?

25 Q Yes, sir. That doesn't have anything --

1 A That's just an example.

2 Q That doesn't have anything to do with landline
3 telephony, does it?

4 A No. No. No. I'm just giving an example of -- you
5 asked me about my comment about the antiquity of America's
6 telecommunications infrastructure.

7 Q Yes, sir. I'm sorry. I didn't mean to interrupt
8 you.

9 A Go ahead. I'm sorry.

10 Q I've got one last series of questions.

11 Now you testified that you had represented the, the
12 50 states in connection with the 1996 legislation, and I was --
13 would I be correct in assuming that you understand some of the
14 charges that, that are on your phone bill in connection with
15 that, that assignment; to wit, the FCC subscriber line charges,
16 the \$6.50, you recognize, don't you, that the phone company
17 keeps that in addition to the --

18 A I heard your previous questions and comments, and the
19 answer is yes. I mean, yes, I'm aware that there are multiple
20 of charges, some that are consistent from state to state and
21 some that aren't, and some that are in my judgment charges that
22 are, are not reflective of reality.

23 But, yes, I mean, all -- in fact, the 1996 federal
24 legislation was trying to do away with all of that. It really
25 was from multiples of losses and fighting and bickering and

1 also some states' rights. I mean, the National Governors
2 Association had a representative I know, as I said, Governor
3 Carper. I represented the NCSL, which is the National
4 Conference of State Legislatures. I was the state, for all 50
5 state legislatures, their representative on that, on that
6 negotiation. It just happened to be the year that I was the
7 chairman.

8 Q Yes, sir. Let me try and cut to the chase. Do you,
9 do you recognize and will you concede that in this \$18
10 versus \$11 scenario, which may not be correct, but whatever the
11 numbers are, do you recognize that in saying or making the
12 charge that the residential rates are subsidized, that the
13 telephone companies, not just BellSouth, but the telephone
14 companies, each of them, the local companies, refuse to count
15 the other revenues that utilize that last mile of wire, that
16 local loop such as subscriber line charge, access fee revenues
17 they obtain in connection with long-distance calls, information
18 service charges, which are up, and, and the revenues from the
19 often very expensive vertical services? Are you aware of that?

20 A Do I recognize that they failed to account for that
21 in their rate filing here?

22 Q No, sir, not in the rate filing. In the suggested --

23 A The rate structure?

24 Q No, sir.

25 A Okay. Sorry.

1 Q In the suggestion, in the suggestion that the monies
2 that come from residential ratepayers don't cover the cost of
3 their service. Do you recognize they don't count all the
4 revenues they get from those customers versus the expenses?

5 A I disagree with that statement.

6 Q Okay.

7 A Okay?

8 Q Thank you.

9 COMMISSIONER BAEZ: Thank you, Mr. Cosgrove.

10 MR. COSGROVE: Thank you. Thanks again for being
11 here; you for home, but you for here.

12 COMMISSIONER BAEZ: It's always nice to be here.

13 MR. BECK: The next witness is Jerome Reisman.

14 JEROME REISMAN

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. REISMAN: Good evening. Jerome Reisman. I was
19 born in Miami. I'm living as far north as I've ever lived in
20 my life now. I live in Neval (phonetic). I am a businessman.
21 My wife is a businesswoman. My mother has Lifeline. My
22 daughter is at FSU and she has a landline and a cell phone. I
23 guess all the students have -- I'm sure they all have cell
24 phones. And I'm here for competition. I'm going to address
25 the four issues that were laid out in the letter or the

1 publication.

2 I'm for competition, and I have an example why. This
3 phone seven years ago wasn't this small and didn't provide as
4 many functions as it does now. It cost about \$300 a month for
5 200, 250 minutes a month. Today I get this service for \$80 a
6 month and I get 2,000 minutes, plus all the other functions
7 which include the data, my calendar is on here, and I can carry
8 it around with me. I think that this -- all the volumes of
9 words that we've heard here tonight are demonstrated in this
10 one little piece of equipment.

11 Competition is the only thing that's going to lower
12 the rates. In my business competition is what lowered the
13 cost. In my business competition is what lowers my ability to
14 buy a service for less: The cell phones, I just explained
15 that.

16 Lifeline, my mother has, that's a requirement of the
17 government. As I understand it, this is to be a
18 revenue-neutral function and the obligation will lie with the
19 PSC to assure or to protect the public to keep it revenue
20 neutral. And if it is revenue neutral, it's, frankly, very
21 difficult for me to understand how we're going to increase
22 profits to all the, the telephone companies that are now
23 servicing our residences and servicing our businesses. It's
24 not just BellSouth; it's all the others. And in this
25 particular petition it's Verizon and Sprint, so I believe that

1 limiting the questions to BellSouth is a little disingenuous.
2 And, frankly, that's my point.

3 Competition has lowered the cost of mobile service to
4 where at one point it was limited in use to business people,
5 and now every kid on the street has one, and you can get
6 service for the county for \$35. I don't need to say anymore.

7 COMMISSIONER BAEZ: Thank you, Mr. Reisman.

8 Mr. Twomey.

9 MR. TWOMEY: Yes, sir. I'll be quick.

10 CROSS EXAMINATION

11 BY MR. TWOMEY:

12 Q Mr. Reisman, you said your mother has Lifeline?

13 A Yes, sir.

14 Q Did, did you hear my introduction in which I stated
15 that, that --

16 A It was a lifetime ago. Your introduction was several
17 hours ago. So if you'd just tell me what you want to address,
18 I'll try to.

19 Q I will as soon as you stop interrupting me.

20 COMMISSIONER BAEZ: Mr. Twomey.

21 BY MR. TWOMEY:

22 Q You said, you said your mother had Lifeline. Did you
23 hear in my introduction that Lifeline protection from the rate
24 increases will cease in at least four years and perhaps as
25 early as two years?

1 A I don't remember if I heard you.

2 Do you want to phrase a question, Mr. Twomey?

3 Q Yes, sir. Do you know whether that's true or not?

4 A No, I don't. And do you?

5 Q And if it is true --

6 A And does the PSC regulate that?

7 Q Yes, sir.

8 A And would they have ultimate say as to whether or not
9 that would occur?

10 COMMISSIONER BAEZ: Mr. Reisman.

11 MR. REISMAN: He started it. He started it.

12 COMMISSIONER BAEZ: I think you're probably right.

13 But I think what we're trying to do is keep the flow of the
14 questions so that Commissioner Bradley and I can get testimony
15 from you.

16 MR. REISMAN: I came and I addressed the issues.

17 COMMISSIONER BAEZ: That's all I'm trying to --

18 Mr. Twomey, if you will --

19 MR. REISMAN: And I'm more than happy to answer a
20 question appropriately addressed without any preface.

21 COMMISSIONER BAEZ: And I appreciate that. And I
22 will ask Mr. Twomey to please --

23 MR. TWOMEY: Yes, sir.

24 COMMISSIONER BAEZ: -- phrase his questions in a
25 gentlemanly manner. Thank you.

1 MR. TWOMEY: Thank you, sir. I will.

2 MR. REISMAN: I'm a member of the Bar as well, and I
3 think that that type of conduct is disgraceful.

4 COMMISSIONER BAEZ: Mr. Reisman, Mr. Reisman, I
5 appreciate your frustration. Let's try and get through these
6 questions as peacefully as possible.

7 COMMISSIONER BRADLEY: Well, Mr. Chair, I, you know,
8 with all due consideration, you know, Mr. Twomey, we do have an
9 obligation to be considerate of the public.

10 MR. TWOMEY: Yes, sir.

11 COMMISSIONER BRADLEY: And -- but let me finish. Let
12 me finish. And we're here to take testimony from the public in
13 a very objective and, and in a very professional manner, and I,
14 too, would ask that you refrain from your line of questioning
15 and that you be respectful of the folks that are testifying.

16 MR. TWOMEY: Yes, sir. I will. Thank you.

17 MR. REISMAN: Thank you, sir.

18 BY MR. TWOMEY:

19 Q Now my question still is do you have any concern for
20 the fact that your mother will be subject to the same level of
21 rate increases that other residential customers will at the end
22 of four years and possibly two years?

23 A Of course I'm concerned with my mother's well-being.

24 Q You seem to suggest in your discussion of revenue
25 neutrality that you thought it was the Commission's

1 jurisdiction to protect the customers as well, or did I hear
2 you correctly?

3 A My understanding is that the PSC is the body which
4 will regulate revenue neutrality, which is a part of the
5 petition.

6 Q Yes, sir. And what I'm asking you is is it your
7 understanding that residential customers or even single-line
8 business customers have to be protected in revenue neutrality
9 as well?

10 A I believe that if the market is allowed to exercise
11 control, the market will control. I believe in market control.

12 But if the petition is what you're addressing and the
13 petition provides for revenue neutrality, I believe that the
14 PSC is the governing body to regulate that segment, that
15 aspect, that element of the petition.

16 Q A specific question: Do you, do you believe the PSC
17 has the jurisdiction to find that residential customers like
18 Mr. Weinstock have to come out revenue neutral; that is, not be
19 harmed financially?

20 A Well, you've add a few other phrases, a few other
21 elements to the question, and I think I've already answered the
22 question.

23 Q That's all I have, Mr. Reisman. Thank you.

24 COMMISSIONER BAEZ: Thank you, Mr. Reisman.

25 MR. REISMAN: Thank you.

1 COMMISSIONER BAEZ: Mr. Beck.

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

3 JOHN DIXON

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. DIXON: My name is John Dixon. Excuse me. I'm
8 the executive director of The Black Business Association here
9 in Miami. The BBA is a membership organization that represents
10 over 300 businesses. From a business standpoint we feel that,
11 in the long run that there will be choices and better prices
12 for customers. We also feel that there will be more jobs
13 created by new businesses with competitive contracts.

14 We also feel that this will increase revenue for
15 telecom suppliers in supporting this. In the long run we feel
16 that this will be good for the industry, and there will be a
17 great tax base created, also. And that is my comment. Thank
18 you.

19 COMMISSIONER BAEZ: Thank you, Mr. Dixon.

20 Any questions?

21 MR. TWOMEY: One question, yes, sir.

22 CROSS EXAMINATION

23 BY MR. TWOMEY:

24 Q Is BellSouth a member of your organization?

25 A Yes, they are, along with over 300 organizations or

1 companies.

2 Q Thank you.

3 A Thank you.

4 COMMISSIONER BAEZ: Thank you, Mr. Dixon.

5 MR. BECK: The next witness is Oswaldo Friger. I
6 might be mispronouncing your last name.

7 COMMISSIONER BAEZ: Can you spell it for us, Mr.
8 Beck?

9 MR. BECK: F-R-I-G-E-R.

10 COMMISSIONER BAEZ: Oswaldo Friger. I think
11 Mr. Friger has left.

12 MR. BECK: Then the next witness is Wallace Hanchey.

13 COMMISSIONER BRADLEY: Wallace Hanchey?

14 MR. HANCHEY: Hanchey, yes.

15 WALLACE HANCHEY

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. HANCHEY: I want to thank the Commission for
20 coming here. The first draft of the meetings you were having
21 were all over the state. The closest one to date was Ft.
22 Lauderdale. And I couldn't believe that you were going to
23 leave out the most populous county in the state, but perhaps
24 with some coercion from AARP you did decide to come here, too.

25 COMMISSIONER BAEZ: Now, Mr. Hanchey, I just want to

1 assure you the idea was always to come here. How could we
2 ignore the largest city?

3 MR. HANCHEY: That's what I wondered when I saw the
4 first list.

5 COMMISSIONER BAEZ: That's all it was. It was a
6 first list.

7 MR. HANCHEY: Okay. Now I've heard some confusing
8 figures here tonight about basic rate. I had my basic rate
9 increase calculated at 23.9 percent. But if the basic rate is
10 \$11, and it's a whole lot more percentage than that, it's at
11 least 35 percent. If the basic rate is \$18, then it's still
12 more than a 20-percent increase.

13 And I'm president of the Greater Coral Gables chapter
14 of AARP, president of a Golden Ages Club down in Kendall and
15 Pine Crest, and I attend the All States Friendship Club
16 functions in Coral Gables and several, two or three other
17 clubs. I come in contact with a lot of older people; I mean,
18 late 70s, 80s and 90s. Now these people were not able to
19 attend tonight. Most of them don't drive, many of them don't
20 drive, most of them don't drive at night, and those who do
21 drive at night couldn't come tonight because of the rain and
22 the traffic conditions in this area. So there's only like
23 seven or eight people here tonight 65 or older, and even some
24 of them are still working. So there's a smaller number of
25 people 65 and older who are retired. I retired January of

1 1993.

2 Those of us in that category feel any increase more
3 so than people still working or people still young. There --
4 these people tell me other than that driving problem that they
5 don't come to something like this because they feel hopeless
6 and helpless. They really don't believe that their voice means
7 anything. I believe that the reduction in long-distance calls
8 that has been stated tonight over a period of time will not
9 come anywhere near taking the place of the increase in rates,
10 the basic rate.

11 I have two lines myself because one of them is
12 devoted to the computer. And now that I've had a computer for
13 a few years, I couldn't live without it. But I think it's very
14 unfair to those of us in that situation. I found that having
15 two lines was less expensive than DSL. And, in fact, DSL
16 wasn't even available in my area when it started. Right over
17 here on 47th Court it wasn't available.

18 Well, if this raise, increase in rates of the basic
19 rate, if it cannot be stopped, if it is going to go through in
20 spite of what the public says and what most people in the
21 public feel, then I would like you to see -- to see you at
22 least exempt the people who are 65 or older and retired; that
23 is, retired from a lifelong job. Many people 65 or older are
24 doing work in a grocery store, they are directing traffic at a
25 school crossing or they're cleaning up in a fast-food place.

1 features must make up for the actual cost of providing service.

2 We all have mothers and fathers and mothers-in-laws,
3 and no one wants to see families who are on fixed income have
4 to pay additional monies. There's an element of nervousness,
5 psychological anguish that comes to these people. But it is a
6 true belief that in this Information Age there's possibly no
7 better value to our economy than the, what the communication
8 industry provides. We have a great deal as consumers. When we
9 look at the cost of consumer credit, really the financial
10 industry benefits from usurious interest rates on all consumer
11 credit. Well, what about those families in fixed income, those
12 working poor that have to pay 21 percent interest on their
13 daily consumption, the cost of insurance, the cost of energy?
14 I think in a comparative basis these costs are much greater
15 than the cost of communications. That perhaps is the single
16 foremost ingredient in allowing us to create wealth in these
17 new times. So that was -- we have to say the communications
18 industry has given us a good deal.

19 Secondly, we have to understand or say that if one of
20 the most important corporate members of our community needs
21 this increase, provides for 2,000 jobs, has tremendous
22 multiplier effects on our economy as a whole, we'll allow that
23 the small business community which we represent, which is the
24 largest sector in our economy, is able to keep its expenses
25 fixed, then I think it ought to be seriously considered, and we

1 at Camacol ask the Commission to approve their petition. Thank
2 you.

3 COMMISSIONER BAEZ: Thank you, Mr. Font.
4 Mr. Twomey.

5 CROSS EXAMINATION

6 BY MR. TWOMEY:

7 Q Yes, sir. Is BellSouth a member of your chamber?

8 A Yes, they are an excellent member.

9 Q Thank you.

10 COMMISSIONER BAEZ: Thank you, Mr. Font.
11 Mr. Beck.

12 MR. BECK: The next witness is Bryan White.

13 COMMISSIONER BAEZ: Mr. White?

14 Mr. Beck, call your next witness.

15 MR. BECK: Daniel Hernandez.

16 DANIEL HERNANDEZ

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

19 DIRECT STATEMENT

20 MR. HERNANDEZ: Good evening. Thank you very much
21 for listening to my words tonight. My name is Daniel
22 Hernandez. I live at 5855 West 30th, Hialeah, Florida. I've
23 lived in Florida for the last 42 years of my life. I'm a
24 member of AARP for the last few years. And I represent the
25 Hialeah Chamber of Commerce and Industry, which I've been the

1 president of for the last ten years. Besides that, I'm a small
2 businessman in Hialeah for the last 30 years. I own a pharmacy
3 with nine telephone lines.

4 I do understand that when big companies decide to
5 make a raise like this or an increasing in their charges, they
6 are gambling on the future of the company because sometimes it
7 works the way they want. Sometimes they believe that they have
8 to do it because they cannot cover costs or they know they
9 cannot cover costs because everything is going up, all the
10 material is going up in the United States and everywhere in the
11 world. And sometimes when that happens, what it does is it
12 brings the competition in. I believe that competition would be
13 very good for this country right now because we are with one
14 company, which is the one that practically owns the line and
15 they do what they want with the lines for everybody. At the
16 same time, at the chamber of commerce we believe that what
17 they're doing is right. Due to the -- BellSouth is one of the
18 persons that helps in the community each and every way. I
19 belong to the Hialeah (inaudible). They always belong -- every
20 time we do a collection in the county, they do help us. I
21 belong to a shelter (phonetic) in Hialeah -- Hispanics that
22 help the people that come into the county that they're low in
23 incomes. We always go to BellSouth and BellSouth is always
24 ready to help. And they do help us with all kind of small
25 leagues of baseball throughout the county. So I believe that

1 if the Commission can help them do their raise, it will bring
2 more competition into the area. Thank you.

3 COMMISSIONER BAEZ: Thank you, Mr. Hernandez.
4 Mr. Twomey.

5 MR. TWOMEY: Yes, sir, just two.

6 CROSS EXAMINATION

7 BY MR. TWOMEY:

8 Q First, did you say you own a pharmacy?

9 A Yes, sir. I've owned a pharmacy for the last 30
10 years in the City of Hialeah.

11 Q Yes, sir. Do you, do you have competition?

12 A I have a lot of competition, yes, sir.

13 Q Do you, do you attempt to, to succeed by increasing
14 your prices?

15 A I've probably in the last three years had to increase
16 my prices over 20 percent because my materials have increased
17 over 20 percent.

18 Q Yes, sir. But, I mean, with respect to your, your
19 competitors, do you still try to, notwithstanding wholesale
20 increases, do you still try to compete on price with your
21 competitors as well as your quality of service?

22 A I definitely have to beat the quality because I'm a
23 pharmacy with 3,000 square footage. When you have all these
24 big chains coming into town, if you don't keep competitive, you
25 cannot make it. But unluckily I have to increase my wholesale

1 costs plus some more costs because you constantly have to be
2 renewing your shelving, your floors, your counters. I have
3 nine lines we have to pay for, which I pay a little higher than
4 what I pay at my house.

5 Q Yes, sir. Lastly, is BellSouth a member of your
6 chamber?

7 A BellSouth has been a member of my chamber since we
8 started our chamber. Yes, sir.

9 Q Okay.

10 A And not only us, like I told you, they help us
11 through Hialeah Concerned Families, Hialeah Little League for
12 boys and girls to play baseball in the afternoons, et cetera.
13 They -- I believe that BellSouth makes a lot of money and they
14 have given a lot of money back into the community in each and
15 every way throughout the county.

16 Q Thank you very much.

17 A You're welcome.

18 COMMISSIONER BAEZ: Thank you, Mr. Hernandez.

19 MR. BECK: The last witness who signed up is Fernando
20 Figutredo.

21 FERNANDO FIGUTREDO

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. FIGUTREDO: Thank you very much. My name is

1 Fernando Figutredo, 524 Ridgewood Road, Key Biscayne, Florida.
2 I'm a small consultant, own my own consulting group. Five
3 months ago -- before that I was a vice president with AOL Latin
4 America, and before that I was a vice president with Lucent
5 Technologies-Latin America. So I know a little bit about the
6 telecommunications industry and a little bit about some of the
7 comments that Mr. Cosgrove, I guess it was Mr. Cosgrove, I'm
8 trying to see his name, some of the comments that he made a
9 little bit earlier.

10 But the reason I'm here -- a few days ago my wife saw
11 the advertisement for the, for this hearing, and she knows that
12 I have been complaining, and I'm glad that she brought this up
13 to me. When I went in and put in my own business line at the
14 little office that I'm sharing in (inaudible) Key, you know,
15 what became very clear, even though I knew that there was a
16 difference in cost between business line and residential line,
17 you know, it's double the price, and I complained to her about
18 why that is. And I've never really understood the reason, why
19 one line is subsidized versus the other. But regardless, you
20 know, you start to think about this particular measure that,
21 that begins to equalize or spread that difference in cost. And
22 to me that makes a lot more sense as a pricing structure to
23 begin to do this than to remove the access rates, even though
24 they're going to be passed on to the consumer in a different
25 way. That, to me, seems to be a much more equitable way of

1 pricing across the line than keeping it the way that it was.

2 The more I thought about this thing, the more I
3 thought about the fact that it's also going to help
4 competition. And, you know, in a case like my case, I mean,
5 I'm having now on my own to survive as a consultant, and I'm
6 finding that what I thought I was going to be able to charge
7 for fees I'm having to reduce. I'm having to keep my fees
8 down, I'm having to reduce my fees in order to compete in a
9 very competitive environment, which Miami has become. And so
10 the more people out there, the many more consultants that I saw
11 out there, the more I realized that the whole issue of
12 competition could help, you know, a measure like this.

13 Now I'm right with the older folks, I'm a member of
14 AARP, by the way, and I'm going to be probably in a very
15 similar situation very soon where I'm going to be on a fixed
16 income and very concerned about my expenses. My mother -- my
17 father passed away two years ago. My mother is on a fixed
18 income, so I'm very closely in tuned with that situation.

19 By the same token, I also see that BellSouth and the
20 other telephone companies, at least BellSouth, which is the one
21 that I have at home, provides a great value. I mean, what I
22 heard some of the people and other people say is true. It is a
23 great value for what we're getting. And what we're talking
24 about increasing rates is really -- when you talk about a
25 35-percent increase in rate, you've got to start thinking that

1 you're starting from a base that's artificially lower than the
2 cost to provide the service. So if you're starting from a,
3 from a base that's already way low, yeah, right, raising it --
4 I didn't know that it was 35 percent until I got here today --
5 but raising it 35 percent from a level that's artificially made
6 lower than what it should have been, I can see why, you know,
7 those, those percentages seem to be high.

8 By the way, going back to the comment that
9 Mr. Cosgrove made -- in Latin America when I was with Lucent
10 Technologies there were systems that were being put in using
11 what we call leapfrogging technology. They were going in and
12 putting in -- bypassing the telephone cables completely and
13 putting in wireless local loops right to the home wireless
14 systems, the latest technology. And it comes to mind, I mean,
15 I'm not an expert in pricing out telecommunications systems,
16 but it seems to me that probably if BellSouth is given enough
17 money to continue to just maintain the system that's in place
18 and a little bit more increase every now and then, then it'll
19 never get to the point where they're going to be able to really
20 bring in brand new technology like they're doing in Latin
21 America where they're bypassing complete systems. I don't know
22 that that's the case. I mean, that's just a thought that came
23 up while this discussion was taking place.

24 It seems to me that you've got to be able to do a
25 fair way of pricing the cost of the service hopefully without

1 hurting the people that are in the retired ranks. So my
2 testimony is that I am in favor of moving ahead with this
3 measure, and hopefully it'll help competition and it'll help
4 the state. Okay.

5 COMMISSIONER BAEZ: Thank you, Mr. Figutredo.

6 MR. TWOMEY: Yes, sir, just briefly.

7 COMMISSIONER BAEZ: Mr. Twomey.

8 CROSS EXAMINATION

9 BY MR. TWOMEY:

10 Q Sir, did you hear BellSouth say that these rate
11 increases or these petitions were going to be revenue neutral?

12 A I heard the discussion afterwards. Yeah, I was not
13 here when that was going on. I came in from a meeting late.

14 Q Yes, sir. If you'll accept for purposes of my
15 question that they have said that the petitions are going to be
16 revenue neutral and that they're not going to make any money
17 from raising the residential customers' rates, okay --

18 A Uh-huh.

19 Q -- if that's true, isn't it also true that they won't
20 have any more money from them approving these petitions to
21 spend on infrastructure that you talked about?

22 A Could be. I mean, that's an argument that I just
23 sort of threw out there as a hypothetical argument. But either
24 way, it seems to me that the pricing is fair the way that it's
25 being proposed than the old way.

1 Q What kind of consulting business are you in now?

2 A Marketing, marketing communications.

3 Q Sir?

4 A Marketing communications.

5 Q Do you do any -- do you do now or have you done any
6 work for the telecommunications industry?

7 A I used to work for AT&T before Lucent Technologies,
8 sir.

9 Q Yes, sir. I mean, in your consulting work, do you do
10 any work for communications?

11 A No. AOL Latin America, which I left four months ago,
12 five months ago, is one of my clients. But, no, I have no
13 relationship, no. There's no connection at all.

14 Q Thank you very much.

15 A Sure.

16 COMMISSIONER BAEZ: Thank you, Mr. Figutredo.

17 Mr. Beck, you mentioned that that was the last
18 witness that had signed up.

19 MR. BECK: That's true, Commissioner Baez. Nobody
20 else has signed up ahead of time.

21 COMMISSIONER BAEZ: Is there anyone else here that
22 would like to give testimony at this point and hasn't -- and
23 didn't sign up or forgot to sign up? Anyone at all? Going
24 thrice.

25 Very well. Seeing no one, I want to thank all of you

1 for coming out. I think we got some great comments and some
2 great discussion. Thanks again.

3 We are adjourned.

4 (Service hearing adjourned at 9:26 p.m.)

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1 STATE OF FLORIDA)
 :
 2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

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4 I, LINDA BOLES, RPR, Official Commission
 5 Reporter, do hereby certify that the foregoing proceeding was
 heard at the time and place herein stated.

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

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

12 DATED THIS 14th DAY OF NOVEMBER, 2003.

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