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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

FLOW-THROUGH OF LEC SWITCHED
ACCESS REDUCTIONS BY IXCs,
PURSUANT TO SECTION 364.163(2),
FLORIDA STATUTES.

DOCKET NO. 030961-TI

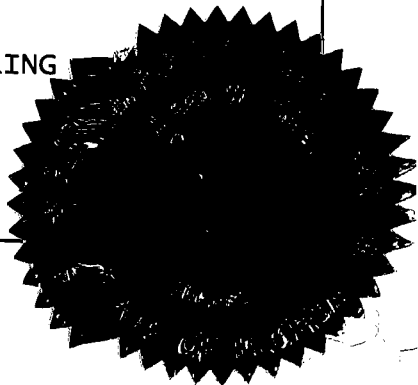
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PROCEEDINGS: TALLAHASSEE SERVICE HEARING



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BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER CHARLES M. DAVIDSON

DATE: Wednesday, December 10, 2003

TIME: Commenced at 9:41 a.m.
Concluded at 11:10 a.m.

PLACE: Betty Easley Conference Center
4075 Esplanade way, Room 148
Tallahassee, Florida

REPORTED BY: MARY ALLEN NEEL, RPR

1 APPEARANCES:

2 HAROLD MCLEAN, ESQUIRE, CHARLES BECK, ESQUIRE
3 and H.F. MANN, ESQUIRE, Office of Public Counsel, c/o
4 The Florida Legislature, 111 West Madison Street, Room
5 812, Tallahassee, Florida 32399-1400, appearing on
6 behalf of the Office of Public Counsel.

7 ALAN S. CIAMPORCERO, Verizon Florida Inc., 201
8 N. Franklin Street, FLTC0007, Tampa, Florida 33602,
9 appearing on behalf of Verizon Florida Inc.

10 CHARLES REHWINKEL, ESQUIRE, Sprint-Florida,
11 Incorporated, (MCFLTLH00107), P.O. Box 2214,
12 Tallahassee, Florida 32316-2214, appearing on behalf
13 of Sprint-Florida, Incorporated.

14 NANCY WHITE, ESQUIRE, BellSouth
15 Telecommunications, Inc., c/o Ms. Nancy H. Sims, 150
16 South Monroe Street, Suite 400, Tallahassee, Florida
17 32301-1556, appearing on behalf of BellSouth
18 Telecommunications, Inc.

19 CHARLIE CRIST, ESQUIRE, and JACK SHREVE,
20 ESQUIRE, Office of the Attorney General, PL-01, The
21 Capitol, Tallahassee, Florida 32399-1050, appearing
22 on behalf of the Office of the Attorney General.

23
24
25

1 APPEARANCES CONTINUED:

2 MICHAEL B. TWOMEY, ESQUIRE, P.O. Box 5256,
3 Tallahassee, Florida 32314-5256, appearing on behalf
4 of AARP, Common Cause Florida, and Sugarmill Woods
5 Civic Association.

6 PATRICIA CHRISTENSEN, ESQUIRE, BETH KEATING,
7 ESQUIRE, LEE FORDHAM, ESQUIRE and FELECIA BANKS,
8 ESQUIRE, FPSC General Counsel's Office, 2540 Shumard
9 Oak Boulevard, Tallahassee, Florida 32399-0850,
10 appearing on behalf of the Commission Staff.

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P R O C E E D I N G S

1
2 CHAIRMAN JABER: Staff counsel, you have a
3 notice to be read?

4 MS. CHRISTENSEN: Yes, Commissioner.

5 By notice issued October 8, 2003, this time
6 and place has been set for a customer hearing in
7 Docket Nos. 030867-TL, Petition by Verizon Florida,
8 Inc.; 030868-TL, Petition by Sprint-Florida,
9 Incorporated; and 030869-TL, Petition by BellSouth
10 Telecommunications, Inc.

11 The purpose of this hearing is as set forth
12 in the notice.

13 CHAIRMAN JABER: Thank you. Let me begin
14 by welcoming all of you here this morning. This is
15 our last public hearing in this proceeding, and we
16 certainly appreciate everyone's input and everyone
17 coming out this morning.

18 There are some formalities in this part of
19 the proceeding that I'll explain as we go along, but I
20 just wanted to start by a brief explanation as to why
21 we are here.

22 As this is the public part of the hearing,
23 this is the opportunity we have to hear from consumers
24 in the State of Florida regarding petitions that were
25 filed by BellSouth, Sprint, and Verizon, to make

1 certain adjustments to their rates. And it was based
2 on -- the petitions are based on the passage of a law
3 that was enacted by the Legislature and signed by the
4 Governor this past summer.

5 That law allows certain telephone
6 companies, BellSouth, Verizon, and Sprint, to petition
7 the PSC to reduce fees those companies charge to long
8 distance companies for the use of their network. And
9 if the PSC approves those petitions, the local company
10 can offset the lost revenue with an increase in their
11 local telephone rates.

12 In deciding the petitions, the PSC has to
13 consider whether granting the petition will help
14 create a more attractive competitive local telephone
15 market for the benefit of residential consumers.
16 Therefore, we are particularly interested in hearing
17 from customers on whether and to what extent
18 competition does exist in your service territory. And
19 it would also be helpful to comment on what options
20 you have available to you and what options in terms of
21 telephone packages you would like to see and what
22 other services you might like to have.

23 In order to speak this morning, please sign
24 the list. I think, Mr. McLean, you and Mr. Beck have
25 the original list. Mr. Beck?

1 MR. BECK: I'm sorry, Madam Chair.

2 CHAIRMAN JABER: The customers, where can
3 they sign up to speak? Have you arranged for that?

4 MR. BECK: Outside in the hallway.

5 CHAIRMAN JABER: Right. If you do wish to
6 speak today, there is a -- I'm assuming a bench or a
7 table where the sign-up list can be found. I
8 encourage you to sign that list in order to speak this
9 morning.

10 When you come up to speak, we ask that you
11 come to the microphone over here to the right and
12 address the Commission. We may ask you to state your
13 name and address for the record, and perhaps even
14 spell your last name.

15 If you want us to have your comments but
16 don't wish to speak this morning, you're also welcome
17 to pick up one of these sheets that you should also be
18 able to find out there at the table. And the last
19 page of the sheet describing the petitions has a
20 customer comment sheet. Feel free to fill that out
21 and leave it with one of us, the court reporter, or
22 the staff person that is sitting at the table
23 outside. These comments will also be considered in
24 staff's recommendation ultimately that comes before
25 the Commission.

1 with that, what I would like to do is allow
2 our staff, the parties, and the consumer advocates an
3 opportunity to make a brief presentation as well.

4 Staff, you have a presentation that can get
5 us started? Ms. Christensen?

6 MS. CHRISTENSEN: Thank you, Commissioner.
7 Staff has put together a brief overview of this
8 legislation and the process.

9 As noted here, there are three dockets that
10 have been established to address each of the
11 petitions. Each of the companies has filed a revised
12 petition. BellSouth refiled its petition on September
13 30, 2003, Sprint refiled its petition on October 1,
14 2003, and Verizon refiled its petition on October 2,
15 2003.

16 The next slide shows Section 364.164, which
17 is entitled "Competitive Market Enhancement." Under
18 this section, local telephone companies may decrease
19 the rates charged to long distance companies for
20 access to its networks in a revenue-neutral manner.

21 The Public Service Commission must consider
22 four criteria in reaching its decision on each of the
23 companies' requests. The PSC must consider whether
24 saying yes to the petition would remove current
25 support for basic local telecommunications service

1 that prevents the creation of a more attractive
2 competitive local exchange market for the benefit of
3 residential consumers.

4 Second, it must ensure that it induces
5 enhanced market entry.

6 Third, it must ensure that it requires
7 intrastate switched network access rate reductions to
8 parity over a period of not less than two years or
9 more than four years. Parity means that the Florida
10 in-state access rates equal the access rates for the
11 state-to-state calls.

12 And finally, they must ensure the petitions
13 are revenue neutral. Revenue neutrality is defined as
14 changes in access revenues offset by equal changes in
15 local rates.

16 CHAIRMAN JABER: BellSouth, Verizon,
17 Sprint, do you have presentations?

18 MS. WHITE: No, ma'am, BellSouth does not
19 have a presentation.

20 MR. CIAMPORCERO: In the interest of time,
21 we won't -- we'll waive a presentation.

22 CHAIRMAN JABER: Mr. Rehwinkel?

23 MR. REHWINKEL: Yes, Madam Chair. Charles
24 Rehwinkel on behalf of Sprint. Like BellSouth and
25 Verizon, although this area is Sprint's territory

1 primarily, in the interest of time and to facilitate
2 hearing from the customers here today and to get the
3 hearing underway, I would just note that I've made
4 comments in the public hearings in the past that are
5 essentially identical, and I would adopt those for
6 purposes of here today and waive the rest of my time.

7 Thank you.

8 CHAIRMAN JABER: Thank you, Mr. Rehwinkel.
9 General Crist.

10 ATTORNEY GENERAL CRIST: Thank you, Madam
11 Chair. Good morning.

12 I want to first congratulate Harold McLean
13 on his new role as the Public Counsel. And thank you
14 for your help very much, Harold.

15 I also want to thank Jack Shreve, who you
16 know well, who has been kind enough to join our office
17 and sits right with me here. Thank you, Jack.

18 And I want to thank you, Chairman and
19 members of the Public Service Commission who serve the
20 public. I want to thank you for discharging your
21 duties well and discharging them responsibility, and
22 always with the public in mind, and for holding
23 hearings around the state, as you are today, on this
24 important issue that affects so many.

25 The hearings really relate to a new

1 statute, a new law, as we're all aware -- that's why
2 we're here -- from which we now have a new request for
3 a rate increase of approximately \$350 million, I am
4 told the largest rate increase in the history of our
5 state for phone service.

6 I wanted to read something in the motion
7 that we filed from the Attorney General's Office.
8 Paragraph 3 says, "In evaluating the petitions, the
9 Commission is required to consider whether those
10 petitions will benefit residential consumers." That's
11 from the statute, and the citation is 364.164(1)(a).
12 "Moreover, the Commission has an overriding obligation
13 to ensure that basic local telecommunications services
14 are available to all consumers in the state at
15 reasonable and affordable prices," 364.01(4)(a).
16 "Therefore, the Commission must exercise appropriate
17 regulatory oversight to protect consumers and ensure
18 that petitioners' proposed actions will in fact
19 benefit residential consumers."

20 The law also calls for revenue neutrality
21 in section 364.164, paragraph (2). It's hard to
22 comprehend, at least for me, how a \$350 million
23 increase is revenue neutral.

24 Some have mentioned that there may have
25 been a preliminary finding that has been made to

1 suggest that the benefit to the residential consumer
2 ought not to be considered today, and I would like to
3 just touch on that. I'm sure that's not accurate, and
4 I understand that it's up for reconsideration. I
5 believe it's clear from the law itself that the
6 residential consumer in fact does matter, as cited in
7 364.164. The Legislature certainly felt that way.

8 And I wanted to read a quote from
9 Representative Ritter. On April 30th of '03, when
10 considering this law, she said, "I am fortunate to
11 have my mother and father living in my district. They
12 know where and when to reach me any day, any hour, any
13 time. If I thought this bill would raise my parents'
14 local rates, I wouldn't be supporting it here today."

15 I also wanted to quote from Senator Michael
16 Haridopolos responding to a question from Senator
17 Campbell, where he said, "They have this very strict
18 language in Section 15 of the bill which says that the
19 language as outlined making sure that it must be in
20 the best interests of residential consumers,
21 customers, rather, and bring local competition to the
22 market before they would look at the rates."

23 who is the public, the public that you and
24 I work for? They are in fact the residential
25 consumer. For one not to consider them certainly

1 would ignore not only the statute, but I think your
2 charge, and you know this. That I think is why you
3 have held hearings around the state to hear from the
4 public, to hear from the consumer.

5 Recently I had a bone spur removed from my
6 foot and was in my doctor's office. This was back in
7 May in St. Petersburg. And I had an anecdotal
8 experience that really brought this home to me. There
9 was a janitor there, and he recognized me, and he
10 said, "Aren't you the Attorney General?" And I said,
11 "Yes, sir, I am. And he said, "You know, I've kind of
12 been following the discussion about this phone bill,
13 and it concerns me, and I'm worried about it, and I
14 understand it may raise my rates." And as I left the
15 doctor's office, it occurred to me, I work for that
16 guy.

17 And you know what? So do you. That's the
18 public. You're the Public Service Commission. You
19 know that. You're not the "Phone Company Service
20 Commission." You're the Public Service Commission,
21 and that's an honor not to be taken lightly. And all
22 I ask is that when you consider these issues today
23 that you remember that we work for the people. We
24 work for the public. That's why we're here. You
25 know, they're -- some of them don't have people

1 representing them. Some people call those people
2 lobbyists. But they have you. The public has you,
3 and they have us. That's why we're here. It's for
4 them. And there's about 17 million of them out there,
5 and they're hoping that you will rule with them today,
6 and so am I. In fact, we have filed a motion. It has
7 a fancy name, a summary final order, that would reject
8 the rate increase, and I would implore you to grant
9 it.

10 Thank you very much for your consideration
11 and your kindness.

12 CHAIRMAN JABER: Thank you, General Crist.
13 Mr. McLean.

14 MR. MCLEAN: Madam Chairman and
15 Commissioners, it's a pleasure to see you from this
16 side of the bench. Good morning to you. I'm Harold
17 McLean, Florida Public Counsel, and I have the honor
18 to appear on behalf of the Citizens of the State of
19 Florida. With me this morning are Mr. Charlie Beck
20 and Mr. Rick Mann, who will be attending to the case
21 as it progresses.

22 Public Counsel adopts the eloquent opening
23 statement of our Attorney General in its entirety.
24 The Citizens are especially supportive of General
25 Crist's Motion for Summary Final Order. We believe

1 that the Commission is compelled by Florida law and by
2 common sense to grant General Crist's motion.

3 The Legislature provided an opportunity,
4 not a guarantee, to the incumbent phone companies to
5 show an entitlement to rate rebalancing. The
6 Legislature never meant for the rebalancing to take
7 place on the backs of residential customers. The
8 telephone companies' response to General Crist's
9 motion would have this Commission abrogate its
10 fundamental historical and statutory duty to look out
11 for the good of the residential telephone customers of
12 this state.

13 I urge this Commission to continue, as it
14 has over the decades, to protect residential customers
15 from overreaching utility providers. You should toss
16 this case into the legal dumpster. Let me repeat
17 that. Commissioners, you should toss this case into
18 the legal dumpster. You should instruct the phone
19 companies to go hence without day. Let them return to
20 the Commission only if they can prove that a grant of
21 their rebalancing petitions will serve to directly and
22 financially benefit the residential customers,
23 customers who trust you and each of you to protect
24 them when they cannot protect themselves.
25 Commissioners, it is, after all, as you know, what the

1 Legislature established this agency to do.

2 Thank you very much.

3 CHAIRMAN JABER: Thank you, Mr. McLean.

4 Mr. Twomey.

5 MR. TWOMEY: Thank you, Madam Chairman. If
6 you don't mind, I would like to be able to face some
7 of my clients out here as well.

8 Ladies and gentlemen, I'm Mike Twomey. I'm
9 an attorney representing the AARP, Common Cause
10 Florida, and Sugarmill Woods Civic Association, Inc.,
11 from Citrus County.

12 Many of you should have the handout that we
13 provided. The Commissioners and the parties have
14 heard my comments on 13 previous public hearings we've
15 had throughout the state, for which we wish to thank
16 the Commission.

17 I want to go through and briefly explain
18 how the AARP and others feel about this case, ladies
19 and gentlemen, so if you'll follow me, first of all,
20 these cases are made possible by bad law. The
21 companies talked the Legislature into adopting and the
22 Governor into signing it, notwithstanding the fact
23 that major newspaper polls at the time showed that 84%
24 of the people in the state were opposed to the
25 legislation being signed.

1 One of the things that the companies told
2 the Legislature when they were selling them this bill
3 of goods was that they would implement the rate
4 increases over three to four years. Then they came
5 in, and they filed and asked for two years. And in
6 reality, as noted by Public Counsel and as objected to
7 by Public Counsel, they were trying to put all the
8 rate increases on your backs in a mere 366 days, one
9 year and a day. The Public Counsel objected to that,
10 and to their credit, the Florida Public Service
11 Commission dismissed the cases and made the companies
12 file again. They came back and did it in two years so
13 they would put all the increases in your backs within
14 two years and a day, essentially. Okay?

15 Now, they had said earlier they would do it
16 over three years and four years so that these massive
17 rate increases would be apportioned to you so that you
18 didn't feel rate shock. Okay? They would hit you a
19 little bit for four years at a time. Now they're in
20 for two years.

21 And you know why they're doing that? It's
22 part and parcel of one of the fibs they told the
23 Legislature, which was that they were going to have
24 these rate increases, and they weren't going to make
25 any money from it. They were going to spend millions

1 of dollars at the Legislature and here to have these
2 cases. They weren't going to make any money from it.
3 It would be revenue neutral, as shown to you by the
4 staff presentation, and at best, if they were
5 successful, they would lose customers. Nobody
6 believes that.

7 The real reason they're doing this, ladies
8 and gentlemen, is that the buggy whip division of
9 local telephone service is access fee revenue.
10 They're losing their shirts, 9 to 10% per year. And
11 what they're doing by these rate increases, if they're
12 passed by this Commission, they're going to transfer a
13 massive amount of wealth, \$355.5 million a year, from
14 the buggy whip division of access, which they're
15 losing 10% per year, and put it on the backs of
16 residential customers. That's it, bottom line.
17 That's what they're doing, a massive transfer of
18 wealth from losing divisions to residential customers.

19 It's not revenue neutral for the local
20 phone companies. It's not revenue neutral for the
21 long distance guys that have just gotten in the last
22 couple of weeks. They have to give back their rate
23 increases, the decreases they get from the local
24 companies, to their in-state toll customers.

25 But we fear, have fear they're going to

1 give it all to big business. Okay? And we believe
2 there's secret information, confidential information,
3 if you will, that shows that's going to be the case.
4 Can't tell you what the numbers are, but we believe
5 these numbers will show that our fears have been
6 realized that the long distance companies will give
7 all the in-state toll reductions to their big business
8 customer who don't have any local rate increases and
9 short you people that are residential customers. It's
10 not fair, and besides which they only have to give
11 those rate reductions to their big customers for a
12 mere 13 months before they can take that \$355 million
13 and stuff it in their profit pockets. Okay?

14 Another thing they said. There's a
15 question before this Commission, and it's a threshold
16 question that the Attorney General is going to bring
17 to the Commission's attention after this public part
18 is over, and that is, did the Florida Legislature
19 intend that residential consumers actually have to
20 have real benefits.

21 The companies told the Legislature in
22 committee meetings and throughout for months, "Don't
23 worry about it. Your residential customers are going
24 to have the ability to break even on their rates,
25 maybe even win on their total monthly bill, by having

1 lower in-state tolls." Okay? They told them that.
2 The legislators, as pointed out by the Attorney
3 General, made these kind of comments when they were
4 supporting their vote for the legislation.

5 Now you're going to hear -- if you stick
6 around, you're going to hear the companies tell these
7 Commissioners verbally, as they have in writing, that
8 you're not entitled to anything in terms of benefits
9 except for having your rates increased from 35 to 90%,
10 which might bring you more competition, which might,
11 if it shows up, result in your rates coming down five
12 to ten years from now. That's silly, but that's what
13 they're going to say. And they're going to try and
14 convince these people that you shouldn't have the
15 ability to have any in-state toll reductions and the
16 ability to break even.

17 Lastly, the companies have tried to make
18 the case to the public and the Commission that there
19 have to be rate increases in order for Lifeline
20 customers to have expanded coverage. These are the
21 people that because of their income status can get
22 assistance from the phone companies and the federal
23 government to help pay their phone bills.

24 The problem is the law. The law provides
25 the expanded coverage of 125% of the poverty level,

1 and it's not dependent upon this Commission giving us
2 any rate increases. Okay? In fact, if there are rate
3 increases, what happens is that the Lifeline people
4 will get the same level of rate increases the rest of
5 us will in as little as 13 months, and, ladies and
6 gentlemen, without the appearance of any additional
7 monies to help finance those increases. AARP fears
8 that tens of thousands of people on Lifeline service
9 consequently will lose their service.

10 On the other hand, if the Public Service
11 Commission denies the rate increases, we don't get any
12 rate increases, and neither do the Lifeline people.
13 The phone companies can still, however, raise their
14 rates if they want to under the existing law. You
15 know how much it's going to be? The rate of inflation
16 minus 1%, the rate of inflation minus 1%.

17 If the Public Service Commission grants
18 these petitions after these hearings, what's going to
19 happen is that, depending upon whether you're served
20 by BellSouth or Sprint or Verizon, and where you live,
21 a dense area, an urban area, or a rural area, your
22 rates will go up at a minimum of 35% per year, to as
23 much as 90%. And worse yet, after that, they can go
24 up 20% per year every year without them having to ask
25 their permission or anybody's permission at all.

1 I thank you for your attention. I would
2 urge you if you're in the audience, if you're a
3 consumer, stand up and speak. Get up and adopt the
4 comments of others. If you don't feel like speaking,
5 then fill out one of the forms, as the Chairman
6 suggested, and say that you don't want to have your
7 phone rates increased. And don't worry about talking
8 about the things that the staff suggested about
9 whether you want more competition and this kind of
10 stuff. Okay? Get up and say -- if you can't afford
11 these telephone increases in your budget, say so. If
12 you are not interested in having two phone companies
13 at prices that are 90% higher than you have now, say
14 so.

15 Thank you very much. Thank you, Madam
16 Chair.

17 CHAIRMAN JABER: Thank you, Mr. Twomey.
18 Mr. Beck, I'm assuming you have copies of
19 what I have, the customer names.

20 MR. BECK: Yes, ma'am.

21 CHAIRMAN JABER: Okay. And I'll double
22 check as you call customers out and make sure we're
23 looking at the same thing.

24 This is the part of our service hearing
25 where we ask customers to come up to the microphone

1 and testify. And your comments are incorporated into
2 the record of this proceeding. As such, at this time,
3 I would like to ask that you -- if you do intend to
4 speak today, that you stand and raise your right hand.

5 (Witnesses collectively sworn.)

6 CHAIRMAN JABER: Thank you.

7 Mr. Beck, your first customer.

8 MR. BECK: Thank you, Madam Chairman. Our
9 fist customer this morning is Ed Paschall.

10 CHAIRMAN JABER: Mr. Pascal, come on up.
11 Thereupon,

12 ED PASCHALL

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

16 DIRECT STATEMENT

17 MR. PASCHALL: Madam Chairman and members
18 of the Commission, my name is Ed Paschall. I live
19 here in Tallahassee. And my address is 1923 Atapha
20 Nene. My telephone number -- the area code is 32301.
21 My telephone number is 850 --

22 CHAIRMAN JABER: Mr. Paschall, you don't
23 need to give your telephone number out.

24 MR. PASCHALL: You have that.

25 CHAIRMAN JABER: Go ahead.

1 MR. PASCHALL: I've been thinking about
2 this for quite some time. I'm been following this
3 development toward the increase in basic rates for
4 about eight or ten years. But since I'm living here
5 in Tallahassee, I'm speaking on this today as an
6 individual to answer some of the questions posed in
7 the yellow sheet here, and part of them deal with
8 competition.

9 There is no effective landline competition
10 for the residential customers in Tallahassee, no
11 effective competition. I have not received one single
12 solicitation from anyone to give me local service by
13 telephone here in Tallahassee. Now, there are some
14 pockets around the state where there is some
15 residential service, but not here in Tallahassee,
16 unless you want to go to some of these companies down
17 there that primarily serve people who have lost their
18 telephone privileges and have to go and pay in advance
19 for their telephone service.

20 And thinking about this competition bit and
21 the conversation that goes with it, as was outlined in
22 the original bill that was passed for this, there was
23 the terminology "for the consumers' benefit." I'm
24 here to tell you right now that if you approve this
25 proceeding in favor of the telephone companies, this

1 bill will not only not benefit me, it will take money
2 out of my pocket with no benefit whatsoever.

3 I do not make very many long distance
4 in-state telephone calls. I make quite a few
5 telephone calls that go to some of my relatives out of
6 the state. But, now, the terminology here and the
7 terminology that many of the people do not remember or
8 even understand is the fact that this so-called
9 benefit is supposed to come to us through the making
10 of intrastate long distance calls.

11 So therefore, this passing of these
12 requests, or approving them, as I said, will be of no
13 benefit to me whatsoever. And even to the very few
14 in-state calls that I make, can you tell me exactly
15 what the reduction in my long distance rate will be?

16 If you can't, then you should not approve
17 these requests. Otherwise, what you are doing is
18 forcing me by law to pay a certain amount for a pig in
19 a poke. And the closer you look, there ain't no pig
20 in that poke. In other words, we have no idea what
21 the benefit, if any, is going to be, even minor.

22 The other thing you need to think about
23 there is, for us to benefit any at all, we must, in my
24 case, purchase an additional service which I don't
25 utilize now. For companies who want to run a

1 promotion and give away merchandise just for a
2 drawing, they are required to state "No purchase
3 necessary." Yet in this particular case, if we're
4 going to benefit from this, we must purchase in-state
5 long distance telephone service, and that is in direct
6 opposition to a great number of laws, both in-state
7 and on the federal ledger as well.

8 There were many comments both in the
9 presentations here and before the Legislature. I had
10 the opportunity to sit and listen to some of those,
11 and there was all kinds of comments about it being
12 revenue neutral. Revenue neutral to whom? Well, it
13 could be revenue neutral to the local exchange
14 companies if you take the opportunity to ensure that
15 every penny that's listed here of the proposed rate
16 increase goes through your local exchange to the long
17 distance companies.

18 At the last account that I heard, there was
19 something like 630-some-odd telephone companies here
20 operating in the State of Florida. Now, I understand
21 that's only somewhere between 10 and 15 local service
22 companies, so that means there's something like 620
23 long distance companies operating. How in the world
24 are you going to be able to sit there and figure that
25 every dollar that comes in to pay for this program is

1 going to actually go revenue neutral all the way
2 through the local exchange companies?

3 I want to mention one other thing about the
4 word "competition" that has been bandied back and
5 forth, especially since 1995, in these telephone
6 issues, competition. For those of you have who have
7 operated your own business and you were in an area
8 where you could handle all the business that was
9 there, and you make a pretty good living, would you
10 spend money to go out and recruit competition to come
11 into the area where you're doing business and take
12 some of your customers, which in itself would lower
13 your income from the number of customers -- because
14 the total number of customers would be divided then
15 between you and a competitor? Not only that, they say
16 it would lower the rates, and if it does that, then it
17 would lower your income even further. How many
18 business people do you think would do that?

19 well, the telephone companies, the local
20 exchange companies operate in their service areas, so
21 they then have the opportunity -- at least they're
22 talking about bringing competition. The people that
23 run the businesses are not stupid, so they have no
24 intention whatsoever of recruiting customers to come
25 in and take their business. As a matter of fact, if

1 you have listened to any of their rhetoric, they're
2 complaining in the very first place about they're
3 losing revenue to certain types of competition. So
4 that one is down the well as well. It just does not
5 wash. It doesn't make any sense. And if you go out
6 here on the street and talk to any person out there
7 and explain that to them, they'll look at you and say,
8 "Are you stupid?" They do not believe that that type
9 of terminology is used, and worse yet, in some places,
10 say that they believe that that is effective.

11 It will not work in this case for the
12 simple reason that when they raise those rates, there
13 is no form by which they can be lowered to the point
14 where they are right now. And if this is approved,
15 those rates will never again -- I don't like to use
16 the word "never," but it's highly unlikely that
17 there's any way that they can possibly come back to
18 this point, because the only way that you can get
19 competition is, the local exchange companies lease
20 their lines to these incoming companies. It is
21 totally prohibitive financially for any company to
22 come in and build the infrastructure to handle this.

23 So if this is approved, the residential
24 basic rate is very, very, very unlikely, and I would
25 almost say never be at the level that it is right

1 now. So you're not doing anybody any favor. And I
2 will say again, where is the benefit to the local
3 consumer?

4 There are some other comments I could make,
5 but there are a number of people I'm sure that want to
6 speak. If you have any questions, I'll be happy to
7 answer them.

8 CHAIRMAN JABER: Thank you, Mr. Paschall.
9 Commissioners, do you have any questions?
10 Thank you, sir.

11 Mr. Beck.

12 MR. BECK: Thank you. The next witness is
13 Eugene Danaher.

14 CHAIRMAN JABER: Good morning.
15 Thereupon,

16 EUGENE DANAHER
17 was called as a witness on behalf of the Citizens of
18 the state of Florida and, having been duly sworn,
19 testified as follows:

20 DIRECT STATEMENT

21 MR. DANAHER: Good mornings. My name is
22 Eugene Danaher, D-a-n-a-h-e-r, 10263 Thousand Oaks
23 Circle, Tallahassee, 32309.

24 I have no connection directly or indirectly
25 with any communications company or its subsidiaries.

1 I am a retired corporation executive who, when he
2 isn't looking after his grandchildren and traveling,
3 tries to spend a little time getting involved in local
4 affairs.

5 I checked my records at home for the last
6 two years on my telephone bills, and lo and behold, I
7 find that the fees that I've paid for long distance
8 service are much, much lower than the proposed
9 increases in my residential fees as I read them in
10 these various documents. So I will be heavily
11 penalized if this docket is approved as presently
12 indicated. I have two lines. I have a dedicated fax
13 line. I think probably I have more service than the
14 average residential customer. I think I'm still going
15 to be heavily penalized.

16 I'm concerned with the accuracy and the
17 credibility of some of the documents that I've been
18 given. For example, on arriving here this morning, I
19 was given this special report, I believe prepared,
20 Madam Chair, by your staff. If you'll turn to page 3,
21 you'll read on there the proposed three-year single
22 line business increases for Verizon, Sprint, and
23 BellSouth. I won't go through those numbers.

24 I was surprised to get in my Tallahassee
25 Democrat last week a notice of public hearing, which

1 has no docket number on it. It doesn't indicate that
2 it's indeed prepared by the three, Verizon, Sprint,
3 and BellSouth, petitioners, which I think it should
4 be. And I find out in talking with your Beth Keating,
5 who is on your attorney staff, that you in your
6 wisdom, which I think was wise, you have proposed that
7 these three companies prepare and publish this quarter
8 page document.

9 I call to your attention the fact that this
10 document is inaccurate. There's errors in its
11 compilation. After five or six phone calls, I finally
12 got hold of Beth Keating, who acknowledged that even
13 though it didn't have a docket number, they had some
14 role in it. Apparently nobody had even read this
15 document in the paper on the part of the PSC, and when
16 we went over it in some detail, Ms. Keating said,
17 "Well, we can't have that happen. We have to issue a
18 new public notice." And lo and behold, on Monday of
19 this week, we got a new public notice, same format,
20 except there are two significant changes.

21 Number one, the errors that were in the
22 original notice have been omitted. But even more
23 interesting to me, Verizon, Sprint, and BellSouth have
24 changed the total proposed increases. Now, if you'll
25 notice on the yellow sheet that you have, they have

1 them ranging from 1.65 to 7.53. They have a minimum.
2 Ah, but there's a change now. It's just up to, up to,
3 up to a certain amount. The minimums have all been
4 reduced.

5 Now, why is that? Apparently they've
6 agreed that they're no longer willing to give the
7 minimum, at least that's the implication of this. I
8 think that's inappropriate. And I think as a public
9 member reading these documents that I'm confused, and
10 I think this only confuses the public, and I think
11 there ought to be an explanation from these three
12 utilities as to why they felt they had to change the
13 documentation to the public.

14 And I think the Public Service Commission,
15 with all due respect, Madam Chair, ought to be more
16 careful and more respectful of what's said in these.
17 And I think there ought to be a statement on here to
18 the effect that this was required to be published by
19 the PSC and that it's paid for by these three
20 companies. I think the implication would be that you
21 expect them to be truthful and accurate in all detail,
22 which they are not. So I'm concerned about the
23 credibility of the three utilities.

24 The second thing that concerns me is, I
25 haven't gotten my new phone book, but I have some

1 friends who have, and they say it's a disgrace, they
2 can't use it, they're going to keep their old phone
3 book.

4 Now, Sprint -- this is Sprint's offering,
5 so I'm not laying any wood on the other two. But
6 apparently there's so many errors in this one -- I
7 have a list here from the paper. There must be 15 or
8 16 errors in the new Sprint phone book.

9 Sprint says, in effect, it's not their
10 responsibility, it's Donnelley Publishing and
11 Advertising. The last time I checked, I thought they
12 were working for Sprint.

13 The only reason I bring this out, not to
14 embarrass them, but just to bring out to the
15 Commission's notice, if we can't publish documents
16 that are accurate from one week to the next week in
17 the paper, if we can't print telephone books that
18 don't have these egregious errors, how responsible and
19 how acceptable are the documents that you get from
20 them on the amount of the increases and so forth that
21 they want?

22 Now, I know that you cannot give the
23 public, which I think is improper, the confidential
24 information on these filings. Allegedly, it's too
25 sensitive for competitive reasons. Well, I'm in that

1 mish-mash of competition, and I think it's only proper
2 that you take good look at the rules, the
3 administrative rules and whatever you have that don't
4 allow this. I attend City Commission meetings, County
5 Commission meeting, Public Service Commission
6 meetings, Civic Center Authority meetings. I have yet
7 to hear anybody, including their counsel, say, "We
8 can't tell you what's going on, because this is
9 confidential."

10 So I think you're behind the times, with
11 all due respect, again, members of the Commission. I
12 think you ought to take a look at why this thing has
13 to be held in such high confidence. It's a shield,
14 and I think we all have a right and we all have the
15 duty, and you have the duty to allow us to see what
16 are the documented reasons for these egregious
17 increases.

18 So in essence, I applaud what you're doing
19 here. I think you had a lot of meetings around the
20 state, and I think it was a lot of effort for you
21 people that attended those meetings, and your staff.
22 I think you deserve a lot of credit for that and for
23 this meeting here today. I'm pleased to see the
24 Attorney General here. It's obvious this is something
25 of high import to the state and other people, Public

1 Counsel. So I think that is excellent hearing, and I
2 beg you and plead with you to take a good hard look at
3 this and reject this docket. I don't think it's in
4 the public interest.

5 Thank you for the opportunity to speak.

6 CHAIRMAN JABER: Thank you, sir.

7 Mr. Rehwinkel, it's my understanding from
8 Mr. Danaher's testimony that there was a renoticing in
9 the paper. Take a moment to brief me and my
10 colleagues on what happened and what differences might
11 exist between that notice and the staff report. And,
12 Ms. Salak, if anything is left out, I would ask that
13 you also address the Commission.

14 MR. REHWINKEL: Okay.

15 CHAIRMAN JABER: Go ahead.

16 MR. REHWINKEL: Thank you, Madam Chairman.

17 First of all, Mr. Danaher is -- he's a
18 longtime communicant with the company. He is very
19 helpful in being conscious of the customers, and we
20 appreciate it. He brought this to our attention last
21 week. We were -- the errors that were in the notice
22 were a function of the fact that we refiled the case
23 and the time frame changed. The 90-day clock
24 restarted. We did not change the notice language
25 because that was the language that the Commission has

1 directed us to put in the papers around the state.

2 The first error that Mr. Danaher brought to
3 our attention was that the -- it said the Commission
4 would enter a final order sometime in November. Well,
5 that obviously -- that time has passed, so we omitted
6 that statement. And second one was, when we
7 originally filed, we had a two-step increase instead
8 of a three-step increase requested. We corrected the
9 two-step references and made them three-step
10 references in the chart and in the verbiage of -- I
11 think the last sentence of the third paragraph. My
12 notice -- Ms. Christensen has the notice that I
13 brought with me today. So we fixed those.

14 what we did not change from first notice to
15 second notice was any of the financial information
16 that we were directed to put in the paper. I do not
17 have the yellow sheet and the notice to compare to,
18 but what -- the information we put in there in the
19 notice in the newspaper was the information that we
20 were directed to put in.

21 These were quarter page ads. There's a
22 limited amount of information that you can put there.
23 And I think our principle that went into what went
24 into the chart was that you should notice customers on
25 the maximum exposure they have in case that is

1 important to them as a motivation to come out and
2 testify.

3 So those are the only two changes we made
4 to the notice. And this was brought to our attention
5 by Mr. Danaher through Ms. Keating.

6 CHAIRMAN JABER: Ms. Salak and Ms. Keating,
7 can you represent that those were the only changes,
8 and those changes notwithstanding, there has been no
9 increase in what the company has requested in terms of
10 what you've been able to review in the notice?

11 MS. KEATING: Yes, Madam Chairman. And
12 first I would like to also thank Mr. Danaher for
13 bringing that to our attention. We had not caught
14 it. And again, as Mr. Rehwinkel had said, while we
15 had looked at the original versions of the notices, we
16 did not see them again after the companies refiled
17 their amended petitions.

18 As far as the initial notice, let me also
19 just say that we don't think it was a fatal flaw,
20 because the date, time, and location of the hearing
21 was in fact accurate.

22 As far as the changes, the only change that
23 Mr. Rehwinkel indicated, which was changing the
24 implementation time periods, is the only change that
25 was made. There are slight differences in the numbers

1 that are indicated between the report and the second
2 notice that was issued, and I don't think that they
3 are of significant substance at this point. They're
4 differences in how things are ranged. As far as the
5 report indicates, there's a range of \$1.65 to 7.53 per
6 month for some of the companies, and the notice just
7 says up to a certain point.

8 CHAIRMAN JABER: So basically you're saying
9 the same information is there, it looks like it's in a
10 different format?

11 MS. KEATING: It's just a different format,
12 yes, ma'am.

13 CHAIRMAN JABER: Commissioners, do you have
14 any follow-up questions or concerns in this regard?

15 Mr. Danaher, I too --

16 MR. DANAHER: May I have just a brief
17 comment, please?

18 CHAIRMAN JABER: Yes, absolutely. Go
19 ahead, and then I've got --

20 MR. DANAHER: I tend to disagree very
21 fervently with what has just been said. The lower
22 range of the price increases has been eliminated on
23 the last document. There's no question about that.

24 Secondly, I find it curious that she says
25 there's no significant changes. Sprint said

1 originally that their ranges would be from 4.04 to
2 10.55 per month. This document that came out Monday
3 for the public says Sprint will be up to \$6 per
4 month. I think that's a major change.

5 So with all due respect -- and I think you
6 people have indicated on your pass-out, the original
7 document, and you didn't have the benefit of this
8 latest. So apparently they're changing their
9 documents, they're changing their rules, they're
10 changing their estimates. So I think there's a major
11 change here, and as a member of the public, I think
12 that's very misleading, and I think it's
13 inappropriate, and I deplore it.

14 CHAIRMAN JABER: Okay. Mr. Danaher, let me
15 take an opportunity to thank you also for bringing
16 this to our attention, but also to let you know that
17 this is -- after we conclude the customer portion of
18 the testimony, we'll have an opportunity to put the
19 company witnesses on the stand, and these are the
20 kinds of questions we'll be able to ask.

21 MR. DANAHER: Thank you.

22 CHAIRMAN JABER: So, you know, rest assured
23 all of those questions get asked, and they will be
24 answered. Thank you for being here today.

25 Mr. Beck, call your next witness. And,

1 Ms. Keating, give me and the Commissioners a copy of
2 that notice, please.

3 MR. BECK: The next witness is Ben Wilcox.

4 MR. DANAHER: Mr. Wilcox had to leave. He
5 told me he had another meeting. So I apologize for
6 his absence.

7 CHAIRMAN JABER: Thank you, Mr. Danaher.
8 And for the record, Mr. Wilcox had to leave, was not
9 in attendance.

10 Mr. Beck.

11 MR. BECK: The next witness is Arthur
12 Flatt.

13 CHAIRMAN JABER: Mr. Flatt.

14 MR. FLATT: May I bring these up?

15 CHAIRMAN JABER: Yes, sir.

16 COMMISSIONER DAVIDSON: What's the name?

17 CHAIRMAN JABER: Flatt, F-l-a-t-t.

18 Thereupon,

19 ARTHUR W. FLATT

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

23 DIRECT STATEMENT

24 MR. FLATT: It takes me a little while to
25 get manipulated.

1 I'll make this as brief as I can, because
2 I'm very concerned.

3 A law was passed to help the taxpayer with
4 competition between phone companies. They are now
5 trying another way to raise rates using a loophole,
6 the Public Service Commission.

7 I have been told that I was wasting my
8 time, the committee had been wined, dined, and
9 entertained by the phone companies and big business to
10 vote in their favor. Negative thinking, I hope
11 anyway.

12 I believe you have been misled that we
13 would benefit by raising our local phone rates and
14 lowering long distance. Phone companies would almost
15 double their rates for a local service that affects
16 most people. Long distance rates have already dropped
17 due to competition. Long distance companies, cell
18 phone companies, and businesses would reap a fat
19 profit. Local phone rates would almost double. They
20 never lower their rates.

21 I was paying a fee for long distance, just
22 to get long distance, plus 10 cents per minute. After
23 learning long distance companies were lowering their
24 rates through competition, I shopped. I now pay 3.43
25 cents per minute. There are certain companies that

1 advertise 7 cents a minute, 5 cents a minute, 3 cents
2 a minute.

3 These facts should show that the committee
4 has been sold a bill of goods just to profit big
5 business and the telephone companies.

6 Businesses and telephone companies lobbied
7 hard to get this law through the State Legislature.
8 The Legislature believed the lobbyists. If you don't
9 approve their total package, they will ask for half
10 for a start. They should not be granted any raise in
11 rates.

12 Please help the little people. I feel they
13 have been forgotten, used, stepped on long enough,
14 just to help the rich get richer and the poor get
15 poorer. I am optimistic enough to believe you have a
16 conscience. Now that the truth is known, you can see
17 what they are trying to do.

18 The local phone companies should not have
19 anything to do with long distance rates. Local phone
20 rates should not have anything to do with it. They
21 are manipulating rates, not for better service, but
22 for larger profits for the telephone companies and
23 businesses.

24 I still have faith in people to do the
25 right thing. Maybe I am too optimistic. Search your

1 souls, and then think.

2 You know, I was even surprised at what I
3 learned here this morning. I hadn't looked into it
4 deep enough. I was just being hurt because I know so
5 many people on fixed incomes. The fixed incomes,
6 they've got to have double. Usually on fixed incomes
7 you don't make that many long distance calls, so you
8 don't get that much relief. You get very little
9 relief. As a matter of fact, the average person
10 doesn't make that many long distance calls. I didn't
11 realize that if you passed this, they could raise
12 their rates without going through the Public Service
13 Commission. Oh, that's dangerous. That's a dangerous
14 thing you can do. They can raise it up to 20%?

15 No, I just want to protect the little
16 people on fixed incomes, retirees, which I am one of
17 them. I'm 80 years old, and I've seen a lot go on.
18 Some of it isn't quite right. But this is the first
19 time that I finally realized that I've got to get up
20 and do my duty to protect the little people. And
21 that's what we all should be doing.

22 My name is Arthur W. Flatt, which I forgot
23 to give you. I live at 971 Riverview Trail,
24 Tallahassee, Florida 32310. I don't have to give you
25 have my phone number.

1 CHAIRMAN JABER: No.

2 MR. FLATT: No. But I just want you to
3 consider it and think about the little people. We
4 don't do it enough.

5 I see on television people starving over in
6 Africa. We don't think about them. No, we've got to
7 just reap a harvest, go to church, build bigger
8 churches. We don't donate the money where it does the
9 good for the little people, and that's you've got to
10 do, think of the little people.

11 Thank you.

12 CHAIRMAN JABER: Thank you, sir.

13 Mr. Beck.

14 MR. BECK: Thank you. The next witness is
15 Benjamin Ochshorn.

16 CHAIRMAN JABER: Mr. Ochshorn, it's
17 O-c-h-s-h-o-r-n?

18 MR. OCHSHORN: Correct.

19 Thereupon,

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

24 DIRECT STATEMENT

25 MR. OCHSHORN: Good morning. My name is

1 Benjamin Ochshorn. I'm an attorney at Florida Legal
2 Services, which represents low income Floridians
3 without charge. I've engaged in public utilities law
4 for FLS, including telecommunications, before this
5 Commission and in other forums since 1994 and have
6 been an attorney for low income Floridians since
7 1984.

8 I appear this morning to make a public
9 comment on behalf of FLS on how the granting of these
10 petitions would affect low income Floridians and
11 whether that would benefit or harm them.

12 Based on our review, Florida Legal Services
13 believes that it is imperative to low income
14 Floridians that the petitions be denied. We support
15 the motion of the Attorney General to summarily
16 dismiss the petitions for the reasons stated therein
17 and urge that the motion be granted.

18 If the petitions were granted, low income
19 Floridians, like all subscribers, would receive
20 immediate dramatic increases in their basic service
21 rates that they especially cannot afford. Low income
22 Floridians would be particularly harmed, because they
23 do not have the income to take significant advantage
24 of any decreases in long distance rates that the
25 Commission might require to be shown, and do not have

1 the income or credit histories to subscribe to any of
2 the high-priced bundles of services that the phone
3 companies conjecture would be more widely available if
4 the petitions are approved.

5 Most fundamentally, the granting of the
6 petitions would deprive low income Floridians of the
7 State's assurance that universal service is available
8 at rates that are just, reasonable, and affordable.
9 Under Florida's new telecommunications law, such
10 action would allow basic service rates to rise to
11 whatever levels the phone companies choose within a
12 very short period of time. Even during the two years
13 addressed in the petitions, the rate increases
14 probably will be higher than projected because the
15 rate increases will use prior year units rather than a
16 true-up procedure.

17 There is occurring now a sharp drop in
18 conventional line-based long distance usage, on the
19 order of 10 to 20% per year, that we believe will
20 result in even higher basic service rate increases
21 than projected as intrastate long distance units
22 decline in future years substantially below the
23 2002-03 levels that are represented in the petitions
24 and testimony. The phone companies also are permitted
25 by the new law to decrease intrastate access rates

1 below the amounts represented in the petitions, which
2 would further increase basic service rates.

3 After the two-year period, phone companies
4 can elect to have basic local service treated as a
5 nonbasic service under Florida law, meaning that they
6 can raise rates by up to 20% per year, or, in other
7 words, they can double phone rates every four years.
8 For residential service, in which the incumbent local
9 exchange companies still serve 91% of subscribers,
10 according to the Commission's latest
11 telecommunications competition report, there are no
12 market pressures in most areas of Florida to prevent
13 this from happening. Five years and a month after
14 this hearing, the petitioners' state law obligation to
15 provide universal service, i.e., basic service as a
16 stand-alone service, in any form ends.

17 Any market pressures that might develop to
18 keep basic service rates low would be required by the
19 new state law to be enjoined. Incumbents who elect to
20 have basic service treated as nonbasic service can
21 obtain Commission injunctions against any companies
22 who offer lower basic service rates than they do,
23 based upon a rule to be promulgated by the Commission
24 that must base these injunctions on precedents for
25 cost estimates of basic local service.

1 As you know, incumbent local exchange
2 companies and their hired experts estimate that
3 virtually the total cost of the local loop of phone
4 service, estimated several years ago for Florida at
5 about \$40 per month, if I remember correctly, is
6 attributable to basic local service. So that is a
7 reasonable expectation of where basic service rates
8 would go within only several years if the petitions
9 are approved, and there would be nothing the
10 Commission could do about it.

11 Florida Legal Services does not expect that
12 the state's Lifeline programs, even as expanded by the
13 new telecommunications law to provide for income-based
14 eligibility statewide, to shield low income
15 subscribers from these rate increases. Florida's new
16 law provides such a respite only during the initial
17 two-year period, and even that limited assistance is
18 almost entirely Pyrrhic. Currently, less than
19 one-fifth of Florida's low income households, only
20 about 140,000, are permitted by the petitioners to
21 participate in Lifeline, according to the Commission's
22 Lifeline report, and that number actually has declined
23 for at least the last two years and shows little
24 prospect of increasing in the foreseeable future
25 without major transformation of Florida's current

1 Lifeline program requirements.

2 The new law will not change existing
3 marketing or public awareness activities for state
4 Lifeline programs, as was noted in the Lifeline report
5 at page 12. These activities, and the income-based
6 Lifeline programs now available from all three
7 petitioners, are reported to have collectively
8 increased new Lifeline enrollments in 2003 over 2002
9 by about 1,000 per month, but Lifeline participation
10 continues to decline due to the ongoing staggering
11 number of Lifeline subscriber disconnections by the
12 petitioners. BellSouth alone has disconnected
13 approximately a quarter million Lifeline subscribers,
14 over 2,000 a month, since it began its program in mid
15 1994, more than twice as many Lifeline participants as
16 it currently has enrolled, according to information in
17 the Lifeline report, 38.8 terminations in 21 months
18 during 2002-03, and in Commission Order 99-2503, in
19 which it said 140.5 thousand Lifeline disconnections
20 in the first four years of their program through mid
21 1998, and the application of these disconnect rates to
22 the remaining program time period.

23 Many of the disconnected, including those
24 of other petitioners, as well as of BellSouth, have
25 been forced to turn to prepay phone procedures. These

1 providers, according to the Commission's competition
2 report at pages 8 and 59, cater to this population,
3 along others, account for a substantial percentage of
4 CLEC residential access lines in Florida, that have
5 doubled from 366,653 in 2000 to 726,638 in 2003, and
6 charge up to \$60 per month for toll-limited basic
7 service, hardly just, reasonable, and affordable rates
8 for universal service. The transition of these
9 households from being Lifeline participants to being
10 disconnected, to being prepay customers, we believe
11 explains much of the fluctuation in Florida's
12 telephone penetration rate in the past decade.

13 Verizon and Sprint have Lifeline
14 participation rates much lower than even that of
15 BellSouth, due in part to their differing, and
16 incorrect and unduly restrictive interpretations of
17 program participation-based eligibility and
18 verification requirements for the Lifeline program.

19 Verizon, the nation's largest phone
20 company, further adamantly opposes income-based
21 eligibility for Lifeline, commenting twice within two
22 years in the current Federal Communications Commission
23 docket on the question that, quote, creating an
24 income-based criterion will invite waste, fraud, and
25 abuse of Lifeline funds, end quote, even though

1 Verizon participates in such programs in Vermont and
2 California without any problem of which we are aware.

3 Even beyond their deliberate actions, phone
4 companies are unfamiliar with and disinclined to learn
5 about the complicated public assistance programs and
6 income verification procedures on which Lifeline
7 eligibility is based. Moreover, the petitioners'
8 record and policies make clear that they simply don't
9 want Lifeline subscribers as customers, because they
10 can't sell them much additional services.

11 Phone companies today are under extreme
12 financial pressures to increase revenues per customer.
13 Verizon laid off 10% of its work force in the past
14 year. Sprint is laying off 20% of its work force over
15 a three-year period. Florida phone companies so far
16 have resisted the implementation of Lifeline program
17 policies Florida Legal Services have advocated that
18 have been proven in other states, particularly in
19 three states, California, Maine, and Rhode Island,
20 where about 90% of eligible households are enrolled in
21 Lifeline programs, to result in vastly higher numbers
22 of stable, bill-paying Lifeline programs subscribers.

23 The harm to low income residential
24 customers of phone companies of granting these
25 petitions is relevant to the Commission's

1 consideration of whether granting the petitions will
2 lead to, quote, a more attractive competitive local
3 exchange market for the benefit of residential
4 customers, end quote, as required by section
5 364.164(1)(a) of Florida Statutes. The petitioners in
6 a pending motion for rehearing appear to argue that
7 the words, quote, for the benefit of residential
8 consumers, end quote, should be given no effect, but
9 they, as the Commission has previously indicated, are
10 obviously wrong.

11 The Commission also has been correct in
12 indicating that this benefit tangibly be shown before
13 the petitions are granted. The nature of the required
14 showing is within the Commission's sound discretion.
15 The principal reason why a tangible showing should be
16 required by the Commission, rather than the
17 conjectural and theoretical ones proffered by the
18 petitioners, is that these petitions are the last
19 opportunity, the last jumping-off place under the new
20 state telecommunications law for the Commission to
21 assess the possible benefit or harm of granting the
22 petitions and to reach a decision on whether to go
23 forward.

24 Once the petitions are granted, further
25 pricing of basic residential service and any

1 compensating benefits to be offered to customers, if
2 any, will be made by the incumbent local exchange
3 phone companies subject only to statutory rather than
4 Commission limitations. The Commission needs to know
5 now whether granting the petitions will provide a
6 benefit, because if the petitions are granted, the
7 Commission will have no later opportunity to make any
8 adjustments or corrections to its decision.

9 This decision has been entrusted to the
10 Commission by the Legislature. Because the
11 petitioners have shown only harm and not benefits to
12 the granting of their petitions, the petitions should
13 be denied.

14 CHAIRMAN JABER: Thank you, sir.
15 Commissioners, do you have any questions?
16 Mr. Rehwinke1, do you have a question?

17 MR. REHWINKEL: No, I don't. I have
18 something to go back to on the notice when the time is
19 appropriate.

20 CHAIRMAN JABER: Thank you, Mr. Rehwinke1.
21 We're going to get through the customer part, and I'll
22 allow you to do that.

23 Mr. Beck, your next customer.

24 MR. BECK: Thank you, Madam Chairman. The
25 next customer is Arthur Maruna.

1 Thereupon,

2 ARTHUR MARUNA

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

6 DIRECT STATEMENT

7 MR. MARUNA: Thank you, Madam Chairman and
8 Commissioners. I'm Arthur Douglas Maruna, 7690
9 Northwest 55th Avenue, Chiefland, which is in Levy
10 County. Levy County is a very small county. We have
11 a population of about 39,000 people.

12 And we could all go home early if we could
13 just rely on you taking the advice of the Attorney
14 General that basically stated everything that needed
15 to be said.

16 We in the rural area do have low income
17 people. I have the privilege, since I'm retired, to
18 work with a couple of organizations that puts me in
19 touch with people of all walks, and many of them are
20 low income. In our county, I'm aware of numbers
21 between 600 and 800 families that do not have
22 telephones because they can't afford telephones. They
23 can't afford to call 911. They can't afford medivac.
24 They can't afford to call a doctor. They can't afford
25 to call you to complain about this rate increase.

1 Let's face it, we all know that there's one
2 reason and one reason only that this is being asked
3 for on the backs of the long distance callers. That's
4 because they've lost the business to the 10-10-800
5 companies and the cell phone companies. People are
6 using those to make their calls.

7 I have family in Orlando, Largo-Clearwater
8 area. I also make interstate calls to Chicago and
9 California. I get requests regularly from companies
10 like AT&T wanting me to take their long distance
11 service. And why would I want long distance service
12 when I have these other services that are much more
13 reasonable? They give me everything I need, and I
14 don't have to sign up for anything.

15 Therefore, if a rate increase like this
16 went through, it would be money out of my pocket. I'm
17 on a fixed income. I can't afford the increases.
18 Social Security is offering something like a 2.6%
19 increase. Our Part B of our Medicare is going up from
20 58.70 to 66.60, about \$8. And then they want to give
21 us a phone increase. Well, there goes all of our
22 increase off our social security. What are we
23 supposed to do for buying eggs, bread, butter, which
24 have all gone up? There just isn't going to be enough
25 money for the low income people to survive on.

1 testified as follows:

2 DIRECT STATEMENT

3 MS. DAY: I would like to thank you this
4 morning, Madam Chair and Commissioners. I'm Barbara
5 Day from Lynn Haven, Florida, and I have a great
6 interest here concerning your Lifeline program.

7 My mother is 82 years old. We had to
8 disconnect her from long distance charges, everything
9 was getting so far out of reach with the telephone
10 usage. Now she has to do her long distance telephone
11 calling from my home if she does any. That put a
12 burden on my part also.

13 You know, I resent this with my mother's
14 problem. The Lifeline included in this plan is a
15 marginal expansion, a program to rationalize the rate
16 increases under the pretext that poor people won't be
17 penalized by the increase, and the rest of you can
18 afford them.

19 Lifeline is a wonderful program that
20 provides help with the cost of basic phone service to
21 low income households. The bill does not fix the
22 primary Lifeline problem. Only 17% of eligible people
23 are currently participating. The provision of this
24 bill don't adequately address participation, and they
25 won't even protect those who do participate from

1 increases in their phone rates.

2 Also, pertaining to myself and my husband,
3 my husband is a small business owner. You know, this
4 will be taking away a lot of mom-and-pop businesses,
5 whether or not you know it, if this happens to go into
6 effect. The mom-and-pop businesses will be under the
7 basic phone rates and your business rates. Well, we
8 have three lines in our home and business. It costs
9 us approximately a little over \$200 a month. Just say
10 this plan would go up to 90%. Our increase would run
11 up it to \$380 a month. So you're not helping the
12 economy when you increase phone rates with the plan
13 that's going on now, because, number one, you're going
14 to put your mom-and-pop businesses out the door.

15 What benefit will I receive from this when
16 you increase the basic local rates, residential and
17 business customers, without impacting each business's
18 total revenue?

19 I would certainly hope that today you will
20 take this and use it to some wise, you know,
21 decision-making, because it's a burden in both places,
22 with my mother being 82, and our small business. And
23 the mom-and-pop businesses today are very important to
24 the people, because, you know, they've worked hard to
25 have these types of businesses, and I think it would

1 be very important that you take it into consideration,
2 that it takes mom-and-pop businesses also to bring the
3 economy up.

4 Thank you.

5 CHAIRMAN JABER: Thank you, Ms. Day.

6 Let me come back to Ms. Stackhouse, Helen
7 Stackhouse.

8 Thereupon,

9 HELEN STACKHOUSE
10 was called as a witness on behalf of the Citizens of
11 the state of Florida and, having been duly sworn,
12 testified as follows:

13 DIRECT STATEMENT

14 MS. STACKHOUSE: My name is Helen
15 Stackhouse. I live at 201 West 14th Street, Lot 24,
16 Lynn Haven, 32444.

17 First of all, I would like to thank God for
18 allowing me to be born in a country where I can speak
19 up for myself and for my friends who weren't able to
20 come. Everyone I spoke to that I told I was coming
21 said, "Tell them no, don't do it."

22 This would only hurt the average citizen.
23 The average citizen has a hard enough time paying the
24 phone bill as it is. My husband is an over-the-road
25 truck driver. He does have a cell phone. He uses

1 it. Sometimes at three o'clock in the morning, he's
2 running around in rural America, somewhere in the
3 U.S., trying to find a factory out in the middle of
4 nowhere with bad directions from the company. There
5 have been several times I have been with him, and he
6 could not find a place if he wanted to to stop and
7 make a phone call, so he has to rely on a cell phone.
8 So this would hurt his operating expenses if you go up
9 on the phone rates.

10 Also, the Lifeline. Governor Bush has
11 started a new incentive to attract seniors to move to
12 Florida. Okay. They have move to Florida. They get
13 down here, and they can't afford long distance to call
14 the next county over to talk to their relatives or to
15 call out of state to talk to their relatives. All of
16 my relatives are out of state. But I do have friends
17 that I call that are an in-state toll call, and I need
18 long distance.

19 I am currently disabled, and there's -- you
20 know, it's hard when you have a phone and you can't
21 even call -- you can't afford a telephone. There are
22 people I know who cannot afford a telephone, or if
23 they have a telephone, they can't afford long distance
24 to even call and tell their relatives they need help
25 or they need grocery money or whatever.

1 And I think that just from what I've heard
2 today that I didn't know about before I got here, the
3 facts that have been brought out, that this rate
4 increase is basically driven by greed. Either way it
5 goes, the phone company is going to make revenue. How
6 can you collect money from people and call it revenue
7 neutral? That's a contradiction in terms.

8 And this so-called competition that's
9 supposed to miraculously materialize five or ten years
10 down the road, you're taking money out of low income,
11 disabled, elderly people's pockets every month. Some
12 of them may not even live the next five or ten years.
13 They could have used that money to buy an extra can of
14 beans or something. So, you know, either way it goes,
15 if this competition does materialize, which I think
16 it's already competitive enough, they're going to be
17 leasing the phone lines to the competition, and
18 they're going to make money that way.

19 So I don't think this is -- as far as I can
20 see, this will not help the average consumer. I
21 think you should deny these phone rates. It just
22 doesn't make sense. It's not logical.

23 Thank you.

24 CHAIRMAN JABER: Thank you.

25 Mr. Beck.

1 MR. BECK: Thank you. The next witness is
2 Gail Marie Perry.

3 Thereupon,

4 GAIL MARIE PERRY

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

8 DIRECT STATEMENT

9 MS. PERRY: Madam Chair, Commissioners,
10 General, consumer advocates, the general public, my
11 name is Gail Marie Perry, 1520 Southwest 64th Avenue,
12 Pompano Beach, Florida. I represent the Communication
13 Workers of America, Council of Florida. And because
14 you are discussing this bill in this way, I have to
15 come before you and talk about another provision that
16 is also within this section of the bill that I don't
17 hear anybody speaking about, and that deals with the
18 companies that we're talking about can elect -- the
19 word "elect" is not defined in the law -- can elect to
20 do away with their service quality standards.

21 My workers, if you were able to determine
22 that there is competition by the loss of my employees,
23 I could tell you there are great numbers of employees
24 that no longer work within the State of Florida.
25 Their jobs have either been moved out of the state,

1 done away with, or gone over to -- there are plans to
2 send them to India, not Indiana, India. The third
3 quarter report that I received shows 136 employees in
4 Florida will be losing their jobs.

5 The reason why I bring this up is, I'm
6 concerned about the service quality standards. My
7 records indicate that 72 of these jobs are service
8 representatives. The scuttlebutt that I hear is,
9 there will be no more service representatives in the
10 State of Florida. They're not moving them out of the
11 state. They're doing away with their title.

12 Now, in the last contract -- and I know I'm
13 getting into things that you don't need to know about,
14 but in our last contract they came up with a sales
15 representative. Sales representatives do not do the
16 same quality of service that the service
17 representatives do.

18 Again, I do not -- there is no definition
19 for the word "election" in the law, or the companies
20 can elect to do away with their service quality
21 standards. I've asked your staff when the companies
22 do elect, if they could let me know, but there's
23 nothing in your provisions to let the citizen know if
24 the company elects to do away with the standards. So
25 if there's any way that you could let the

1 Communication Workers of America know if they're doing
2 away with the quality of service standards, we would
3 appreciate it.

4 Again, I appreciate you letting me speak
5 with you. I really would like to ask the question if
6 the quality of service standards, if the company has
7 elected to do away with that, once you finish with
8 your hearings.

9 CHAIRMAN JABER: Thank you, Ms. Perry.

10 MS. PERRY: Thank you.

11 CHAIRMAN JABER: Commissioners, parties,
12 any questions?

13 Thank you, ma'am.

14 Mr. Beck.

15 MR. BECK: Yes, Madam Chairman. Ms. Perry
16 is the last person to have signed up ahead of time to
17 speak.

18 CHAIRMAN JABER: Let me take a minute to
19 ask any member in the audience, if you were not here
20 in the beginning of this portion of the hearing but
21 wish to speak, please stand now and be recognized.

22 Okay. Mr. Rehwinkel, you asked to be able
23 to readdress the issue Mr. Danaher raised about
24 notice.

25 MR. REHWINKEL: Yes, ma'am, Madam Chairman.

1 I would like to state that Mr. Danaher is
2 absolutely correct. I looked at the notice, and the
3 language was changed.

4 Fortunately, Mr. Curts had the document
5 that he and I went over and made the changes to
6 authorize this second notice. We did not change
7 anything about -- I showed this to Mr. Danaher, and
8 I've showed it to staff. We are still trying to find
9 out where the problem was in this.

10 I apologize to the Commission and to the
11 public, because you count on us to discharge your
12 orders on noticing, and there has been a problem
13 somewhere. We don't know where it is, but as soon as
14 I find out, I will let you know through staff where it
15 happened.

16 I would note that the notice for the
17 hearing was done in the FAW, and we did notice the
18 time and place of the hearing correctly. But I will
19 give you a full report on how these numbers got
20 changed, but they were not at my hand.

21 CHAIRMAN JABER: Thank you, Mr. Rehwinkel.

22 At this point, Commissioners, what I would
23 like to do is close out the public service portion of
24 this hearing. We'll take a short break and come back
25 and begin the evidentiary portion, with entertaining

1 the preliminary motions that have been filed.

2 Let me take a minute to thank the customers
3 that are in the audience. Your testimony will be
4 incorporated into the staff recommendation that
5 ultimately comes to this Commission in some form or
6 fashion. And again, thank you for coming to
7 Tallahassee to be part of this proceeding.

8 Commissioners, I propose we take just a
9 15-minute break, give staff an opportunity to bring
10 their books and all the motions that they need.

11 And parties, just so you are aware, the
12 first order of business will be preliminary motions,
13 and then we'll get started with whatever is
14 appropriate after that.

15 Thanks.

16 (Proceedings concluded at 11:10 a.m.)
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CERTIFICATE OF REPORTER

STATE OF FLORIDA)

COUNTY OF LEON)

I, MARY ALLEN NEEL, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter transcribed under my supervision; and that the foregoing pages numbered 1 through 67 are a true and correct transcription of my stenographic notes.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, or relative or employee of such attorney or counsel, or financially interested in the action.

DATED THIS 10th day of December, 2003.



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