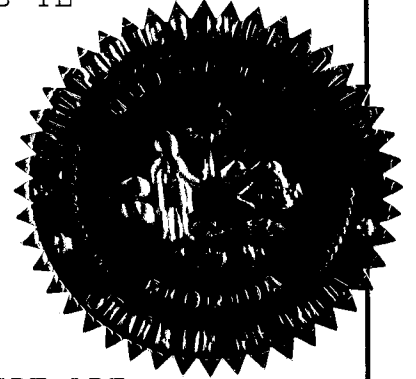


1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION

3 DOCKET NO. 050693-TL

4 In the Matter of:

5 PETITION TO REDUCE INTRASTATE SWITCHED
6 ACCESS RATES IN REVENUE-NEUTRAL MANNER
7 PURSUANT TO SECTION 364.164, FLORIDA
8 STATUTES, BY ALLTEL FLORIDA, INC.



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11 PROCEEDINGS: SPECIAL AGENDA CONFERENCE
12
13 BEFORE: CHAIRMAN RUDOLPH "RUDY" BRADLEY
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER LISA P. EDGAR
14
15 DATE: Monday, December 12, 2005
16
17 TIME: Commenced at 9:35 a.m.
 Concluded at 11:35 a.m.
18
19 PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida
20
21 REPORTED BY: LINDA BOLES, RPR, CRR
 Official FPSC Hearings Reporter
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23
24
25

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FPSC-COMMISSION CLERK

1 PARTICIPATING:

2 RICHARD MELSON, GENERAL COUNSEL, JEREMY SUSAC,
3 ESQUIRE, ADAM TEITZMAN, ESQUIRE, BETH SALAK, GREG SHAFER, SALLY
4 SIMMONS, DAVID DOWDS, SUE OLLILA and TABITHA HUNTER on behalf
5 of the Florida Public Service Commission Staff.

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P R O C E E D I N G S

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2 CHAIRMAN BRADLEY: Good morning. I'd like to call
3 this Special Agenda Conference to order. This is Docket Number
4 050693-TL, the petition by Alltel to rebalance local, basic
5 local rates. It is my understanding that this is a posthearing
6 recommendation and that participation is limited to
7 Commissioners and staff only.

8 Also, I recall at the conclusion of the hearing that
9 we would approve or disapprove staff's -- well, we will approve
10 staff's request to -- at the end of the customer service
11 hearings, let me correct myself, we agreed to allow staff to do
12 an oral recommendation. Staff, you may proceed.

13 MS. SALAK: Thank you. My name is Beth Salak. I'm
14 with Commission staff. In this docket today we are here to
15 look at Alltel's petition to reduce intrastate switched access
16 rates in revenue-neutral manner pursuant to Section 364.164,
17 Florida Statutes. In doing so there are eight issues in this
18 docket. The first four issues deal with the requirements of
19 the statute as laid out in the statute that you look at.

20 The first one, which would be contained in Issues 1A,
21 1B and 1C, deals with the removal of current support for basic
22 local telecommunications services that prevents the creation of
23 a more attractive competitive local exchange market for the
24 benefit of residential customers.

25 The second issue you will be asked to look at will be

1 whether or not rebalancing would induce enhanced market entry.
2 That will be Issue 2.

3 Issue 3 will be whether or not the petition would
4 require intrastate switched network access rate reductions to
5 parity over a period of not less than two years or more than
6 four years.

7 Issue 4 will determine whether or not the petition is
8 revenue neutral as it's defined in the statute.

9 And then OPC has raised the issue of whether or not
10 the petition under 364.01(4)(a) provides reasonable and
11 affordable prices.

12 We consider the other issues to be fallout issues.
13 After looking at those five issues, you would then determine
14 whether or not you're going to approve or deny the petition in
15 Issue 5.

16 That will -- of course, there's a mandatory flow
17 through of access charges by the IXCs that will be handled in
18 Issue 6, and then whether or not we close the docket.

19 We suggest to you that Issues 1A and 4 and 6 are not
20 controversial, but the others we consider controversial. So
21 we'll proceed issue by issue, if you -- unless you have another
22 preference.

23 CHAIRMAN BRADLEY: What is your preference,
24 Commissioners?

25 COMMISSIONER DEASON: Issue by issue is fine with me.

1 COMMISSIONER EDGAR: That's fine.

2 CHAIRMAN BRADLEY: Okay. We'll go issue by issue
3 then.

4 MR. DOWDS: Commissioners, Issue 1A pertains to what
5 is a reasonable estimate of the amount of support being
6 provided currently to Alltel's basic local ratepayers or basic
7 local rates.

8 Based upon the record in this proceeding, staff does
9 not believe that any of the cost estimates are sufficiently
10 reliable to provide an estimate of overall amount of support
11 being provided to Alltel's local rates. However, a review of
12 the cost data that was submitted by Alltel, we believe that
13 their \$6 million estimate is probably a reasonable and
14 conservative estimate.

15 Alltel offered three estimates of the cost of basic
16 local service; again, none of which we believe is sufficiently
17 reliable to determine the overall level of support that flows
18 to basic local service.

19 The first estimate was a forward-looking cost
20 estimate of \$66.37 per line per month that was derived using
21 the BCPM 3.1 cost proxy model. This estimate arose in the
22 Commission's 1999 order in Docket Number 980696-TP, which is
23 the universal service proceeding. Staff would note that in
24 addition to this estimate being almost eight years old, it was
25 not based upon Alltel-specific inputs but instead was based

1 using inputs in that proceeding that were determined for the
2 three large Florida ILECs.

3 The second estimate sponsored by Alltel was an
4 embedded cost of \$41.32 per line per month. This estimate also
5 was from the 1999 universal service order. And, again, we
6 would note that this estimate is eight years old and thus very
7 outdated, and obviously does not reflect Alltel Florida's
8 current number of access lines, nor its current investment
9 expense levels.

10 The third estimate was prepared by an Alltel witness
11 for this proceeding using HAI 5.0a forward-looking cost proxy
12 model. This model dates from circa February 1998, and it
13 yields an estimate as modified by the Alltel witnesses of
14 \$48.44 per line per month. Alltel modified certain of the
15 default inputs in the model: Notably, depreciation and cost of
16 capital, as well as the material prices for certain network
17 components. However, the vast majority of all the inputs in
18 this model are not Alltel-specific, and I would note that there
19 are literally hundreds of inputs to cost proxy models.

20 I would also note that the number of access lines,
21 which is a crucial input if you're trying to determine the cost
22 per access line, in addition to not reflecting Alltel's
23 specific access lines, they were based on proxy values of
24 around -- that were determined in 1995.

25 The HAI 5.0a model filed in this proceeding also

1 derived an estimate of the cost of intrastate switched access.
2 However, we do not recommend unqualified endorsement of this
3 number for two key reasons. A key input in the HAI 5.0a model
4 to determine the cost, excuse me, of intrastate access is what
5 are referred to as DEM, dial equipment minutes, which reflect
6 traffic traversing a switch processor. The number of DEMs that
7 were used in this model run submitted in Florida are not
8 Alltel-specific nor are they current. Again, they were based
9 upon proxy values circa 1995.

10 A second flaw that we note is that the HAI 5.0a model
11 assumes that the switching network will consist of both end
12 office switches and tandem switches. However, the Alltel
13 Florida network currently has no tandem switches in its
14 network. And it is our view that to assume otherwise would
15 conflict with the TELRIC pricing standard which is in
16 51.505(B)(1).

17 Finally, staff would note that Hearing Exhibit 59
18 consists of some calculations that staff performed based upon
19 data presented by the company to provide estimates of the
20 aggregate amount of support that flow to local rates from
21 access charges, and the resulting calculations range from a low
22 of around \$20.2 million to a high of in excess of \$41 million.

23 Even if one were to assume that there is some
24 inherent error in the modeled estimates, one is still left
25 with, with support flows ranging from \$15 million to roughly

1 \$31 million. Accordingly, the \$6 million figure by which
2 Alltel proposes to reduce its switched access we believe
3 represents a reasonable, albeit probably conservative estimate
4 amount of support flowing to basic local rates.

5 CHAIRMAN BRADLEY: Questions?

6 COMMISSIONER DEASON: Mr. Chairman, I have no
7 questions. I can make a motion if there are no questions.

8 CHAIRMAN BRADLEY: Well, and I don't, I don't have a
9 question as it relates to what, the figures that staff has put
10 forth, but I just -- I guess my question is this. How do we
11 jump-start competition in the less, in the sparsely populated
12 areas? I just don't see the numbers jibing because of
13 sparsity. My concern is that the areas that are sparsely
14 populated also deserve to, to have competition. This is just
15 an opinion of mine. These areas deserve to have competition.
16 These areas also deserve to, to have new and expanded
17 technology so that they will not be left behind as it relates
18 to the digital divide, and I'm just trying to figure out how
19 we, we get there. And I don't know how we remedy this
20 situation, but that's just something that comes to mind with
21 me.

22 COMMISSIONER DEASON: Well, Mr. Chairman, I think
23 you've asked the very question that is at the core and the
24 heart of the matter that we're dealing here with today, and
25 we've got a number of issues that we need to address. I'm sure

1 you're familiar with the bottom line recommendation of staff,
2 and I have had difficulty with the very question you're asking
3 as well and I think we will get to it in due course as we go
4 through the issues. But obviously staff may have some, some
5 thoughts about the very difficult question that you asked. I
6 wish I had an answer to it. I don't necessarily think that I
7 do. I do know that we're constrained by statute and that there
8 are certain criteria within the statute, and, and perhaps the
9 most difficult and objective, not objective but subjective
10 criteria is for the benefit of residential consumers, and
11 that's the difficulty I'm having.

12 I think all, in my opinion all residential consumers
13 everywhere across the state deserve competition. But at what
14 cost and at what price do you get there? And I'm not sure that
15 I have a ready answer to that. But I, I agree with you -- the
16 question that you're asking is right to the core of what we're
17 dealing here with today, and maybe staff has some thoughts.

18 MS. SIMMONS: Sally Simmons with staff. I'll take a
19 stab at it. I think the process of bringing local competition
20 to more rural areas is going to evolve over time. I think the
21 difficulty staff is having with the particular record in this
22 proceeding is seeing a material benefit from rebalancing. But
23 certainly Alltel has referenced in this proceeding evidence of
24 competitive carriers, you know, expressing concern about them
25 in the form of wireless carriers, VoIP carriers, so there is

1 some competition there that Alltel has expressed concern about.
2 I think it's a little bit, inherently a little bit of a slower
3 process, but I think it will, I think it will happen over time.
4 I think it's more of a natural evolution. I don't know if
5 other staff members have comments.

6 MS. SALAK: I agree with Ms. Simmons' comments. I
7 just -- but here looking at the criteria, we just don't think
8 that the statutory requirements are met. And we're looking to
9 see -- say we had, we did -- well, you approved the rebalancing
10 versus not approving it. We don't see a material difference
11 of, in three years from now of competition whether or not you
12 approve it or you don't approve it. So we don't see the
13 benefit to consumers by allowing this petition. But, yes, we
14 agree 100 percent that rural customers deserve the innovation
15 and competition just like other customers.

16 CHAIRMAN BRADLEY: So it would be staff's position
17 then that if we approve the petition or if we leave it the way
18 that it is, the status quo is going to remain the same?

19 MR. SHAFER: Chairman Bradley, Greg Shafer,
20 Commission staff. Certainly I don't know that the status quo
21 is going to be the same three years from now in Alltel's
22 territory than it is today. But in terms of looking at the
23 statutory test that, that is laid in front of us, it doesn't
24 seem that what's been presented in the record indicates that
25 approval of Alltel's petition is going to be a major

1 contributing factor to whatever evolves in the marketplace over
2 that period of time.

3 And I think if you look at what the marketplace was
4 for Sprint and BellSouth and Verizon two years ago and you
5 looked at the record in that case, you wouldn't see very much
6 discussion in that record about VoIP. And certainly in two
7 years' time that has become much more a central element of
8 where the marketplace is going for communication services than
9 it was even two years ago.

10 So, you know, two or three years from now, you know,
11 it's very hard to predict what exactly that marketplace is
12 going to look like in Alltel's territory or anyone else's
13 territory. But the, the issue that we have or the perspective
14 that we are looking at here is sort of constrained by the
15 statute, and that is is the changes -- are the changes that
16 Alltel is going to make if their petition is approved, are
17 those going to be directly contributing factors to improving
18 competition in their territory? And while in theory, you know,
19 one would expect that certainly that would create an improved
20 environment, when we look at the empirical information in the
21 record kind of comparing that to the previous case, we just
22 don't see that the competitors that Alltel has identified in
23 their case are really benefiting very much from the rebalancing
24 of the rates. And so we're kind of left, I guess, unconvinced
25 would be the best way to put it.

1 COMMISSIONER DEASON: Mr. Chairman, on Issue 1A, I
2 believe I agree with staff's recommendation that the various
3 cost estimates -- there are certain, certain flaws, if you want
4 to call it that. I mean, they do represent that there is a
5 high level of support and such that the \$6 million, \$6 million
6 of support, which is really the issue in front of us, is a,
7 according to staff's own words, is a conservative estimate of
8 that. And for the reasons that staff stated earlier, I could
9 agree with their recommendation that the \$6 million in support
10 is reasonable and conservative and I would move staff's
11 recommendation on Issue 1A.

12 CHAIRMAN BRADLEY: Okay.

13 COMMISSIONER EDGAR: Mr. Chairman, I can second the
14 motion on 1A. I am looking forward to further discussion as we
15 get into some of the other issues.

16 CHAIRMAN BRADLEY: Okay. Well, there's a motion and
17 a second. All in favor, say aye.

18 Aye.

19 COMMISSIONER DEASON: Aye.

20 COMMISSIONER EDGAR: Aye.

21 CHAIRMAN BRADLEY: Opposed? The motion carries.

22 1B.

23 MS. SIMMONS: Commissioners, Issue 1B addresses
24 whether or not the current level of support prevents the
25 creation of a more attractive competitive local exchange market

1 for the benefit of residential customers.

2 The bottom line for staff is that we believe that the
3 existence of the support impedes in part competition in
4 Alltel's residential local exchange market.

5 Some of our supporting points, we believe that the
6 record demonstrates that Alltel's residential basic rates are
7 artificially low compared to the company's cost of providing
8 service. Also, the record indicates that pricing should be
9 free of distortions in order to achieve the lowest cost mix of
10 technology. Those are a couple of theoretical points on the
11 record that staff certainly does not disagree with and believes
12 make good sense from an economic standpoint.

13 However, we believe that this below average cost
14 pricing by Alltel does not constitute a competitive -- or
15 constitute an impediment for all types of competitors. And in
16 particular what we noted in our review of the record is that it
17 appears to us from the record that wireless and VoIP providers
18 will be largely unaffected if Alltel's rates are rebalanced.
19 We'll discuss this more in the next issue. But the reason we
20 don't believe that there is any material benefit for wireless
21 and VoIP carriers is that we believe their pricing is done on a
22 broader basis, broader in terms of considering more than
23 Alltel's basic rate. And we also believe that geographically
24 those types of competitors consider much more than Alltel's
25 basic rate.

1 On the cost side for these competitors, we do not see
2 their cost of doing business materially affected whether
3 Alltel's petition is approved or not.

4 And I might mention that Issues -- this particular
5 Issue 1B, 1C and 2 are all very much interrelated, and it may
6 be that you might want to deal with these as a group. These
7 issues are certainly just derived from how the statute is
8 worded, but there's much inherent overlap.

9 COMMISSIONER DEASON: Mr. Chairman, I don't have an
10 objection to trying to address 1B, 1C and 2 together. If staff
11 thinks that's beneficial, I don't --

12 MS. SIMMONS: Okay. I can just continue, if you'd
13 like.

14 CHAIRMAN BRADLEY: By all means.

15 MS. SIMMONS: On Issue 1C?

16 CHAIRMAN BRADLEY: Yes.

17 MS. SIMMONS: All right. Issue 1C addresses whether
18 or not the granting of Alltel's petition to rebalance is going
19 to create benefit for residential customers as contemplated by
20 the statute.

21 Now benefit could take the form of more choice,
22 better prices, those sorts of benefits. The bottom line for
23 staff is that we do not believe the record demonstrates that
24 Alltel's proposal is going to benefit residential customers,
25 once again, based on the record.

1 In terms of what our biggest difficulty is is when we
2 look at Alltel's petition compared to the petition of the large
3 LECs, we don't believe the evidence demonstrates that granting
4 of the rebalancing petition is going to generate a wider choice
5 of competing providers, wider choice of service offerings, and
6 we don't see any significant benefit in the way of lower long
7 distance rates.

8 We think the reductions, once again, based on the
9 record, the reductions in the long distance rates would be
10 quite minimal. And that in summary is why staff believes that
11 there is no overall customer benefit. We'll try to go through
12 this more on a point-by-point basis, but those are the
13 difficulties we're having.

14 CHAIRMAN BRADLEY: Let me ask, and maybe you're going
15 to get to this later on. You know, one of the -- in my
16 opinion, intrastate long distance calls, interstate long
17 distance calls, and interstate long distance calls play a major
18 role in telephone service, telephone services in the urban
19 areas, and they also, I'm sure, are prominent within the rural
20 areas.

21 But the issue to toll calls, did staff give any
22 consideration to how this portion of the petition might impact
23 toll calls? Is it going to --

24 MS. SIMMONS: Yes, we did.

25 CHAIRMAN BRADLEY: -- free up or lessen the dollar

1 amount as it relates to -- well, lessen the amount that's being
2 spent on toll calls by these rural customers? I mean, are toll
3 calls factored into the long distance scenario? Because the
4 toll call in my opinion is a form of a long distance call,
5 intrastate -- intraLATA, I'll put it that way.

6 MS. SIMMONS: Right. We've jumped ahead to Slide 15,
7 which addresses the required rate reductions by the long
8 distance companies.

9 CHAIRMAN BRADLEY: Okay. So I'm getting ahead of
10 staff then. Okay.

11 MS. SIMMONS: I mean, we can address it now, if you'd
12 like.

13 CHAIRMAN BRADLEY: Well, yeah. Why don't we address
14 that as part of this discussion.

15 MS. SIMMONS: Okay. All right. In the petitions
16 filed by the large LECs, the Commission determined that they
17 could consider the ancillary benefits from the required long
18 distance rate reductions by the interexchange companies. And
19 what's a little bit different though in this particular case is
20 we believe the magnitude of those reductions is going to be a
21 lot smaller than in the case of the large LEC petitions. And
22 the reason for that, the long distance companies do their
23 pricing typically on a statewide basis. So to the extent that
24 there is this requirement to flow through the savings from
25 paying lower access charges to Alltel, the carriers, the IXCs

1 would typically look at that on a statewide basis.

2 And the difficulty -- and I have some statistics up
3 here and all of this is on the record. Alltel serves less than
4 1 percent of the residential customers in the state. So it's a
5 very small percentage of the customers. There was testimony
6 that approximately one-third of Alltel Florida's intrastate
7 access charges, which -- or if you think in terms of the access
8 charge reductions, it would be about \$2 million of the
9 \$6 million worth of the access charge reductions are paid by
10 Alltel's long distance affiliate. So to the extent -- that
11 affiliate does not operate solely in Alltel Florida territory.
12 To the extent an end-user of Alltel's local service also uses
13 Alltel for long distance, they could see some material
14 reduction in long distance rates.

15 But if you consider the bigger picture, the state as
16 a whole, think of the other carriers that operate on a
17 statewide basis here in Florida. With the large LECs the
18 access charge reductions were expected to total more than
19 \$300 million. In the case of Alltel, that access charge
20 reduction is expected to be worth around \$6 million. That is a
21 drastic difference. And when you have a long distance, long
22 distance carriers operating statewide doing pricing on a
23 statewide basis, \$6 million in access charge reductions is
24 quite small compared to \$300 million. So unless an end-user is
25 served by the Alltel long distance affiliate, we believe the

1 other carriers, the other long distance carriers will not be
2 able to reduce their long distance rates in any significant way
3 because the cost savings will be quite small to them that will
4 go along with the reduction in the access charges paid to
5 Alltel.

6 CHAIRMAN BRADLEY: Well, and I'm still struggling
7 with my, my initial statement. I'm from Pinellas County, a
8 county with a population of 900,000 to a million individuals.
9 And I've been, since I've been on the Commission I've been
10 spending a lot of time in Leon County, a county with, I've been
11 told, a population of 250,000. And a million versus 250,000,
12 and I'm just trying to figure out how -- I just believe that
13 250,000 deserve to have access to the same type of competition
14 that a county of 900,000 has and deserves -- the children in
15 the rural area of the county that might only have -- like
16 Wakulla with 25,000, I mean, those children deserve to have
17 access to the latest technology. And the residents in a county
18 of 25,000 deserve also to have access to, to competition.

19 And I heard what staff, what you all said about the
20 statutory limitations, but I think that this body has the
21 responsibility as it relates to its statutory authority, which
22 is quasi-legislative, to figure out how to get this
23 jump-started. And, you know, I think that competition,
24 jump-starting competition is a science as well as an art, and I
25 don't want the science to overtake the art and I don't --

1 because I don't think that folks in Franklin County and Wakulla
2 County and Gadsden County and Lafayette County and Madison
3 County, I think those individuals also deserve to have the
4 latest technology and to have competition. And I don't know
5 how we get there. But, you know, also having been a member of
6 the legislative body, I've heard many folks who represent these
7 rural areas express a concern about this very issue. And, you
8 know, I don't, I don't know how we get past the science and
9 into the art of creating competition in these rural areas, but
10 we'll --

11 MS. SIMMONS: Chairman Bradley, you know, as I
12 mentioned earlier, I do think it's an evolving process over
13 time. I don't think it's too different, you know, in terms of
14 innovation and coming to rural areas. Generally because of the
15 somewhat smaller volumes available to any kind of business in
16 the rural area, it inherently is going to take a little bit
17 longer. It does seem to happen over time. I mean, if you
18 think in terms of like a major grocery store chain eventually
19 getting into a more rural area, might not be there at the very
20 beginning, but I really do think it's an evolving process over
21 time. And that's just commentary on my part.

22 I mean, this -- what we're getting into, I guess, is
23 not necessarily, you know, evidence that we have to work with
24 in making a decision or for the Commissioners to make a
25 decision here today. But I do think very much it's an evolving

1 kind of process, and I guess that's the foremost thing I would
2 stress. And the fact that Alltel is seeing competitive
3 inroads, it is happening to some degree. And it's a matter of
4 to what extent rebalancing would, would assist that process
5 along. And that's where, as you realize, staff is having
6 difficulty coming to that conclusion that would really assist.
7 But I think that's -- it is happening and I know you're, you
8 would like to see the process go faster. I think we all would
9 like to see it go faster.

10 CHAIRMAN BRADLEY: Commissioners.

11 COMMISSIONER EDGAR: Question?

12 CHAIRMAN BRADLEY: Uh-huh.

13 COMMISSIONER EDGAR: To staff, I realize that we
14 don't have a crystal ball, but with the information that's
15 available to us in the record can you talk for a few minutes
16 about what you think the difference in competition would be in
17 Alltel's service area over the next few years if the Commission
18 were to approve the petition before us?

19 MS. SIMMONS: I'll start, and I think Mr. Shafer
20 would -- he and I worked together on these issues, and he would
21 like to make some comments.

22 I think certainly the economic theory would indicate
23 that rebalancing would assist development of competition from a
24 theoretical perspective. If we go back to the large LEC
25 petitions, perhaps a little bit of comparison would, would be

1 helpful. With those large LEC petitions there was a lot of
2 emphasis on UNE-based type competition and other forms of
3 facility-based competition. If the Commission chooses to grant
4 Alltel's petition, I do think the competitive prospects for
5 those types of firms would be better. However, those types of
6 providers are, don't seem to be really the focus of this case
7 in terms of the evidence that was presented. There was a whole
8 lot more emphasis on wireless providers, VoIP, cable type
9 providers. So there was a little bit of difference from, in
10 terms of the nature of the competition that was addressed in
11 terms of the emphasis in this record compared to the record
12 with the large LEC petitions. But I do think in terms of
13 UNE-based and other facility type competitors, I do believe
14 rebalancing would assist them to some degree. I'll turn it
15 over to Mr. Shafer.

16 MR. SHAFER: Just for a moment step outside the
17 confines of just looking at Alltel in isolation and look at
18 what's happening in the marketplace for communication services
19 in general. I think you see a push by traditional
20 telecommunications companies to get into the Internet business
21 and to get into -- by that I mean, you know, providing
22 high-speed Internet access and also into video services. On
23 the other hand, you see cable companies who have traditionally
24 been video services getting into voice services, and you see
25 companies like Google and Yahoo! themselves getting into voice

1 communication services. So I think what this tells you is that
2 as we move farther into the future, there is a push to bundle
3 together these different types of technologies and
4 communication services in order to provide consumers a one-stop
5 shopping kind of thing for a variety of technological and
6 communication type services.

7 That's not going to be any different in Alltel's
8 territory, I don't think, than it will be in BellSouth or
9 Sprint or Verizon or any of the other large or small companies.
10 The difference, the key difference for Alltel is, as we've
11 already noted, they just don't have the population density,
12 they don't have a large business community as compared to some
13 large city like St. Petersburg in Pinellas County. So the
14 speed at which those things become available and the extent to
15 which those services are subscribed to in that manner in
16 Alltel's territory may lag behind what it's going to be like in
17 Miami or Orlando or St. Petersburg, but the general direction
18 is the same.

19 One of the questions that I ask myself is is there
20 going to always be a core group of citizens that need
21 traditional wireline or want to subscribe to traditional
22 wireline telephone service? And I think the answer to that is
23 yes. Is that where competitors are going to look to make a
24 mark in this marketplace? And I think the answer to that
25 question is no.

1 Certainly a traditional wireline subscriber, for
2 example, that doesn't have Internet, even dial-up, and there's
3 still a significant portion of the general population that does
4 not subscribe to Internet service, it's around anywhere from 30
5 to 35 percent depending on what source you look at, but those
6 people for whatever reason are sticking to, you know, more
7 traditional communication type service, a wireline telephone
8 service, but they're not generating a lot of revenue as
9 compared to a subscriber that takes Internet service that may,
10 you know, have a demand for video services and wireless service
11 and those sorts of things. And so while it's going to be an
12 important policy question to make sure that those people stay
13 connected at an affordable rate, as a competitor looking to get
14 into a growing market those are not the types of consumers
15 that, you know, the cable company is going to look to provide
16 voice service to. They're going to look to the core customers
17 that they already have, which are video customers, and try to
18 get them on to the voice service as an add-on.

19 So part of the problem in terms of addressing the
20 marketplace in Alltel's territory is, I think, even, even
21 substantially different than it was two years ago. The typical
22 voice market and the typical voice customer is not where
23 today's competitors are really looking to make inroads. And so
24 from that standpoint, two years from now what's Alltel's
25 territory going to look like? Well, they're going to be a lot

1 like they are today. But in terms of the new services and so
2 forth, they're not going to be that much different than other
3 places. It's just the timing of it getting there. And the,
4 the demand that a territory like Alltel's can generate is
5 certainly going to be behind what a Miami or Orlando or any
6 other large metropolitan area can generate, and even probably
7 behind Tallahassee.

8 So I don't know if that's helpful or not but, I mean,
9 I really think that those are some things to keep in mind in
10 terms of where the marketplace is headed and, you know, in the
11 context of this case, whether what Alltel is proposing to do is
12 going to drive that segment of the market that appears to be
13 where the growth and the innovation is happening.

14 COMMISSIONER DEASON: Mr. Chairman, are we going to
15 go ahead and take up Issue 2 in this block or are we -- has
16 staff really addressed Issue 2 or we've already crossed over
17 into that or where are we?

18 MS. SIMMONS: I guess, I guess we have -- my
19 suggestion was maybe if we could -- I don't know if you'd like
20 to go forward. I was going to actually suggest perhaps we
21 would go back to Slide 10 and just go through this very
22 quickly. There's some, I think some important points we might
23 have skipped over.

24 CHAIRMAN BRADLEY: Slide 10 put us back on Issue --
25 which issue?

1 MS. SIMMONS: 1C.

2 CHAIRMAN BRADLEY: Okay. That's what I thought.

3 Commissioner Deason, I'll -- whatever your preference may be is
4 fine with me.

5 COMMISSIONER DEASON: If staff wants to go back to
6 Slide 10, that's certainly fine with me.

7 CHAIRMAN BRADLEY: And the reason why I said that is
8 because I think we're dealing with a very different and unique
9 situation here. And, you know, I just -- whatever we decide
10 today, I don't want to create a situation that doesn't benefit
11 non-urban consumers. You know, I'm -- as staff was speaking
12 about all the new and expanded technologies that are coming
13 about, and I don't disagree with staff as it relates to where
14 it appears that competition is migrating to and where it is
15 moving away from, but the rural areas in my opinion have always
16 been different. And, again, you know, I think that this body
17 has an obligation to sort through all of this and to consider
18 the differences and to come up with a situation that creates
19 likeness in terms of offerings.

20 Because I was just thinking about Gadsden County and
21 I was thinking about -- as staff was speaking, I was thinking
22 about something I saw on TV the other day. And it was, it was,
23 well, it was a report that was done by a news channel that was
24 referring, making reference to some new and expanded technology
25 that was being used in the classroom that was in their opinion

1 enhancing the educational outcomes of the students in Gadsden
2 County. And we all know that there's some very bright and
3 promising young people in Gadsden County, but they don't have
4 access to all of the newest and the latest technologies, so,
5 therefore, they are at a disadvantage, not because they're not
6 incapable -- not because they're not capable, but because
7 there's a radical difference between what they have access to
8 and what the students in Hillsborough County have access to or
9 Dade County because of just one issue, numbers. You know, it's
10 sparsity versus intensity in terms of population numbers or
11 density. And I -- well --

12 MS. SIMMONS: I understand your concern. Yeah.

13 I'll try to go through this very quickly. Slide 10,
14 we have up there the current competitive situation, and I think
15 this is just kind of important to have a base of reference.
16 Alltel cites CLEC resellers, wireless carriers, VoIP providers
17 and cable telephone providers as the competitors of interest.
18 CLEC resellers do not currently receive a discount from Alltel,
19 and Alltel did not propose a specific discount rate in this
20 proceeding.

21 We also have the matter of Alltel's current policy of
22 not offering stand-alone DSL, which somewhat limits the
23 attractiveness of VoIP alternatives. The other important thing
24 in the current situation is that Alltel currently does not
25 provide unbundled network elements and collocation and no rates

1 were proposed in this proceeding. So that's the situation
2 presently.

3 We go into the next one, what would change under
4 rebalancing from this current situation? Alltel has committed
5 to terminating its Section 251(f)(1) rural exemption under
6 federal law if its petition is approved. If that happens,
7 Alltel would be required to provide unbundled network elements,
8 collocation and a resale discount, and Alltel plans to handle
9 that through the negotiation process. Okay. So that's kind of
10 the lay of the land in terms of where we are today, how it
11 would change at least in terms of what would be permissible
12 forms of competition.

13 I won't talk too much about these empirical studies
14 except that we believe they have a more traditional wireline
15 orientation and we do not think they are very applicable to the
16 competitors of interest, that is the competitors cited by
17 Alltel. The only exception would be CLEC resellers. But we
18 don't think those studies are too pertinent.

19 Okay. The next thing we try to do is look at
20 rebalancing from the standpoint of the competitors' economics.
21 If Alltel's rates are rebalanced, what could a competitor do
22 insofar as pricing and how would rebalancing affect their cost
23 of providing service?

24 As far as the -- I guess the most -- the first point
25 up there is one of the most critical ones, and that is these

1 competitors of interest consider rates for many different kinds
2 of service offerings in many different types of competitive
3 offerings.

4 The next point I'm trying to make is that if
5 providers are in the business of marketing bundles to
6 customers, they are probably unlikely, based on the record, to
7 change their pricing because Alltel is not increasing its rates
8 for bundled packages. I mentioned this earlier, but important,
9 VoIP and wireless providers tend to price on a national level.
10 They would not look at their pricing decisions in such a
11 discrete way as just looking at Alltel's territory. So we do
12 not think Alltel's pricing decision is really going to be
13 affecting these carriers.

14 Cable telephone pricing, that could be somewhat
15 constrained by Alltel's basic rate, but it also could be
16 constrained by the pricing of other competitors, constrained by
17 how Alltel prices its bundles. The record is a little bit
18 indefinite on that point and inconclusive.

19 And, lastly, the record really doesn't address the
20 pricing practices of UNE-based providers. That's kind of the
21 pricing part of the equation. As far as a carrier's cost of
22 providing service, when we look at the VoIP and cable telephone
23 providers, we don't really see any benefit from those carriers
24 seeing lower access charges because quite honestly they don't
25 pay them with any frequency. And that is the bottom line here

1 just to try to speed up the process.

2 They -- as indicated in the slide for VoIP and cable
3 telephone, they're really not paying originating access
4 charges. Wireless, VoIP and cable providers would see a
5 reduction in their terminating access charge bill to the extent
6 they terminate traffic to Alltel's end-users. But keep in
7 mind, on a statewide basis a very small percentage of Florida
8 customers are located in Alltel's territory, so percentage wise
9 they would see quite a small savings. In terms of the lower
10 access charges, they would, they would be paying lower access
11 charges on a very small percentage of the cost. So if you look
12 at it from a statewide perspective, it would not be a
13 significant savings for these types of providers.

14 CHAIRMAN BRADLEY: Let me ask this question. And,
15 again, I agree with staff as it relates to where it would
16 appear that competition is migrating to or where it's going to
17 be coming from as it relates to bundles and other offerings.

18 But also I took a look at, at a big map that we have
19 here at the PSC that identifies where the footprint of each of
20 these companies is located, where the footprint is located or
21 footprints are located, and the thing that I noticed as it
22 relates to wireline services from other LECs is that some of
23 them abut, come right next -- I mean, in BellSouth's instance,
24 in the instance of BellSouth and I think even maybe Verizon,
25 some of them in counties right adjacent to where Alltel's

1 territory is located.

2 Is that staff's assumption that, that some of these
3 larger LECs are not going to be interested in, in moving over
4 into Alltel's territory and competing against Alltel in some of
5 these rural areas? And even some of the rural, some of the
6 other rural LECs might also be giving consideration to moving
7 into Alltel's territory. Did staff give any consideration to
8 that variable?

9 MS. SIMMONS: There's really no evidence on the
10 record along those lines. I think from a practical standpoint
11 in terms of what we've observed, and I'm sure Mr. Shafer would
12 want to comment too, but I don't believe we have observed an
13 incumbent local exchange company to any great extent going into
14 neighboring local exchange company territory. But as I said,
15 this is not something that was addressed in this record, but
16 I'm sure Mr. Shafer would like to comment.

17 MR. SHAFER: I think that Alltel's Witness Blessing
18 during the hearing made a point that Madison, the Madison
19 exchange, which is adjacent to Alltel's service territory and I
20 believe is served by Sprint, it might be BellSouth, but one of
21 the larger companies --

22 CHAIRMAN BRADLEY: One of them. You're right.

23 MR. SHAFER: -- that, you know, it was good enough to
24 do for the larger companies and that that territory was close
25 to Alltel's, and essentially they were saying, the witness was

1 implying that, therefore, it would be a good idea to do it for
2 Alltel.

3 And in answer to your question whether or not there
4 would be some spillover effects from, for example, a competitor
5 that was already in Madison's territory into an adjacent
6 exchange in Alltel's territory, and I think the answer to that
7 is probably, yes, there probably would be or could be very
8 well, could very well be some spillover benefits from that.
9 The magnitude of that is impossible, I think, to try to guess
10 or speculate on. But, again, Madison is not a huge exchange to
11 start with. So to the degree that there is some competition
12 there, and I just don't know off the top of my head, but to the
13 degree that there is, whether or not it would spill over into
14 Alltel's territory and how much and how significant it would
15 be, again I don't want to guess, but I would guess that it
16 wouldn't be a great amount but certainly it's possible.

17 CHAIRMAN BRADLEY: Commissioner.

18 COMMISSIONER DEASON: I have a few questions for
19 staff, Mr. Chairman. In the first issue that we've already
20 addressed we established that there's support that exists
21 certainly at least to the tune of \$6 million. Do we know -- is
22 it in the record as to the amount of support generated by
23 Alltel's access charges in terms of revenue above cost, which
24 would probably be the vast majority of the access charges? Is
25 that at least \$6 million?

1 MR. DOWDS: I'm sorry. May I restate your question?
2 Are you asking do we know what the cost of access is?

3 COMMISSIONER DEASON: Access charges, access charges,
4 how much support do they generate?

5 MR. DOWDS: A couple of things. We know the total
6 revenues generated from intrastate access. As I indicated
7 earlier, what we do not have is a reliable estimate of the cost
8 of access. But given the magnitude of the intrastate revenues
9 generated from access, we nevertheless conclude that \$6 million
10 is probably a conservative estimate of the amount that's
11 contained in access. Is that responsive?

12 COMMISSIONER DEASON: What's the total revenue
13 generated by excess charges for Alltel?

14 (Pause.)

15 In Issue 1 we made the finding, correct me if I'm
16 wrong, that based upon the cost studies for the cost of
17 providing local service for Alltel, and I know that there's
18 some proxies and some assumptions and there's some dated
19 information and all of the different problems with the evidence
20 that was presented, but nevertheless it was an estimate --
21 there's an estimate out there that the cost of providing local
22 service is higher than the revenues generated and that there's
23 at least \$6 million of support that has to come from somewhere
24 to cover that difference. It's probably much more than six but
25 it is at least six; correct?

1 MR. DOWDS: Yes, sir.

2 COMMISSIONER DEASON: Okay. How much of that
3 \$6 million is covered by access charges? Do we know?

4 MS. SIMMONS: Commissioner Deason, let me give it a
5 try. My understanding is that the composite access rate is in
6 the vicinity of 11 cents at the moment, and the company is
7 proposing to take that down to 6 cents. The 11 down to 6 is
8 worth about \$6 million. So I think perhaps we're going beyond
9 the record, but perhaps you could extrapolate from that in
10 terms of -- and get some indication in terms of the, the total
11 amount of support in those rates.

12 COMMISSIONER DEASON: There is support that comes
13 from other areas other than access charges, but we know that --
14 what is at issue here is basically \$6 million of access
15 charges, and we feel comfortable that, that if we were to
16 rebalance to the tune of \$6 million, that we're not going, that
17 there's at least that much support already inherent within the
18 company's local rate structure. Is that, is that fair to say?

19 MR. DOWDS: Yes, sir.

20 COMMISSIONER DEASON: Okay. Now that support coming
21 from access charges, and all this was just kind of a foundation
22 to get to this question, what is the sustainability of that
23 support in the long-term for Alltel if we do nothing with the
24 rebalancing?

25 MS. SIMMONS: I'll take a stab at it. There is

1 evidence on the record that indicates that Alltel is concerned
2 about bypass of access charges, particularly from VoIP
3 providers.

4 You know, going back to something I was saying
5 earlier as far as VoIP and wireless carriers, you know, they
6 really don't pay access charges to any great extent. Alltel is
7 certainly with a VoIP provider, I know, concerned about on the
8 originating end of a call, you know, basically you have bypass
9 of the, of the access charges. So there is, there is concern
10 about that because over time Alltel believes that --

11 COMMISSIONER DEASON: Let's stop just for a moment,
12 please.

13 MS. SIMMONS: Okay.

14 COMMISSIONER DEASON: Bypass on the originating side,
15 that's a tame -- there's bypass if -- well, explain to me how
16 there would be bypass on the originating side.

17 MS. SIMMONS: Because a VoIP provider, for instance,
18 would not be using Alltel's network on the originating end of
19 the call.

20 COMMISSIONER DEASON: Because the customer has
21 switched their local service to a VoIP carrier; is that how it
22 is bypassed?

23 MS. SIMMONS: It would be, it would be through the
24 cable modem service that the provider would not have need to
25 use Alltel's network on the originating end of the call.

1 COMMISSIONER DEASON: And because that customer is no
2 longer a local customer, they're no longer obtaining their
3 local service from Alltel; is that correct? If they're going
4 to be VoIP, they're obtaining that from VoIP and they have to
5 have broadband to do that, but that's how they're getting their
6 local service?

7 MS. SIMMONS: I'll let Mr. Shafer respond. But I, I
8 do think that there's some possibility that, you know, you
9 could have a --

10 COMMISSIONER DEASON: Or is the issue that VoIP,
11 we're not really sure what VoIP services are going to be paying
12 in terms of access charges? Is that the issue?

13 MS. SIMMONS: Well, I guess the point, and then I'll
14 let the others join in, but the point is to the extent you have
15 a competitor that does not need Alltel's network on the
16 originating end of a call, Alltel does not receive access
17 charges. And I'll let the others comment to the extent they --

18 COMMISSIONER DEASON: Yeah. And I guess the question
19 is why is it they don't need it to originate a call? Is it
20 because that customer is no longer part of Alltel's local
21 network?

22 MS. SIMMONS: Yes.

23 COMMISSIONER DEASON: They're no longer a local
24 customer; correct?

25 MS. SIMMONS: Yes.

1 COMMISSIONER DEASON: All right. Then isn't it --
2 then the costs go away if they're no longer the local customer;
3 is that correct?

4 MR. SHAFER: In some cases they would. They would go
5 away in terms of on an incremental cost for a long distance
6 call, if that customer is not -- if they're using wireless, for
7 example, instead of their local phone, then the cost of making
8 that particular call goes away. But, for example, if a
9 customer has Alltel's DSL in order to use a VoIP provider, then
10 they're already paying Alltel's basic local service rate, they
11 just may not be using it for long distance calls. So in that
12 sense at least the local service portion of the costs have not
13 gone away.

14 I mean, when we talk about bypass in the context of
15 Alltel, and I guess in the context of anyone, you're really
16 talking about what the customer is doing to try to find the
17 lowest possible price to meet their needs. And, you know, if
18 you're going to a wireless carrier, then there's less of that
19 that's what you pay that's flowing back to the local company,
20 and the same is true for VoIP.

21 And, you know, getting back to your original
22 question, that is a threat to Alltel because you're no longer
23 generating revenue for Alltel either through long distance
24 revenues, if they happen to be the carrier, or through access
25 revenues that they would typically get from long distance

1 calls. So when those customers choose an alternative like
2 wireless or VoIP, they are effectively bypassing access in
3 Alltel's area or any company's area.

4 COMMISSIONER DEASON: Let me tell you what my
5 perspective is, and I'm not trying to be critical of anyone or
6 anybody's position, but it seems to me that that's what's
7 lacking in this record. What's lacking in this record is how,
8 if there is bypass and if the support that is derived from the
9 high access charges, if that is to be eroded and it is not
10 sustainable in the long-term, if -- first of all, I don't think
11 there's a lot of information on that. I think theoretically
12 one could make the assumption that there's pressures there and
13 that there could be erosion of that in the long-term. And then
14 the question is how does that affect those customers of Alltel
15 who do not wish to avail themselves of VoIP or do not wish to
16 avail themselves of wireless or do not wish to avail themselves
17 of one of the high-end packages that can be provided by Alltel?
18 Does that jeopardize their low-cost basic service in the
19 long-term? And it may be that this is a question we're going
20 to have to wrestle with at some point. I just think there's
21 deficiency in this record as it pertains to that particular
22 point.

23 MR. SHAFER: Right. Commissioner, I think you're
24 right on point to a large degree. I think that Alltel is in a
25 disadvantageous position at the moment because they are getting

1 some competitive pressure at the high end, which is where you
2 generally expect it. You know, for customers there are
3 unbundled packages and higher volume business customers and so
4 forth, I think they're genuinely getting competitive pressure.

5 On the low end you have a dilemma where, you know, if
6 these other customers are finding alternatives that are
7 non-Alltel alternatives and Alltel is generating no revenue
8 from those folks that are finding those alternatives, then in
9 order to cover, in order for Alltel to cover their costs, they
10 increasingly have to look to the remaining customers. And I
11 think for a rural company that is maybe a far worse dilemma to
12 be in than it is for a BellSouth or a Sprint or Verizon that
13 has a lot more customers, they have a lot more flexibility and
14 variety in their service offerings and ways to retain those
15 customers, so they're just a little bit better equipped to deal
16 with those kinds of pressures.

17 The difficulty that we have in this case is that
18 we're not really looking necessarily from the statutory
19 perspective of what's best for Alltel. And I suspect that if
20 you ask the staff, you know, down the line whether they thought
21 this was a good idea for Alltel, I think, you know, a lot of us
22 would say or at least some of us would say, yeah, it's probably
23 a good idea for Alltel. But the test that we're given is not
24 really whether it's a good idea for Alltel. It's whether it's
25 going to induce competition, whether customers are going to

1 benefit. So we're kind of in a dilemma in terms of, you know,
2 the absolute right thing to do from an overall perspective,
3 when our focus has to be somewhat narrow because of the
4 confines of the statutory structure.

5 COMMISSIONER DEASON: And I don't disagree with what
6 you're saying and I think the statutory requirements are clear
7 and it is for the benefit of the customer, and I think that's
8 our focus up here as well. The dilemma that I'm having, the
9 problem I'm having is the sustainability of the support and how
10 that affects customers in the long-term. And so to some extent
11 there is some nexus, and I think that the record is probably
12 deficient in this regard, but just sitting here one would have
13 to think that there's some nexus between the argument of what's
14 good for Alltel may be good for its customers, at least for
15 those customers who wish to stay with Alltel, subscribe to just
16 basic local service and get that at the most cost-effective
17 rate possible.

18 The concern that I have is if the support is not
19 sustainable in the long-term and customers that avail
20 themselves of new technologies, new options, and they bypass
21 the system because it's cost-effective for them to do so and
22 the support dwindles or goes away, those customers, if they are
23 not paying their cost of providing service, Alltel is not -- if
24 they don't have the support from somewhere, they cannot be a
25 continuing going concern business and continue to provide that

1 low-cost residential rate. And at some point, I don't know
2 where it is, I don't know if it's one year from now or 25 years
3 from now, but at some point there's going to have to be a
4 subsidy of some sort if we're going to have that low rate
5 continue. There's going to have to be some type of a state
6 high-cost support of some sort or else the local rate is going
7 to have to go up or else Alltel is going to go out of business.
8 Now that's dire predictions and I don't mean to say the sky is
9 falling, but each incremental step of an erosion of support
10 gets you closer to that day at some point. Am I wrong in that?

11 MR. SHAFER: No. I think you're absolutely right.
12 And I think that if you continue to go down that road, then
13 there's also not only a possibility that Alltel finds
14 themselves in financial difficulties, but that because of that
15 service quality suffers and a whole host of other things. You
16 know, it goes directly to the issue that Alltel's Witness
17 Blessing was trying to make in the hearing that pricing
18 distortions create a whole bunch -- a ripple effect of
19 unintended and sometimes undesirable consequences.

20 COMMISSIONER DEASON: Let me ask you this question.
21 Does this state not have a de facto high-cost fund, not an
22 explicit fund, but by the fact that for certain carriers who
23 are in high-cost areas, i.e., low density of customers and for
24 other reasons, the fact that those carriers have high access
25 charges in relation to other carriers, is that not a de facto

1 high-cost support for the state?

2 MR. DOWDS: Arguably, yes. Essentially what the
3 Commission decided, as you may recall, Commissioner, a number
4 of years ago is not to recommend to the Legislature the
5 establishment of an explicit universal service fund. And
6 essentially what the finding was is for the foreseeable future
7 as long as it's sustainable let them fund their internal
8 subsidies internally. And that's reflected obviously by an
9 11-cent access charge rate.

10 COMMISSIONER DEASON: And at some point -- if the
11 sustainability of that support dwindles to the point that it
12 starts jeopardizing the continuation of providing that basic
13 local service, what are our options? It seems to me there's
14 going to have to be a change in the law.

15 MR. DOWDS: Yes, sir. I want to make two other
16 little, two minor points. They're kind of related to what
17 we've been talking about.

18 One is that competitive entrants love arbitrage
19 opportunities. And if they can figure out a way to avoid
20 something so they can generate a new revenue stream or avoid
21 cost by not paying things, they will pursue those options.

22 Without going into details, because it is marginal
23 whether it's in this record, there are numerous issues that
24 need to be resolved primarily at the federal level on matters
25 of intercarrier compensation. And my understanding, though

1 it's not in this record, I will readily admit that, is that
2 these are very serious concerns that are having adverse effects
3 on rural carriers because of the lack of customer diversity and
4 their relatively high cost.

5 MR. SHAFER: Commissioner Deason --

6 COMMISSIONER DEASON: Well, I think the problem is
7 larger than what we're dealing with here today and the record
8 that we have in front of us and the constraints under which
9 we're operating, that being the specifics within the statutory
10 language calling for -- and under the statutory language under
11 which this petition was filed. And for purposes of today's
12 vote and discussion we've got to constrain ourselves to that.

13 I guess my questions were kind of more looking beyond
14 that and maybe a little further down the road, how we're going
15 to deal with this problem. And I think it's something that is
16 going to be significant and it is going to impact the rural
17 customers. And I'm not so sure that, that we have the tools in
18 front of us to address it, given the current statutory
19 requirements. But that's, I guess, just kind of talking from a
20 philosophical standpoint at this point.

21 CHAIRMAN BRADLEY: Well, I guess another way of
22 looking at that is to make some determination as to what the
23 opinion is as it relates to legislative intent. Was the
24 intent, legislative intent of rate rebalancing just to deal
25 with the urban areas and exclude the rural areas or what is --

1 was it inclusive or was it to be an inclusive statute? I don't
2 think that that's the case. So I guess that's another way of
3 dealing with the statute in itself. I mean, what -- was that
4 the legislative intent, just to deal with the heavily populated
5 areas and to exclude the sparsely populated areas, or was it
6 all, was it inclusive, a statute that had the intent of being
7 all-inclusive?

8 MR. SHAFER: Commissioner Bradley, I think that the
9 statute foresaw the possibility that smaller and rural
10 companies would indeed, you know, file a petition under this
11 particular section. I say that because there is a
12 differentiation for companies of a particular size greater than
13 a million access lines, less than a million access lines. And
14 how parity is defined, for example, as part of the statute is
15 different for smaller companies. So I think obviously it was
16 contemplated, excuse me, it was contemplated that, you know,
17 this option would be available to rural companies as well.

18 COMMISSIONER DEASON: But the standard is still the
19 same that it has to be for the benefit of residential
20 consumers.

21 MR. SHAFER: Yes, sir.

22 MS. SALAK: And I think that was what they envisioned
23 the role of the PSC to determine, whether or not implementing
24 the statute would be for the benefit of the residential
25 consumers, and I think that was the, what they look to you to

1 decide.

2 CHAIRMAN BRADLEY: Well, I, you know, I'm still
3 running through my mind what Commissioner Deason just was
4 discussing. Is it beneficial to have the incentives out there
5 that allow for the maintenance of wireline service to certain
6 consumers who might not be interested in migrating to wireless
7 and to VoIP or is it nonbeneficial?

8 MS. SALAK: Is it beneficial to have wireline service
9 for consumers who want it?

10 CHAIRMAN BRADLEY: Yes.

11 MS. SALAK: I believe it's still a benefit, yes. I
12 think that -- yes, it's just a matter in this case whether or
13 not allowing it would induce additional competition.

14 CHAIRMAN BRADLEY: And I guess when you compare
15 apples to oranges, nonwireline services are being sold in
16 bundles and wireline service is being sold maybe as a separate
17 entity. If rate rebalancing kicks in, is the wireline service
18 still going to be less expensive than the bundled?

19 MR. SHAFER: I mean, I think that it probably will be
20 less expensive than the bundle. I mean, Alltel offers a bundle
21 itself, and right now it's, one of their packages is upwards of
22 \$50, and that includes long distance and some custom calling
23 features, as well as local service.

24 CHAIRMAN BRADLEY: So when we talk about benefit to
25 the consumer, it sounds like what we're doing is equating

1 benefit with price. Even if the price increases, if the
2 wireline service is going to be less expensive, it would seem
3 to me that it is a benefit to a certain group of consumers to
4 not have to pay more if they so desire not to migrate to a
5 bundle which costs them a lot more, which in my opinion would
6 probably allow some folks to maintain telephone service;
7 whereas, if we force them to migrate to a bundle, they may not
8 be able to afford the bundle.

9 Well, benefit to the consumer, that's the issue that
10 we're dealing with. How do we subjectively define benefit to
11 the consumer? Is it -- in some instances we talk about
12 bundles, in some instances we talk about price, and I don't
13 know which one carries the most, the most weight. I guess it
14 just depends on the preference of the consumer that we are
15 referring to. And I know earlier I had this discussion about,
16 you know, new and expanded technologies and I think that that
17 argument, that discussion is valid. But then there's also some
18 validity in, in the cost of the service. So, you know, you
19 have consumers who are interested in, in both scenarios, which
20 I think is a positive. But, again, my concern is that we not
21 do something that eliminates choice for, for rural consumers
22 that urban consumers have, you know. And I don't know how we
23 get to where we need to be based on what's in the record, but
24 --

25 MS. SALAK: Perhaps just a suggestion. If -- I mean,

1 it is confusing whether they're a benefit or not for consumers.
2 Perhaps we can jump to the second issue, which is whether or
3 not we'll induce market entry and vote on that. And if you
4 perceive induced market entry in a competitive market to be of
5 benefit, it might by default answer the other question.

6 As we mentioned earlier, all these are extremely
7 intertwined and so it's just a suggestion.

8 COMMISSIONER EDGAR: Would it be possible to take a
9 five-minute break?

10 CHAIRMAN BRADLEY: Yes. Take a five-minute break.

11 (Recess taken.)

12 CHAIRMAN BRADLEY: Let's reconvene.

13 COMMISSIONER DEASON: Are we going to address Issue 2
14 at this point, Mr. Chairman?

15 CHAIRMAN BRADLEY: Yes, we can.

16 MR. SHAFER: Commissioners, Issue 2 addresses whether
17 the effects of Alltel's rebalancing proposal will induce
18 enhanced market entry and, if so, how.

19 Much of the discussion that we have already had is
20 part and parcel of Issue 2. So rather than belabor every point
21 on the slides, I'll just try to hit the high points.

22 The recommendation would be that Alltel has failed to
23 establish that enhanced market entry will result from approving
24 and implementing their petition.

25 The -- in theory certainly the petition will reduce

1 the kinds of distortions that are in the rates because of
2 support flowing from access revenues to basic local service.
3 And, you know, to the extent that you correct those pricing
4 issues, then it certainly makes it better for, more likely that
5 competition would come in to the extent that there are
6 providers out there that face similar cost structures to what
7 Alltel faces. So from a theoretical standpoint, you know,
8 obviously it would be the right thing to do.

9 The breakdown really comes when you begin to look at
10 the factual case, the types of competitors that have been
11 focused on by Alltel in their petition, which are wireless and
12 VoIP and cable providers. And unlike the previous case where
13 changing or increasing the rates for basic local service and
14 reducing access charges had some clear and to some degree
15 quantifiable benefits for competitors and it was pretty easy to
16 see that margins would improve for those facility-based
17 wireline providers, CLECs that were present, already present in
18 the service territories of the larger companies, that market is
19 not developed for Alltel. There are some resellers, but they
20 do not get a wholesale discount, and there aren't any
21 facility-based providers using UNEs and that sort of thing in
22 the traditional CLEC sense that was the case in the previous,
23 previous case.

24 So the rebalancing that Alltel is going to do is not
25 really going to directly affect the types of competitors that

1 they have identified as, as being the primary targets. Of
2 course, one positive benefit of approving the petition is, as
3 Ms. Simmons identified earlier, Alltel has agreed that they
4 will waive their rural exemption, which means that if it's
5 requested, they'll be required to offer UNEs if someone comes
6 to them and wants to provide service on that basis, and they'll
7 also have to provide a, a resale discount on whatever service,
8 retail services they offer. That will or should induce some
9 competition, but resale in their area right now is a very, very
10 small niche of the market.

11 Some of the reasons that we believe that the
12 incentives to the types of providers that they are talking
13 about in their petition are not really very strong is that, for
14 one thing, wireless providers and VoIP providers tend to set
15 their prices on a national basis, that market entry decisions
16 in general for carriers like that are not really based on such
17 a small territory as what Alltel is.

18 And another significant difference from the prior
19 case is that there are no facility-based carriers as parties to
20 this docket supporting the petitions, as was true for Sprint,
21 BellSouth and Verizon.

22 So going to the summary page on Slide 19, which is
23 currently up there, approval will reduce support flows from
24 Alltel's intrastate switched network access charges to its
25 basic local service rates, thus reducing incentives to bypass

1 switched access charges. Substantial support remains for
2 Alltel's basic local service rates even after the completion of
3 the rebalancing implementation. Enhanced market entry evidence
4 is largely theoretical.

5 Denial of the petitions maintains the status quo and
6 continues minimal residential competition in Alltel's
7 territory. Inefficiencies will remain in Alltel's pricing if
8 the petitions are not approved.

9 However, the expected benefits from enhanced market
10 entry again are largely theoretical. The providers identified
11 as the primary beneficiaries are wireless VoIP and cable VoIP
12 providers whose underlying costs, underlying costs are not
13 directly affected or only marginally affected by Alltel's basic
14 local service rates and intrastate access charges. And for
15 those reasons staff believes that Alltel has failed to
16 establish that enhanced market entry will result from approval
17 of their petition.

18 COMMISSIONER DEASON: Mr. Chairman, I have a
19 question.

20 This petition is filed under a very specific section
21 of the statute and that's what applies here.

22 Back to our previous discussion about the
23 sustainability of the access charges and the support that they
24 generate, if we do not rebalance the rates and there's
25 continued pressure on the support and if there is an erosion of

1 that over time, what remedies exist for Alltel to have that
2 addressed by the Commission under other statutory provisions?
3 Is it a change in circumstances provision, or what exists for
4 this company?

5 MR. SHAFER: I think I need to defer to the legal
6 staff on that one.

7 MS. SALAK: Well, I'm not legal but I'm going to just
8 mention to you, it could be considered a changed circumstance.
9 I know that there was an old case, and Mr. Mailhot testified in
10 it, where it was indicated that if someone lost their support,
11 that it could be determined to be a changed circumstance,
12 although I'm not sure how that -- it never happened, never came
13 to fruition, they never asked for it.

14 But, mind you, the changed circumstance statute has
15 only been used once and that was for storm damage. And in that
16 case it's still up in the air whether or not we would look at
17 earnings. And so I don't know how involved that would get or
18 whether they would actually end up with an increase because of
19 the lost support. But, yes, I think it would be an option that
20 they could consider. Long answer saying, yes, I think it could
21 be considered a changed circumstance.

22 COMMISSIONER DEASON: Mr. Susac, do you agree with
23 that legal opinion?

24 MR. SUSAC: Yes, Commissioner Deason, I do agree with
25 that legal opinion.

1 And just to go one step further, the actual statutes,
2 I think, are 364.025(3) as well as 364.051(4).

3 CHAIRMAN BRADLEY: I'd like to engage Mr. Melson. I
4 think you've been in here -- you've been here throughout the
5 entire hearing; is that correct?

6 MR. MELSON: No, sir. I did not sit through this
7 hearing. I was off dealing with Aloha.

8 CHAIRMAN BRADLEY: Okay. I mean today though you've
9 been here.

10 MR. MELSON: Oh, today. Yes, sir.

11 CHAIRMAN BRADLEY: Yes. Okay. Earlier I had some
12 discussion and asked the question as to what, about legislative
13 intent and from the standpoint of -- well, in your opinion when
14 the Legislature passed this statute, that is rate rebalancing,
15 was the intent to give equal consideration to wireline
16 competition both in the urban as well as the, the not so urban
17 areas or was it just the legislative intent to, for us just to
18 give primary consideration to the densely populated areas, the
19 urban areas?

20 MR. MELSON: I don't believe there was any difference
21 in the legislative intent about the urban and the rural areas.
22 Either type of area could make an application under this
23 section, could come in and seek authority.

24 On the other hand, the test is the same whether
25 you're in an urban area or rural area. And what it sounds like

1 the evidence in this case shows is that given the particular
2 circumstances of Alltel's territory, the changes in the market
3 that have occurred in the past two years, that it is more
4 difficult now to meet the test than it was for the three large
5 companies. So while it clearly is available in a rural area, I
6 think you've still got the obligation to apply the test in an
7 evenhanded manner and say: Has Alltel met the burden of
8 showing that it removes support that is preventing the creation
9 of a market and that it will induce market entry? And
10 obviously staff has analyzed the testimony in the record in one
11 way. I think you all obviously are free to weigh that evidence
12 yourselves.

13 COMMISSIONER DEASON: Since Mr. Melson is at the
14 table, let me take advantage of the opportunity.

15 Mr. Melson, you argued at the Florida Supreme Court
16 on the rate rebalancing case for the three large incumbent
17 LECs.

18 MR. MELSON: Yes, sir.

19 COMMISSIONER DEASON: You did a superb job, by the
20 way. The question that I have is this: If this Commission
21 agrees with staff's overall recommendation, and that is to deny
22 the rate rebalancing, are they -- is it your opinion that the
23 facts of this case are such that we can readily differentiate
24 the decision for those companies versus the decision for this
25 company?

1 MR. MELSON: I am not intimately familiar with this
2 record, but I think the answer is yes, and let me tell you why.
3 The supreme court in that case probably in their opinion relied
4 more on the evidence in the case than they do in most opinions.
5 I think they cited eight different witnesses for various
6 theoretical and empirical evidence that competition would
7 result. And as I read it, they said while, you know, the
8 evidence wasn't necessarily overwhelming, that there certainly
9 was competent substantial evidence to support the Commission's
10 findings.

11 In this case it sounds like we've got some
12 theoretical evidence, and I'm going to say much less empirical
13 evidence than we had in the prior case. And on that basis, I
14 think a Commission determination that the record in this case
15 did not support the same type of findings would be defensible
16 in the court.

17 CHAIRMAN BRADLEY: Empirical versus theoretical, and
18 that kind of gets to the heart of what my discussion is as I
19 think about rural versus urban. We probably have more
20 empirical because just based on the numbers that there were at
21 that time, there were more companies -- and I can't remember
22 if, if we had -- if the TRO had, TRO opinion had been rendered
23 at that time or not. But just based on the numbers, there were
24 more ALECs and CLECs interested in the urban areas. But then
25 it still stands out in the back of my mind that numbers versus

1 density versus sparsity. Advantages would be different but --
2 how could I say this? I don't know if by denying this petition
3 if we are putting the rural consumers at a disadvantage.

4 MR. MELSON: And, Commissioner Bradley, I understand
5 the struggle you're going through. You know, it's hard to
6 predict what the court would do. We did have questions
7 directed to the Attorney General during that oral argument that
8 even assuming we, the court, find there's no empirical
9 evidence, isn't theoretical evidence, isn't the theoretical
10 evidence enough? Some state had to be first, some state had to
11 rely on the economic principles that removing the support and
12 getting the pricing into a more coherent structure would induce
13 entry. Wouldn't that be enough for us? Because of the case
14 that had been presented there, the court never had to decide
15 that question. They were able to find both theoretical and
16 empirical support.

17 You know, if this Commission today were to find that
18 there is enough theoretical evidence in the record to support
19 enhanced market entry and were to grant the petitions, that
20 case for granting them would not be as strong as it had been
21 perhaps in the major ILEC cases, but it is still one that there
22 would be a record basis to try to defend in court. So I can't
23 tell you that either decision would be indefensible.

24 COMMISSIONER EDGAR: But, Mr. Melson, do you agree
25 that the statute requires us to do a case-by-case analysis?

1 MR. MELSON: Yes.

2 COMMISSIONER DEASON: Mr. Chairman, if we are on
3 Issue 2, if there are no other questions, I can make a motion
4 on Issue 2.

5 CHAIRMAN BRADLEY: Okay. And we've had such a
6 discussion about these issues, did we dispose of Issue
7 1 completely?

8 COMMISSIONER DEASON: No. Just 1 --

9 CHAIRMAN BRADLEY: 1A. Okay. So where does that put
10 us in terms of where we need to be in terms of disposing of the
11 issues?

12 MS. SIMMONS: Chairman Bradley, certainly Issues 1B,
13 1C and 2 are very much intertwined. So, you know, you may want
14 to deal with those as a group or perhaps start with Issue 2 and
15 work your way backward.

16 CHAIRMAN BRADLEY: What would be --

17 COMMISSIONER DEASON: I can do it however you prefer,
18 Mr. Chairman. I have no preference.

19 CHAIRMAN BRADLEY: Okay. Well, let's take Issue 2
20 then.

21 COMMISSIONER DEASON: Go ahead and address Issue 2?

22 Mr. Chairman, I can move staff's recommendation on
23 Issue 2.

24 COMMISSIONER EDGAR: And, Commissioner Deason, by
25 staff's recommendation, do you mean the opening sentence on

1 Page 16 that Alltel has failed to establish that enhanced
2 market entry will result from approving and implementing
3 Alltel's position?

4 COMMISSIONER DEASON: I guess it's the, it's the
5 entire recommendation. I guess it's what's contained not only
6 on Page 16, but the entire analysis. You know, if staff wants
7 to give us a short, precise -- I know when we have written
8 recommendations we have the issue and then a precise
9 recommendation and then there's all of the analysis and the
10 support and clarification and explanation. Staff, can you
11 state, succinctly state your position on Issue 2?

12 MR. SHAFER: I believe the statement that
13 Commissioner Edgar read was our attempt at a recommendation
14 statement, so that would be acceptable.

15 COMMISSIONER DEASON: So it is Alltel has failed to
16 establish that enhanced market entry will result from approving
17 and implementing Alltel's petition, and it's for all of the
18 reasons that you state that follow?

19 MR. SHAFER: That's correct.

20 COMMISSIONER DEASON: That's sufficient with me,
21 Commissioner.

22 COMMISSIONER EDGAR: Okay. Commissioner Deason, if
23 that is your motion, then I second the motion.

24 CHAIRMAN BRADLEY: Let's see. And I, I know that
25 there's a motion and a second, and I'm still struggling with

1 theoretical.

2 Well, there's a motion and a second. All in favor,
3 it's pretty obvious, all in favor, say aye.

4 COMMISSIONER DEASON: Aye.

5 COMMISSIONER EDGAR: Aye.

6 CHAIRMAN BRADLEY: Opposed? The motion carries.

7 COMMISSIONER DEASON: We can go back to Issue 1B.

8 CHAIRMAN BRADLEY: 1B.

9 COMMISSIONER DEASON: Let me ask the same question.
10 Is the recommendation the first sentence that follows the
11 statement of the issue?

12 MS. SIMMONS: Commissioner Deason, I'm sorry. You're
13 --

14 COMMISSIONER DEASON: On Issue 1B -- we had a
15 question earlier as to exactly what is the precise wording of
16 the recommendation. And my question is, does the sentence, the
17 first sentence that immediately follows the statement of the
18 issue, is that staff's recommendation?

19 MS. SIMMONS: Yes, sir.

20 CHAIRMAN BRADLEY: What is that? Yes, in part?

21 MS. SIMMONS: That's correct.

22 COMMISSIONER DEASON: I can move staff's
23 recommendation.

24 COMMISSIONER EDGAR: I'll second.

25 CHAIRMAN BRADLEY: All in favor, say aye.

1 COMMISSIONER DEASON: Aye.

2 COMMISSIONER EDGAR: Aye.

3 CHAIRMAN BRADLEY: Okay. 1C.

4 COMMISSIONER DEASON: Mr. Chairman, I think this is
5 really kind of the, at least for me and according to the
6 discussion that we've had here with staff, I think, I think
7 this is pretty much the crux of the issue at least for me. I
8 think that it is a, it is a difficult thing to prove to meet
9 the threshold requirements in this particular section of the
10 law under which we're operating and to show that there is
11 benefit for residential consumers. I agree with staff's
12 recommendation that that showing has not been made.

13 I am -- I do have concern though about the
14 sustainability of the support that is derived from the level of
15 access charges. I think at some point if the sustainability of
16 that support is in such jeopardy that it becomes problematic
17 for customers, that some rebalancing at some point in the
18 future may be in the benefit of customers. I just don't think
19 it's been shown in this case. And that's because, as
20 Mr. Melson indicated, I don't think we have the same amount of
21 empirical evidence that we had in the previous case showing the
22 benefits that would result from the rebalancing. There have
23 been changed circumstances since we rebalanced the rates in the
24 earlier docket. There has been a change on the, some change in
25 some technologies and we've had some change in policies at the

1 federal level as well.

2 So summing it all up, I am in agreement with staff's
3 recommendation and I can move that recommendation.

4 CHAIRMAN BRADLEY: Well, before we take a second on
5 that, if, in fact, there is a second, I don't disagree with
6 anything that you have put forth and I think I understand your
7 sentiment. But my concern is that, that there has been a
8 change in circumstances, and I'm just wondering how this is
9 going to impact those wireline customers who only want wireline
10 phone service. And, well, when I say impact them, impact,
11 impact wireline availability to them at a cost that's
12 reasonable. There's another -- you know, for those who want
13 bundled services.

14 COMMISSIONER DEASON: Let me say this. I think for
15 those that want bundled service there is a level of competition
16 that exists now and there seems to be more emerging competition
17 for those customers. So I feel comfortable that, that those
18 customers, their needs will be addressed. Now whether it's to
19 the extent that may exist in Pinellas County or other areas of
20 the state I'm not sure, but it is there.

21 I think the question is for those customers who do
22 not wish to avail themselves of the bundled services or those
23 enhanced services which produce more revenue, I think the
24 evidence that's in front of us now is that we know there will
25 be a \$6 a month, roughly a \$6 a month increase in what they pay

1 for that service with little, if any, enhanced competition to
2 result. I think that's, in summation that's pretty much what
3 staff is saying, and they're saying that's what the evidence in
4 this, this case shows.

5 There is theoretical evidence out there. And the
6 question is does it rise to the level to, to make a change in
7 these customers' local rates to result in the enhancements that
8 we would be hopeful would result? And I think that there's --
9 that nexus is tentative at best, inconclusive.

10 CHAIRMAN BRADLEY: Any other comments?

11 COMMISSIONER DEASON: If I'm misspeaking what staff
12 is recommending, correct me, but that's the way I've
13 interpreted your recommendation.

14 MS. SIMMONS: That's correct.

15 COMMISSIONER EDGAR: Chairman Bradley, I come back to
16 one of the statements you made when we first began this
17 discussion, excuse me, when we first began this discussion,
18 which is how do we jump-start competition in rural areas? And
19 I don't have an easy answer for that. I wish I did.

20 I do agree both in theory and in principle with the
21 statements that you made that rural areas should be able to
22 have the benefits of competition and innovation in
23 telecommunications, and, in fact, I do believe that that is
24 part of the mission of this agency to try to further
25 competition and to try to eliminate regulatory barriers where

1 they may exist.

2 But I also believe that it is legislative intent that
3 for this statute we are to address each matter that comes
4 before us on a case-by-case basis and weigh the evidence that's
5 in the record. And in this matter at this point in time I am,
6 am not convinced that the test for benefit to residential
7 customers has been met. And so with that, I will second
8 Commissioner Deason's motion.

9 CHAIRMAN BRADLEY: Okay. There's a motion and a
10 second. All in favor, say aye.

11 COMMISSIONER DEASON: Aye.

12 COMMISSIONER EDGAR: Aye.

13 CHAIRMAN BRADLEY: Okay. That takes us on to Issue
14 3.

15 MS. OLLILA: Commissioners, Sue Ollila for Commission
16 staff. Issue 3 asks if Alltel's rebalancing proposal to reduce
17 intrastate switched network access rates to interstate parity
18 over a period of not less than two years or more than four
19 years, if Alltel's proposal does this. Staff believes that it
20 does not, that it's proposal to reduce the switched access rate
21 to below 8 cents per minute in less than two years fails the
22 statutory requirement. Staff is available for questions.

23 COMMISSIONER DEASON: I have a question, Mr.
24 Chairman.

25 CHAIRMAN BRADLEY: Yes. Uh-huh.

1 COMMISSIONER DEASON: If it is, if the Commission
2 determines after all votes have been taken that there is to be
3 no rebalancing based upon this specific petition and the facts
4 of this case, is this issue moot or do we still need to make a
5 finding?

6 MR. SUSAC: There's two approaches. One, if you'd
7 like to strengthen your order and you agree with staff, that
8 would be a stronger record, I mean, a stronger order on appeal,
9 be better, easier to defend. For all intents and purposes, if
10 you don't meet Section A of the statute or B or C, it fails.
11 However, if you'd like to continue to vote to make a stronger
12 order, that's at your discretion.

13 COMMISSIONER DEASON: Well, let me ask this. Would
14 it be beneficial to at least give guidance to people out there
15 as to how the Commission is interpreting this particular
16 statutory requirement?

17 MR. SUSAC: Absolutely.

18 COMMISSIONER DEASON: I agree with you. I think it
19 probably would be helpful to take a vote on this issue.

20 Mr. Chairman, I think it is -- I agree with staff's
21 interpretation. I think the language of the statute says what
22 it says, and I think that they're -- that the timing is such
23 that this particular filing did not meet the timing
24 requirements in the law. So I can move staff's recommendation.

25 COMMISSIONER EDGAR: Second.

1 CHAIRMAN BRADLEY: There's a motion and a second.

2 All in favor, say aye.

3 COMMISSIONER DEASON: Aye.

4 COMMISSIONER EDGAR: Aye.

5 CHAIRMAN BRADLEY: Motion carries. Issue 4.

6 MS. HUNTER: Good morning, Commissioners. Tabitha
7 Hunter with Commission staff. Issue 4 deals with whether or
8 not Alltel's rebalancing proposal is revenue neutral as defined
9 in Section 364.164(2), Florida Statutes. And staff has found
10 that, yes, Alltel's proposal has met the requirements for
11 revenue neutrality.

12 COMMISSIONER DEASON: If there are no questions, I
13 can move staff's recommendation.

14 COMMISSIONER EDGAR: Second.

15 CHAIRMAN BRADLEY: There's a motion and a second.

16 All in favor, say aye.

17 COMMISSIONER DEASON: Aye.

18 COMMISSIONER EDGAR: Aye.

19 CHAIRMAN BRADLEY: Issue --

20 MS. SALAK: Commissioner, Chairman, you have the
21 option of going to Issue 7 and voting on the reasonable -- the
22 pricing or you could go ahead and -- well, we would suggest you
23 can still deny the petition under Issue 5 based on not meeting
24 the criteria. But Issue 7 is an issue that OPC had asked to be
25 addressed in this proceeding about whether the prices were

1 affordable.

2 CHAIRMAN BRADLEY: Okay. What's your pleasure,
3 Commissioners?

4 COMMISSIONER DEASON: Let's just continue issue by
5 issue, if that's --

6 MS. SALAK: That's fine.

7 COMMISSIONER DEASON: I can move staff's
8 recommendation on Issue 5.

9 COMMISSIONER EDGAR: Second.

10 CHAIRMAN BRADLEY: There's a motion and a second.
11 All in favor, say yes. Aye.

12 COMMISSIONER DEASON: Yes. Aye.

13 COMMISSIONER EDGAR: Aye.

14 CHAIRMAN BRADLEY: Motion carries. Issue 6.

15 MS. SALAK: I believe Issue 6 would be moot because
16 there would be no flow through.

17 COMMISSIONER DEASON: I agree.

18 CHAIRMAN BRADLEY: Issue 7.

19 MS. SIMMONS: Issue 7, Commissioners, addresses
20 whether granting of Alltel's petition would still be consistent
21 with the reasonable and affordable standard in the statute. We
22 believe it would be based on a number of comparisons looking at
23 percentage of household budget, comparing Alltel's residential
24 rates, indexing them to inflation, looking at pricing decisions
25 in other states, looking at what was done for the large Florida

1 LECs. We believe the rates and rate changes would all be still
2 reasonable and affordable under -- if rebalancing -- if you had
3 granted rebalancing. Also, Lifeline is available and we do not
4 see rebalancing as adversely affecting subscribership trends.
5 That in a nutshell are the, are the supporting factors.

6 COMMISSIONER EDGAR: May I? Sorry. I'm a little
7 confused. This seems somewhat speculative to me in light of
8 the decisions that we have, have just made here as a Commission
9 this morning. So could you explain to me a little bit more why
10 now this is before us?

11 And I guess a question then to legal staff, is this
12 something that we need to take a vote on?

13 MS. SIMMONS: I'm not sure a vote is actually
14 necessary at this point.

15 MR. SUSAC: And I would agree with Ms. Simmons. I
16 don't think a vote is absolutely necessary on this either.

17 COMMISSIONER EDGAR: Then, Chairman Bradley, I would
18 make the motion that we do not take this issue up for
19 consideration.

20 COMMISSIONER DEASON: Second.

21 CHAIRMAN BRADLEY: There's a motion and a second.
22 All in favor, say aye.

23 COMMISSIONER EDGAR: Aye.

24 COMMISSIONER DEASON: Aye.

25 CHAIRMAN BRADLEY: Issue 8.

1 COMMISSIONER DEASON: Move staff.

2 COMMISSIONER EDGAR: Second.

3 CHAIRMAN BRADLEY: All in favor, say aye.

4 COMMISSIONER EDGAR: Aye.

5 COMMISSIONER DEASON: Aye.

6 CHAIRMAN BRADLEY: Is there anything else?

7 MS. SALAK: No, sir, I believe we're finished. We're
8 finished. We don't have anything else to present today.

9 CHAIRMAN BRADLEY: If not, then --

10 COMMISSIONER DEASON: Mr. Chairman, may I say one
11 thing before you bang the gavel?

12 CHAIRMAN BRADLEY: Yes. Yes.

13 COMMISSIONER DEASON: This -- I was the Prehearing
14 Officer on this case.

15 CHAIRMAN BRADLEY: Say that again.

16 COMMISSIONER DEASON: I said, "I was the Prehearing
17 Officer on this case."

18 CHAIRMAN BRADLEY: Okay.

19 COMMISSIONER DEASON: And this is a case that has
20 strict statutory time requirements involved, and I just want to
21 state that I appreciate the expeditious and professional manner
22 in which this case was conducted, and that's on behalf of our
23 staff as well as the parties. This was a difficult case, and I
24 think it was handled very well in all that regard. So I just
25 want to express my appreciation for that.

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CHAIRMAN BRADLEY: With that, we are adjourned.
(Special Agenda Conference adjourned at 11:35 a.m.)

1 STATE OF FLORIDA)
 :
2 COUNTY OF LEON) CERTIFICATE OF REPORTER

3

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

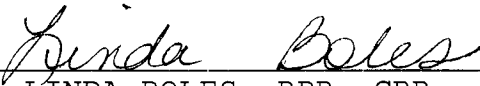
6 IT IS FURTHER CERTIFIED that I stenographically
reported the said proceedings; that the same has been
7 transcribed under my direct supervision; and that this
transcript constitutes a true transcription of my notes of said
8 proceedings.

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

12 DATED THIS 14TH DAY OF DECEMBER, 2005.

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LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734

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