I. Meeting Packet

State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA
Wednesday, June 25, 2014
9:30 am
Room 105 - Gerald L. Gunter Building

REVISED

1. Presentation on AT&T's IP Transitional Wire Center Trial Proposal to the FCC. (Attachment 1)

2. Revised Memorandum of Understanding Between the Public Service Commission and the Water Management Districts. Approval is sought. (Attachment 2)

3. Presentation of the Report on the Status of Competition in the Telecommunications Industry. Approval is sought. (Attachment 3)

4. Draft Letter of Support for the Department of Agriculture and Consumer Services Office of Energy Grant Application. Approval is sought. (Attachment 4)

5. Legislative Update. (No Attachment)

6. Executive Director's Report. (No Attachment)

7. Other Matters. (No Attachment)

BB/mj

OUTSIDE PERSONS WISHING TO ADDRESS THE COMMISSION ON ANY OF THE AGENDAED ITEMS SHOULD CONTACT THE OFFICE OF THE EXECUTIVE DIRECTOR AT (850) 413-6463.

Attachment 1

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE:	June 16, 2014
TO:	Braulio L. Baez, Executive Director
FROM:	Mark Long, Public Utilities Supervisor, Office of Telecommunications
RE:	Staff's Presentation on AT&T's IP Trial Proposal
CRITICAL INFORMATION:	Please place on the June 25, 2014, Internal Affairs agenda. This presentation is intended to brief the Commissioners in advance of the July, 2014, NARUC Summer Committee Meetings. **BRIEFING ONLY**

AT&T filed a proposal at the FCC on February 27, 2014, to transition two wire centers to all-IP services. One wire center is located in Delray Beach, Florida. AT&T's proposal is still pending FCC approval. The attached PowerPoint presentation will brief the Commissioners on the highlights of AT&T's proposal in advance of the upcoming NARUC Summer Committee Meetings.

Cc: Lisa Harvey
Apryl Lynn
Curt Kiser

AT&T's IP Transition Wire Center Trial Proposal

Mark Long
Office of Telecommunications
June 25, 2014

“By 2020, we expect to have fully transitioned our customers from decades-old, legacy technologies to an all-Internet Protocol network architecture.”

Randall Stephenson
Chairman, CEO and President
AT&T
February 11, 2013

Trial Objectives

- Provide a process to **identify and resolve** operational, technical, logistic, and other **issues** that could arise when existing TDM-based networks and services are discontinued.

- Help AT&T, policymakers, customers, and other stakeholders develop and implement **processes for migrating customers** off traditional TDM networks and services and only all IP platforms.

- To ensure customers, manufacturers, policymakers, and other stakeholders have **sufficient education and notice** regarding the impending transition so they also have the opportunity to prepare for the end of TDM networks and services.

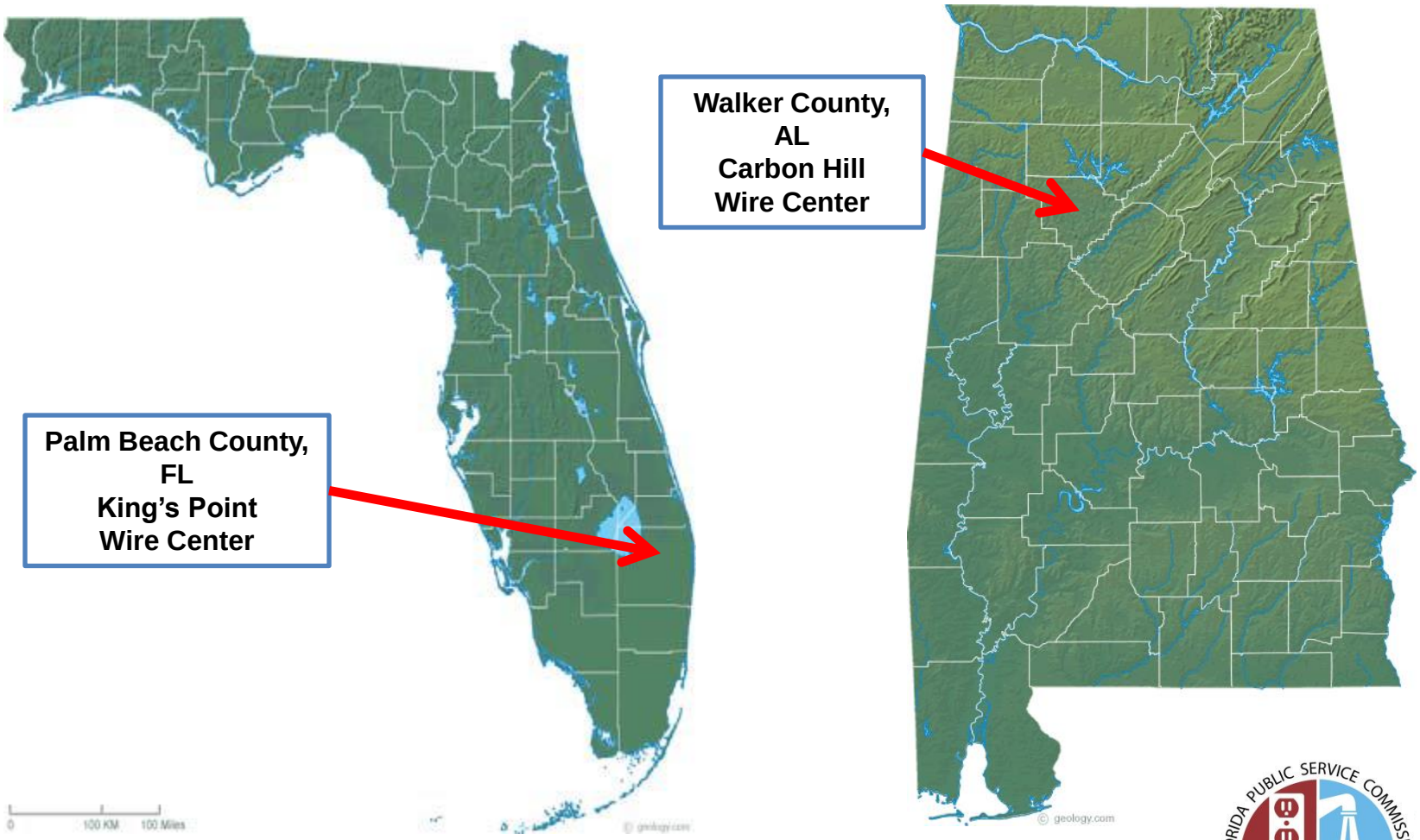
- Develop an **actionable plan** to be utilized **to transition** approximately **4,700 wire centers** to meet the goal of completing the IP Transition by the end of 2020.

Locations

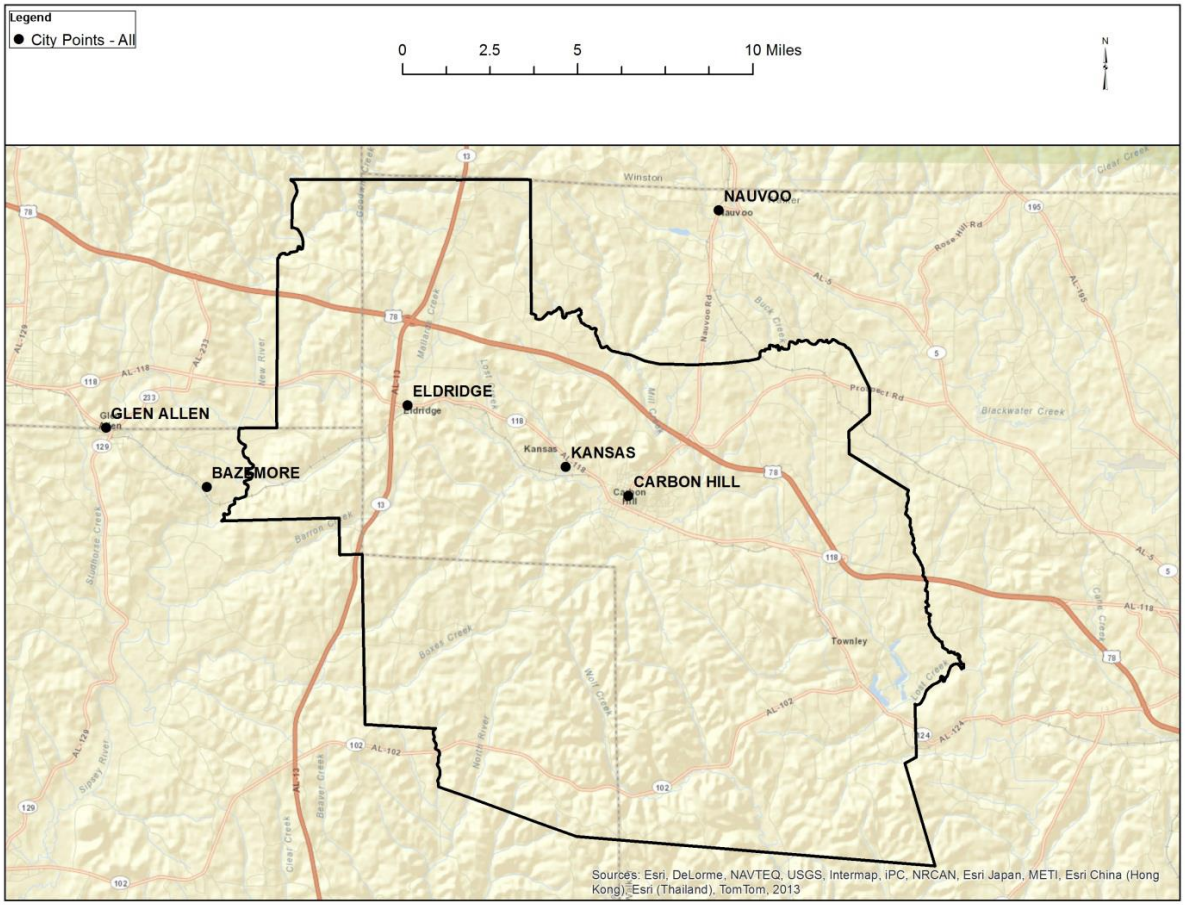
The trials will be conducted at two wire center locations:

- Carbon Hill, Alabama
- Kings Point, Florida

Locations


Walker County, AL
Carbon Hill Wire Center
Palm Beach County, FL
King's Point Wire Center
0
100 KM
100 Miles
© geology.com

Carbon Hill, AL

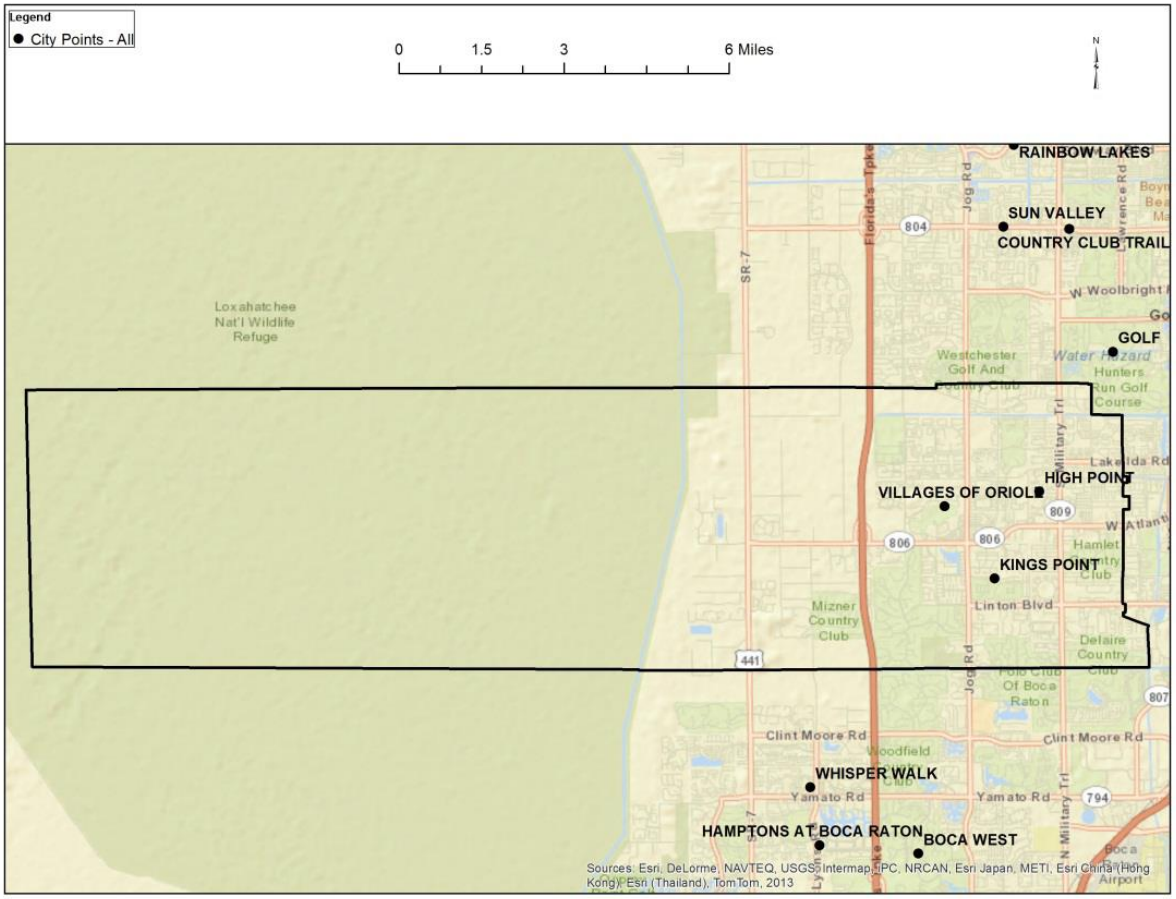


Carbon Hill, AL

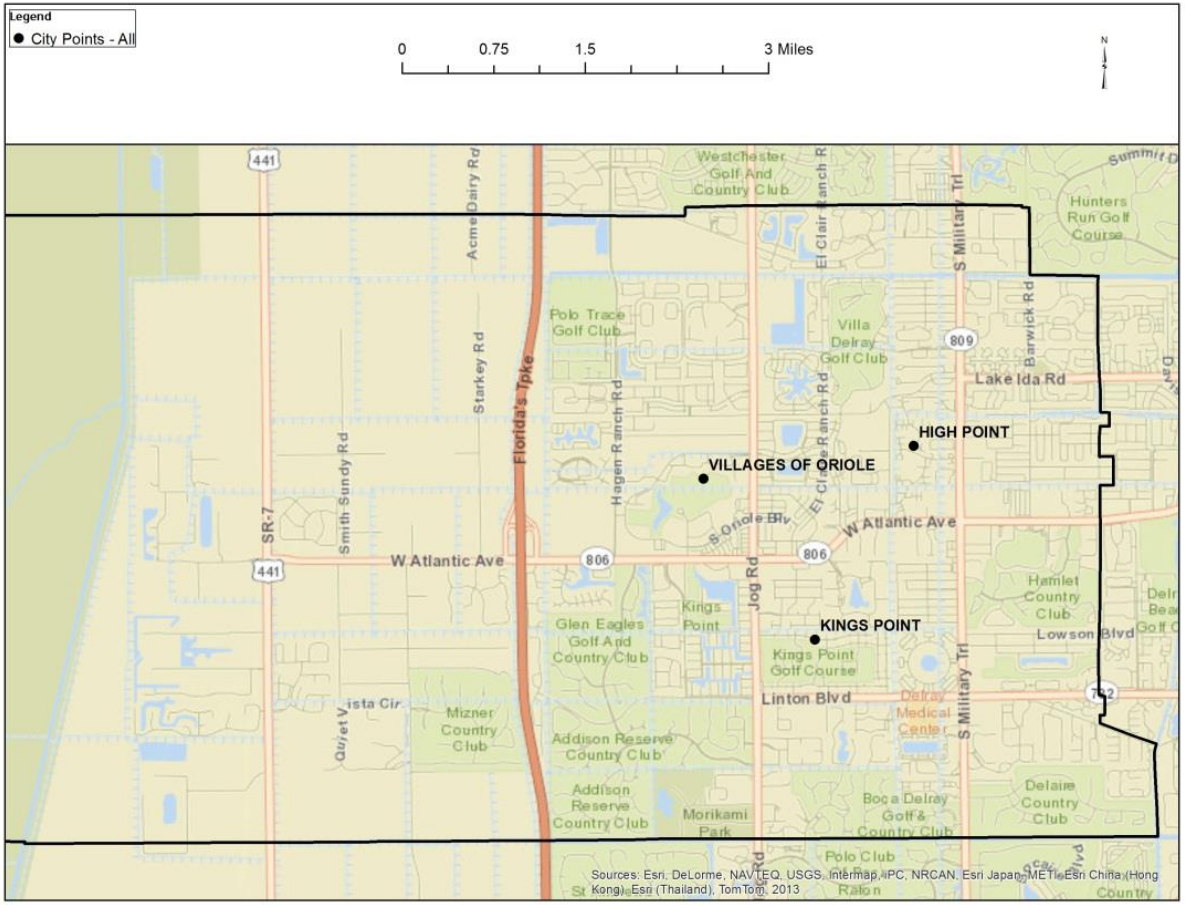
Carbon Hill, AL exchange –

- 4,388 living units
- Served by a remote switch
- Population density: 38/sq. mi.
- 38% of population is over 50 years old
- 21% of households with income below poverty level
- Rural, former mining town

King's Point, FL



King's Point, FL



King's Point, FL

Kings Point, FL exchange –

- 49,712 living units
- Served by a class 5 (5ESS) switch
- Suburban, population density: 1,961/sq. mi.
- 70% of population is over 50 years old
- 9% of households with income below poverty level
- Coastal city, part of West Palm Beach metropolitan area

Phases

AT&T proposes to conduct the trials in three phases:

- Phase one will have customers opt for new services voluntarily
- Phase two will grandfather TDM-based services
- Phase three will sunset all TDM-based services in these exchanges and require customers to migrate to IP-based products.

Timeline

AT&T plans to complete all three phases within three years

- Before it can grandfather or sunset any services, it will first seek permission to do so from the FCC
- The timelines for grandfathering and sunsetting services will vary based on the development of IP-based alternatives as well as FCC approval
- The FCC has not yet approved the proposal

Implementation

- Extensive customer outreach, advertising, and personnel in the area to answer questions
- No retail or wholesale customer will be required to transition to all-IP during the first phase
- AT&T will not require migration for customers until it has completed its product development and introduced IP-based substitutes for existing services
- Migration of all TDM-based service to IP counterparts will be required at some point during this trial

Consumer Services

- Customers within AT&T's *wireline* IP network footprint have access to AT&T's U-verse® Voice and High Speed Internet services, which provide next-generation voice calling features and high-speed broadband Internet access.

- Customers in AT&T's *wireless* footprint also will be able to purchase one of AT&T's commercial mobile radio services, including AT&T Mobility's Wireless Home Phone and Wireless Home Phone and Internet with 4G LTE Broadband service, in place of traditional, TDM-based voice telephone services.

- For those customers located outside AT&T's wireline IP footprint, AT&T will offer only its Wireless Home Phone and Wireless Home Phone and Internet with 4G LTE Broadband service (or other wireless services) in place of TDM services.

- The wireless Internet component of Wireless Home Phone and Internet provides broadband Internet speeds generally capable of downstream speeds between 5-12 Mbps

Business Services

- AT&T will offer business customers within its *wireline* IP network footprint a variety of IP-based business-class voice services in place of legacy TDM services such as BellSouth Centrex and Business Access line services:

- U-verse® Business Voice

- AT&T Voice DNA®

- IP Flexible Reach

- U-verse® High Speed Internet-Business Edition, and a variety of business-class Ethernet services that deliver extremely reliable service at ultra-fast speeds

Incompatibility

- Initially, some services will not be entirely compatible with existing equipment:
  - AT&T's wireless products will comply with the FCC's existing 911 requirements for CMRS, but do not provide E-911 with street address.
  - They also do not currently support alarm monitoring, medical alert and credit card validation applications.

- AT&T is currently developing enhancements that will provide all of these applications before AT&T requests any action to grandfather or discontinue its TDM-based voice services.

Incompatibility

There are a few applications that the Company does not currently plan to support due to rapidly declining market demand or applications that are based on outdated technology:

- DVR services
- elevator phones
- third party pay per call
- dial around calls
- operator services functions (live operators and collect calling).

AT&T's IP-based services may not ultimately be compatible with every single piece of equipment customers may still have, such as 10-15 year old analog fax machines

Protecting Consumers

- AT&T will continue to meet the needs of persons with disabilities and populations with unique needs and residents of Tribal lands.

- The trial includes an outreach plan for persons with disabilities and other populations with unique needs as an integral component of the trials.

Protecting Customer Privacy

- All aspects of the trial will be conducted consistent with the AT&T Privacy Policy, which applies to legacy TDM services, as well as IP-based services.

- AT&T will comply with applicable privacy laws and regulations, including those concerning customer proprietary network information.

- Pursuant to the FCC's 2007 order extending the CPNI regulations to VoIP providers, the AT&T business units that provide interconnected VoIP services will apply these processes and procedures to safeguard the CPNI of AT&T's interconnected VoIP customers.

Wholesale Services

- Wholesale participation is voluntary during the initial phase of the trial due to conditions established in the FCC's Technology Transition Trials Order
  - Technology Transition Trials Order – limits the involvement of wholesale customers at the initiation of the trial
- Wholesale customers will not be forced to migrate to alternative services
- Wholesale interconnection arrangements with AT&T during the initial phase of the trial will not be altered

Wholesale Services

- Interconnection compensation will remain *status quo ante*, including the transition to bill-and-keep

- AT&T will continue to meet its wholesale obligations under Section 251(c) of the Act during the initial stages of the trial but will pursue additional phases as the trial progresses

- Additional trial phases will be pursued to include:
  - Section 214 process
  - Complete withdrawal of TDM-based wholesale services (includes withdrawing the legacy TDM service and retiring the TDM electronics and facilities used to provide TDM services)

Attachment 2

State of Florida

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 16, 2014

TO: Braulio L. Baez, Executive Director

FROM: Gregory L. Shafer, Chief of Conservation & Forecasting, Division of Economics
Ana Ortega, Public Utility Analyst, Division of Economics
Charles Murphy, Senior Attorney, Office of the General Counsel

RE: Revised Memorandum of Understanding Between the Public Service Commission and the Water Management Districts

Critical Information: Please place on the June 25, 2014 Internal Affairs. Approval of the Draft Revised Memorandum of Understanding is sought. There is no critical date.

In August 2012, the Division of Economics began a review of the Public Service Commission's (Commission or PSC) existing Memoranda of Understanding (MOU or Memorandum) with the Department of Environmental Protection (DEP) and the Water Management Districts[1] (WMD(s) or District(s)). On July 19, 2013, the Commission approved a revised MOU with DEP. The MOU was deemed effective on August 18, 2013, when DEP Secretary Vinyard and Chairman Brisé signed the Memorandum.

Subsequent to the completion of the revised PSC/DEP MOU, staff began the process to update the MOU with the Water Management Districts. The attached Draft Revised Memorandum is the result of those efforts. Staff is seeking Commission approval of the Draft Revised Memorandum.

Background

The existing MOU between the PSC and the five WMDs has not been revised or updated since June 27, 1991. The purpose of the MOU is to formalize policies and procedures to be followed by each agency in order to coordinate agency efforts to promote and encourage water conservation and reuse of reclaimed water. Currently, PSC staff assigned to water and wastewater rate cases contact the relevant District to determine the utility's status regarding its Consumptive Use Permit (CUP) and determine whether conservation rates are necessary. The assigned staff also informs the District of the time and location of customer meetings. In

[1] The five Water Management Districts are South Florida, St. Johns River, Southwest Florida, Northwest Florida, and Suwannee River.

addition, if a hearing is conducted in a case Commission staff will inform the District of the date, time, and location of the hearing. Staff expects these activities to continue regardless of the existence of a formal MOU. The attached Draft Revised Memorandum (Attachment A) has been developed by Commission staff and the staff of four Districts.

The Draft Revised Memorandum

The Draft Revised Memorandum is a result of a collaborative effort of staff members of the PSC and staff members of each of the five WMDs. An initial revised draft was sent to each of the Districts and input was received from four of the five Districts. After several rounds of suggestions and edits, the representatives of each of the four participating Districts and PSC staff reached a consensus document reflected in Attachment A.

Changes to the text of the MOU are contained in the attached track changes version of the document (Attachment B). The bulk of the changes are organizational and stylistic. The organization of the document has been simplified. For example, the somewhat formalized structure of the introduction of the current MOU has been eliminated and the substance of the prior language is now captured in the introduction and background of the revised MOU.

The most substantive change to the revised MOU from the PSC perspective is the deletion of language relating to the PSC conducting feasibility analyses for infrastructure improvements. The rationale for deleting this reference is that feasibility analyses were to be performed primarily relating to the implementation of reuse facilities. As a practical matter, most PSC jurisdictional utilities for which reuse infrastructure is a viable alternative have already installed the necessary infrastructure and therefore staff no longer performs feasibility analyses.

During the vetting process, the South Florida Water Management District expressed its desire to have a separate Memorandum even though the proposed language is identical to that proposed for the other Districts. Commission staff believes that it would be administratively cleaner to have separate MOUs for each of the remaining Districts rather than one standalone agreement and another identical Memorandum for the other three Districts. In addition, the Northwest Florida Water Management District (NWFWMD) has indicated its desire to opt out of the MOU, but indicated its willingness to cooperate fully with the PSC when appropriate. The rationale for NWFWMD's decision to opt out of the MOU is that it believes the responsibilities of the Districts and the PSC are more than adequately addressed in statutes. Past PSC interaction with the NWFWMD has been very limited due to the small number of PSC jurisdictional utilities located in the NWFWMD. A letter from NWFWMD stating its intent to opt out of the existing MOU is attached (Attachment C). Under the terms of the current MOU, it is no longer effective upon execution of a new MOU or 180 days after written notice to all other parties.

Cc: Curt Kiser
Lisa Harvey
Apryl Lynn

Draft Revised

PSC/__ WMD MOU

June 26, 2014

DRAFT REVISED

MEMORANDUM OF UNDERSTANDING

_____ WATER MANAGEMENT DISTRICT

AND

FLORIDA PUBLIC SERVICE COMMISSION

The _____ (_____) and the Florida Public Service Commission (FPSC) recognize that water conservation and reuse and use of reclaimed water are key elements of Florida's long-term water management strategy. It is our goal to ensure the efficient and conservative utilization of water resources in Florida. This Memorandum of Understanding (MOU) formally outlines the responsibilities and duties of the ___WMD and FPSC in regard to water conservation and water reuse and describes how the ___WMD and FPSC will coordinate on these issues.

BACKGROUND

The ___WMD

The ___WMD was created by the Florida Legislature and given those powers and responsibilities enumerated in Chapter 373, Florida Statutes (F.S.). Within its jurisdiction, the ___WMD's mission is to manage and protect water resources of the region by balancing and improving water quality, flood control, natural systems and water supply. The ___WMD administers flood protection programs, performs technical investigations into water resources, develops water shortage plans for times of drought, and acquires and manages lands for water management and conservation purposes, among others. The ___WMD implements permitting programs for the regulation of the consumptive use of water, well construction, and surface water management. The ___WMD is empowered to enter into contracts with public agencies, private corporations, or other persons, pursuant to Section 373.083, F.S.

The Florida Public Service Commission

The FPSC is an agency of the State of Florida created by the Florida Legislature and given the powers and responsibilities enumerated in Chapter 367, F.S. The FPSC's jurisdiction is limited to economic regulation of investor-owned water and wastewater utilities in counties that have designated the FPSC as the regulatory entity. A county may by resolution, pursuant to Section 367.171, F.S., designate the FPSC as the economic regulator of investor-owned water and wastewater utilities.[1] For those utilities subject to its jurisdiction, the FPSC establishes authorized rates and rates of return for investor-owned water and wastewater utilities pursuant to Chapter 367, F.S., and Chapter 25-30, Florida Administrative Code (F.A.C.).

COMMON OBJECTIVES

The common objectives, as they relate to public water systems, are as follows:

1. To encourage and promote the efficient use of ground and surface water resources through, among other measures, employment of conservation promoting rate structures, promotion of reuse and use of reclaimed water, and through consumer education programs.
2. To effectively employ the technical expertise of the ___WMD regarding water source development and water resource management and of the FPSC regarding economic regulation and rate design of jurisdictional utilities for the promotion of efficient water consumption.

FPSC RESPONSIBILITIES

The following represents a general description of the roles and responsibilities of the FPSC related to water service providers. The FPSC's jurisdiction is limited to investor-owned utilities and is effective in Florida counties that have designated the FPSC as the regulatory authority for economic regulation. The FPSC agrees to implement policies and procedures necessary to administer the following duties:

[1] As of June 1, 2014, the FPSC regulates investor-owned water and wastewater utilities in 37 Florida counties.

1. Determine the type of rate structure needed to encourage conservation in association with water use planning or permitting requirements.
2. Timely notify the ___WMD of the FPSC public meetings with customers where conservation efforts, water use planning, or permitting criteria will be discussed.
3. Recognize and allow recovery of expenses and investment necessary to address and correct unaccounted for water that exceeds limits set in ___WMD rule or in a utility's Consumptive Use Permit or, in the alternative, adjust expense levels to discourage higher than allowable unaccounted for water. Established rates will be set in a way that recognizes the impact of conservation on a utility's revenues. Allowable expenses may include meter accuracy testing, meter replacement and leak detection, and other reasonable conservation programs.
4. Provide technical input to the ___WMD as requested with regard to service territories.

The FPSC staff will offer assistance to the ___WMD to the extent provided by law and agency workload.

___WMD RESPONSIBILITIES

The following represents a general description of the roles and responsibilities of the ___WMD related to water service providers. The ___WMD agrees to implement policies and procedures necessary to administer the following duties:

1. Evaluate public water supply needs to determine beneficial demands and identify future deficiencies.
2. Identify demand management (conservation) strategies and alternative water supply sources necessary to meet reasonable demands.
3. Evaluate water resource availability.
4. Evaluate and monitor cumulative water withdrawal rates and identify and recommend potential options for resource management protection.

5. When requested by the FPSC, participate at FPSC public meetings and evidentiary hearings where water use planning or permitting matters are to be discussed.
6. Provide technical input to the FPSC as necessary and appropriate in FPSC proceedings. This may include, but not be limited to, testimony from expert witnesses.

The ___WMD staff will offer assistance to the FPSC to the extent provided by law and agency workload.

PROJECT COORDINATION

1. The ___WMD and the FPSC will each designate a liaison to coordinate communication between the agencies. The project managers will be the principal contact persons for the technical staff on a particular project.
2. The designated representative of the ___WMD and the FPSC representative, with designated members of their staffs, shall communicate as necessary.
3. The ___WMD and the FPSC shall endeavor to provide appropriate technical assistance in necessary enforcement actions taken against individual water systems for failure to implement recommended water conservation and reuse measures.

AMENDMENTS

This MOU may be amended by mutual agreement of the ___WMD and the FPSC. Either party may terminate its participation in this Memorandum of Understanding by providing 180 days written notice to the other parties.

PREVIOUS MOU

This MOU supersedes the previous MOU dated July 27, 1991, between the WMDs and the FPSC. Upon execution of this MOU by the ___WMD and the FPSC, the MOU dated July 27, 1991, will be null and void between the ___WMD and the FPSC.

EFFECTIVE DATE AND SIGNATURES

This MOU will become effective on the date of the last signature. The parties, or their authorized representative, are duly authorized to execute this agreement.

Approved:	Approved:
_____ Water Management District	Florida Public Service Commission
By: _____ Executive Director	By:_____ Chairman
Date: _____	Date: _____

Draft Revised
Track Changes Version

Memorandum of Understanding

Florida Public Service Commission

DRAFT REVISED

MEMORANDUM OF UNDERSTANDING

_____ ~~FLORIDA~~ WATER MANAGEMENT DISTRICT~~S~~

AND

FLORIDA PUBLIC SERVICE COMMISSION

~~This Memorandum of Understanding (MOU) entered into June 27, 1991, between "the parties" the Northwest Florida Water Management District, the South Florida Water Management District, the St. Johns River Water Management District and the Suwannee River Water Management District (collectively, the Florida Water Management Districts (FWMDs)) and the Florida Public Service Commission (FPSC).~~

~~WITNESSETH THAT~~

~~WHEREAS, the FWMDs are agencies of the State of Florida created by the Florida Legislature and given these powers and responsibilities enumerated in Chapter 373, Florida Statutes; and~~

~~WHEREAS, the FWMDs are empowered to enter into contracts with public agencies, private corporations or other persons, pursuant to Section 373.083 Florida Statutes; and~~

~~WHEREAS, the parties recognize that it is in the public interest that they engage in a joint goal to ensure the efficient and conservative utilization of water resources in Florida; and~~

~~WHEREAS, the parties recognize that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy;~~

The _____ (_____) and the Florida Public Service Commission (FPSC) recognize that water conservation and reuse and use of reclaimed water are key elements of Florida's long-term water management strategy. It is our goal to ensure the efficient and conservative utilization of water resources in Florida. This Memorandum of Understanding (MOU) formally outlines the responsibilities and duties of the ____WMD and FPSC in regard to water conservation and water reuse and describes how the ___WMD and FPSC will coordinate on these issues.

BACKGROUND

Comment [GS1]: The substance of the deleted language has been retooled and reorganized as background and separate descriptions of the duties of each respective agency.

The _____ WMD

The ___ WMD was created by the Florida Legislature and given those powers and responsibilities enumerated in Chapter 373, Florida Statutes (F.S.). Within its jurisdiction, the ____ WMD's mission is to manage and protect water resources of the region by balancing and improving water quality, flood control, natural systems and water supply. The ____ WMD administers flood protection programs, performs technical investigations into water resources, develops water shortage plans for times of drought, and acquires and manages lands for water management and conservation purposes, among others. The ____ WMD implements permitting programs for the regulation of the consumptive use of water, well construction, and surface water management. The ____ WMD is empowered to enter into contracts with public agencies, private corporations, or other persons, pursuant to Section 373.083, F.S.

The Florida Public Service Commission

The FPSC is an agency of the State of Florida created by the Florida Legislature and given the powers and responsibilities enumerated in Chapter 367, F.S. The FPSC's jurisdiction is limited to economic regulation of investor-owned water and wastewater utilities in counties that have designated the FPSC as the regulatory entity. A county may by resolution, pursuant to Section 367.171, F.S., designate the FPSC as the economic regulator of investor-owned water and wastewater utilities.[1] For those utilities subject to its jurisdiction, the FPSC establishes authorized rates and rates of return for investor-owned water and wastewater utilities pursuant to Chapter 367, F.S., and Chapter 25-30, Florida Administrative Code (F.A.C.).

[1] As of June 1, 2014, the FPSC regulates investor-owned water and wastewater utilities in 37 Florida counties.

~~NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained, it is agreed as follows:~~

~~The common objectives, as they relate to public water systems, are as follows:~~

~~To monitor water systems to assure that safe and reliable water supplies are being maintained in accordance with water use permitting criteria.~~

~~To identify possible water supply alternatives necessary to provide reliable future water supplies.~~

~~To foster conservation and the reduction of withdrawal demand of ground and surface water through, among other measures, employment of conservation promoting rate structures, through maximization of reuse of reclaimed water, and through consumer education programs.~~

~~To assure that system improvement projects necessary to meet water use goals and objectives are selected on the basis of priority and only after reasonable alternatives have been defined and feasibility analyses have been performed to arrive at a cost effective, environmentally sound solution.~~

~~To effectively employ the technical expertise of the FWMDs regarding water source development and water resource management and the FPSC expertise in the economic regulation of utilities for the promotion of efficient water consumption in the public interest.~~

~~To encourage use of reclaimed water and recharge to appropriate aquifers.~~

~~To cooperatively participate in review and implementation of alternative water source development and FPSC rate case procedures related thereto.~~

COMMON OBJECTIVES

The common objectives, as they relate to public water systems, are as follows:

1. To encourage and promote the efficient use of ground and surface water resources through, among other measures, employment of conservation promoting rate structures, promotion of reuse and use of reclaimed water, and through consumer education programs.
2. To effectively employ the technical expertise of the ____WMD regarding water source development and water resource management and of the FPSC regarding

Comment [GS2]: The first two objectives are now addressed as Common Objectives 1 & 2.

Comment [GS3]: Generally covered by Common Objective 2 below and again under FPSC responsibilities.

economic regulation and rate design of jurisdictional utilities for the promotion of efficient water consumption.

~~The parties agree that their staffs shall abide by the following principles:~~

~~To the extent their resources permit and to the extent such information is available, FWMDs shall be responsible for evaluating and monitoring water withdrawal rates and for identifying and requiring the various potential improvements necessary to provide proper resource management. The FWMDs will recommend preferred solutions in this regard. The FPSC shall be responsible for making recommendations on the economic, financial and rate making aspects associated with implementing the improvements identified by the FWMDs to provide efficient use of water resources. This may include, but not be limited to, expert witness testimony.~~

Comment [GS4]: These items are now reflected in the WMD Responsibilities and the FPSC Responsibilities section below.

~~The staffs of the FWMDs and the FPSC shall endeavor to keep each other fully informed of their respective activities and to assist each agency in carrying out its responsibilities.~~

Comment [GS5]: Now addressed in description of each agency's responsibilities and Project Coordination.

~~The agencies shall exchange pertinent information available regarding water systems that are experiencing water availability problems. This information should include, but not be limited to:~~

~~Communications with utilities~~

~~Orders~~

~~Decisions~~

~~Regulations and Policies~~

~~Proposed new water systems~~

~~Permits~~

~~Funding assistance~~

~~Reports and/or investigations~~

Comment [GS6]: Determined to be unnecessary.

~~The FPSC will notify the applicable FWMDs of all pertinent requests for certificates, amendments, and rate increases from regulated water systems and shall routinely provide the FWMDs with schedules of FPSC or Division of Administrative Hearings (DOAH) hearings concerning water matters. The FWMDs will provide technical input to the FPSC as necessary and appropriate in the FPSC proceedings. This may include, but not be limited to, testimony from expert witnesses.~~

Comment [GS7]: Now covered in description of each agency's responsibilities.

~~Identified system improvements necessary to provide safe and reliable water supplies should consider, but not be limited to:~~

~~Protection of water sources~~

~~Short and long term benefits~~

~~Cost effectiveness~~

~~Cost to customers~~

~~The "parties shall endeavor to provide appropriate technical assistance in necessary enforcement actions taken against individual water systems for water conservation and reuse.~~

Comment [GS8]: Now covered under WMD responsibilities.

Comment [GS9]: Now covered in description of each agency's responsibilities.

FPSC RESPONSIBILITIES

The following represents a general description of the roles and responsibilities of the FPSC related to water service providers. The FPSC's jurisdiction is limited to investor-owned utilities and is effective in Florida counties that have designated the FPSC as the regulatory authority for economic regulation. The FPSC agrees to implement policies and procedures necessary to administer the following duties:

1. Determine the type of rate structure needed to encourage conservation in association with water use planning or permitting requirements.
2. Timely notify the ____WMD of the FPSC public meetings with customers where conservation efforts, water use planning, or permitting criteria will be discussed.
3. Recognize and allow recovery of expenses and investment necessary to address and correct unaccounted for water that exceeds limits set in ____WMD rule or in a utility's Consumptive Use Permit or, in the alternative, adjust expense levels to discourage higher than allowable unaccounted for water. Established rates will be set in a way that recognizes the impact of conservation on a utility's revenues. Allowable expenses may include meter accuracy testing, meter replacement and leak detection, and other reasonable conservation programs.
4. Provide technical input to the ____WMD as requested with regard to service territories.

The FPSC staff will offer assistance to the ____WMD to the extent provided by law and agency workload.

____WMD RESPONSIBILITIES

The following represents a general description of the roles and responsibilities of the ____WMD related to water service providers. The ____WMD agrees to implement policies and procedures necessary to administer the following duties:

1. Evaluate public water supply needs to determine beneficial demands and identify future deficiencies.
2. Identify demand management (conservation) strategies and alternative water supply sources necessary to meet reasonable demands.
3. Evaluate water resource availability.
4. Evaluate and monitor cumulative water withdrawal rates and identify and recommend potential options for resource management protection.
5. When requested by the FPSC, participate at FPSC public meetings and evidentiary hearings where water use planning or permitting matters are to be discussed.
6. Provide technical input to the FPSC as necessary and appropriate in FPSC proceedings. This may include, but not be limited to, testimony from expert witnesses.

The ____WMD staff will offer assistance to the FPSC to the extent provided by law and agency workload.

~~1. It is mutually understood that the intent of this MOU is to identify the separate and distinct responsibilities of the FWMDs and the FPSC. The following represents a general description of the roles and responsibilities of each of the respective agencies relating to water and sewer service providers. The "parties" agree to adopt and implement internal policies and procedures necessary to administer its respective duties. The parties recognize that the FPSC's jurisdiction is limited to investor owned utilities and is effective in some of the counties in Florida. The PSC staff will offer assistance to the extent provided by law and agency workload. These policies and procedures shall be coordinated between the parties.~~

~~A. The FWMDs shall be responsible for the following:~~

~~1. Evaluation of public water supply needs to determine reasonable demands and identify future deficiencies.~~

Comment [GS10]: Generally covered in Background, Responsibilities, and Project Coordination sections for each agency.

2. Identification of alternative water sources necessary to meet reasonable demands, including conservation, and recommendation of the preferred solutions.

3. Evaluation of water resource availability.

4. Participation at appropriate FPSC public meetings with customers and at evidentiary hearings where water use planning or permitting matters raised by the FWMDs or any other person are to be discussed.

Comment [GS11]: Items now addressed in WMD responsibilities section.

B. The FPSC shall be responsible for:

1. Provision of feasibility analyses of the financial impacts, if any, of system improvement projects associated with water use planning or permitting requirements on both the customers and the water and wastewater companies.

Comment [GS12]: Deleted as outdated. FPSC would do feasibility analysis if requested.

2. Determination of the type of rate relief needed to recover costs necessary for system improvement projects associated with water use planning or permitting requirements.

3. Arrange for joint public meetings with customers to ensure that customers are made aware of the need for system improvement projects and the potential impacts the projects will have on service rates.

4. Promptly inform the FWMDs of the FPSC public meetings with customers where water use planning or permitting criteria will be discussed so that the FWMDs may prepare for participation in the process.

5. Participate in appropriate FWMDs evidentiary proceedings where the economic impact of water source alternatives, permit conditions, and rate structure matters are discussed.

6. Provide assistance in review of water conservation rate structures.

Comment [GS13]: Items of this section now generally covered in FPSC Responsibilities section except for B.1.

4. The FWMDs and the FPSC will designate project managers for their respective agencies when water supply problems exist and an improvement project is deemed necessary by either the FWMDs or the FPSC. The project managers will be the principal contact persons for the "parties" on a particular project.

5. Whenever a potential conflict regarding a specific project is identified, the "parties" will examine the alternative solutions available and then meet to thoroughly discuss the issues involved and attempt to reach an agreement before announcing a

~~position. If an agreement cannot be reached after due deliberations, separate positions may be advocated. Such disagreements, if any, will not obviate this MOU.~~

~~6. There should be a complete exchange of information between the FWMDs and the FPSC through the designated project managers. The "parties" shall set forth where and to whom material should be sent. Copies of pertinent correspondence between an agency and other parties concerning a water improvement project shall be sent to the project manager of each party until project completion.~~

~~7. The designated representative of each FWMDs and the Director of the Water and Sewer Division of the FPSC, with designated members of their staffs, shall meet as necessary, but at least semi annually, to review progress of the water management programs in Florida and resolve any issues which have been identified by the staffs.~~

Comment [GS14]: Project Coordination section now generally covers items 4.-7.

PROJECT COORDINATION

1. The _____WMD and the FPSC will each designate a liaison to coordinate communication between the agencies. The project managers will be the principal contact persons for the technical staff on a particular project.
2. The designated representative of the ____WMD and the FPSC representative, with designated members of their staffs, shall communicate as necessary.
3. The ____WMD and the FPSC shall endeavor to provide appropriate technical assistance in necessary enforcement actions taken against individual water systems for failure to implement recommended water conservation and reuse measures.

AMENDMENTS

This MOU may be amended by mutual agreement of the ~~F~~___WMD~~s~~ and the FPSC. ~~Any~~Either party may terminate its participation in this Memorandum of Understanding by providing 180 days written notice to ~~all~~the other parties.

PREVIOUS MOU

This MOU supersedes the previous MOU dated July 27, 1991 between the WMDs and FPSC. Upon execution of this MOU by the ___WMD and the FPSC, the MOU dated July 27, 1991 will be null and void between the ___WMD and the FPSC.

~~The parties or their duly authorized representatives hereby execute this agreement on the date first written above.~~

~~Approved: Approved:~~

~~Northwest Florida Water Management District~~ ~~South Florida Water Management District~~

~~By: By:~~
~~Executive Director Executive Director~~

~~Date: Date:~~

~~Approved: Approved:~~

~~Southwest Florida Water Management District~~ ~~St. Johns River Water Management District~~

~~By: BY:~~
~~Executive Director Executive Director~~

~~Date: DATE:~~

~~Approved: Approved:~~

~~Suwannee River Water Management District~~ ~~Florida Public Service Commission~~

~~By: By:~~
~~Executive Director Executive Director~~

~~Date: Date:~~

EFFECTIVE DATE AND SIGNATURES

This MOU will become effective on the date of the last signature. The parties, or their authorized representative, are duly authorized to execute this agreement.

Approved:	Approved:
Water Management District	Florida Public Service Commission
By:	By:
Executive Director	Chairman
Date:	Date:

Northwest Florida Water Management District

152 Water Management Drive, Havana, Florida 32333-4712
(U.S. Highway 90, 10 miles west of Tallahassee)

Phone: (850) 539-5999 • Fax: (850) 539-2693

Jonathan P. Steverson
Executive Director

Mr. Greg Shafer
Florida Public service Commission
2540 Shumard Oaks Blvd.
Tallahassee, FL 32399-0850

Dear Mr. Shafer;

In response to your request, I am writing to confirm that the Northwest Florida Water Management District (NWFWMD) is declining to execute the draft Memorandum of Understanding (MOU) between the Water Management Districts and the Florida Public Service Commission. Further, and at your request, the district is opting out of the current MOU dated June 27, 1991. We strongly feel that the issues delineated in the draft MOU are addressed in current statute and rules of the district.

The Florida Legislature has determined that waters in the State are among its most basic resources (Chapter 373.016 (1), F.S. (2013) and sufficient water must be available for all existing and future reasonable or beneficial uses and natural systems (373.016 (3) d, F.S. (2013). The Legislature further recognized that the proper utilization of surface and groundwater is necessary to achieve that goal (373.016 (3) b F.S (2013). Through Part II of Chapter 373, F.S. the Legislature directs the five water management districts to implement a consumptive use program to accomplish those goals, (373.216, F.S. (2013).

A consumptive use permit must be obtained prior to the use, withdrawal, or diversion of surface water, groundwater, or stormwater. To obtain a permit, an applicant must provide reasonable assurances that it is reasonable-beneficial, does not interfere with existing legal uses, and is consistent with the public interest. See Chapter 373.223 F.S. and Chapter 40A-2, F.A.C. and the incorporated Applicants Handbook for Water Use Permits which implement the legislative test and describe the criteria that applicants must meet to provide such reasonable assurances to the district.

We look forward to working closely with the PSC and your staff to protect, conserve and make available the valuable water resources in our State. Please call me with any questions or if we can be of any assistance to the PSC in these matters.

Michael H. Edgar

Michael H. Edgar
Director, Division of Regulatory Services
NWFWMD

Attachment 3

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 11, 2014

TO: Braulio L. Baez, Executive Director

FROM: Office of Telecommunications (Fogleman, Bates, Curry, Hawkins, Long)

RE: Draft of the Report on the Status of Competition in the Telecommunications Industry
CRITICAL INFORMATION: Please place on the June 25, 2014 Internal Affairs. FPSC approval of draft report is sought. Report due to the Governor and Legislature by August 1, 2014.

Section 364.386, Florida Statutes, requires that the Commission prepare an annual report on the status of competition in the telecommunications industry. The report is to be submitted to the Governor, the Speaker of the House of Representatives, the President of the Senate, and the majority and minority leaders of the Senate and the House of Representativeness by August 1st of each year. The attached preliminary draft report on the "Status of Competition in the Telecommunications Industry" has been prepared to fulfill the legislative requirement. Staff is seeking approval of the draft report.

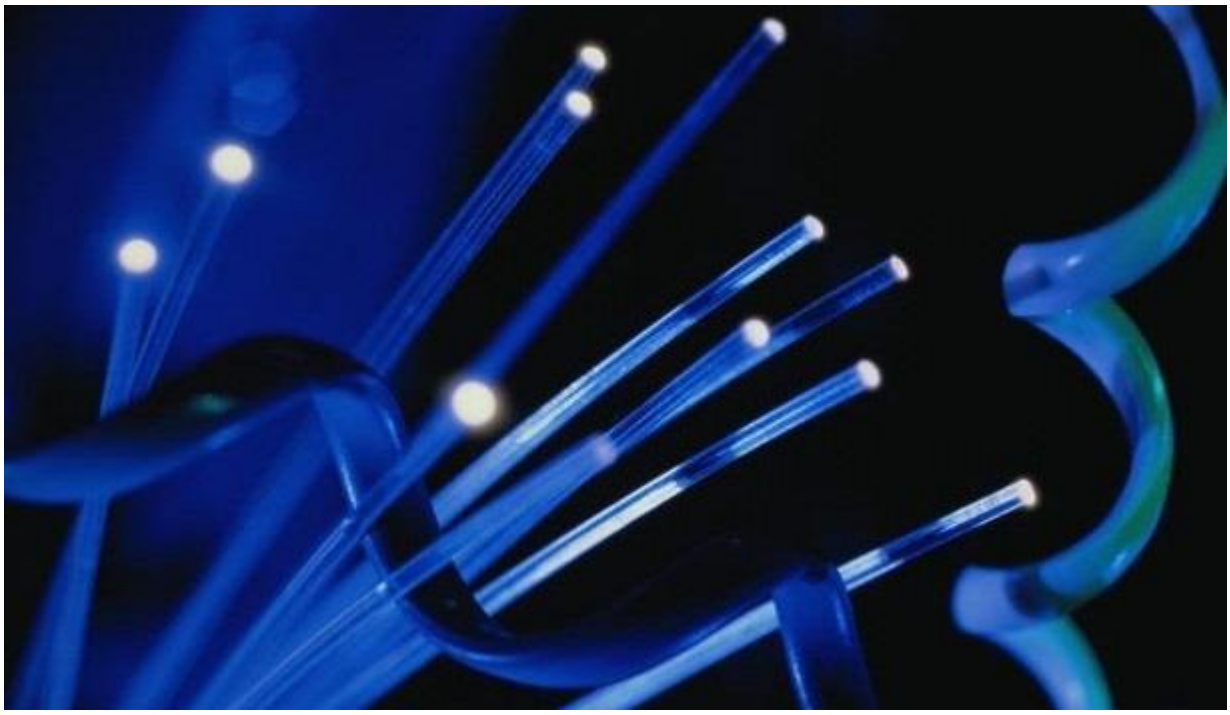
Attachment

cc: Lisa Harvey, Deputy Executive Director, Technical
April Lynn, Deputy Executive Director, Administrative
S. Curtis Kiser, General Counsel

DRAFT 06/11/2014

Report on the Status of

Competition in the Telecommunications Industry



AS OF DECEMBER 31, 2013

FLORIDA PUBLIC SERVICE COMMISSION
STATE OF FLORIDA

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List of Acronyms

Bus	Business
CDC	Centers for Disease Control
CLEC	Competitive Local Exchange Company
FCC	Federal Communications Commission
FiOS	Verizon's trademark name for its fiber-to-the-home package of services
FPSC	Florida Public Service Commission, the Commission
F.S.	Florida Statutes
ICA	Interconnection agreement
ILEC	Incumbent Local Exchange Company
IP	Internet Protocol
kbps	kilobits per second
LEC	Local Exchange Company
Mbps	Megabits per second
Res	Residential
USF	Universal Service Fund
USAC	Universal Service Administrative Company
VoIP	Voice over Internet Protocol

Executive Summary

This report fulfills the statutory obligations set forth in Section 364.386, Florida Statutes (F.S.), which requires the Florida Public Service Commission (the Commission or FPSC) to report on the status of competition in the telecommunications industry to the Legislature by August 1 of each year. The Commission is required to address specific topic areas within the realm of competition. On February 17, 2014, information requests were sent to the 10 incumbent local exchange companies (ILECs) and 290 competitive local exchange companies (CLECs) certificated by the Commission to operate in Florida, as of December 31, 2013.

In 2013, the competitive telecommunications market in Florida, as reported by the carriers, continued to show consumers migrating from traditional wireline service to wireless and cable/VoIP services, while business customers continued to resist the mass migration of the consumers, instead increasing their subscription to CLEC business-specific offerings. Carriers reported approximately 5.1 million total wireline access lines in Florida for 2013. While the mass migration in the residential market has had a drastic effect on the ILECs' residential access line counts, these customers are not all "lost" to the ILECs. Nationally, AT&T has over four times as many wireless customers as it does wireline accounts.

There were also a few "firsts" this year. While residential lines have plummeted over the past decade, business wirelines have remained relatively stable. As a result, for the first time, AT&T reported as many business wirelines as residential lines. In addition, competition from CLECs continued to be fierce. ILEC wirelines decreased by 15 percent in 2013, while CLEC lines increased by 15 percent. CLEC-reported business access lines gave them a market share of 51 percent, making ILECs a minority in the wireline business market for the first time.

Analysis of the data produced the following conclusions:

- Many CLECs reported offering a variety of services and packages comparable to those offered by ILECs. Subscribers to cable, wireless, and competitive wireline services continued to increase. These factors contribute to the conclusion that competitive providers are able to offer functionally equivalent services to both business and residential customers.

- The continued decrease in both business and residential ILEC wireline access lines demonstrates customers are finding reasonable pricing packages and functionality with CLECs, cable providers, and wireless providers, as well as VoIP services from the ILEC.

- Based on the continued growth of interconnected Voice over Internet Protocol (VoIP) services and wireless-only households, network reliability of non-ILEC providers is sufficient to satisfy customers. The FCC-reported telephone penetration rate of 93.6 percent for Florida suggests that the overwhelming majority of Florida residents are able to afford telephone service. The number and variety of competitive choices among all types of service providers suggests that competition is having a positive impact on the telecommunications market in Florida.

Wireline Competition

The following data relates exclusively to the ILEC and CLEC wireline market and does not reflect the number of wireless and VoIP subscribers in Florida. For the third year in a row, total wireline business access lines exceeded total residential lines. This report addresses changes in the telecommunications market for the period January 1, 2013, through December 31, 2013. Significant findings relating to the wireline market as of December 2013 include:

CLEC Market Share

- CLECs' market share of all wireline access lines (residential and business) in Florida increased to 32 percent as of December 2013 from 26 percent in 2012.
- CLEC residential market share has remained about the same at 2 percent over the last three years.
- For the first time, the CLEC business market share exceeded that of ILECs at 51 percent in 2013.

CLEC Access Lines

- Total CLEC access lines increased by 15 percent from December 31, 2012, to December 31, 2013.
- CLEC residential access lines decreased by 17 percent.
- CLEC business access lines increased by 16 percent.
- CLEC business access lines were 98 percent of total CLEC access lines served in 2013, compared to 95 percent in 2012.

ILEC Access Lines

- Total ILEC access lines decreased by 15 percent from December 31, 2012, to December 31, 2013.
- ILEC residential and business lines each decreased by 18 percent.
- ILEC residential lines accounted for 56 percent of total ILEC access lines in 2013.
- ILEC business access lines were 44 percent of total ILEC lines served in 2013.
- AT&T and Verizon have about a 50 percent split between residential lines and business lines in 2013.

Intermodal Competition

Wireless and VoIP services compete with traditional wireline service and represent a significant portion of today's communications market in Florida. Broadband service also provides the basis for some VoIP services. These three services are not subject to FPSC jurisdiction, and the FPSC relies on information collected from other sources for this analysis. However, the number of wireless handsets in service and VoIP customers in Florida far exceeds the 1.6 million wireline access lines served by CLECs. Four ILECs and 59 CLECs furnished VoIP data. Highlights relating to wireless, VoIP, and broadband services include:

Wireless

- Approximately 18.4 million wireless handsets were in service in Florida as of December 2012, the most current data available.

- The Centers for Disease Control (CDC) estimate that 39.4 percent of U.S. households were wireless-only as of June 2013.

VoIP

- An estimated 2.8 million Florida residential VoIP subscribers were reported as of December 2013, an increase of approximately 5 percent from 2012.

- Fifty-nine CLECs and four ILECs voluntarily reported 1.2 million VoIP lines (residential and business) to the FPSC as of December 2013.

- The Florida Cable Telecommunications Association (FCTA) reported 2.1 million residential cable digital voice (VoIP) subscribers as of December 2013, about the same number reported for December 2012.

Broadband

- Fifty-six percent of Florida households have a fixed broadband connection with download speeds of at least 3 Mbps, as of December 2012.

- Seventy-six percent of Florida households have fixed broadband connections of 200 kbps or greater, as of December 2012.

Chapter I. Introduction and Background

In 1995, the Florida Legislature amended Chapter 364, F.S., to allow for competition in the state's local telecommunications markets. The Legislature found that "the competitive provision of telecommunications services, including local exchange telecommunications service, is in the public interest and will provide customers with freedom of choice, encourage the introduction of new telecommunications services, encourage technological innovation, and encourage investment in telecommunications infrastructure."

Chapter 364, F.S., requires the Commission to prepare and deliver a report on the status of competition in the telecommunications industry to the President of the Senate, the Speaker of the House of Representatives, and the majority and minority leaders of the Senate and the House of Representatives on August 1 of each year. Section 364.386, F.S., requires that the report address the following four issues:

1. The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.

2. The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.

3. The overall impact of competition on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

4. A list and short description of any carrier disputes filed under Section 364.16, F.S.

The Commission is required to make an annual request to local exchange telecommunications providers each year for the data required to complete the report. The data request was mailed on February 17, 2014, and responses were due April 15, 2014. Data requests were mailed to 10 ILECS and 290 CLECs. The Commission continues its efforts to increase efficiency while gathering the data and information to produce this report. Commission staff is confident that the data presented and the analyses that follow accurately reflect the information provided by the ILECs and the reporting CLECs.

Chapter II. Wireline Market Overview

A. Economy

According to the U.S. Commerce Department, the national economy continued to recover, but at a slower pace in 2013 compared to 2012. Gross Domestic Product, the best measure of overall economic activity, grew by 1.9 percent in 2013, compared to an increase of 2.8 percent in 2012.[1] Corporate profits were up 4.6 percent, compared to a 7.0 percent increase the previous year.[2] Unemployment figures dropped slowly but steadily throughout 2013, starting at 7.9 percent in January and finishing the year at 6.7 percent.[3] The Consumer Price Index rose 1.5 percent in 2013, compared to a 2.1 percent increase in 2012.[4]

In 2013, Florida's economic growth remained positive for the third year after declining for the previous two years. The state's gross domestic product ranked Florida eighteenth in the nation in real growth with a gain of 2.2 percent.[5] Florida's personal income grew 2.9 percent in 2013 over 2012, ranking Florida thirteenth in the country with respect to state personal income growth. The national average was 2.6 percent.[6]

The unemployment rate in Florida started the year greater than the national average, but experienced a higher than average decrease and by August 2013 Florida's rate was below the then-current national average. Florida's unemployment rate continued to show consistent improvement during each month, falling from a high of 8.0 percent in January to a low of 6.3 percent in December.[7]

With the unemployment picture improving, but still above historical averages, along with moderate economic growth during 2013, it is likely that Florida consumers are still taking a hard look at their discretionary expenditures. While it is more attributable to increased competition from CLECs and the continued mass migration, at least in the residential market, from wireline to wireless and cable/VoIP services, the economy was also likely a contributing factor to Florida ILECs losing approximately 585,000 access lines. This represents about 15 percent of their

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[1] U.S. Department of Commerce, Bureau of Economic Analysis, "National Income and Product Accounts: Gross Domestic Product, 4th quarter and annual 2013 (third estimate), Corporate Profits, 4th quarter and annual 2013," released March 27, 2014, http:www.bea.gov/newsreleases/national/gdp/2014/gdp4q13_3rd.htm, accessed May 8, 2014, Table 7.

[2] Ibid., Table 11.

[3] U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics for the Current Population Survey," http://data.bls.gov/timeseries/LNS14000000, accessed May 8, 2014.

[4] U.S. Department of Labor, Bureau of Labor Statistics, "CPI Detailed Report," http://www.bls.gov/cpi/cpid1404.pdf, accessed June 10, 2014, Table 24.

[5] U.S. Department of Commerce, Bureau of Economic Analysis, "News Release: Advance 2013 and Revised 1997–2012 Statistics of GDP by State," released June 11, 2014, http://www.bea.gov/newsreleases/regional/gdp_state/2014/pdf/gsp0614.pdf, accessed June 11, 2014, Table 1.

[6] U.S. Department of Commerce, Bureau of Economic Analysis, "News Release: State Personal Income," released March 25, 2014, http://www.bea.gov/newsreleases/regional/spi/2014/pdf/spi0314.pdf, accessed May 8, 2014.

[7] U.S. Department of Commerce, Bureau of Labor Statistics, "Local Area Unemployment Statistics," http://data.bls.gov/timeseries/LASST120000000000003?data_tool=XGtable, accessed May 8, 2014.

wireline market in 2013.[8] By comparison, competitive wireline carriers (CLECs) gained approximately 217,000 access lines in 2013, an increase of 15 percent, from growth in business customers.

B. Incumbent Carriers

AT&T, CenturyLink, and Verizon are the three largest ILECs in Florida providing wireline services.[9] These providers continued to face access line losses in the national wireline market in 2013. While their wireline access line counts fell, both AT&T and Verizon experienced increased wireless subscriptions as well as subscriptions to digital voice services provided over VoIP as consumers transitioned from traditional circuit switched services.

In 2013, AT&T reported losses of 4.6 million switched access lines nationwide (or 15.8 percent) from the prior year.[10] This represents about the same number of wirelines lost in 2012. AT&T attributes the access line declines to economic pressures and increased competition. Customers have disconnected traditional landline services, or switched to alternative technologies, such as wireless and VoIP. AT&T's strategy continues to be to offset these line losses by continuing to market its wireless products as well as increasing non-access-line-related revenues from customer connections for data, video, and voice.[11] For 2013, AT&T's total operating revenues increased by $1.3 billion (almost twice as much as the prior year) despite their wireline access line losses.[12] AT&T capitalized on its opportunity to increase its wireless segment revenues for customers that choose AT&T Mobility as an alternative provider. In Florida, AT&T's wireline residential access lines decreased by 23 percent and business access lines decreased 10 percent.[13]

Verizon also lost switched access lines nationally while experiencing an increase in operating revenue of $4.7 billion.[14] Verizon reported a decline of 1.4 million in total voice connections (or 6.3 percent) in 2013. Total voice connections include switched access lines as well as FiOS digital voice connections. This represents a slower rate of loss than in 2012 when Verizon lost 6.8 percent of its total voice connections. By comparison, Verizon reported growth of 11 and 12 percent in its FiOS Internet and video services from last year, respectively.[15] In Florida, Verizon experienced wireline reductions of 27 percent in residential access lines and 11 percent in business access lines in 2013.[16]

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[8] Responses to FPSC Local Competition Data Request for 2013 and 2014.
[9] AT&T and Verizon are also the largest wireless carriers nationwide and increased subscribership by 3.4 million and 4.6 million, respectively, according to their 2013 Form 10-K reports (exhibit 13).
[10] AT&T, Form 10-K, for December 31, 2013, http://www.sec.gov/Archives/edgar/data/73271720/000073271714000010/ex13.htm, accessed April 24, 2014, Exhibit 13, p. 1.
[11] Ibid, p. 17.
[12] Ibid, p. 1.
[13] Responses to Local Competition Data Request for 2013 and 2014.
[14] Verizon, Form 10-K, for December 31, 2013, http://www.sec.gov/Archives/edgar/data/732712/000119312514073266/d622994dex13.htm, accessed April 25, 2014, Exhibit 13.
[15] Ibid.
[16] Responses to Local Competition Data Request for 2013 and 2014.

While currently the third largest wireline telecommunications company in the U.S., CenturyLink continued to experience declines in its switched access lines in 2013. Access lines decreased from 13.7 million in 2012 to 13.0 million in 2013.[17] This represents an approximately 5 percent loss of CenturyLink's access lines nationwide. By comparison, CenturyLink experienced a 2.4 percent increase in broadband subscribers. By the end of 2013, CenturyLink's operating revenues decreased $281 million, or 1.5 percent from 2012. CenturyLink's wireline access line loss in Florida was six and eight percent for the residential and business sectors, respectively, for 2013.[18]

The seven remaining smaller Florida carriers also experienced contraction in the number of switched access lines in their respective wireline service areas. Rural carriers in Florida saw their residential access lines fall by approximately seven percent in 2013.[19] In Florida, Windstream is the largest of the "rural" ILECs and operates in northeast Florida. Windstream experienced an overall access line loss of only four percent, the lowest access line loss of any carrier in Florida. Nationally, Windstream has 1.7 million consumer voice lines in service.[20] Through an aggressive acquisition strategy, Windstream has shifted its revenue mix towards business and consumer broadband services. Windstream estimates that 72 percent of its 2013 revenues were generated from these areas.[21]

Even with the decline in wireline access lines, wireline telecommunications carriers continue to play a role with an evolving telecommunications ecosystem. For example, wireless carriers continue to be dependent on the wireline network. The majority of wireless call transport occurs over the wireline network, not over wireless facilities, a function commonly referred to as "backhaul." While the economic sustainability of the wireline network appears to be tenuous as access lines continue to decline, it remains a crucial element in the mix of communications technologies.

C. Mergers/Acquisitions

Approval of merger and acquisition petitions for telecommunications carriers peaked nationally in 2006 with more than 90 communications companies consolidating their operations.[22] By comparison, 48 mergers and acquisitions occurred in 2013.[23] This figure represents an increase of 30 percent from the previous year. Recent transactions of interest to Florida are described below.

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[17] CenturyLink, Form 10-K, for December 31, 2013, http://www.sec.gov/Archives/edgar/data/18926/000144530514000656/ctl-2013123110k.htm, accessed April 25, 2014, p. 5.
[18] Responses to FPSC Local Competition Data Request for 2013 and 2014.
[19] Ibid.
[20] Windstream, 10-K, for December 31, 2013, http://www.sec.gov/Archives/edgar/data/1282266/000128226614000008/a201310k.htm, accessed April 25, 2014, p. F-5.
[21] Ibid, p. 2.
[22] FCC, "2006 Completed Domestic Section 214 Transfer of Control Transactions," http://www.fcc.gov/wcb/cpd/214Transfer/214completed2006.html, accessed April 17, 2014.
[23] FCC, "2013 Completed Domestic Section 214 Transfer of Control Transactions," http://www.fcc.gov/encyclopedia/2013-completed-domestic-section-214-transfer-control-transactions, accessed April 17, 2014.

1. Birch Communications/Lightyear Network/Ernest Communications/Cbeyond

In 2013, Birch Communications (Birch) announced two acquisitions affecting the Florida market. The latest completed transaction marks Birch's nineteenth acquisition since 2005.[24] Birch reported that its acquisition of Lightyear Network Solution and Ernest Communications would strengthen the breadth and scope of Birch's IP network and network footprint.[25] As a result of this acquisition, Birch saw its business lines increase by about 60% in Florida.[26] In 2014, Birch announced additional acquisitions subject to regulatory approval with Cbeyond,[27] Liberty-Bell,[28] and EveryCall.[29]

2. Time Warner Cable/DukeNet

On December 31, 2013, Time Warner Cable completed its acquisition of DukeNet Communications, LLC ("DukeNet"), an 8,700-mile regional fiber optic network company that provides data and high-capacity bandwidth services to wireless carrier, data center, government and enterprise customers in Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee, and Virginia.[30] After this acquisition, Time Warner Cable will provide wireless backhaul to approximately 14,000 cell sites throughout its 29 state territory.[31] National this represents an estimated 1.7 percent market share in 2013. Since this acquisition, Time Warner Cable has transferred DukeNet's Certificate of Authority to offer service in Florida.[32]

3. Comcast/Time Warner Cable

In the first quarter of 2014, Comcast and Time Warner Cable announced their planned merger. The Federal Communications Commission and the Department of Justice have begun the formal regulatory approval process of this transaction. According to the their application before the Federal Communications Commission, "This transaction will enhance consumer welfare and competition and deliver substantial public interest benefits, including through

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[24] Birch, "Birch Closes Acquisition of Ernest Communications Assets," https://www.birch.com/Business/About/Newsroom/Birch-Closes-Acquisition-of-Ernest-Communications.aspx, accessed April, 17, 2014.
[25] Birch, "Birch Closes Acquisition of Lightyear Network Solutions Assets," https://www.birch.com/Business/About/Newsroom/Birch-Closes-Acquisition-of-Lightyear-Network-Solu.aspx, accessed April 17, 2014.
[26] Base on pre-merger access lines reported as of December 31, 2012.
[27] Birch, "Birch Communications to Acquire Cbeyond," released April 21, 2014, https://www.birch.com/Business/About/Newsroom/Birch-Communications-to-Acquire-Cbeyond.aspx, accessed May 27, 2014.
[28] Birch, "Birch Signs Agreement to Acquire Liberty-Bell Assets," released April 22, 2014, https://www.birch.com/Business/About/Newsroom/Birch-Signs-Agreement-to-Acquire-Liberty-Bell-Asse.aspx, accessed May 27, 2014.
[29] Birch, "Birch Signs Sales Acquisition Agreement with EveryCall," released May 1, 2014, https://www.birch.com/Business/About/Newsroom/Everycall.aspx, accessed May 27, 2014.
[30] Time Warner Cable, 10-K, for December 31, 2013, http://www.sec.gov/Archives/edgar/data/1377013/000119312514056642/d640670d10k.htm, accessed April 21, 2014.
[31] Comcast Corporation and Time Warner Cable Inc., "Application and Public Interest Statement before the Federal Communications Commission," released April 8, 2014, http://apps.fcc.gov/ecfs/document/view?id=7521097357, accessed April 21, 2014, pp. 97-98.
[32] FPSC Order No. PSC-13-0660-PAA-TX, Docket No. 130264-TX, Issued December 18, 2013.

competitive entry in market segments neither company can meaningfully serve on its own today."[33]

If approved, Comcast would gain approximately 8 million subscribers from Time Warner Cable. While Time Warner Cable actually has 11 million subscribers, Comcast, the nation's largest cable provider, has offered to divest 3 million subscribers to reduce competitive concerns.[34] Consumer groups have expressed opposition to the merger, noting that Comcast has raised its basic cable rates in some of its markets by nearly 70 percent.[35] In general, consumer groups argue that the cable and broadband markets will not be as competitive as they should be and this merger will continue to consolidate market power. In Florida, there is no overlap of service areas.

4. AT&T/Leap Wireless

AT&T Inc. and prepaid wireless provider Leap Wireless International Inc. (Leap) announced that it had entered into an agreement for AT&T to acquire Leap in July 2013.[36] Under the terms of agreement, AT&T will acquire all of Leap's wireless properties, network assets (and spectrum), and approximately 5 million subscribers. Leap's network covers approximately 96 million people in 35 states. Leap currently operates under the Cricket brand. AT&T will retain the Cricket brand name and provide Cricket customers with access to its 4G LTE mobile network. The combined company will have the financial resources, scale and spectrum to better compete with other major national providers for customers interested in low-cost prepaid service. The acquisition was completed in March 2014.[37]

5. AT&T/DirecTV

On May 18, 2014, AT&T and DirecTV announced they entered into a definitive agreement under which AT&T will acquire DirecTV.[38] The merger is subject to approval by DirecTV shareholders and review by the FCC, the Department of Justice, a few states and some Latin American countries. The transaction is expected to close within approximately 12 months. AT&T already markets DirecTV's satellite video service to customers where its own U-verse video offering is not available. It is expected that this merger would give the combined company greater leverage in negotiations with content providers.

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[33] Comcast Corporation and Time Warner Cable Inc., "Application and Public Interest Statement before the Federal Communications Commission," released April 8, 2014, http://apps.fcc.gov/ecfs/document/view?id=7521097357, accessed April 21, 2014, p. 1.
[34] Ibid, p. 25.
[35] Free Press, et al, Comments in Opposition, Letter to Attorney General Eric Holder and FCC Chairman Tom Wheeler, released April 8, 2014, http://apps.fcc.gov/ecfs/document/view?id=7521097394, accessed May 27, 2014.
[36] AT&T, "AT&T to Acquire Leap Wireless," released July 15, 2013, http://about.att.com/newsroom/att_to_acquire_leap_wireless.html, accessed April 18, 2014.
[37] AT&T, "AT&T Completes Acquisition of Leap Wireless," released March 13, 2014, http://about.att.com/story/att_completes_acquisition_of_leap_wireless.html, accessed April 18, 2014.
[38] AT&T, "AT&T to Acquire DIRECTTV," released May 18, 2014, http://about.att.com/story/att_to_acquire_directv.html, accessed May 27, 2014.

6. Sprint/SoftBank

SoftBank Corporation completed its acquisition of Sprint Nextel Corporation in July.[39] This differs from prior wireless mergers in which two domestic competitors with overlapping service areas or spectrum holdings have sought to merge, thereby eliminating an existing competitor. Rather, SoftBank, a Japanese telecommunications and Internet corporation, had no U.S. spectrum licenses, prior to its purchase of Sprint. In addition, SoftBank has stated that it plans to invest an additional $5 billion in Sprint. With this investment, Sprint has indicated its intent to deploy TDD-LTE[40] services using its unpaired spectrum.[41]

7. Verizon/Vodafone

On September 2, 2013, Verizon entered into a stock purchase agreement with Vodafone to acquire Vodafone's indirect 45 percent interest in Verizon Wireless for approximately $130 billion.[42] Verizon completed the transaction on February 21, 2014 and acquired 100 percent ownership of Verizon Wireless.[43] This acquisition, according to Verizon will enhance its ability to deliver integrated wireless and wireline products and solutions across all networks and platforms.

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[39] Sprint, "Sprint and SoftBank Announce Completion of Merger," released July 10, 2013, http://newsroom.sprint.com/news-releases/sprint-and-softbank-announce-completion-of-merger.htm, accessed April 18, 2014.

[40] TDD-LTE is a type of LTE that has not previously been offered in the U.S. TDD-LTE offers the flexibility to allocate bandwidth to downlink and uplink traffic and is well suited to unpaired spectrum.

[41] Sprint, "The TDD-LTE Advantage," released February 24, 2014, http://newsroom.sprint.com/blogs/sprint-perspectives/the-tdd-lte-advantage-1.htm, accessed April 18, 2014.

[42] Verizon, "News at a Glance: Verizon reaches agreement to acquire Vodafone's 45 percent interest in Verizon Wireless for $130 billion," released September 2, 2013, http://www.verizon.com/investor/news_verizon_reached_agreement_to_acquire_vodafones_45_percent_interest_in_verizon_wireless_for_130_billi.htm, accessed April 25, 2014.

[43] Verizon, "News at a Glance: Verizon Projects Higher Margins and Sustained Revenue Growth in 2014," released September 2, 1013, http://www.verizon.com/investor/news_verizon_projects_higher_margins_and_sustained_revenue_growth_in_2014_02242014.htm, released February 24, 2014, accessed April 25, 2014.

Chapter III. Status of Wireline Competition in Florida

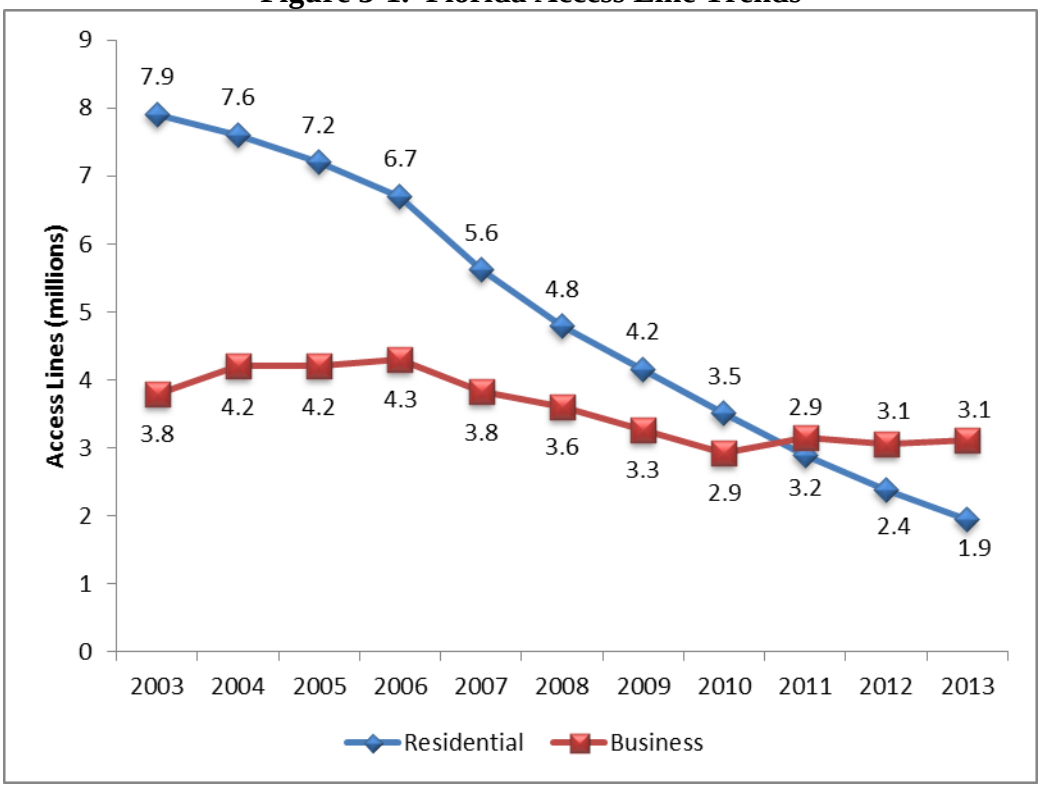
A. Wireline Trends in Florida

During 2013, total traditional wireline access lines for ILECs and CLECs combined declined 7 percent, to 5.0 million as of December 2013, from 5.4 million in December 2012.[44] Most of the lost access lines resulted from lower demand by residential customers.

Residential access lines, which totaled 1.9 million as of 2013, fell by 18 percent from the previous year. From 2003 through 2013, wireline residential access lines have declined by 75 percent, or about 6 million lines. By comparison, total wireline business access lines for ILECs and CLECs were 3.1 million, an increase of 2 percent from 2012 to 2013.

The net increase in business lines included a decrease of 159,000 ILEC lines and an increase of 225,000 CLEC lines. While fluctuating in response to the business cycle, Figure 3-1 illustrates the relative stability of business access lines from 2003 to 2013. The trend for residential lines, however, has consistently declined for all the individual ILECs and the CLECs over the same ten-year period.

Figure 3-1. Florida Access Line Trends



Source: Responses to FPSC data requests (2005-2014)

[44] VoIP lines reported by CLECs and cable companies are not included in wireline CLEC market share analyses.

B. Wireline Market Mix, Market Share, and Access Lines

1. Market Mix

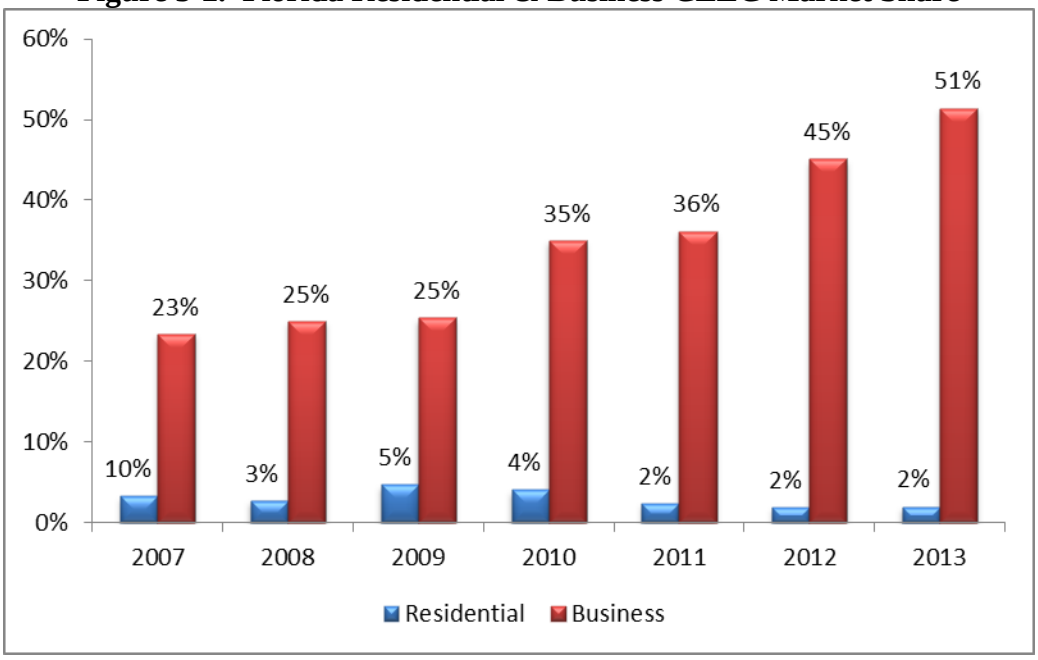
The composition of customers served by ILECs and CLECs has shifted over time. In general, both ILECs and CLECs have seen increased concentration of business customers as residential customers migrate to wireless and VoIP services. The business-to-residential customer mix for ILECs was about 27 percent business and 73 percent residential in 2003. By 2013, the mix for ILECs was 44 percent business and 56 percent residential.

By comparison, the business to residential customer mix for CLECs was about 61 percent business and 39 percent residential in 2003. The CLEC customer mix has seen significant changes since then. In 2013, the business-to-residential customer mix was 98 percent business and 2 percent residential.

2. Market Share

CLECs have traditionally focused on business customers. Figure 3-2 illustrates the CLEC market share by business and residential customer classes. The inverse of this percentage would be market share for the ILECs in Florida. Overall, the CLEC residential market share has remained at about 2 percent over the last three years, while ILECs retain 98 percent of the wireline market. This percentage excludes VoIP services, which cable companies have made significant inroads into over the past several years. The CLEC business market share however, has continued to grow over the last five years. This year's report marks the first time that CLECs market share of business lines was greater than that of ILECs. Specifically, CLECs have 51 percent of the wireline business market, while ILECs have 49 percent.

Figure 3-2. Florida Residential & Business CLEC Market Share



Source: Responses to FPSC data requests (2005-2014)

The FCC also reports CLEC market share by state and for residential and business lines. For 2012, the FCC reported that CLECs have 45 percent of the total residential market share and 48 percent of the business market share; however, these percentages include VoIP subscriber lines.[45]

The FCC started including VoIP subscriber lines in the market share calculations with its December 2008 Local Competition Report. The inclusion of VoIP subscriber lines accounts for the majority of the difference in market share totals calculated by the FPSC compared to those reported by the FCC for 2012. Specifically, removing the associated VoIP lines from the FCC's calculates results in a CLEC residential and business market share of 1.8 percent and 42.7 percent, respectively. This compares favorably to the data based on the FPSC's data collection in Figure 3-2.

3. Access Lines

Local exchange companies were serving approximately 5.1 million lines in Florida as of December 31, 2013, a decline of seven percent from 2012. The first time that total (ILEC and CLEC) business access lines exceed total ILEC and CLEC residential access lines was in 2011. The gap between the number of residential and business access lines continues to widen this year as illustrated in Table 3-1.

In 2013, residential access lines provided by ILECs decreased by 18 percent, while ILEC business lines declined by nine percent. Most of the business line losses were experienced by AT&T and Verizon with declines of 10 percent and 11 percent from last year, respectively. This compares to only a 2.2 percent decline among all of the rural ILECs. CLEC business access lines, however, saw an increase by approximately 225,000 from 2012 to 2013, a gain of 16 percent.

Table 3-1. Florida Access Line Comparison

	2011			2012[46]			2013			Change from 2012
	Res	**Bus**	**Total**	**Res**	**Bus**	**Total**	**Res**	**Bus**	**Total**	
ILECs	2,809,826	2,013,846	4,823,672	2,334,184	1,675,328	4,009,512	1,908,357	1,516,305	3,424,662	<15%>
CLECs	70,259	1,140,816	1,211,075	46,667	1,378,547	1,425,214	38,711	1,603,560	1,642,271	15%
Total	2,880,085	3,154,662	6,034,747	2,380,851	3,053,875	5,434,726	1,947,068	3,119,865	5,066,933	<7%>

Source: Responses to FPSC data requests (2012-2014)

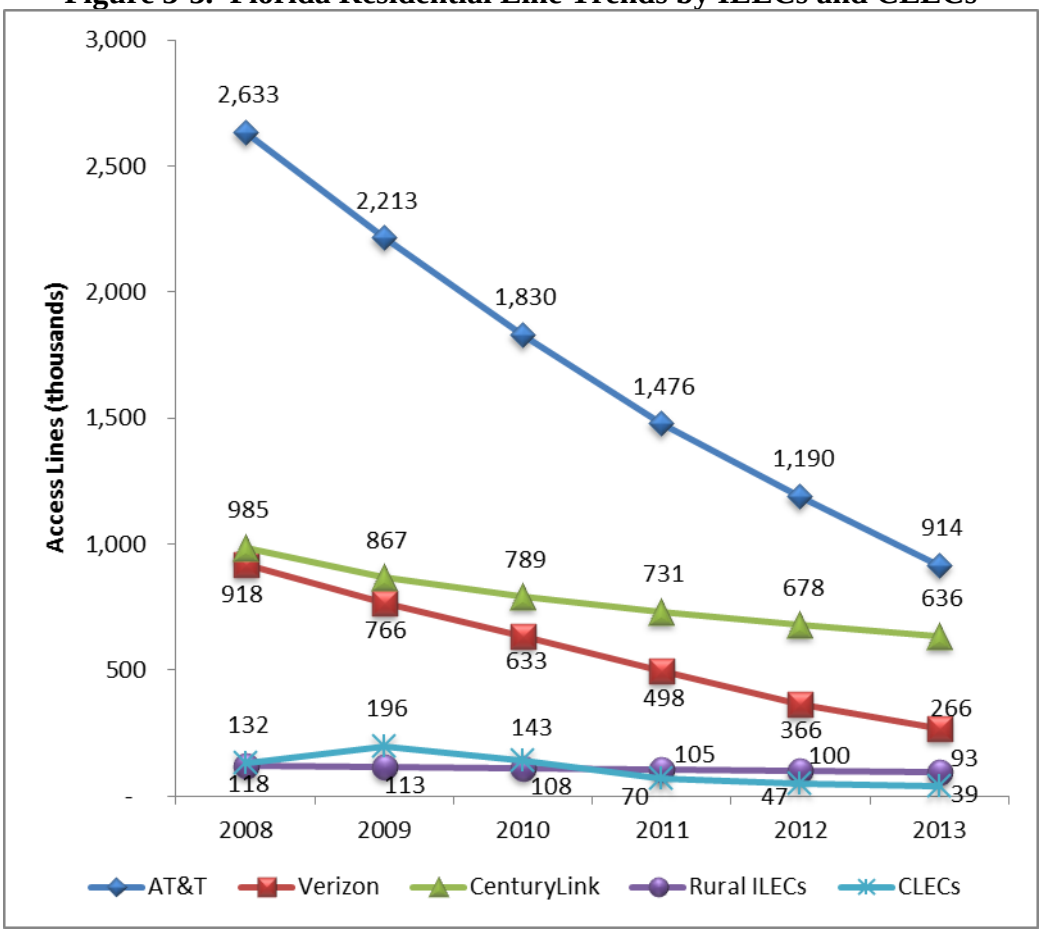
[45] FCC, "Local Telephone Competition: Status as of December 31, 2012," released November 2013, https://apps.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed on May 22, 2014, Tables 10 and 11.
[46] Data for 2012 corrected for error in CLEC residential calculation.

C. Competitive Market Trends

1. Residential Access Line Trends

Figure 3-3 displays the residential access line trends separately for AT&T, Verizon, CenturyLink, the rural ILECs, and aggregate CLECs. Each individual ILEC and the CLECs in aggregate reported a decline in residential access lines from December 2012 to December 2013.

Figure 3-3. Florida Residential Line Trends by ILECs and CLECs



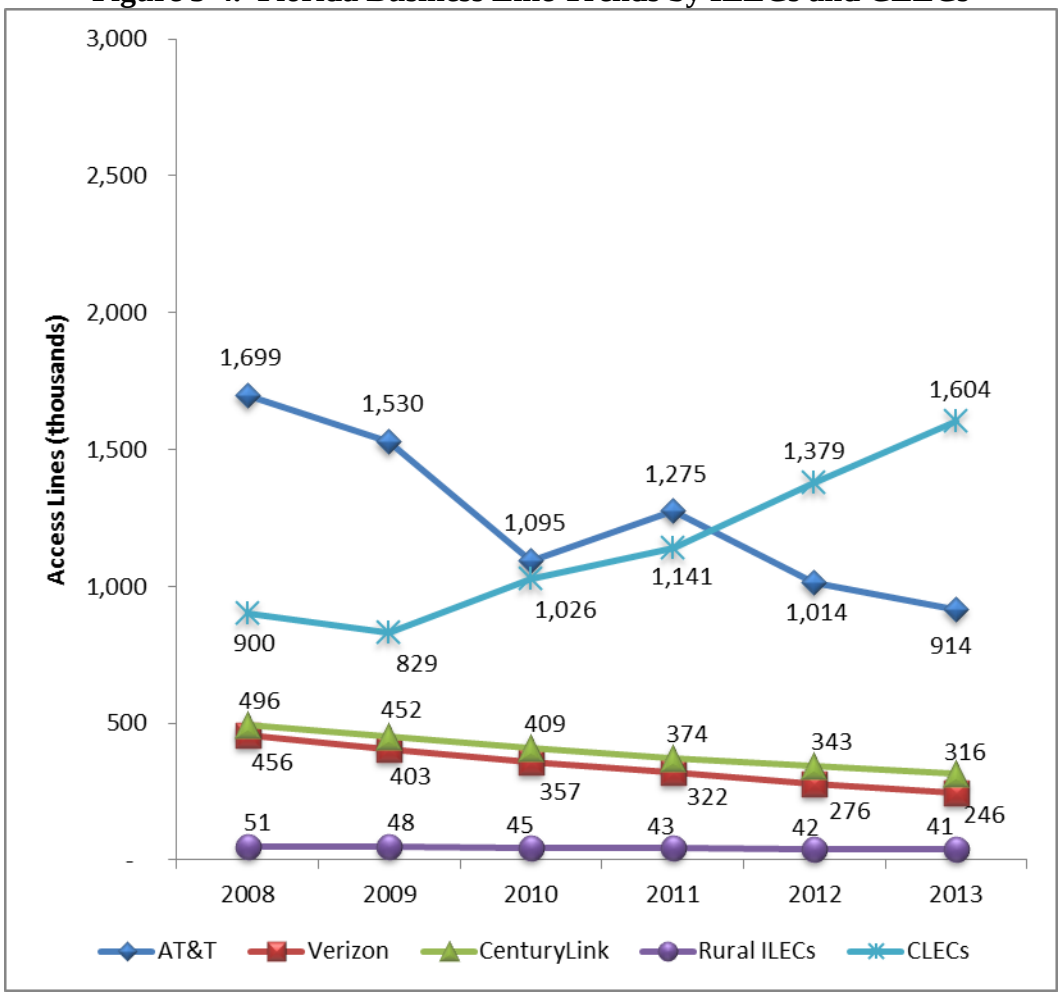
Source: Responses to FPSC data requests (2009-2014)

Residential access lines declined for Verizon at approximately the same rate in 2013 as in 2012. By comparison, AT&T experienced a slight increase in the rate of residential access line loss from last year. CenturyLink was the only large ILEC in Florida that saw residential line loss decrease slightly. CLECs also faced residential access lines decline in 2013, however the rate of line loss was less than in the last four years.

2. Business Access Line Trends

Figure 3-4 displays the business line trends for AT&T, Verizon, CenturyLink, the rural ILECs, and CLECs. ILEC business access lines generally trended downward in the last five years with the exception of AT&T in 2011. CLEC business access lines increased the last four years. It increased by 21 percent in 2012 and by 16 percent in 2013. AT&T and Verizon have about a 50 percent split between residential lines and business lines in 2013.

Figure 3-4. Florida Business Line Trends by ILECs and CLECs



Source: Responses to FPSC data requests (2009-2014)

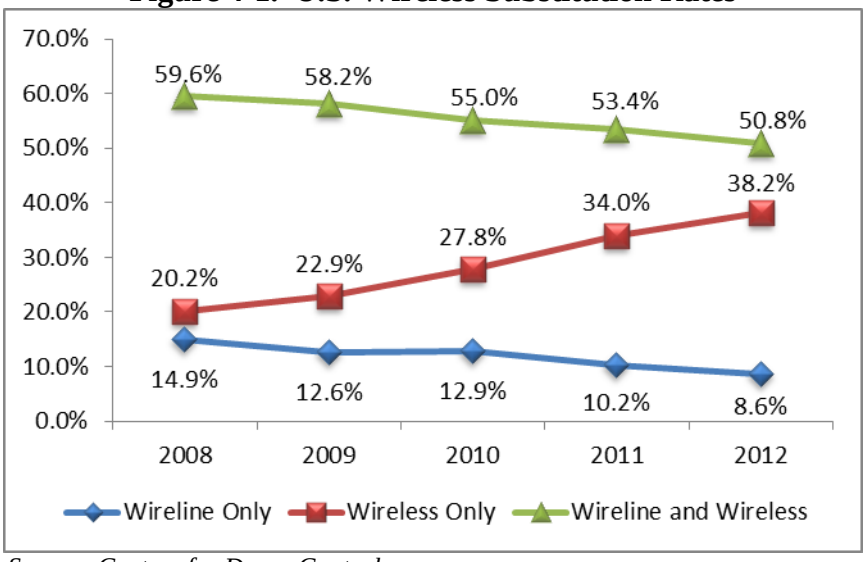
Chapter IV. Wireless, VoIP, and Broadband

A. Wireless

1. National Wireless Market

Wireless device usage continues to grow throughout the U.S. Figure 4-1 shows national trends in the percentage of households with wireless only, wireline only, and dual household usage. In 2012, 38.2 percent of Americans lived in wireless-only homes, up from 32.3 percent in 2011.[47] During the same period, the number of households with both landline and wireless service declined 2.6 percent, to 50.8 percent in 2012. Between January 1, 2013 and June 30, 2013, the percentage of households with both wireline and wireless service declined 1.3 percent, to 49.5 percent.[48]

Figure 4-1. U.S. Wireless Substitution Rates



Source: Centers for Dease Control

Consumer demographic information has only been released for the last six months following the FPSC's 2013 report.[49] In general, most demographic groups have seen a slight increase in wireless usage and subscribership.[50] National, consumers aged 25 to 29 showing the highest wireless substitution growth in the last six months of 65.6 percent.

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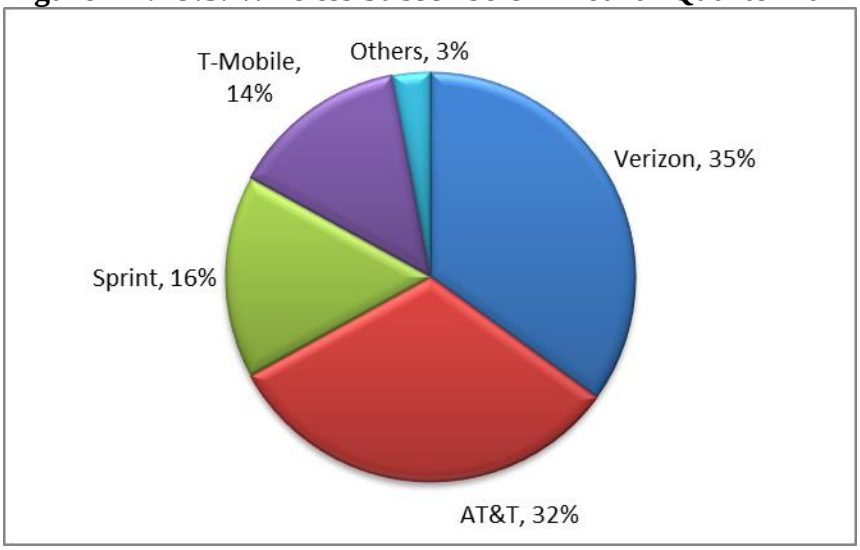
[47] Stephen J. Blumberg, Ph.D., Julian V. Luke, "Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2013," National Center for Health Statistics, Centers for Disease Control and Prevention, released December 2013, http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201312.pdf, accessed May 3, 2014.
[48] Ibid.
[49] Ibid.
[50] Key demographics include: Race/ethnicity, age, sex, educations, and employment status.

ComScore reports that ownership of smartphones in the U.S. has grown 24 percent in 2013 to 156 million.[51] In its 2013 Cell Phone Activities report, Pew Research reported that 91 percent of American adults own a cell phone.[52] Among Original Equipment Manufacturers, Apple and Samsung remain the leaders maintaining 42% and 26% of the market share, respectively.[53] Though Apple leads the market in smartphone hardware market share, the Android operating system software maintains the lead with a 51% market share over Apple's operating system at 42 percent. The remaining 7 percent is made up of Blackberry and Microsoft. Among wireless network providers, AT&T Mobility (110.4 million subscribers),[54] Verizon Wireless (102.8 million subscribers),[55] Sprint Corporation (53.9 million subscribers),[56] and T-Mobile US (46.8 million subscribers)[57] are the four largest wireless services in the U.S. Figure 4-2 shows the relative market share of the top providers.[58] AT&T and Verizon increased their dominance of the wireless market in 2013, each adding market share from the previous year.

Figure 4-2. U.S. Wireless Subscribers in Fourth Quarter 2014



Source: Statista: The Statistics Portal

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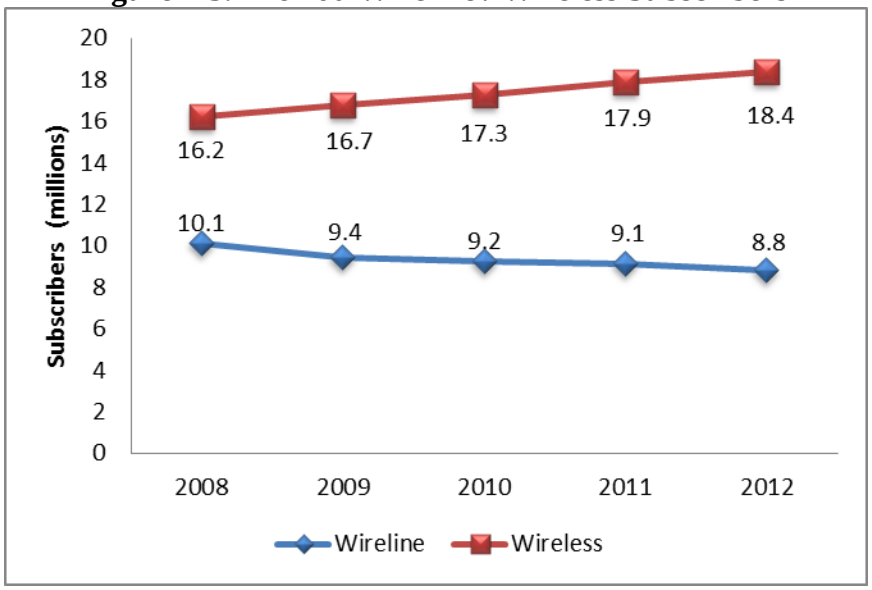
[51] ComScore, "2014 U.S. Digital Future in Focus," released February 2014, https://www.comscore.com/Insights/Presentations_and_Whitepapers/2014/2014_US_Digital_Future_in_Focus, accessed May 3, 2014, p. 11.
[52] Maeve Duggan, "Cell Phone Activities 2013," Pew Research Center's Internet & American Life Project. released September 16, 2013, http://www.pewinternet.org/2013/09/19/cell-phone-activities-2013/, accessed May 3, 2014.
[53] ComScore, "2014 U.S. Digital Future in Focus," released February 2014, https://www.comscore.com/Insights/Presentations_and_Whitepapers/2014/2014_US_Digital_Future_in_Focus, accessed May 3, 2014, p. 13.
[54] AT&T, "2013 Annual Report," http://www.att.com/Investor/ATT_Annual/2013/downloads/ar2013_annual_report.pdf, accessed May 6, 2014.
[55] Verizon, "2013 Annual Report," www.verizon.com/investor/DocServlet?doc=2013_vz_annual_report.pdf, accessed June 4, 2014.
[56] Sprint, "2013 Annual Report," http://newsroom.sprint.com/news-releases/sprint-reports-fourth-quarter-and-full-year-2013-results.tekpdf, accessed May 6, 2014.
[57] T-Mobile, "2013 Annual Report," http://investor.t-mobile.com/Cache/1500059458.PDF?Y=&O=PDF&D=&fid=1500059458&T=&iid=4091145, accessed May 6, 2014.
[58] Statista: The Statistics Portal, "Market share of wireless subscriptions held by carriers in the U.S. from 1st quarter 2011 to 4th quarter 2013," http://www.statista.com/statistics/199359/market-share-of-wireless-carriers-in-the-us-by-subscriptions/, accessed May 27, 2014.

For 2013, the PewResearch Internet Project reported on predominate wireless phone activities in the U.S. [59] According to its data, 81 percent of users reported using their wireless phone to send or receive text messages. By comparison, only 60 percent use their phone to access the Internet. Fifty-two percent of respondents also indicate that they use their phone to send or receive email. Approximately 50 percent of users also used their phone to download software applications, get directions, or listen to music.

2. Florida Wireless Market

Florida's total population grew from an estimated 19.3 million at the end of 2012 to 19.6 million by the end of 2013.[60] The number of wireless subscribers in Florida reached a total of 18.4 million by the end of 2012.[61] This means that there are nearly as many wireless handsets in Florida as there are people. Wireless–only households in Florida grew from 34.4 percent at the end of 2011 to 39.7 percent by the end of 2012.[62] Florida's adoption rate of wireless handsets tracks the national trend. Figure 4-3 illustrates that as ILECs lose wireline subscribers to competitors and affiliated wireless companies, many of these subscribers are transitioning to wireless-only households.

Figure 4-3. Florida Wireline / Wireless Subscribers



Source: FCC, Local Competition Report

[59] Maeve Duggan, "Cell Phone Activities 2013," Pew Research Center's Internet & American Life Project. released September 16, 2013, http://www.pewinternet.org/2013/09/19/cell-phone-activities-2013/, accessed May 3, 2014.
[60] Florida QuickFacts, U.S. Census Bureau, http://quickfacts.census.gov/qfd/states/12000.html, accessed May 4, 2014.
[61] FCC, "Local Telephone Competition: Status as of December 31, 2012", released November 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed May 4, 2014, Table 18.
[62] Stephen J. Blumberg, Ph.D., et al., "Wireless substitution: State-level estimates from the National Health Interview Survey, 2012," National Center for Health Statistics, Centers for Disease Control and Prevention, released December 18, 2013, http://www.cdc.gov/nchs/data/nhsr/nhsr070.pdf, accessed on May 4, 2014.

B. Voice over Internet Protocol (VoIP)

1. National VoIP Market

As in prior years, the number of residences and businesses subscribing to VoIP services increased.[63] Cable companies have continued to maintain their dominance in the residential VoIP market while traditional wireline carriers, such as AT&T and Verizon, make gains as more consumers take advantage of their fiber-based services. Other ILECs and CLECs have also experienced an increase in VoIP subscribership. The FCC's most recent data reports approximately 34.3 million interconnected residential VoIP subscribers and over 7.6 million business subscribers nationwide as of December 2012.[64] This represents a 14 percent increase of total interconnected VoIP subscribers nationwide since December 2011.[65]

a. Facilities-Based VoIP Providers

ILECs, CLECs, and cable companies all provide interconnected VoIP services. However, cable companies dominate the facilities-based residential VoIP market with an estimated 28.2 million VoIP subscribers as of December 2012.[66] More recent data is available from publicly traded carriers. Comcast, the largest cable provider, had an estimated 10.7 million VoIP subscribers at the end of 2013.[67] This represents a seven percent increase since year-end 2012. Time Warner Cable, the nation's second largest cable provider had an estimated 5.1 million subscribers.[68]

While all of the large cable companies continue to experience growth in VoIP subscribership, the rate of growth has decreased. Between 2007 and 2009 the number of residential VoIP subscribers more than doubled. However, in 2010 cable VoIP providers began reporting slower yearly subscriber growth rates. This decrease can be partially attributed to consumers completely abandoning their home phones for wireless phone service.[69] Another

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[63] See *Glossary*. VoIP is not the same as "the Internet." It is a technology that allows you to make voice calls using a broadband Internet connection instead of a regular (or analog) phone line. Facilities-based VoIP services are generally provided over private managed networks and more closely emulate traditional telephone service reliability. Over-the-Top VoIP service is provided over the public Internet.

[64] FCC, "Local Telephone Competition: Status as of December 31, 2012," released November 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed May 2, 2014, Tables 10 and 11.

[65] FCC, "Local Telephone Competition: Status as of December 31, 2011," released January 2013, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0114/DOC-318397A1.pdf, accessed May 2, 2014, Tables 10 and 11.

[66] FCC, "Local Telephone Competition: Status as of December 31, 2012," released November 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed May 2, 2014, Tables 10 and 11.

[67] Comcast Corporation, "Comcast Reports Fourth Quarter and Year End 2013 Results," released January 28, 2014, http://files.shareholder.com/downloads/CMCSA/3138493226x0x721201/edb5a694-8a2d-4bf1-b4b5-718461607f31/CMCSA_News_2014_1_28_General_Releases.pdf, accessed May 2, 2014.

[68] Time Warner, "Time Warner Cable Reports 2013 Fourth-Quarter and Full-Year Results," released January 30, 2014, http://ir.timewarnercable.com/files/4Q13/Q4%202013%20TWC%20Earnings%20Release%20FINAL.pdf, accessed on May 2, 2014.

[69] PRWeb.com, "VoIP in the US Industry Market Research Report from IBISWorld has Been Updated," released December 24, 2012, http://www.prweb.com/pdfdownload/10267567.pdf, accessed May 2, 2014.

contributing factor is the loss of market share concentration. For years, the largest cable VoIP providers dominated the market and earned the vast majority of the revenue within the industry. However, for the past five years, their market share concentration has declined due to an increase in competition from the emergence of free and low cost VoIP providers.[70]

Wireline telephone companies continue to deploy facilities-based VoIP services over fiber-based facilities. While AT&T and Verizon continue to show losses in traditional voice access lines, both companies reported gains with their other services offerings. AT&T reported approximately 3.8 million U-verse voice subscribers at year-end 2013.[71] This represents a 31 percent increase from the previous year. Verizon reported approximately 4.2 million FiOS Digital Voice subscribers as of December 2013, an increase of roughly 32 percent from the previous year.[72]

b. Over-the-Top VoIP Providers

Over-the-top providers offer low-priced stand-alone interconnected VoIP service.[73] The service quality of these VoIP Providers varies because calls are transmitted over the public Internet rather than private managed IP-based networks. The price advantage over the bundled services offered by facilities-based VoIP providers has allowed the over-the-top VoIP providers to attract customers. Between 2008 and 2013 the U.S. VoIP (interconnected and over-the-top) market increased approximately 17 percent each year.[74] Vonage, 8x8, Inc., Skype, Google, and magicJack are a few of the leading over-the-top VoIP providers. Some of these companies have also introduced mobile VoIP services that take advantage of consumers' mobile broadband connections to offer service. The adoption of mobile VoIP services is rapidly increasing. It is anticipated that by 2015, the number of mobile VoIP subscribers will increase ten-fold from 2010.[75]

Reliable information on subscribership is not widely available for over-the-top providers. Some available data suggest that certain market segments are performing better than others. The data also suggests that the market may be maturing due to slower growth rates. For instance, despite having a 17 percent increase in VoIP subscribers in 2011, 8x8, Inc., which almost exclusively focuses on the business market, reported a slightly lower growth rate at 14 percent

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[70] IBISWorld, "VoIP in the US: Market Research Report," released February 2014, http://www.ibisworld.com/industry/default.aspx?indid=1269, accessed May 6, 2014.

[71] AT&T, "2013 Annual Report," http://www.att.com/Investor/ATT_Annual/2013/downloads/ar2013_annual_report.pdf, accessed May 6, 2016.

[72] Verizon, "Fourth Quarter 2013 Earnings Report," http://www.verizon.com/investor/DocServlet?doc=vz_fs_pdf_2013_4q_new.pdf, accessed May 6, 2014.

[73] The phrase "over-the-top VoIP" refers to a VoIP service that requires a consumer to obtain broadband access from another company.

[74] Felice Physioc, World of Business Ideas, "The Top 5 Fastest Growing Industries of the Future," released March 13, 2013, http://www.wobi.com/blog/future-industries/top-5-fastest-growing-industries-future, accessed May 6, 2014.

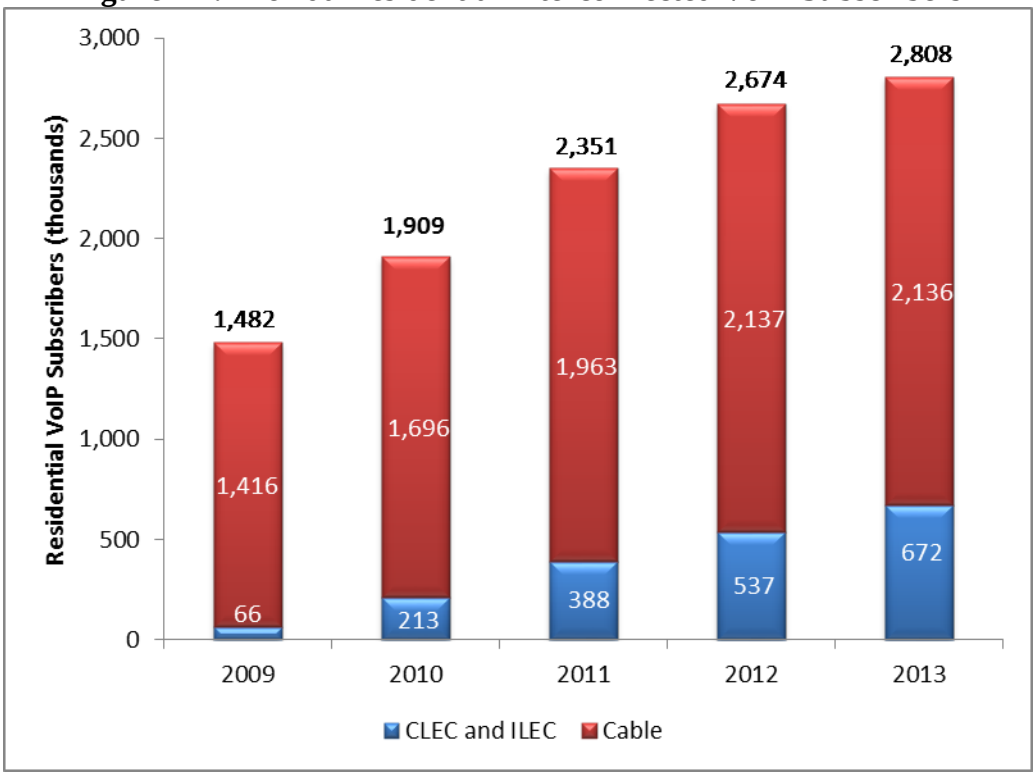
[75] Andrew Burger, "Report: Mobile VoIP Growing Exponentially, but Revenues Remain Small," Telecompetitor, released October 20, 2011, http://www.telecompetitor.com/report-mobile-voip-growing-exponentially-but-revenues-remain-small/, accessed May 6, 2014.

for 2013.[76] Despite declines in subscribership in recent years, at year-end 2013 Vonage reported approximately 2.5 million subscribers, an increase of roughly eight percent from the previous year.[77]

3. Florida VoIP Market

Limitations exist in determining an accurate estimate of VoIP subscribers in Florida because the Commission does not have jurisdiction over VoIP services. However, the Florida Cable Telecommunications Association reported residential VoIP line data for its six largest members[78] and a number of CLECs and ILECs voluntarily responded to the Commission's data request. Based on a review of available data, there are an estimated 2.8 million residential interconnected VoIP subscribers in Florida. Figure 4-4, shows the number of residential interconnected VoIP subscribers in Florida by provider type, as of year-end 2013. It appears that recent growth trends in residential VoIP by Cable companies in Florida may have plateaued in 2013. For Florida, growth in residential VoIP lines in 2013 was from ILEC and CLEC providers.

Figure 4-4. Florida Residential Interconnected VoIP Subscribers



Source: Responses to FPSC data requests (2010-2014)

[76] 8x8, Form 10-K, http://files.shareholder.com/downloads/EGHT/3151808256x0xS1136261-13-259/1023731/filing.pdf, accessed May 7, 2013.
[77] Vonage, Form 10-K, http://files.shareholder.com/downloads/VAGE/3151879113x0x747676/246bd883-5c1a-4b26-8cda-f86d88a99a6f/2013FORM10K_SEC-VAGE-1272830-14-20.pdf, accessed May 7, 2014.
[78] Those members are: Advanced Cable, Atlantic Broadband, Bright House Networks, Comcast, Cox, and Mediacom.

C. Broadband

1. National Broadband Market

According to the latest survey report by the Pew Internet and American Life Project, 70 percent of adults had broadband connections in their homes in 2013.[79] This is a 4 percent increase from the previous year. Thirty-three percent of households with a broadband connection have set up a router for wireless access, 31 percent connect directly to their cable modem, 18 percent connect to a DSL-phone line, and 8 percent utilize a fiber optic connection to get on the Internet.[80]

Having a broadband connection strongly affects how frequently an individual uses the Internet. Broadband users typically use the Internet more frequently than dial-up users. This difference can be attributed to the "always on" broadband connection. High-speed access to the Internet at home has risen steadily in recent years, while dial-up has steadily decreased. For instance, in 2000, only 3 percent of households had broadband connections, compared to 70 percent in 2013.[81] Thirty-four percent of households had dial-up in 2000, compared to about 2 percent in 2013.

According to the most recent FCC report, 50 percent of U.S. households have a fixed broadband connection with download speeds of at least 3 Mbps and 70 percent have fixed broadband connections of 200 kbps or greater.[82] Demographic groups that are less likely to have broadband connections within their homes include minorities, those without a college education, and low income individuals.[83]

Notable differences in broadband adoption in 2013 included:

- Men (70 percent) are just as likely as women (70 percent) to have home broadband.
- Hispanics survey participants subscribed to broadband services at a rate of 56 percent, compared to African Americans at 62 percent, and Whites at 74 percent.
- Households with an annual household income of over $75,000 subscribe to broadband at a rate of 91 percent, compared to 85 percent with incomes of $50,000 to $74,999; 71

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[79] Pew Research and Internet Project, "Broadband Technology Fact Sheet," http://www.pewinternet.org/fact-sheets/broadband-technology-fact-sheet/, accessed May 7, 2014.
[80] Mike Flacy, Digital Trends, "30 Percent of Americans Don't Have Broadband Access at Home," released August 27, 2013, http://www.digitaltrends.com/computing/30-percent-of-americans-no-broadband/#!KpvMR, accessed May 7, 2014.
[81] Pew Research and Internet Project, "Broadband Technology Fact Sheet," http://www.pewinternet.org/fact-sheets/broadband-technology-fact-sheet/, accessed May 7, 2014.
[82] FCC, "Internet Access Services: Status as of December 31, 2012," released December 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324884A1.pdf, accessed May 28, 2014, Tables 13 and 14.
[83] Pew Research and Internet Project, "Broadband Technology Fact Sheet," http://www.pewinternet.org/fact-sheets/broadband-technology-fact-sheet/, accessed May 7, 2014.

percent with incomes of $30,000 to $49,999; and 52 percent for households with incomes that are less than $30,000.

- Eighty-one percent of adults age 18 to 29 have broadband connection within their homes; compared to 77 percent age 30 to 49; 68 percent age 50 to 64; and 47 percent of adults 65 and older.

- Of the respondents with a college degree, 90 percent have access to broadband at home compared to 28 percent without a high school diploma.[84]

The Pew Survey also indicated that 30 percent of adults did not have fixed broadband connections in their homes in 2013. Of those who do not have fixed broadband connections, 10 percent went without a fixed broadband connection at home in favor of wireless 3G and 4G LTE access on their smartphone.[85] Most of the people in this group are young, have never gone to college, and make less than $30,000 a year.[86] The remaining 20 percent do not utilize high speed Internet access at their home in any form.[87] In addition, the survey results found that 15 percent of all adults do not use the Internet at all. Among those adults who do not use the Internet, almost half indicated that they do not use the Internet because it is not relevant to their lives.[88]

4. Florida Broadband Market

According to the most recent FCC report, 56 percent of households in Florida have a fixed broadband connection with download speeds of at least 3 Mbps and 76 percent have fixed broadband connections of 200 kbps or greater.[89] The FCC also reported that cable modem services accounted for approximately 60 percent of non-mobile broadband connections in Florida with download speeds greater than 200 kbps. Mobile broadband connections accounted for 63 percent of all Florida broadband connections with download speeds in excess of 200 kbps.[90] By comparison, data from the Florida Department of Management Services provides information regarding the geographic area that has access to broadband in Florida. The areas in brown on Figure 4-5, below show the locations in Florida that have inadequate wireline (e.g.,

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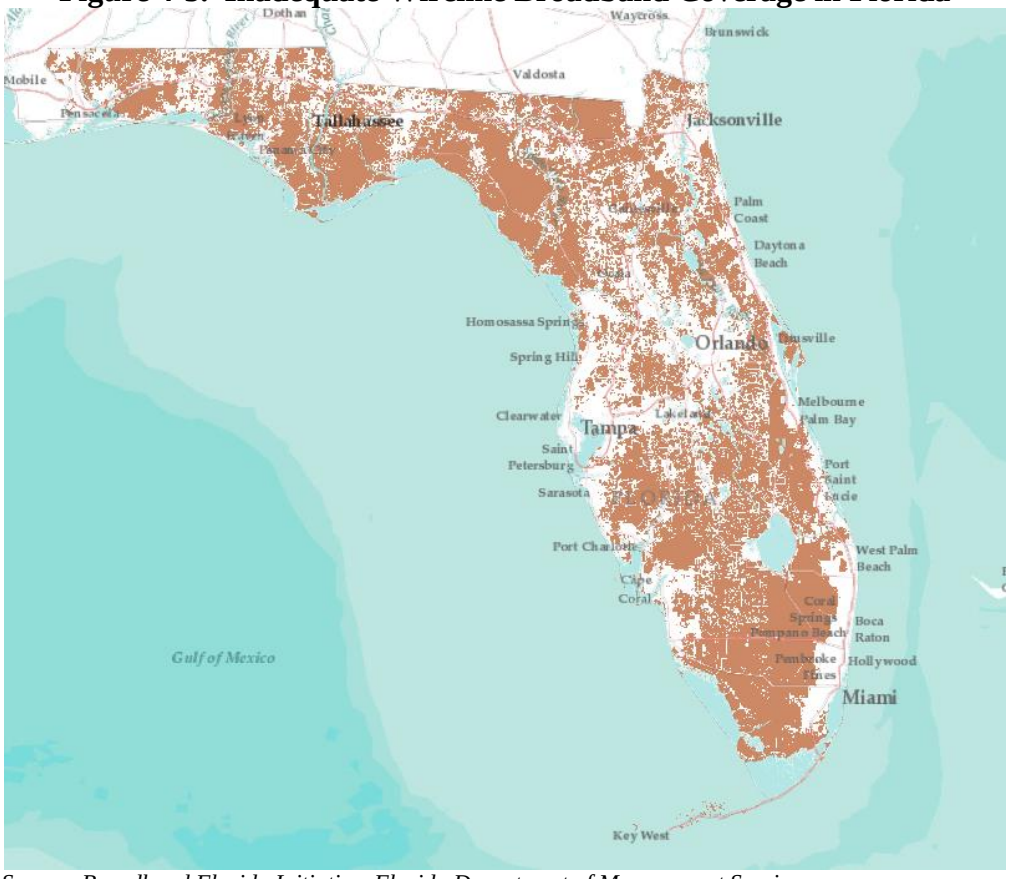
[84] Ibid.
[85] Mike Flacy, Digital Trends, "30 Percent of Americans Don't Have Broadband Access at Home," released August 27, 2013, http://www.digitaltrends.com/computing/30-percent-of-americans-no-broadband/#!KpvMR, accessed May 7, 2014
[86] Brian Fung, Washington Post, "10 percent of Americans use smartphones for Internet. Are they better off than people with traditional Internet?" released August 26, 2013, http://www.washingtonpost.com/blogs/the-switch/wp/2013/08/26/10-percent-of-americans-use-smartphones-for-internet-are-they-better-off-than-people-with-traditional-internet/, accessed on May 7, 2014.
[87] Mike Flacy, Digital Trends, "30 Percent of Americans Don't Have Broadband Access at Home," released August 27, 2013, http://www.digitaltrends.com/computing/30-percent-of-americans-no-broadband/#!KpvMR, accessed May 7, 2014.
[88] Pew Research and Internet Project, "Broadband Technology Fact Sheet," http://www.pewinternet.org/fact-sheets/broadband-technology-fact-sheet/, accessed May 7, 2014.
[89] FCC, "Internet Access Services: Status as of December 31, 2012," released December 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324884A1.pdf, accessed May 7, 2014, Tables 13 and 14.
[90] Ibid, Table 16.

FiOS, Cable Broadband, and DSL) broadband coverage with download speeds of less than 3 Mbps.[91]

Figure 4-5. Inadequate Wireline Broadband Coverage in Florida



Source: Broadband Florida Initiative, Florida Department of Management Services

[91] Florida Department of Management Services, Broadband Florida Initiative, http://map.broadbandfla.com/, accessed May 28, 2014.

Chapter V. Competitive Market Analysis and Statutory Issues

Section 364.386, F.S., contains four specific issues the Commission is required to address in its annual report on telecommunications competition. These issues emphasize analysis of the impact of competition and regulatory changes on the telecommunications market.

A. Statutory Issue - Competitive Providers

1. The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.

In Florida, the total number of access lines decreased by 7 percent in 2013. CLEC lines increased 15 percent between December 2012 and December 2013 due to continued growth in business lines. Total CLEC wireline market share in Florida increased to 32 percent in 2013 from 26 percent in 2012. Wireless carriers also experienced growth in the number of wireless subscribers in Florida. In December 2012, the FCC reported that there were 18.4 million handsets in service.[92]

In addition, residential VoIP subscribership rose to nearly 2.8 million by December 2013.[93] This data suggests that CLECs, VoIP, and wireless carriers are able to provide functionally equivalent services to residential and business customers at rates, terms and conditions acceptable to consumers. The number of CLECs offering a variety of services also indicates the availability of functionally equivalent services at comparable terms. Other services offered by the 87 CLECs that reported providing local service include:

- Bundles including services other than local voice (54 CLECs)
- VoIP (63 CLECs)
- Broadband Internet access (54 CLECs)
- Fiber to end users (11 CLECs)[94]
- Video service (6 CLECs)

The majority of CLECs reported no barriers to competition or elected not to respond in the comment portion of the survey. A few carriers noted concern over the inability to charge rates that are competitive with ILEC rates, due to the cost of wholesale service. Other complaints relate to wholesale billing errors, application of promotional credits, delays in

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[92] FCC, "Local Telephone Competition: Status as of December 31, 2012," released November 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed on May 22, 2014, Table 18.
[93] Responses to FPSC data requests 2012 and 2013.
[94] Carriers that resell fiber loops provided by other carriers were not included.

number porting, access to dark fiber, and concerns regarding the future arbitration of IP-to-IP interconnection.

Conclusion: The majority of CLECs did not report any significant barriers to competition. Subscribers to CLEC, VoIP, and wireless services continued to increase in 2013, reflecting the opportunity for customers to seek out services from providers other than traditional ILECs. Many CLECs reported offering a variety of services and packages comparable to those offered by ILECs. All of these factors contribute to the conclusion that competitive providers are able to offer functionally equivalent services to both business and residential customers.

B. Statutory Issue – Consumers

2. The ability of consumers to obtain functionally equivalent services at comparable rates, terms, and conditions.

Customers may obtain functionally equivalent services via wireline telephony, wireless telephony, or VoIP. The primary focus of this report is the provision of wireline telecommunications by ILECs and CLECs, which submit responses to the FPSC's annual data request. As of December 31, 2013, 87 CLECs reported providing local voice service in contrast to 97 CLECs as of December 31, 2012, continuing the gradual decline in the number of CLECs providing service. CLECs can offer service through resale of an ILEC's or a CLEC's wholesale services, by using its own facilities, by leasing portions of its network from an ILEC, or a combination of any of these methods. According to the FCC, 46 percent of the total Florida lines are provided by companies other than ILECs.[95]

ILEC business lines fell 9 percent in 2013, while the rate of growth in CLEC business lines was 16 percent. This suggests that business customers have the ability to find reasonable pricing packages with CLECs and are taking advantage of these options. These options also include cable and in some cases, wireless providers. Residential ILEC lines decreased 18 percent in Florida in 2013, while nationally, wireless-only households continued to grow, reaching 39.4 percent through June 2013.[96] As reported in Chapter IV of this report, there are approximately 2.8 million interconnected residential VoIP subscribers in Florida.[97] These and other factors demonstrate that customers are able to find comparable services at reasonable prices through wireless, CLEC, and VoIP providers.

Conclusion: CLEC business lines increased offsetting ILEC business line losses in 2013. This suggests that business customers are finding comparably priced packages and functionally equivalent services with a variety of providers, which includes CLECs, cable

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[95] FCC, "Local Telephone Competition: Status as of December 31, 2012," released November 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed on May 22, 2014, Table 12.
Note: The referenced access lines consist of switched access lines as well as VoIP subscriber lines.

[96] Stephen J. Blumberg, Ph.D., Julian V. Luke, "Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2013," National Center for Health Statistics, Centers for Disease Control and Prevention, released December 2013, http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201312.pdf, accessed May 3, 2014.

[97] Responses to FPSC Local Competition Data Request for 2013.

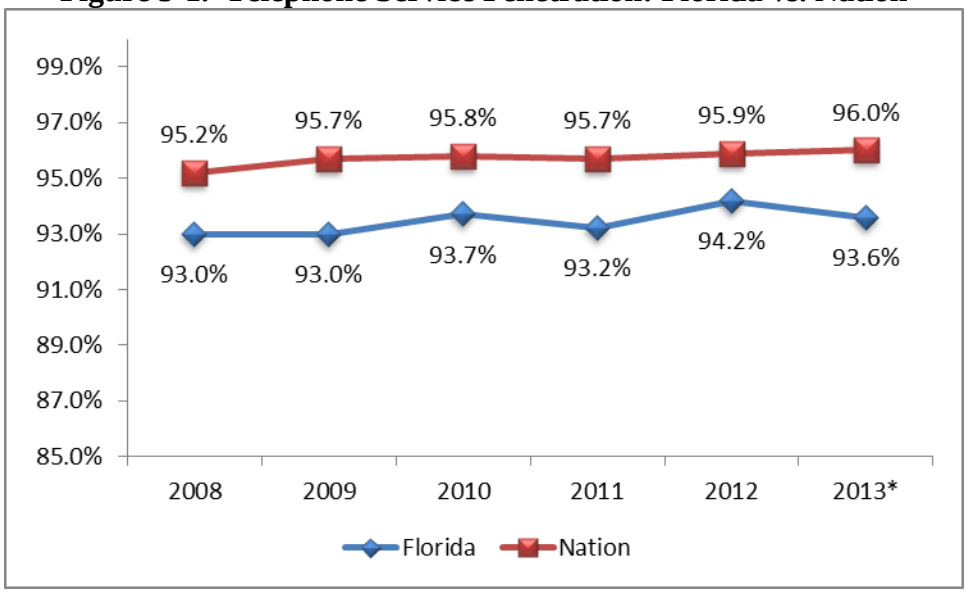
providers, and wireless providers. Residential lines have maintained a steady decline and wireless-only households continue to grow consistent with the trend over the past several years. Providers are coping with the changing market by modifying the way consumers pay for their services and bundling pricing among wireline, wireless, and television services, further increasing customers' ability to select the services, providers, and pricing plans they prefer.

C. Statutory Issue – Affordability & Service Quality

3. The overall impact of competition on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

The FCC reported that 93.6 percent of Florida households had telephone service in March 2013, lower than the national penetration rate of 96.0 percent.[98] As shown in Figure 5-1, the Florida telephone penetration rate has consistently been below the national penetration rate and the gap has varied little between 2008 and 2013. This gap persists despite successful efforts in recent years by Florida carriers and the FPSC to make Lifeline benefits more accessible to eligible low-income consumers. The majority of Florida residents have a choice among several non-ILEC providers, with 10 or more providers available in 87 percent of Florida zip codes.[99] According to the FCC, there are no zip codes in Florida without at least one CLEC or non-ILEC VoIP provider.

Figure 5-1. Telephone Service Penetration: Florida vs. Nation



Source: FCC, Telephone Subscribership & USF Monitoring Report,
** Represents March Current Population Survey Data Only*

[98] FCC, "Telephone Subscribership in the United States as of July 2011," released December 2011, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311523A1.pdf, accessed May 19, 2013, Table 3; "Universal Service Monitoring Report," released December 2013, http://transition.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/Monitor/2013_Monitoring_Report.pdf, accessed on May 22, 2014, Table 3.8.

[99] FCC, "Local Telephone Competition: Status as of December 31, 2012," released November 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed May 22, 2014, Table 21.

The Centers for Disease Control (CDC) released a report on wireless substitution for the period January-June 2013 and found that 39.4 percent of adults live in wireless-only households.[100] While state-specific data on wireless-only households was not provided in the most recent CDC report, a December 2013 report containing state-level data noted that Orange County had the highest wireless-only penetration rate in Florida at 46.5 percent.[101] The CDC report found 6.5 percent of Florida adults living in households with only a wireline phone. It also found that 2.5 percent of Florida adults living without any form of telephone service.[102] This data suggests that most Florida households are able to afford telephone service and have access to a variety of service providers, including ILECs, CLECs, VoIP, and wireless. This data also supports the fact that many consumers choose to subscribe to more than one type of telephone service.

Historically, regulatory reliability standards have applied to landline telecommunications service making it the most reliable telecommunications service. Reliability in landline networks is no longer insured as many states, including Florida, eliminated service quality standards. Given the continued growth of interconnected VoIP and wireless-only households, and the continued erosion of landline access lines, it appears that the reliability of these alternatives is acceptable to consumers. Moreover, mobility, pricing, and the demand for data-based services are consumer preference factors that may be changing how consumers view reliability.

Conclusion: Based on the continued growth of interconnected VoIP and wireless-only households and the ongoing erosion of wireline access lines, network reliability of non-ILEC providers appears to be sufficient. The telephone penetration rate of 93.6 percent supports the conclusion that the vast majority Florida residents are able to afford telephone service. The number and variety of competitive choices among all types of service providers suggest that competition is having a positive impact on the telecommunications market in Florida.

D. Statutory Issue – Carrier Disputes

4. A listing and short description of any carrier disputes filed under Section 364.16, F.S.

Conclusion: This information can be found in Appendix B. The number of docketed and informal intercarrier complaints remained relatively stable in 2013.

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[100] Stephen J. Blumberg, Ph.D., Julian V. Luke, "Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2013," National Center for Health Statistics, Centers for Disease Control and Prevention, released December 2013, http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201312.pdf, accessed May 3, 2014.
[101] Stephen J. Blumberg, Ph.D., et al., "Wireless substitution: State-level estimates from the National Health Interview Survey, 2012," National Center for Health Statistics, Centers for Disease Control and Prevention, released December 18, 2013, http://www.cdc.gov/nchs/data/nhsr/nhsr070.pdf, accessed on May 4, 2014.
[102] Ibid.

Chapter VI. State Activities

The Commission dealt with several intercarrier and compliance issues during the past year. The following is a summary of activities affecting local telecommunications competition in 2013 and early 2014.

A. Intercarrier Matters

1. AT&T v. Express Phone Adoption Dispute[103]

This dispute relates to Express Phone's allegation that AT&T Florida failed to honor Express Phone's request to adopt the interconnection agreement (ICA) between AT&T and another CLEC. Express Phone contended that the alleged failure would violate the federal Telecommunications Act of 1996. An evidentiary hearing was held May 3, 2012. On July 17, 2012, the Commission adopted the staff's recommendation that Express Phone could not adopt an alternative ICA when it failed to materially comply with its existing ICA.

On August 28, 2012, Express Phone filed a complaint for declaratory and injunctive relief in the U.S. District Court, Northern District of Florida. Express Phone alleges that the Commission's decision was contrary to 47 U.S.C. §252(i) and 47 C.F.R. §51.809, and that the order is arbitrary and capricious. On December 12, 2013, the Court affirmed the Commission's July 17, 2012 decision. The case was closed January 2, 2014.

2. Qwest Discrimination Complaint[104]

Qwest Communications Company, LLC (Qwest), filed a complaint against a large number of CLECs on December 11, 2009, regarding rate discrimination in connection with the provision of intrastate switched access services. Qwest sought relief from all parties for engaging in unlawful rate discrimination. Specifically, Qwest alleged that by extending contracts to other interexchange carriers for switched access, advantages were withheld from Qwest. The complaint further alleged that all parties failed to abide by their price lists, and charged Qwest more for switched access than other similarly situated interexchange companies. The Commission addressed several procedural filings in this docket and a hearing on the issues was held October 23-25, 2012. During the process, Qwest and a number of CLECs settled their

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[103] Docket No. 110087-TP – Notice of adoption of existing interconnection, unbundling, resale, and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast and Image Access, Inc. d/b/a NewPhone, Inc. by Express Phone Service, Inc.

[104] Docket No. 090538-TP – Amended Complaint of Qwest Communications Company, LLC against MCImetro Access Transmission Services (d/b/a Verizon Access Transmission Services); XO Communications Services, Inc.; tw telecom of florida, l.p.; Granite Telecommunications, LLC; Broadwing Communications, LLC; Access Point, Inc.; Birch Communications, Inc.; Budget Prepay, Inc.; Bullseye Telecom, Inc.; DeltaCom, Inc.; Ernest Communications, Inc.; Flatel, Inc.; Navigator Telecommunications, LLC; PaeTec Communications, Inc.; STS Telecom, LLC; US LEC of Florida, LLC; Windstream NuVox, Inc.; and John Does 1 through 50, for unlawful discrimination.

disputes on these issues; as a result only five CLECs remained as respondents to the complaint at the time of the hearing.

On May 1, 2013, the Commission issued Order No. PSC-13-0185-FOF-TP, finding that the Commission retained authority under Chapter 364.16, F.S., to hear the complaint. The Commission found that that Qwest failed to demonstrate that it was similarly situated to AT&T and thus was not eligible for AT&T's contract terms. The Commission also found that the CLECs abided by their price lists and did not engage in any unlawful anticompetitive behavior against Qwest regarding these switched access contracts. On May 16, 2013, Qwest filed a Motion for Reconsideration of the Commission's decision. The Commission denied Qwest's Motion on August 28, 2013.

3. AT&T v. Digital Express Adoption Dispute[105]

On June 5, 2012, Digital Express, Inc. (Digital) filed a Notice of Adoption of an existing interconnection, unbundling, resale, and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast (AT&T Florida) and New Talk, Inc. (New Talk ICA) On July 9, 2012, AT&T Florida filed a Response in Opposition to Digital's adoption of the New Talk ICA. Order No. PSC-12-0598-PCO-TP, on November 1, 2012, established procedural dates and set this docket for an administrative hearing on April 18, 2013.

On February 8, 2013, Digital and AT&T filed a Joint Motion for Abatement, stating that the parties reached an agreement to request an abatement of this docket until all appeals were resolved in the *ATT v. Express Phone* adoption dispute discussed previously. In support of their Joint Motion, the parties argued that the issues in this docket were substantially similar to the issues in *ATT v. Express Phone*. After the Court affirmed the Commission's decision in that case, Digital Express filed a Notice of Voluntary Dismissal, without prejudice, of its Notice of Adoption, on January 30, 2014, and this case was then closed.

4. Nexus v. AT&T Promotional Credit Complaint[106]

On November 18, 2010, Nexus Communications, Inc. (Nexus) filed its Complaint and Petition for Relief seeking to recover cash back promotional credits from AT&T. AT&T filed its Answer and Affirmative Defenses on November 24, 2010. On February 28, 2011, the parties filed a Joint Status Report and Proposed Motion to Abate. A second status report was filed by Nexus on January 10, 2013, stating that the parties had agreed in principle to the terms of a final settlement. On May 29, 2013, Nexus filed its Motion to Dismiss, with prejudice, stating that all issues presented in the case had been resolved and this case was subsequently closed.

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[105] Docket No. 120169-TP – Notice of adoption of existing interconnection, unbundling, resale and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast and Image Access, Inc. d/b/a NewPhone, Inc. by Digital Express, Inc.

[106] Docket No. 100434-TP – Complaint and petition for relief by Nexus Communications, Inc. against BellSouth Telecommunications, Inc. d/b/a AT&T Florida for dispute over interpretation of interconnection agreement regarding cash back promotions.

5. CompSouth Petition for Rulemaking on Expedited Complaints[107]

On July 31, 2012, the Competitive Carriers of the South, Inc. (CompSouth) filed a Petition to Initiate Rulemaking to Revise and Amend Portions of Rule 25-22.0365, F.A.C, to revise portions of the Expedited Dispute Resolution Rule to "enable quicker resolution of cases where a consumer is without service or suffers impaired service as a result of a dispute between telecommunications carriers."[108] Rule development workshops were held on November 15, 2012, and August 20, 2013. CompSouth requested additional time to work out compromise language with other carriers. The Commission approved rule language on May 9, 2014, adopting a combination of language from CompSouth, other carriers, and Commission staff.

6. FLATEL v. AT&T Billing/Promotional Credit Complaint[109]

On December 10, 2013, FLATEL, Inc. initiated an informal request to renew billing and promotional credit disputes from a complaint the Commission previously dismissed without prejudice.[110] FLATEL filed a Motion to Amend its previous case on December 30, 2013. FLATEL claimed that it was unlawfully billed for promotional credits, claiming "AT&T offers immediate relief via Promotions to its End Users without parity to instantly offer the same exact relief to FLATEL's End Users."[111] The Commission dismissed FLATEL's complaint, with prejudice, on June 5, 2014, due to continuing rule violation infirmities.

7. Wholesale Performance Measurement Plans

Wholesale performance measurement plans provide a standard against which the Commission can monitor performance over time to detect and correct any degradation in the quality of service ILECs provide to CLECs. The Commission adopted performance measurements for AT&T in August 2001 (revised in 2010), for CenturyLink in January 2003 (revised in 2013), and for Verizon in June 2003 (revised in 2007). Trending analysis is applied to monthly performance measurement data provided by each ILEC.

AT&T is the only ILEC that is required to make payments to CLECs when certain performance measures do not comply with established standards and benchmarks. AT&T's approved Performance Assessment Plan consists of 47 measurements, of which 24 measurements have remedies applied to them. For the calendar year 2013, AT&T paid approximately $347,772 in remedies to CLECs, an increase of 32 percent from 2012. AT&T's highest payments were for its Customer Trouble Report Rate.

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[107] Docket No. 120208-TX – Petition of the Competitive Carriers of the South, Inc., to initiate rulemaking to revise and amend portions of Rule 25-22.0365, Florida Administrative Code.
[108] *Petition* at p. 1.
[109] Docket No. 140055-TP – Complaint of FLATEL, Inc. against BellSouth Telecommunications, Inc. d/b/a AT&T Florida.
[110] Docket No. 110306-TP – Request for emergency relief and complaint of FLATEL, Inc. against BellSouth Telecommunications, Inc. d/b/a AT&T Florida to resolve interconnection agreement dispute.
[111] *Complaint* at p. 1.

On February 1, 2013, CenturyLink filed proposed revisions to its Performance Measurement Plan as a result of a negotiated settlement in Nevada. The revisions included eliminating three measures (leaving a net of 33 measures) and revising several others. The Commission approved these revisions on May 14, 2013, and they have gone into effect in July 2013 reporting month. For the 2013 calendar year, CenturyLink's monthly compliance with established standards ranged from 91.4 percent to 99.0 percent. CenturyLink's measure with the most noncompliant instances was its Average Firm Order Commitment Notice Interval.

Verizon's current Performance Measurement Plan contains 29 measures. For the calendar year 2013, Verizon's monthly compliance with approved standards ranged from 84.0 percent to 90.7 percent. The previous year, Verizon's compliance ranged from 81.1 percent to 92.2 percent. Verizon's Percent Due Dates Missed was its most troublesome measure.

8. Other Matters

In addition these proceedings, the Commission processed a number of other telecommunications-related items in 2013. The Commission processed 182 service schedule and tariff filings, 56 interconnection agreements and amendments, 16 carrier certifications, 34 certificate cancellations, and over 500 general inquiries/informal complaints.

B. Lifeline

In order to comply with FCC requirements and keep the Lifeline application process uncomplicated, the FPSC created an on-line Lifeline application for consumers participating in Supplemental Nutrition Assistance Program (SNAP), Medicaid, or Temporary Assistance for Needy Families (TANF). When the applicant completes the application making all the necessary attestations, certifications, and the electronic signature, the FPSC computer automatically makes a query to a Florida Department of Children and Families Web services interface to confirm current participation in SNAP, Medicaid, or TANF. The real-time response will verify participation in at least one of the programs, but does not identify the program. A positive response will generate an automatic e-mail to the appropriate Lifeline provider advising it that an approved Lifeline application is available for retrieval on the FPSC Web site. A negative response will cause a letter to be sent to the applicant stating his/her participation in SNAP, Medicaid, or TANF could not be confirmed and offering staff assistance with any questions.

C. Telephone Relay Service

According to the Florida Coordinating Council for the Deaf and Hard of Hearing, nearly three million deaf, hard-of-hearing, deaf-blind, and speech-impaired citizens live in Florida.[112] Florida is the fourth largest state in the U.S. and has the second highest percentage of population who are deaf, hard of hearing, or deaf-blind.[113]

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[112] 2013 Florida Coordinating Council for the Deaf and Hard of Hearing Report to the Governor and Legislature of the State of Florida.

[113] 2007 Florida Coordinating Council for the Deaf and Hard of Hearing Report to the Governor and Legislature of the State of Florida.

Chapter 427, Part II of the Florida Statutes, established the Telecommunications Access System Act of 1991 (TASA). TASA provides funding for the distribution of specialized telecommunications devices and intrastate relay service through the imposition of a surcharge of up to $0.25 per landline access line per month, for up to 25 access lines per account. The current surcharge billed per month per landline access line is $0.11.

Pursuant to TASA, the Florida Public Service Commission (FPSC) is responsible for establishing, implementing, promoting, and overseeing the administration of a statewide telecommunications access system to provide access to telecommunications relay services by people who are deaf, hard of hearing, or speech impaired. In accordance with TASA, the FPSC directed the local exchange companies (LECs) to form a not-for-profit corporation, known as Florida Telecommunications Relay, Inc. (FTRI) to directly administer basic relay service in Florida. FTRI is responsible for paying the provders' bills, outreach, and the distribution of equipment.

Basic relay service is provisioned in Florida under contract by a single service provider. Through a competitive bid evaluation process, the FPSC awarded the current relay provider contract to AT&T, effective June 1, 2012, for a period of three years ending May 31, 2015. The contract contains options to extend the contract for four additional one-year periods, and requires mutual consent by both parties to extend the contract.

On January 16, 2014, AT&T provided written notice to the FPSC that it does not intend to extend the relay provider contract into the option periods when the existing contract expires. On June 9, 2014, the FPSC approved the release of a Request for Proposals to seek a new relay provider to begin providing service by June 1, 2015.

On May 9, 2014, the FPSC approved FTRI's 2014-2015 budget maintaining the $.11 monthly surcharge per access line. Specifically, the FPSC approved FTRI's proposed operating revenue of $8,528,177, and proposed expenses, of $8,263,702, for fiscal year 2014-2015, effective July 1, 2014.

D. Florida Broadband Grant Projects

The Florida Department of Management Services received federal grant funding in January 2010 for $2.5 million to develop a broadband map for Florida and broadband planning for the state. In September 2010, the Department was awarded an additional $6.3 million, for a total amount of $8.8 million, to extend the mapping project through 2014 and initiate four additional broadband projects. The four projects are library technology assessments, E-rate assistance, broadband grants assistance, and regional broadband planning.

1. Broadband Mapping

Efforts to maintain the map are ongoing, focusing on building Florida's database for household broadband availability and broadband use by anchor institutions. The most recently compiled data will be submitted for the national broadband map in October 2014.[114] Data will be updated bi-annually through the end of 2014. The Broadband Mapping team also assisted the Department of Education with analysis of the broadband coverage and availability for all the public schools in Florida to assist with digital learning capability.

2. Library Technology Assessment

This project inventoried and reported on Florida's 180 public libraries and was completed by the end of the 2nd quarter of 2012. The assessment helped to identify libraries whose broadband needs are the greatest.

3. E-rate Assistance

In 2011 and 2012, comparably populated states such as California, New York, and Texas received more E-rate funding than Florida.[115] In an effort to improve Florida's benefit from the program, the E-rate assistance team, which now also serves as the State E-rate Coordinators, provided technical training seminars throughout the state to assist potential applicants and served as a technical resource on multiple school and library E-rate applications, including follow-up assistance and application monitoring. Per a Universal Service Administrative Company (USAC) directive, the Department of Management Services must be the applicant for all funding requests that utilize the state master contracts. The team certified all of the applications and is in the process of handling any USAC review inquiries. The project is funded through 2014.

4. Grants Assistance and Resource Development

In fiscal year 2010, Florida ranked 48th in federal program grant funds per capita.[116] The grant assistance team is focusing on matching up eligible community anchor institutions with federal programs that will support and fund broadband related technology. The current program focus is the new HealthCare Connect Fund, which falls under the Universal Service Fund umbrella and funds broadband capacity and infrastructure. The team will assist with the application process for all eligible applicants.

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[114] The Florida broadband map can be accessed online at http://map.broadbandfla.com/.

[115] FCC, "Universal Service Monitoring Report," released March 2013, http://www.fcc.gov/document/fcc-releases-2012-universal-service-monitoring-report, accessed May 24, 2013, and "Universal Service Monitoring Report," released December 2013, http://transition.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/Monitor/2013_Monitoring_Report.pdf, accessed May 22, 2014.

[116] U.S. Census Bureau, Economics and Statistics Administration, U.S. Department of Commerce, "Federal Aid to States for Fiscal Year 2010," released September 2011, http://www.census.gov/prod/2011pubs/fas-10.pdf, accessed June 20, 2012, Figure 5, (2010 was the last year this report was published).

5. Regional Broadband Planning

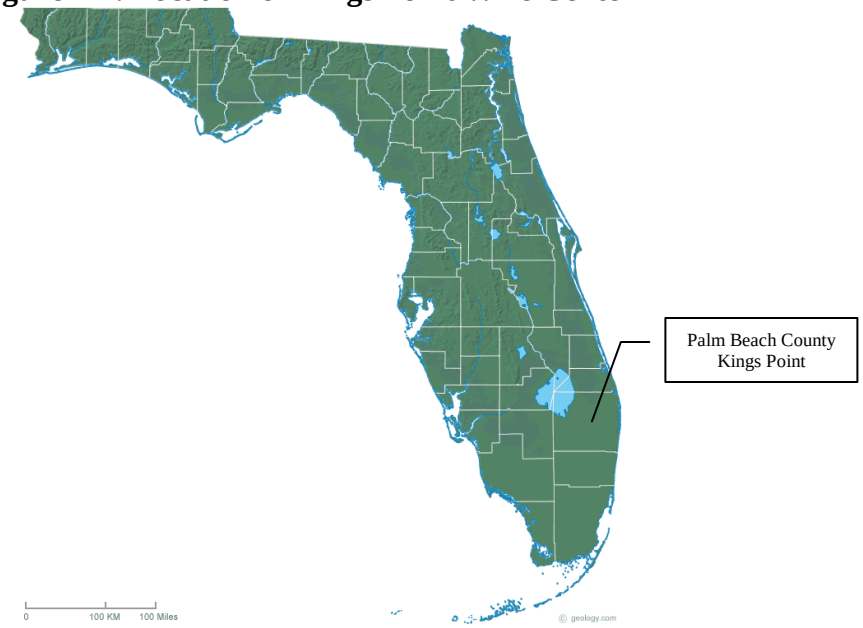
This project will develop and provide Florida communities with a broadband planning process, tool kits, and training to local communities and regions who wish to develop broadband plans as part of their economic development efforts.

Chapter VII. Federal Activities

A. TDM-to-IP Transition

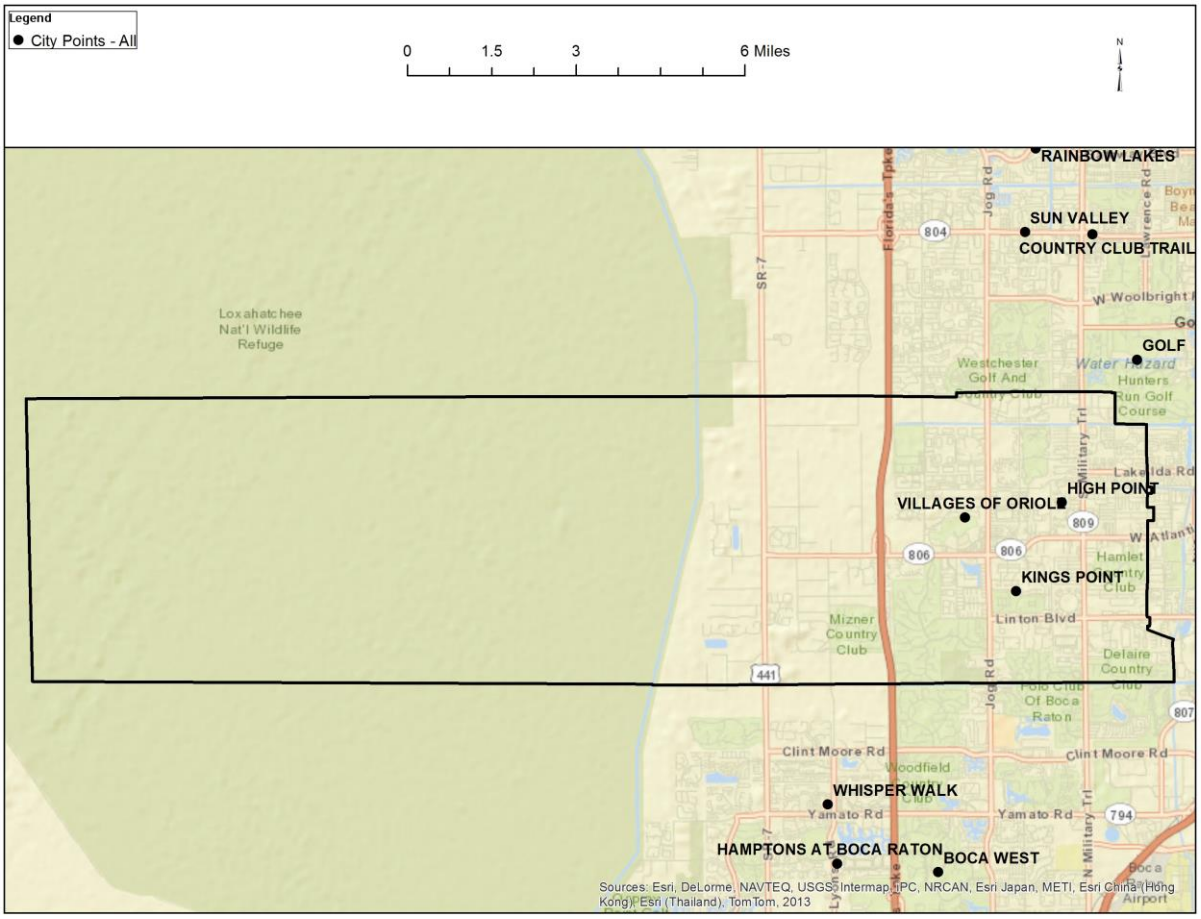
On November 7, 2012, AT&T filed a petition asking the FCC to launch a proceeding to eliminate what AT&T perceived as regulatory barriers affecting investment in Internet Protocol (IP)-based networks.[117] It asked the FCC to approve trials that would allow ILECs to retire their existing Time-Division Multiplexing (TDM) services in select exchanges and introduce all-IP services in their place. On January 31, 2014, the FCC invited interested providers to submit detailed proposals to test real-world applications of planned changes in technology likely to have tangible effects on consumers.[118] AT&T submitted its proposal to the FCC on February 27, 2014 to conduct the trials in a rural wire center in Carbon Hill, AL, and in a suburban wire center in Palm Beach County, FL (Kings Point[119]).[120] Figures 7-1 and 7-2 identify the location and boundaries of the areas in the proposed trial in Florida.

Figure 7-1. Location of Kings Point Wire Center[121]



[117] AT&T, "Petition to Launch a Proceeding Concerning the TDM-to-IP Transition," filed with the FCC on November 7, 2012, http://www.att.com/Common/about_us/files/pdf/fcc_filing.pdf, accessed May 16, 2014.
[118] FCC, "Report and Order and Further Notice of Proposed Rulemaking, and Proposal for Ongoing Data Initiative," GN Docket No. 13-5, FCC 14-5, released January 31, 2014, http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-14-5A1.pdf, accessed May 16, 2014.
[119] Kings Point is part of the West Palm Beach metropolitan area and includes approximately 50 thousand living units. Residential consumers in the Kings Point exchange are predominately (about 70 percent) over 50 years old and about 9 percent of households have income below poverty level.
[120] AT&T, "Proposal for Wire Center Trials - Redacted," GN Docket No. 13-5, February 27, 2014, http://apps.fcc.gov/ecfs/document/view?id=7521084110, access May 16, 2014.
[121] Geology.com, Florida Physical Relief Map, http://geology.com/topographic-physical-map/florida.shtml, accessed May 16, 2014.

Figure 7-2. Kings Point Wire Center Boundaries



AT&T proposes to conduct the trials in three phases: phase one will have customers opt for new services voluntarily, phase two will grandfather TDM-based services, and phase three will sunset all TDM-based services in these exchanges and require customers to migrate to IP-based products. Within AT&T's wireline and wireless footprints, it will offer consumers and businesses wireline and wireless products as substitutions for traditional TDM services. In areas within AT&T's wireless footprint but outside its wireline footprint, only wireless services plan will be offered. AT&T's proposal plans for extensive customer outreach, advertising, and personnel in the area to answer questions. AT&T plans to complete all three phases within three years. However, before it can grandfather or sunset any services, it will first seek permission to do so from the FCC. The timelines for grandfathering and sunsetting services will vary based on the development of IP-based alternatives as well as FCC approval. The FCC has not made a decision on AT&T's proposal.

Currently, some services will not be compatible with existing equipment. AT&T has committed to develop services that will be compatible with most existing equipment. For example, its wireless products will comply with the FCC's existing 911 requirements for Commercial Mobile Radio Services, but does not provide E-911 with street address. They also do not currently support alarm monitoring, medical alert and credit card validation applications. However, AT&T states it is currently developing enhancements that will provide all of these

applications before AT&T requests any action to grandfather or discontinue its TDM-based voice services. AT&T has indicated that its IP-based services may not ultimately be compatible with equipment customers may still have, such as 10-15 year old analog fax machines. Furthermore, there are a few applications that AT&T does not plan to support due to rapidly declining market demand such as digital video recorder services, elevator phones, third party pay per call, dial around calls, and operator services functions (live operators and collect calling).

AT&T proposes that because the first phase of the trial will only require voluntary participation, no retail or wholesale customer will be required to transition to all-IP during that phase. This includes wholesale customers such as CLECs, who may opt for IP interconnection when the trials begin but may also choose to retain their existing TDM-based services. AT&T admits that it has not developed all of the necessary IP-based products in either the retail or wholesale markets, so it will not require migration for customers until it has completed its product development and introduced IP-based substitutes for existing services. However, AT&T does plan to require the migration of all CLEC TDM-based service to IP counterparts at some point during this trial.

B. Network Neutrality and Internet Network Management

In January 2014, the D.C. Circuit held the FCC has authority to impose network neutrality requirements on regulated telecommunications companies via section 706 of the Telecommunications Act of 1996, but that most of the FCC's 2010 Open Internet Order[122] exceeds that authority. The court concluded that because the FCC has not classified broadband providers as a "common carriers," it cannot impose net neutrality rules on them.[123] The decision reviews three FCC Network Neutrality rules: (1) A "transparency" rule that requires broadband providers to disclose to consumers the way in which their facilities are managed and what type of service performance can be expected; (2) An "anti-blocking" rule that prevents providers from blocking consumer access to lawful Internet content absent some need to protect the network; and (3) An "anti-discrimination" rule to prevent providers from favoring their own content, or content that they somehow prefer, over the content that consumers attempt to access from third parties, again absent some need to protect the network.

The court's decision struck down the FCC's rules relating to "anti-blocking" and "anti-discrimination." The following month, the FCC established a new docket within which it will consider how it should proceed in light of the court's decision and what actions the FCC should take consistent with its authority under section 706.[124] The FCC tentatively concluded that it should enhance the transparency rule that was upheld by the court by differentiating the level of details provided to consumers and application developers. The FCC also tentatively concluded to adopt the text of the no-blocking rule with revised legal rational.

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[122] FCC, "Report and Order," GN Docket No. 09-191, FCC 10-201, released December 23, 2010, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-10-201A1.pdf, accessed May 19, 2011.
[123] U.S. Court of Appeals, Verizon v. Federal Communications Commission, argued September 9, 2013, decided January 14, 2014, https://prodnet.www.neca.org/publicationsdocs/wwpdf/11414net.pdf, accessed May 14, 2014.
[124] FCC, "Public Notice," GN Docket No. 14-28, DA 14-211, released February 19, 2014, http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0219/DA-14-211A1.pdf, accessed May 14, 2014.

C. Inmate Calling

On August 9, 2013, the FCC approved an order to reduce the cost on interstate long distance calls from inmate facilities.[125] The order concludes that some interstate inmate calling service rates are not just and fair. The order requires interstate rates to be cost-based. The rates may include security costs and a reasonable return. While the FCC encouraged states to make similar changes to intrastate rates, the FCC also sought comments for legal bases to compel reform of intrastate inmate calling service rates. Other reforms implemented in the order include:

- setting an interim rate-caps based on data submitted by providers
- adopting a debit/pre-paid calling cap of $0.21 per minute
- presumption that rates that will to be cost based (rebuttable/challengeable) for debit/prepaid cards calls - at or below $0.12/min and for collect - at or below $0.14/min

The D.C. Circuit Court of Appeals however issued an Order on January 13, 2014 that stays portions of the FCC's inmate calling rule.[126] The rules that were stayed included rules that required cost-based rates, established an interim safe harbor, and required annual reporting and certification.

D. Next Generation 911

Congress enacted the Next Generation 911 Advancement Act as part of the Middle Class Tax Relief and Job Creation Act of 2012.[127] Next Generation 911 systems have the potential to increase public safety for consumers, especially for people with disabilities. These technologies will enable the public to send emergency communications via text, photos, and videos, and will provide Public Safety Answering Points and other first responders with access to enhanced information to respond to emergencies.

On January 30, 2014, the FCC adopted a Policy Statement stating the goal that all wireless telephone companies and providers of interconnected text messaging services should enable consumers to send text messages to 911.[128] The FCC encouraged industry-developed

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[125] FCC, "Report and Order and Further Notice of Proposed Rulemaking," WC Docket No. 12-375, FCC 13-113, released September 26, 2013, http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-13-113A1.pdf, accessed May 14, 2014.

[126] United States Court of Appeals for the District of Columbia Circuit, No. 13-1280, Securus Techonologies, Inc., v. Federal Communications Commission and United States of America, filed on January 13, 2014, https://prodnet.www.neca.org/publicationsdocs/wwpdf/11314dcct.pdf, accessed May 14, 2014.

[127] Committee Reports, 112th Congress, House Report 112-399, Middle Class Tax Relief and Job Creation Act of 2012, http://thomas.loc.gov/cgi-bin/cpquery/R?cp112:FLD010:@1(hr399), accessed May 14, 2014.

[128] FCC, "Policy Statement and Second Further Notice of Proposed Rulemaking," PS Docket No. 11-153, FCC 14-6, released January 31, 2014, http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0131/FCC-14-6A1.pdf, accessed May 14, 2014.

solutions to achieve this goal, and proposed rules that would require all covered text providers to support text-to-911 by December 31, 2014.

AT&T, Sprint Nextel, T-Mobile, and Verizon entered into a voluntary agreement with the National Emergency Number Association in which these carriers agreed to provide text-to-911 service by May 15, 2014, to Public Safety Answering Points that are capable of and request to receive text-to-911 service.[129] These wireless carriers provide quarterly progress reports to the FCC regarding the status of their national text-to-911 service capability. While AT&T, T-Mobile, and Verizon are providing Text-to-911 service in select cities, none of these locations are in Florida at this time.[130]

During the transition to text-to-911, the FCC has established rules to help keep consumers safe. Specifically, all wireless telephone companies are required by the FCC to send an automatic "bounce-back" message to any consumer who tries to send a text message to 911 where this service is not yet available beginning September 30, 2013.[131] Consumers who receive this "bounce-back" message will be advised to call 911 as opposed to sending a text.

E. Rural Call Completion

On October 28, 2013, the FCC adopted an order to address problems associated with completion of long distance calls to rural areas.[132] The order requires certain providers to record, retain, and report rural call completion data to the FCC for investigation. The data was also intended to allow state regulators to better monitor performance and identify problem areas.

Four months following this order, Windstream Corporation (Windstream) agreed to pay $2.5 million to the U.S. Treasury to resolve an investigation by the FCC's Enforcement Bureau into the company's rural call completion practices.[133] The company also agreed to implement a three-year plan to ensure compliance with FCC requirements designed to combat the problem of long-distance calls failing to complete in rural areas. Windstream agreed to cease using intermediate providers that fail to improve their performance.

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[129]Commitment Letter from AT&T, Sprint, T-Mobile USA, Verizon, APCO International, & NENA – The 9-1-1 Association to the FCC, filed December 6, 2012, http://apps.fcc.gov/ecfs/document/view?id=7022074960, accessed May 14, 2014.

[130] FCC, Text-to-911 Deployments as of May 9, 2014, http://transition.fcc.gov/cgb/text-to-911-deployments.pdf, accessed May14, 2014.

[131] FCC, "Report and Order," PS Docket No 11-153, FCC 13-64, released May 17, 2013, http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-13-64A1.pdf, accessed May 14, 2014.

[132] FCC, "Report and Order and Further Notice of Proposed Rulemaking," WC Docket No. 13-39, FCC 13-135, released November 8, 2013, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db1108/FCC-13-135A1.pdf, accessed May 14, 2014.

[133] FCC, "Order," File No. EB-IHB-13-00011781, Acct. No. 201432080020, DA 14-152, released February 20, 2014, http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0220/DA-14-152A1.pdf, accessed May 14, 2014.

F. Universal Service

The FPSC monitors and participates in ongoing proceedings at the FCC and with the Federal-State Joint Board on Universal Service (Joint Board). Florida consumers pay significantly more into the federal Universal Service Fund (USF) than what is returned to eligible service providers in Florida.[134] While Florida was a net recipient of low income support programs in 2010, this trend was reversed in 2011 when contributions exceeded receipts. Table 7.1 shows Florida's estimated contribution and receipts for 2012.

Table 7-1. 2012 Federal Universal Service Programs in Florida
(Annual Payments and Contributions in Thousands of Dollars)

	2010	2011	2012		
	Estimated Net	Estimated Net	Payments to Service Providers	Estimated Consumers Contributions	Estimated Net
High-Cost	($211,439)	($206,311)	$59,281	$268,520	($209,239)
Low Income	2,146	(1,007)	118,154	141,767	(23,613)
Schools & Libraries	(41,568)	(67,626)	80,450	143,625	(63,175)
Rural Health Care	(5,395)	(8,558)	457	10,064	(9,607)
Total[135]	($263,152)	($290,437)	$258,342	$571,148	($312,806)

Source: FCC Universal Service Monitoring Report, Tables 1.12 Table 1.13.

1. Contribution System Reform

Funding for USF is collected from telecommunications service providers. The amount they contribute is based on a quarterly FCC assessment factor and the amount of telecommunications revenues service providers collect from end-users. Specifically, the assessment factor is applied to interstate and international telecommunications revenues. Mobile wireless carriers and interconnected VoIP providers also required to contribute.[136] In 2013 the assessment factor, ranged from a high of 16.1 percent in the first quarter to a low of 15.1 percent in the third quarter.[137] Figure 7.3 below illustrates the general increase of the assessment factor over the last five years.

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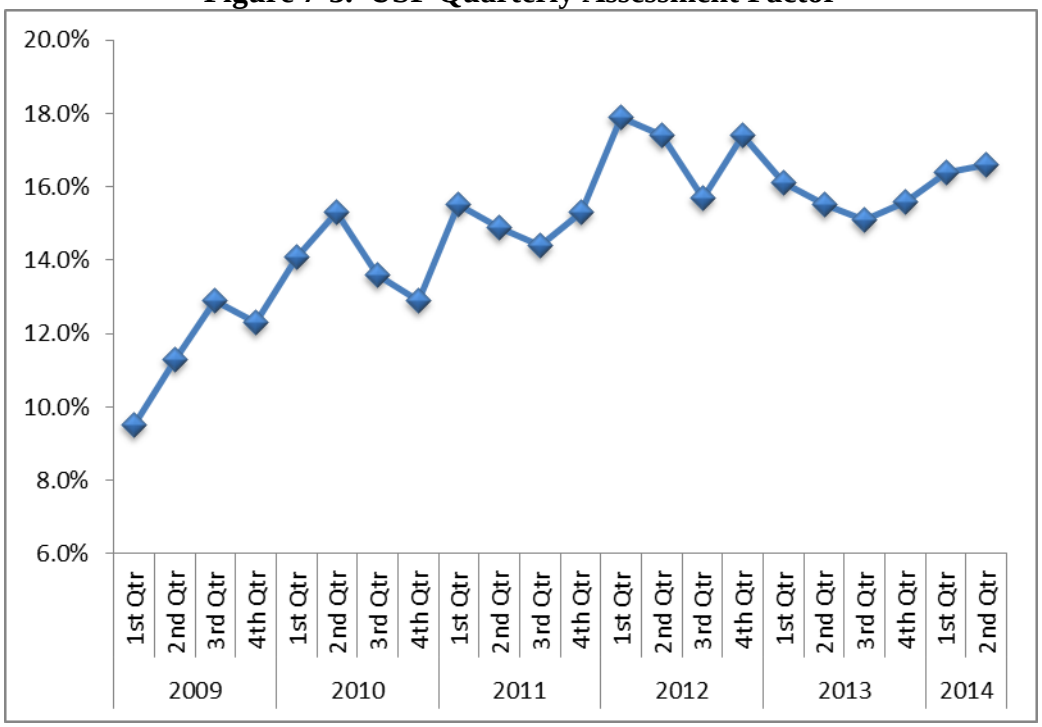
[134] FCC, "Universal Service Monitoring Report," CC Docket No. 98-202, released December 13, 2013, http://transition.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/Monitor/2013_Monitoring_Report.pdf, accessed May 9, 2014, Table 1.13.

[135] The total contribution for 2012 includes approximately $111 million in administrative expenses for the Universal Service Administrative Company.

[136] Wireless carriers and interconnected VoIP providers may use the interim safe harbor percentages to estimate the interstate portion of their revenues.

[137] FCC, Contribution Factor and Quarterly Filings – USF Management Support, http://www.fcc.gov/encyclopedia/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support, accessed on May 9, 2014.

Figure 7-3. USF Quarterly Assessment Factor



Source: FCC, Public Notices on Proposed Contribution Factors, various quarters.

Last year, the FCC initiated a proceeding to consider modernizing how Universal Service fund contributions are assessed and recovered. The FCC has acknowledged that the current contribution system has given rise to uncertainty, inefficiency, and market distortions. Outdated rules and loopholes mean that services that compete directly against each other may face different treatment. Among the options the FCC is considering is a change to assess contributions based on either total revenues (i.e., interstate and intrastate), connections, numbers, or a hybrid approach (of connections and revenues).

2. High-Cost

In 2011, the FCC modernized its existing high-cost fund to explicitly support deployment of broadband to unserved areas.[138] While the order implementing these reforms was appealed, the Tenth District Court of Appeals in Denver recently rejected almost all the arguments made by the 31 petitioners.[139] The arguments that were not rejected were found to be not yet "ripe" for judicial review. As part of this reform, the FCC began to phase out the existing high-cost support programs and began funding through the two new high-cost programs, the Connect America Fund and the Mobility Fund. The Connect America Fund focuses on supporting and expanding fixed broadband availability and voice service. The Mobility Fund that will provide

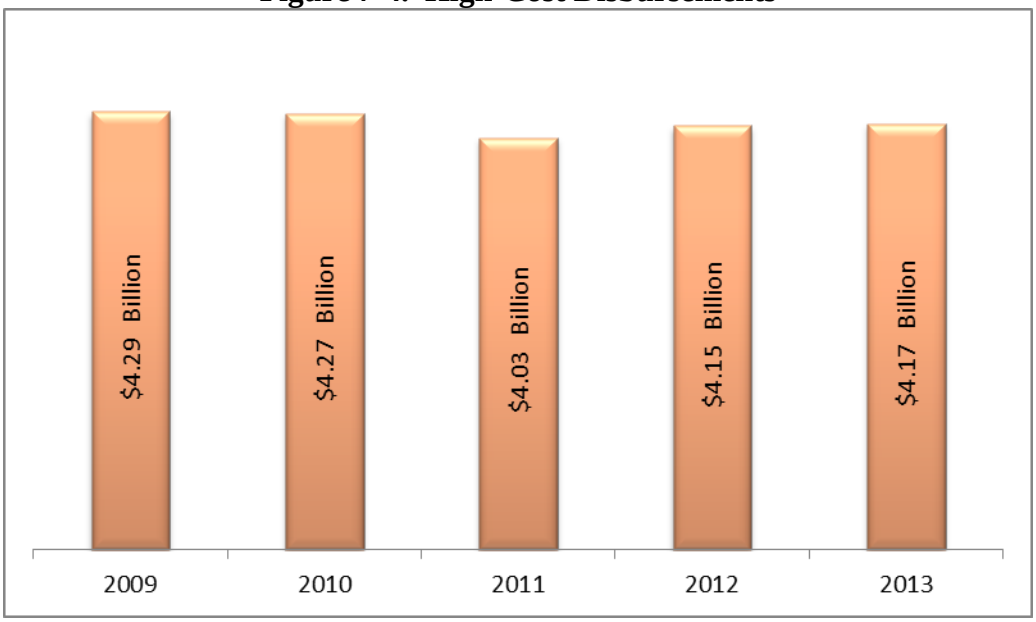
[138] FCC, "Report and Order and Further Notice of Proposed Rulemaking," WC Docket No. 10-90, et all, FCC 11-161, released November 18, 2011, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-11-161A1.pdf, accessed May 9, 2014.

[139] United States Court of Appeals, Tenth Circuit, Petitions for Review of Orders of the Federal Communications Commission (FCC Nos. 11-161, 12-47), Case No. 11-9900, released May 23, 2014, http://www.ca10.uscourts.gov/opinions/11/11-9900.pdf, accessed May 29, 2014.

up to $300 million in one-time support to accelerate deployment of networks for mobile voice and broadband services in unserved areas.

In conjunction with other reforms, the FCC adopted a retail rate floor to limit high-cost universal service support where there are artificially low retail rates. Specifically, high-cost support will be reduced to the extent that a carrier's rates for local voice service fall below an urban local rate floor. An initial rate floor of $10 was established for the period July 1, 2012 through June 30, 2013.[140] The following year, the rate floor was increased to $14. On March 20, 2014, the results of the new urban rate survey for voice services were announced. Based on the survey results, the average local end-user rates, plus state regulated fees, of the surveyed ILECs in urban areas was $20.46.[141] Under the FCC's rules, by July 1, 2014, all ILEC recipients of high-cost support must report the number of residential service lines for which the sum of the rate and state fees are below $20.46 as of June 1, 2014. The FCC has also sought comment on a petition requesting that the deadline for compliance with the local service rate floor be extended by six months. Figure 7.4 illustrates the national program size over the last five years.

Figure 7-4. High-Cost Disbursements



Source: USAC 2013 Annual Report

3. Low Income

On February 6, 2012, the FCC released an Order to protect against waste, fraud, and abuse of the Federal Lifeline program which tightened requirements on Lifeline recipients and

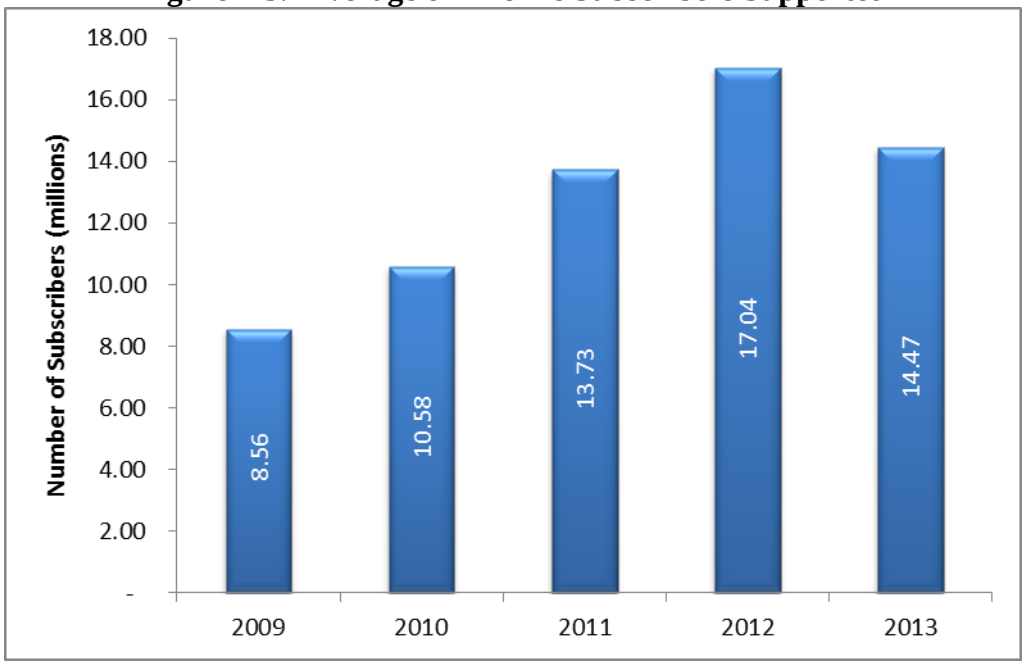
[140] FCC, "Report and Order and Further Notice of Proposed Rulemaking," WC Docket No. 10-90, et all, FCC 11-161, released November 18, 2011, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-11-161A1.pdf, accessed May 9, 2014.

[141] FCC, "Public Notice," WC Docket No. 10-90, DA 14-384, released March 20, 2014, http://transition.fcc.gov/Daily_Releases/ Daily__Business/2014/db0320/DA-14-384A1.pdf, accessed May 13, 2014.

eligible telecommunications carriers.[142] The reforms include: (1) requiring consumers to provide proof of eligibility at enrollment; (2) requiring consumers to certify that they understand key program rules and to recertify annually their continued eligibility for support; (3) limiting the Lifeline benefit to one per household; (4) eliminating Link Up support for all providers except those that receive high-cost universal service support on Tribal lands; (5) establishing a uniform, nationwide floor for consumers' eligibility to participate in the program, which states may supplement; (6) enhancing requirements concerning marketing and advertising practices of supported carriers; and (7) putting in place a robust audit requirement for providers entering the Lifeline program and an ongoing independent audit requirement for providers drawing more than $5 million from the Fund.

Low-Income Disbursements from the Federal Universal Service Fund have declined from a high of $194 million in March 2012, to $128 million in March 2014, the lowest it has been in the last three years.[143] The reforms resulted in hundreds of millions of dollars in savings to the Universal Service Fund and in the decline in Lifeline subscribers (see Figure 7-5). Overall, the changes are expected to lead to $2 billion in savings through the end of 2014.

Figure 7-5. Average of Lifeline Subscribers Supported



Source: USAC Annual Reports, (2013-2011)

In May 2013, the Universal Service Administrative Company began building the National Lifeline Accountability Database to help eligible telecommunications carriers identify and resolve duplicate claims for Lifeline Program-supported service and prevent future

[142] FCC, "Report and Order and Further Notice of Proposed Rulemaking," FCC 12-11, WC Docket Nos. 11-42, 03-109, 12-23, CC Docket No. 96-45, released February 6, 2012, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-12-11A1_Rcd.pdf, accessed May 16, 2013

[143] USAC, "2014 Third Quarter Filings to the FCC," http://www.usac.org/about/tools/fcc/filings/2014/q3.aspx, accessed May 9, 2014, Table LI06.

duplicates.[144] The database will detect and prevent duplicative support before it occurs by providing a means for eligible telecommunications carriers to check on a real-time and nationwide basis if the consumer is already receiving a Lifeline Program-supported service. By March 2014, eligible telecommunications carriers in all states were participating in the National Lifeline Accountability Database.[145] These reforms are in place and appear to be working as intended, cutting waste, fraud, and abuse from the program, while ensuring that low-income consumers have access to basic communications.

4. Schools and Libraries

The schools and libraries support program, commonly known as the E-rate program, provides financial assistance to make telecommunications services, broadband Internet access and internal network connections affordable for eligible schools and libraries. The discounts range from 20 percent to 90 percent of the costs of eligible services depending on the level of poverty and whether the school or library is located in an urban or rural area.

Eligible schools, school districts and libraries may apply individually or as part of a consortium. E-rate program funding is based on demand up to an annual Commission-established cap, which is inflation adjusted annual. For 2013, the E-rate cap was $2.38 billion, and was increased by 1.4 percent for 2014.[146] Figure 7.6 illustrates total committed E-rate funding for 2013 by geographic area.

In July 2013, the FCC released a Public Notice seeking comment to modernize the E-rate program.[147] In general, the FCC sought broad comment on and proposed three goals for the program: (1) ensuring that schools and libraries have affordable access to 21st Century broadband that supports digital learning; (2) maximizing the cost-effectiveness of E-rate funds; and (3) streamlining the administration of the program.

The FCC followed up on this proceeding in March 2014, inviting further comment on the following three issues that the FCC believed merited further focus: (1) how best to focus E-rate funds on high-capacity broadband, (especially high-speed Wi-Fi and internal connections); (2) whether and how the FCC should begin to phase down or phase out support for traditional voice services and (3) whether there are demonstration projects that the FCC should authorize that would help the it test new ways to maximize effective purchasing in the program. Also of interest, the FCC noted that an internal review by FCC staff found that the FCC could free up an additional $2 billion over the next two years to help support broadband networks for schools and libraries significantly increasing the size of the program.[148]

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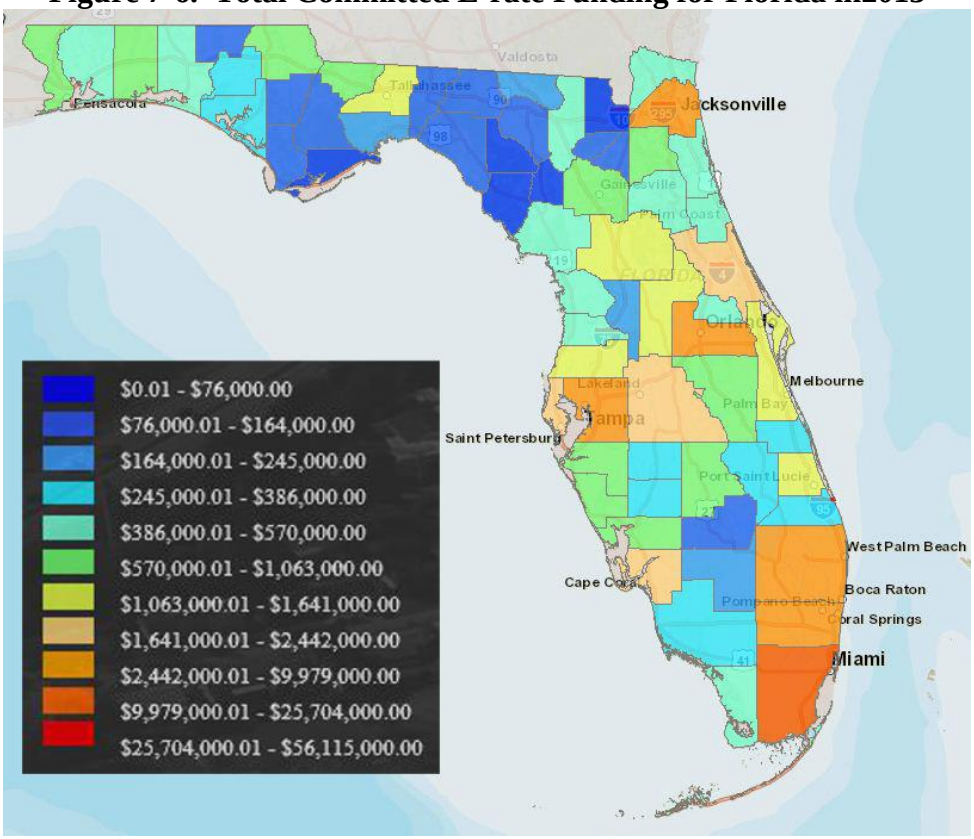
[144] USAC, "2013 Annual Report," http://www.usac.org/_res/documents/about/pdf/annual-reports/2014/Lifeline-Spread.pdf, accessed May 9, 2014. p.8.
[145] USAC, "National Lifeline Accountability Database Migration," http://www.usac.org/li/tools/nlad/nlad-migration.aspx, accessed May 9, 2014.
[146] FCC, "Public Notice," CC Docket No. 02-6, DA 14-426, released March 24 2014, http://transitionfcc.gov/Daily_Releases/Daily_Business/2014/db0328/DA-14-426A1.pdf, accessed May 9, 2014.
[147] FCC, "Notice of Proposed Rulemaking," EC Docket No. 13-184, FCC 13-100, released July 23, 2013, http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-13-100A1.pdf, accessed May 9, 2014.
[148] FCC, "Public Notice," WC Docket No. 13-184, DA 14-308, released March 6, 2014, http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0306/DA-14-308A1.pdf, accessed May 9, 2014.

Figure 7-6. Total Committed E-rate Funding for Florida in2013



Source: Broadband Florida Initiative, Florida Department of Management Services

5. Rural Health Care

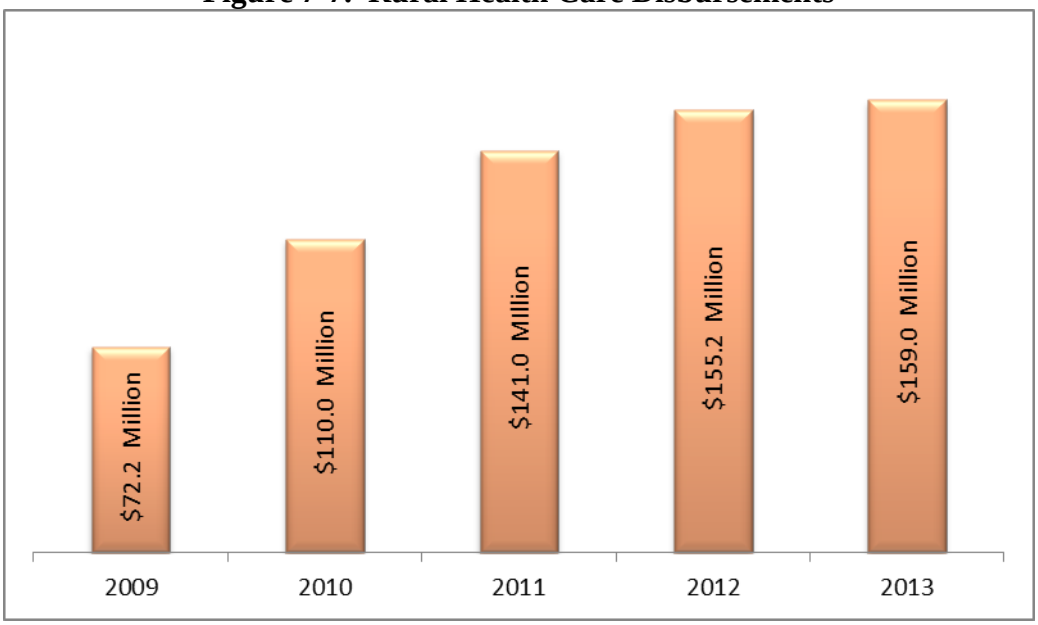
The USF Rural Health Care Program is made up of four components: the Telecommunications Program, the Internet Access Program, the Pilot Program, and the new Healthcare Connect Fund. The Telecommunications Program ensures that eligible rural health care providers pay no more than their urban health care providers for telecommunications services. The Internet Access Program provides a 25 percent discount off the cost of monthly Internet access for eligible health care providers. This program will sunset after June 30, 2014.[149] Current recipients will have to seek support from the new Healthcare Connect Fund to continue to receive support. The Pilot Program provides support for 85 percent of the eligible costs of broadband for telehealth networks that connect rural and urban health care providers in a state or region. The Pilot Program is closed to new applicants, and the last funding commitments under that program were issued in 2012.

In December 2012, the FCC expanded its existing Rural Health Care programs by creating the Healthcare Connect Fund.[150] The Healthcare Connect Fund provides support for high-capacity

[149] FCC, "Report and Order," WC Docket No. 02-60, FCC 12-150, released December 21, 2012, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-12-150A1.pdf, accessed May 8, 2014.
[150] Ibid.

broadband connectivity to eligible health care providers and encourages the formation of state and regional broadband health care provider networks. Under the program, eligible health care providers applying individually or as part of a consortium can receive a 65 percent discount on all eligible expenses. All eligible applicants may request multi-year funding commitments under the program. In addition, consortium applicants may seek support for upfront charges, which may include support for service provider deployment of new or upgraded facilities or for health care provider-constructed and owned network facilities. Healthcare Connect Fund support was available to applicants starting on July 1, 2013.[151] Figure 7-7 illustrates the national program size over the last five years.

Figure 7-7. Rural Health Care Disbursements



Source: USAC 2013 Annual Report

[151] Ibid, ¶¶ 353-355. Pilot projects were able to start the competitive bidding process on April 1, 2013, and will be eligible to receive funding starting on July 1, 2013. For new applicants -- either current Telecommunications or Internet Access Program participants or health care providers new to the Rural Health Care programs -- the competitive bidding process will start in late summer 2013. New applicants will be eligible to receive funding starting on January 1, 2014.

Appendix A. List of Certificated CLECs as of 12/31/13

** Indicates that the company did not respond to the Commission's data request.

365 Wireless, LLC
382 Networks, Inc.
Access Communications, LLC.
Access Media 3, Inc.
**Access One, Inc.
Access Point, Inc.
ACN Communication Services, Inc.
Advanced Communications Southeast, Inc.
Aero Communications, LLC
Affordable Phone Services, Inc.
Airespring, Inc.
ALEC, LLC
Alternative Phone, Inc.
American Telephone Company LLC
Americatel Corporation
**AmTel
ANEW Broadband, Inc.
ANPI Business, LLC
**AstroTel, Inc.
A.SUR Net, Inc.
AT&T Corp.
AT&T Florida
ATC Outdoor DAS, LLC
Atlantic Broadband Enterprise (Miami), LLC
ATN, Inc.
Backbone Communications Inc.
**BAIX Corporation
**Baldwin County Internet/DSSI Service, L.L.C.
Bandwidth.com CLEC, LLC
Barr Tell USA, Inc.
**BCN Telecom, Inc.
BeCruising Telecom
BellSouth
Benchmark Communications, LLC
BetterWorld Telecom
Birch Communications, Inc.
Birch Telecom of the South, Inc.
Bright House Networks Information Services (Florida), LLC
Broadband Dynamics, L.L.C.
BroadRiver Communication Corporation
Broadview Networks, Inc.
Broadvox-CLEC, LLC
Broadwing Communications, LLC
BT Communications Sales LLC
Budget Phone
BudgeTel Systems, Inc.
BullsEye Telecom, Inc.
Cable & Wireless Americas Operations, Inc.
Callis Communications, Inc.
Cbeyond Communications, LLC
Centennial Florida Switch Corp.
CenturyLink Communications
CenturyLink QCC
Cincinnati Bell Any Distance Inc.
Citrix Communications LLC
City of Bartow
City of Daytona Beach
City of Lakeland
City of Leesburg
City of Ocala
Clear Choice Communications
Clear Rate Communications, Inc.
Cogent Communications of Florida LHC, Inc.
Comcast Long Distance
Comcast Phone of Florida, LLC d/b/a Comcast Digital Phone
Comity Communications, LLC
Communications Authority, Inc
ComNet (USA) LLC
Comtech21, LLC
Conterra Ultra Broadband, LLC
Convergia, Inc.
**Covista, Inc.
CoreTel Florida, Inc.
Cox Florida Telcom, L.P.
Crexendo Business Solutions, Inc.
Crosstel Tandem, Inc.
Crown Castle NG East Inc.
Custom Network Solutions, Inc.
Custom Tel, LLC
Dais Communications
Dedicated Fiber Systems, Inc.
Dialtone Telecom, LLC
Digital Express, Inc.
DIGITALIPVOICE, INC.
dishNET Wireline L.L.C.
DRS Training & Control Systems, LLC.
DSCI Corporation
EarthLink Business
EarthLink Business
EarthLink Business
Easy Telephone Services Company

Electronet Broadband Communications, Inc.
ENA Services, LLC
ENGAGE COMMUNICATIONS
Enhanced Communications Network, Inc.
Entelegent Solutions, Inc.
Ernest Communications, Inc.
EveryCall Communications, Inc.
Excelacom Light, LLC.
Express Phone Service, Inc.
ExteNet Systems, Inc.
Fast Phones, Inc. of Alabama
FiberLight, LLC
First Choice Technology, Inc.
First Communications, LLC
FLATEL, Inc.
Florida Hearing and Telephone
Florida Phone Systems, Inc.
Florida Telephone Services, LLC
FPL Fibernet, LLC
FPUAnet Communications
France Telecom Corporate Solutions L.L.C.
**Freedom Communications USA LLC
Frontier Communications of America, Inc.
Georgia Public Web, Inc.
Global Connection Inc. of America (of Georgia)
Global Crossing Local Services, Inc.
Granite Telecommunications, LLC
Great America Networks, Inc.
GRU Communication Services/GRUCom/GRU GRUCom
GTC Communications, Inc.
Harbor Communications, LLC
Hayes E-Government Resources, Inc.
Home Town Telephone, LLC
Hotwire Communications, Ltd.
Hypercube Telecom, LLC
IBC Telecom Corp.
IDT America, Corp.
inContact, Inc.
iNetworks Group, Inc.
**Infotelecom, LLC
IntelePeer, Inc.
Intelletrace, Inc.
Intellicall Operator Services, Inc.
Intellifiber Networks, Inc.
InterGlobe Communications, Inc.
InterMetro Fiber, LLC
Internet & Telephone, LLC
Intrado Communications Inc.
IPC Network Services, Inc.
ISN Telcom
ITS Telecommunications Systems, Inc.
J C Telecommunication Co., LLC
Keys Energy Services
Lake Wellington Professional Centre
Latin American Nautilus U.S.A. Inc.
Level 3 Communications, LLC
LightCore, a CenturyLink limited liability company
Lightspeed CLEC, Inc.
Lightyear Network Solutions, LLC
Linkup Telecom, Inc.
Litestream Holdings, LLC
Local Access LLC
Local Telecommunications Services - FL, LLC
LTS of Rocky Mount, LLC
Marco Island Cable, Inc.
Maryland TeleCommunication Systems, Inc.
Mass Communications
MCC Telephony of Florida, LLC
McGraw Communications, Inc.
McLeodUSA Telecommunications Services, L.L.C.
MegaPath Corporation
MetTel
Miami-Dade Broadband Coalition I LLC
**Micro-Comm, Inc.
Mitel NetSolutions, Inc.
Mobilitie, LLC
Momentum Telecom, Inc.
MOSAIC NETWORX LLC
MULTIPHONE LATIN AMERICA, INC.
Nebula Telecommunications of Florida LLC
NET TALK.COM, INC.
Network Billing Systems, L.L.C.
Network Innovations, Inc.
Network Operator Services, Inc.
Network Telephone Corporation
Neutral Tandem-Florida, LLC
New Horizons Communications Corp.
**NewPhone, Inc.
Nexus Communications TSI, Inc.
NMG Telecom, LLC
Norstar Telecommunications, LLC
North American Telecommunications Corporation
North County Communications Corporation
NOS Communications, Inc.
O1 Communications East, LLC
One Voice Communications, Inc.
**OneStar Long Distance, Inc.
OneTone Telecom, Inc.

Onvoy Voice Services
Opextel LLC d/b/a Alodiga
**Pac-West Telecomm, Inc.
PAETEC Business Services
PaeTec Communications, Inc.
Peerless Network of Florida, LLC
PeerTel Communication, LLC
Phone Club Corporation
Pioneer Telephone
PowerNet Global Communications, Inc.
Preferred Long Distance, Inc.
**PrimeCast
Primus Telecommunications, Inc.
Public Wireless, Inc.
QuantumShift Communications, Inc.
RCLEC, Inc.
Reliance Globalcom Services, Inc.
ReTel Communications, Inc.
Rightlink USA, Inc.
Ring Connection, Inc.
Rosebud Telephone, LLC
Sage Telecom Communications, LLC
Sago Broadband, LLC
SanTel Communications
**Semnac Technologies, LLC
SH Services LLC
Shands Teaching Hospital and Clinics, Inc.
Signal Point Corp.
**SKYNET360, LLC
SmallCells Tower Company, LLC
Smart City Communications
Smart City Networks, Limited Partnership
**SNC Communications, LLC
Southeastern Services, Inc.
Southern Light, LLC
Southern Light, LLC
Southern Telecom
Sprint Communications Company Limited Partnership
**StarVox Communications, Inc.
Stratus Networks, Inc.
Summit Broadband
Sunesys, LLC
Sun-Tel USA, Inc.
T3 Communications, Inc.
Talk America Inc.
TCG South Florida
TelCentris Communications, LLC
Telco Experts, LLC
TelCove Operations, LLC
Tele Circuit Network Corporation
TeleDias Communications, Inc.
Telefonica Express
Telepak Networks, Inc.
Telovations Inc.
Telrite Corporation
Telscape Communications, Inc.
Terra Nova Telecom, Inc.
**Terra Telecommunications Corp.
TerraNovaNet, Inc.
The Other Phone Company, Inc.
Time Warner Cable Business LLC
TNCI Operating Company LLC
Touch Base Communications
Touchtone Communications Inc. of Delaware
TQC Communications, Corp.
**Trans National Communications International, Inc.
Transparent Technology Services Corp.
Tristar Communications Corp.
tw telecom of florida l.p.
U.S. Metropolitan Telecom, LLC
**Unity III
Unity Telecom, LLC
Universal Local Exchange Carrier of Florida
US Signal Company, L.L.C.
US Telesis, Inc.
Vanco US, LLC
Velocity The Greatest Phone Company Ever
Verizon Access Transmission Services
Verizon Florida LLC
Verizon Select Services Inc.
Vitcom, LLC
VoDa Networks, Inc.
Voice Stream Network, Inc.
VOX3COM
Voxbeam Telecommunications Inc.
Wholesale Carrier Services, Inc.
Wide Voice, LLC
WiMacTel, Inc.
Windstream KDL, Inc.
Windstream Norlight, Inc.
Windstream NTI, Inc.
Windstream NuVox, Inc.
WonderLink Communications, LLC
WOW! Internet, Cable and Phone
WTI Communications, Inc.
**www.netquincy.com
XO Communications Services, LLC
XYN Communications of Florida, LLC
YMax Communications Corp.
Zayo Group, LLC

Appendix B. Summary of Complaints Filed By Carriers
(calendar year 2013)

Carrier		Date Opened	Complaint or Docket Number	Description	Date Closed	Resolution
Qwest	CLECs	12/11/09	090538	Rate discrimination	9/30/13	No unlawful discrimination found
Nexus	AT&T	11/18/10	100434	Promotional credits	6/12/13	Resolved by parties
Terra Nova Telecom	AT&T	1/4/13	informal	Number porting problem	1/28/13	AT&T lifted PLC freeze
Terra Nova Telecom	AT&T	6/12/13	informal	Trunk group disconnection	6/26/13	AT&T reconnected the trunks
FLATEL	AT&T	12/10/13	140055	UNE line disconnection/pro-motional credits	open	Dismissed for lack of rule compliance by Commission

Glossary

Access Line	The circuit or channel between the demarcation point at the customer's premises and the serving end or class 5 central office.
Backhaul	In wireless networks, the connection from an individual base station (tower) to the central network (backbone). Typical backhaul connections are wired high-speed data connections (T1 line, etc.), but they can be wireless as well (using point-to-point microwave or WiMax, etc.).
Broadband	A term describing evolving digital technologies offering consumers integrated access to voice, high-speed data services, video on demand services, and interactive information delivery services.
Circuit	A fully operational two-way communications path.
CLEC	*Competitive Local Exchange Company*. Any company certificated by the Florida Public Service Commission to provide local exchange telecommunications service in Florida on or after July 1, 1995.
Facilities-based VoIP service	This term refers to VoIP service provided by the same company that provides the customer's broadband connection. Facilities-based VoIP services are generally provided over private managed networks and are capable of being provided according to most telephone standards. While this service uses Internet Protocol for its transmission, it is not generally provided over the public Internet.
FiOS	FiOS is Verizon's suite of voice, video, and broadband services provisioned over fiber optic cable directly to the customer premises. FiOS can currently provide Internet access with maximum download speed of 300 Mbps and upload speed of 65 Mbps.
ICA	*Interconnection Agreement.* An interconnection agreement is a contract that establishes the rates, terms and conditions that govern the business relationship between telecommunications companies.
ILEC	*Incumbent Local Exchange Company*. Any company certificated by the FPSC to provide local exchange telecommunications service in Florida on or before June 30, 1995.
Interconnected VoIP service	According to the FCC, it is a VoIP service that (1) enables real-time, two-way voice communications; (2) requires a broadband connection from the user's location; (3) requires Internet protocol-compatible customer premises equipment; and (4) permits users generally to receive calls that originate and terminate on the public switched telephone network.

Intermodal	The use of more than one type of technology or carrier to transport telecommunications services from origination to termination. When referring to local competition, intermodal refers to nonwireline voice communications such as wireless or VoIP.
Internet Protocol (IP)	The term refers to all the standards that keep the Internet functioning. It describes software that tracks the Internet address of nodes, routes outgoing messages, and recognizes incoming messages.
Over-the-Top VoIP service	This term refers to VoIP service that is provided independently from a particular broadband connection and is transmitted via the public Internet. Examples of this service include Vonage and Skype.
Switched Access	Local exchange telecommunications company-provided exchange access services that offer switched interconnections between local telephone subscribers and long distance or other companies. Long distance companies use switched access for origination and termination of user-dialed calls.
Telecommunications Act of 1996 (the 1996 Act)	The federal Telecommunications Act of 1996 established a national framework to enable CLECs to enter the local telecommunications marketplace.
U-verse	U-verse is the brand name of AT&T for a group of services provided via Internet Protocol (IP), including television service, Internet access, and voice telephone service. Similar to Verizon's FiOS service, AT&T's U-verse is deployed using fiber optic cable.
Universal Service	This term describes the financial support mechanisms that constitute the national universal service fund. This fund provides compensation to telephone companies or other communications entities for providing access to telecommunications services at reasonable and affordable rates throughout the country, including rural, insular, high-cost areas, and public institutions.
Universal Service Administrative Company (USAC)	USAC is an independent American nonprofit corporation designated as the administrator of the federal Universal Service Fund by the Federal Communications Commission. USAC is a subsidiary of the National Exchange Carrier Association.
VoIP	*Voice over Internet Protocol*. The technology used to transmit voice conversations over a data network using Internet Protocol.
Wireline	A term used to describe the technology used by a company to provide telecommunications services. Wireline is synonymous with "landline" or land-based technology.

II. Outside Persons Who Wish to Address the Commission at Internal Affairs

OUTSIDE PERSONS WHO WISH
TO ADDRESS THE COMMISSION AT

INTERNAL AFFAIRS
June 25, 2014

Speaker	**Representing**	**Item #**
Lila Jaber	TW Telecom & CompSouth	1
J. R. Kelly	Office of Public Counsel	1
Tracy Hatch	AT & T	1

III. Supplemental Materials for Internal Affairs

NOTE: The following material pertains to Item 3 of this agenda.

Summary of Staff Recommended Changes to Draft 2014 Competition Report
(Proposed updates since draft report submitted for Internal Affairs as of 6/24/14)

Report Pages Affected	Description of Change
1, 31, & 32	Updates FCC reported telephone penetration rate from March 2013 survey results to annual average for 2013
47	Adds 2014 third quarter federal universal service assessment factor to chart

Parties/Staff Handout
Internal Affairs/Agenda
on 6/25/14
Item No. 3

Executive Summary

This report fulfills the statutory obligations set forth in Section 364.386, Florida Statutes (F.S.), which requires the Florida Public Service Commission (the Commission or FPSC) to report on the status of competition in the telecommunications industry to the Legislature by August 1 of each year. The Commission is required to address specific topic areas within the realm of competition. On February 17, 2014, information requests were sent to the 10 incumbent local exchange companies (ILECs) and 290 competitive local exchange companies (CLECs) certificated by the Commission to operate in Florida, as of December 31, 2013.

In 2013, the competitive telecommunications market in Florida, as reported by the carriers, continued to show consumers migrating from traditional wireline service to wireless and cable/VoIP services, while business customers continued to resist the mass migration of the consumers, instead increasing their subscription to CLEC business-specific offerings. Carriers reported approximately 5.1 million total wireline access lines in Florida for 2013. While the mass migration in the residential market has had a drastic effect on the ILECs' residential access line counts, these customers are not all "lost" to the ILECs. Nationally, AT&T has over four times as many wireless customers as it does wireline accounts.

There were also a few "firsts" this year. While residential lines have plummeted over the past decade, business wirelines have remained relatively stable. As a result, for the first time, AT&T reported as many business wirelines as residential lines. In addition, competition from CLECs continued to be fierce. ILEC wirelines decreased by 15 percent in 2013, while CLEC lines increased by 15 percent. CLEC-reported business access lines gave them a market share of 51 percent, making ILECs a minority in the wireline business market for the first time.

Analysis of the data produced the following conclusions:

- Many CLECs reported offering a variety of services and packages comparable to those offered by ILECs. Subscribers to cable, wireless, and competitive wireline services continued to increase. These factors contribute to the conclusion that competitive providers are able to offer functionally equivalent services to both business and residential customers.

- The continued decrease in both business and residential ILEC wireline access lines demonstrates customers are finding reasonable pricing packages and functionality with CLECs, cable providers, and wireless providers, as well as VoIP services from the ILEC.

- Based on the continued growth of interconnected Voice over Internet Protocol (VoIP) services and wireless-only households, network reliability of non-ILEC providers is sufficient to satisfy customers. The FCC-reported telephone penetration rate of 93.56 percent for Florida suggests that the overwhelming majority of Florida residents are able to afford telephone service. The number and variety of competitive choices among all types of service providers suggests that competition is having a positive impact on the telecommunications market in Florida.

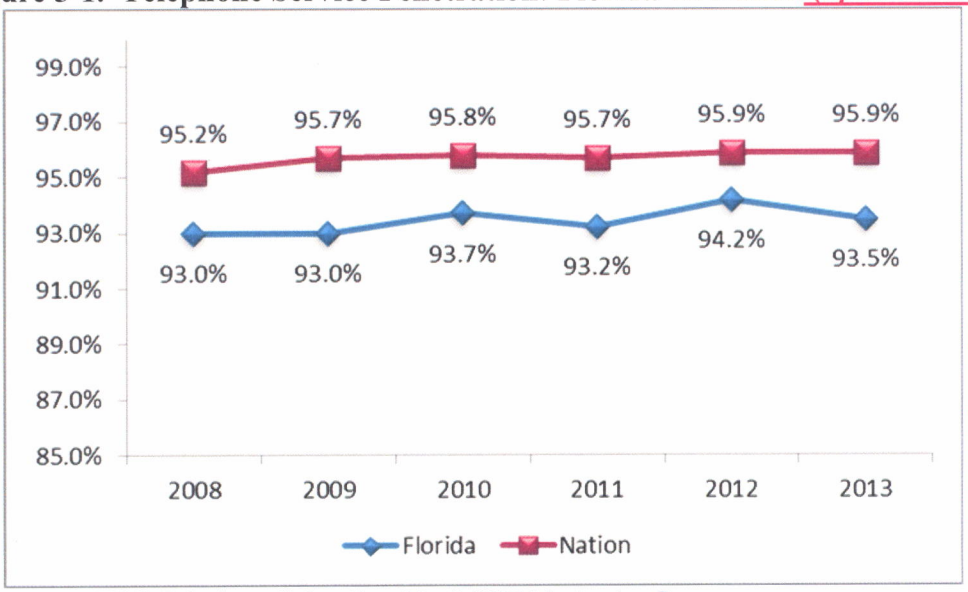
providers, and wireless providers. Residential lines have maintained a steady decline and wireless-only households continue to grow consistent with the trend over the past several years. Providers are coping with the changing market by modifying the way consumers pay for their services and bundling pricing among wireline, wireless, and television services, further increasing customers' ability to select the services, providers, and pricing plans they prefer.

C. Statutory Issue – Affordability & Service Quality

3. The overall impact of competition on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

The FCC reported that 93.5~~6~~ percent of Florida households had telephone service in March 2013, lower than the national penetration rate of 95~~6~~.9~~0~~ percent.[98] As shown in Figure 5-1, the Florida telephone penetration rate has consistently been below the national penetration rate and the gap has varied little between 2008 and 2013. This gap persists despite successful efforts in recent years by Florida carriers and the FPSC to make Lifeline benefits more accessible to eligible low-income consumers. The majority of Florida residents have a choice among several non-ILEC providers, with 10 or more providers available in 87 percent of Florida zip codes.[99] According to the FCC, there are no zip codes in Florida without at least one CLEC or non-ILEC VoIP provider.

Figure 5-1. Telephone Service Penetration: Florida vs. Nation *(updated 2013)*



Source: FCC, Telephone Subscribership & USF Monitoring Report,
~~ Represents March Current Population Survey Data Only~~*

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[98] FCC, "Telephone Subscribership in the United States as of July 2011," released December 2011, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311523A1.pdf, accessed May 19, 2013, Table 3; "Universal Service Monitoring Report," released December 2013, http://transition.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/Monitor/2013_Monitoring_Report.pdf, accessed on May 22, 2014, Table 3.8.

[99] FCC, "Local Telephone Competition: Status as of December 31, 2012," released November 2013, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-324413A1.pdf, accessed May 22, 2014, Table 21.

The Centers for Disease Control (CDC) released a report on wireless substitution for the period January-June 2013 and found that 39.4 percent of adults live in wireless-only households.[100] While state-specific data on wireless-only households was not provided in the most recent CDC report, a December 2013 report containing state-level data noted that Orange County had the highest wireless-only penetration rate in Florida at 46.5 percent.[101] The CDC report found 6.5 percent of Florida adults living in households with only a wireline phone. It also found that 2.5 percent of Florida adults living without any form of telephone service.[102] This data suggests that most Florida households are able to afford telephone service and have access to a variety of service providers, including ILECs, CLECs, VoIP, and wireless. This data also supports the fact that many consumers choose to subscribe to more than one type of telephone service.

Historically, regulatory reliability standards have applied to landline telecommunications service making it the most reliable telecommunications service. Reliability in landline networks is no longer insured as many states, including Florida, eliminated service quality standards. Given the continued growth of interconnected VoIP and wireless-only households, and the continued erosion of landline access lines, it appears that the reliability of these alternatives is acceptable to consumers. Moreover, mobility, pricing, and the demand for data-based services are consumer preference factors that may be changing how consumers view reliability.

Conclusion: Based on the continued growth of interconnected VoIP and wireless-only households and the ongoing erosion of wireline access lines, network reliability of non-ILEC providers appears to be sufficient. The telephone penetration rate of 93.56 percent supports the conclusion that the vast majority Florida residents are able to afford telephone service. The number and variety of competitive choices among all types of service providers suggest that competition is having a positive impact on the telecommunications market in Florida.

D. Statutory Issue – Carrier Disputes

4. A listing and short description of any carrier disputes filed under Section 364.16, F.S.

Conclusion: This information can be found in Appendix B. The number of docketed and informal intercarrier complaints remained relatively stable in 2013.

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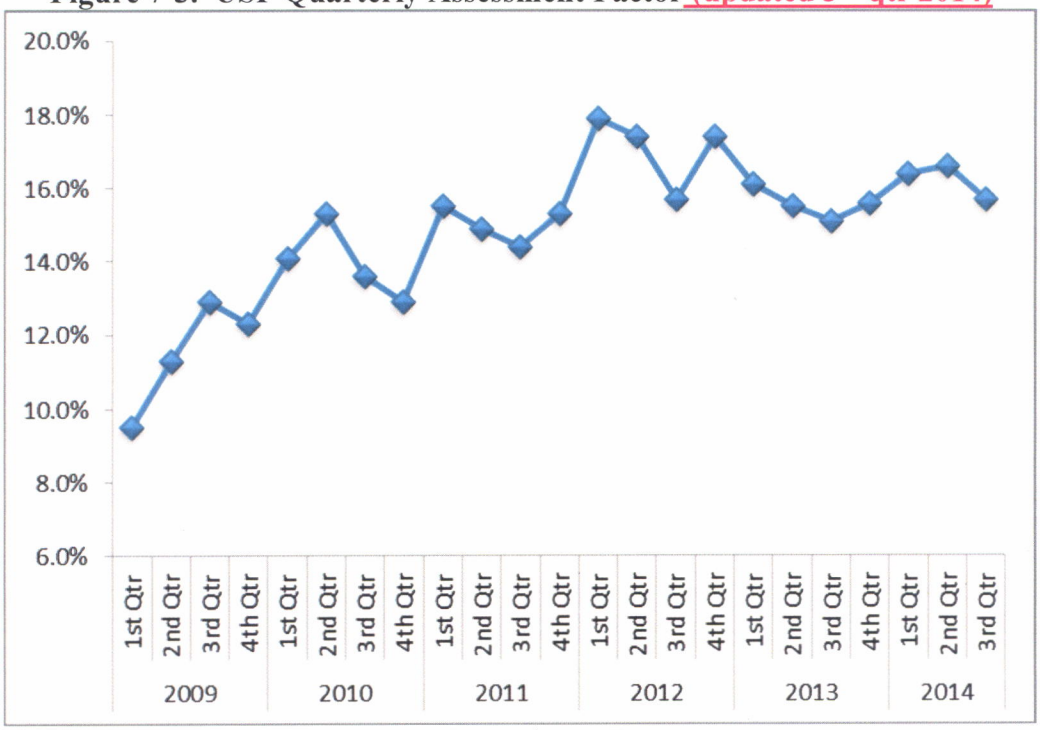
[100] Stephen J. Blumberg, Ph.D., Julian V. Luke, "Wireless substitution: Early release of estimates from the National Health Interview Survey, January–June 2013," National Center for Health Statistics, Centers for Disease Control and Prevention, released December 2013, http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201312.pdf, accessed May 3, 2014.

[101] Stephen J. Blumberg, Ph.D., et al., "Wireless substitution: State-level estimates from the National Health Interview Survey, 2012," National Center for Health Statistics, Centers for Disease Control and Prevention, released December 18, 2013, http://www.cdc.gov/nchs/data/nhsr/nhsr070.pdf, accessed on May 4, 2014.

[102] Ibid.

Figure 7-3. USF Quarterly Assessment Factor (updated 3rd qtr 2014)



Source: FCC, Public Notices on Proposed Contribution Factors, various quarters.

Last year, the FCC initiated a proceeding to consider modernizing how Universal Service fund contributions are assessed and recovered. The FCC has acknowledged that the current contribution system has given rise to uncertainty, inefficiency, and market distortions. Outdated rules and loopholes mean that services that compete directly against each other may face different treatment. Among the options the FCC is considering is a change to assess contributions based on either total revenues (i.e., interstate and intrastate), connections, numbers, or a hybrid approach (of connections and revenues).

2. High-Cost

In 2011, the FCC modernized its existing high-cost fund to explicitly support deployment of broadband to unserved areas.[138] While the order implementing these reforms was appealed, the Tenth District Court of Appeals in Denver recently rejected almost all the arguments made by the 31 petitioners.[139] The arguments that were not rejected were found to be not yet "ripe" for judicial review. As part of this reform, the FCC began to phase out the existing high-cost support programs and began funding through the two new high-cost programs, the Connect America Fund and the Mobility Fund. The Connect America Fund focuses on supporting and expanding fixed broadband availability and voice service. The Mobility Fund that will provide

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[138] FCC, "Report and Order and Further Notice of Proposed Rulemaking," WC Docket No. 10-90, et all, FCC 11-161, released November 18, 2011, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-11-161A1.pdf, accessed May 9, 2014.

[139] United States Court of Appeals, Tenth Circuit, Petitions for Review of Orders of the Federal Communications Commission (FCC Nos. 11-161, 12-47), Case No. 11-9900, released May 23, 2014, http://www.ca10.uscourts.gov/opinions/11/11-9900.pdf, accessed May 29, 2014.

IV. Transcript

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

PROCEEDINGS:	INTERNAL AFFAIRS
COMMISSIONERS PARTICIPATING:	CHAIRMAN ART GRAHAM COMMISSIONER LISA POLAK EDGAR COMMISSIONER RONALD A. BRISÉ COMMISSIONER EDUARDO E. BALBIS COMMISSIONER JULIE I. BROWN
DATE:	Wednesday, June 25, 2014
TIME:	Commenced at 9:34 a.m. Concluded at 10:29 a.m.
PLACE:	Gerald L. Gunter Building Room 105 2540 Shumard Oak Boulevard Tallahassee, Florida
REPORTED BY:	LINDA BOLES, CRR, RPR Official FPSC Reporter (850) 413-6734

P R O C E E D I N G S

CHAIRMAN GRAHAM: Good morning.

COMMISSIONER EDGAR: Good morning.

CHAIRMAN GRAHAM: Let the record show it is Wednesday, June -- let the record show it is Wednesday, June the 25th, and this is the Internal Affairs meeting.

I guess we could just jump straight into the agenda. The first thing on the agenda is the presentation of AT&T's trial proposal, Mark Long.

MR. LONG: Commissioners, this item is a briefing on AT&T's proposal to the FCC to transition two wire centers from existing services and infrastructure to all IP services. I want to make sure that you're up to speed on it in case it comes up in NARUC.

The transition to Internet Protocol has been going on for a number of years, but this trial's genesis was part of a companywide $14 billion investment plan that AT&T announced on an investor call on November 2012. They call it Project Velocity IP. It encompasses the whole company and transitioning it into IP-based services.

COMMISSIONER EDGAR: Did you say Project Velocity?

MR. LONG: Project Velocity IP.

COMMISSIONER EDGAR: Oh, wow.

MR. LONG: Right. And coincidentally with that announcement they filed the petition with the FCC for these trials. And so by the time their annual report came out at the end of 2012, beginning of 2013, their CEO included this statement in it, that "By 2020, we expect to have fully transitioned our customers to all IP." So he kind of laid down the gauntlet for his corporation, announced it to investors that this is where we want to go.

Now considering that AT&T has almost 5,000 wire centers in its, in its nationwide footprint, you know, this is a pretty aggressive statement. So, you know, AT&T's been, you know, trying to move as quickly as possible since.

The only thing I know to compare it to is the transition to digital television where, you know, the broadcast signals went from analog to digital. There were a lot of things in the network that hadn't changed, a lot of things that the vendors had to change, and even people had to change their end user equipment in the end a little bit.

AT&T proposed four objectives in the trial. First, they wanted to identify and resolve all the operational, technical, logistic, any issues they have while they transition the wire center from TDM to IP.

Just for review, you know, TDM means Time Division Multiplexing. That's a digital architecture. It's both a specific technology and kind of a generic term for where the telephone network is now. And IP means Internet Protocol. It doesn't mean the Internet, you know, as we commonly know, know the Internet. What it means here is, is that the telephone network will run on the same protocol as the Internet uses, which is, at its most basic, IP addresses. You know, you have IP addresses for all your devices, your phone, your computer, those types of things, where all phones will have IP addresses, and it will use IP architecture in order to distribute, translate, communicate calls.

And IP is -- you know, the whole -- it was invented back in the '70s, and it's gone through several iterations. It's up to -- they're starting to implement IP Version 6 now. IP Version 4, I think, is what's in the network that provides for 4 billion different IP addresses and, unbelievably, they're running out. So IPv6 kicks that up a notch. And I had to write this down and look it up, because IPv6 will allow for approximately 340 undecillion IP addresses. That's 10 to the 33rd power. So that's a, you know, hugely -- in, in connecting devices, that they feel like this version will, you know, last for some time as a basic

network architecture.

MR. KISER: Mr. Chairman, how many zeros is that?

MR. LONG: A lot.

CHAIRMAN GRAHAM: Thirty-seven.

MR. KISER: Due to, due to the sensitive nature of all this, I just wonder if we shouldn't put Mr. Long under oath.

(Laughter.)

MR. LONG: Second, AT&T wants, you know, to develop an acceptable migration process. You know, their intent is, is once this network is deployed and functional, then they believe it's duplicative of the existing network in a lot of ways, and several -- and many of the facilities they can retire that will necessarily need to migrate customers onto the new services. So they want an acceptable migration process.

Third, they want sufficient education and notice so that all customers, stakeholders, regulators, everyone else understands what they're doing, how they're doing it, when they're doing it so that, you know, nobody is surprised over it.

COMMISSIONER BRISÉ: Mark, in talking about that, who will be the owner of the data? I mean, who will have access to all of that data?

MR. LONG: Access to the data for the trials will go to the FCC. The FCC just had an open meeting a couple of weeks ago, and they announced that they're going to hire a third-party consultant. And the third-party consultant is going to help develop a methodology and data analysis and help analyze all the data that they get from these wire centers and from any control wire centers that they would designate, you know, as, as not being transitioned to be able to compare the two. So all that data will go to the FCC. What the FCC does with that or what the, the proprietary nature of any of it is I'm not aware of, but I'm not sure they've quite, you know, worked that out. So I don't know if they're going to be sharing that with states or they're going to be sharing that with anyone other than that third-party contractor.

COMMISSIONER BRISÉ: Okay. So then this data is post-collection. And after it's all, all analyzed, then anybody might have access to it, in essence.

MR. LONG: That's possible, yes.

COMMISSIONER BRISÉ: Okay. All right.

MR. LONG: Sometimes though -- I guess I'll caveat that -- the FCC, especially in my limited experience in universal service back in the day, sometimes when they hire third-party consultants, they

will create their methodology and put it in the proverbial black box that they will then trademark, and so sometimes you never really get to see how they did what they did.

They decided on two wire centers: one in Carbon Hill, Alabama, and one right here in King's Point, Florida. This is where they're located. King's Point is in, is in Delray Beach in Palm Beach County, and Carbon Hill is in northwestern Alabama.

Carbon Hill is rural, sparsely populated. I think it's about 38 people per square mile. 21 percent below the poverty level. So it's -- it would be classified as a rural exchange. I believe it's served by a remote switch, not even served by a, a, you know, first line switch, and I think that's part of why they wanted to do it that way. "What happens when we serve, you know -- currently we serve it with a remote. How do we transition that?"

King's Point is a lot different. First of all, it's -- two-thirds of it is in a wildlife refuge, so it's virtually uninhabited. The eastern part is the part with all the access lines in it, and that part does not look anything at all like Carbon Hill, which is why they wanted to choose it. It's much more densely populated. The three points on the map -- High Point,

Villages of Oriole, and King's Point -- those are all retirement communities. The median age is over 75 years old. And I also notice all those green dots in there are about ten golf and country clubs.

AT&T is proposing to roll this trial out in three phases. The first phase, they're going to aggressively market their new services. They're going to develop new services. They have not developed all of the replacement services and figured out how they're all going to work. Some of them they have and have been selling, some they're still developing. So they're going to actively market and try to convince the people in these exchanges to, to convert their existing services over to these new services. It will be completely voluntary for all customers; it will be voluntary for the wholesale providers in there to participate in it in the first phase.

Phase 2, they're going to want to grandfather the TDM-based services, and they will apply to the FCC under Section 214 for a, for relief to grandfather and discontinue services. Grandfathering means allowing customers who, who currently subscribe to a service to keep it, but don't let any new customers buy it.

Then in Phase 3, they will sunset all their TDM-based services and require people to buy IP-based

services to continue getting service from AT&T. And, again, that will follow a proceeding at the FCC, either one proceeding to allow a timeline for Phases 2 and 3 or separate ones. That's not really determined yet either.

They plan to do all this within three years. Again, that's extremely ambitious. But if they're going to meet their target of converting the other 4,700 COs to IP by 2020, then, you know, they, they have to keep rolling with this and get the data they need in order to do that.

COMMISSIONER BROWN: Mark, do you happen to know what the timelines are for the IP transition for CenturyLink and Verizon?

MR. LONG: I do not know specifically. I've spoken with CenturyLink, and they have a somewhat different philosophy on the IP transition. Their network architecture is going to be a little bit different from AT&T's, and their timeline is substantially longer in transitioning that.

They, they have, you know, their own unique challenges in that they may have some, some more rural facilities that would need to be converted.

You know, AT&T has some rural areas, and AT&T connects with rural carriers all over. But AT&T's facilities within their network are, you know, pretty

state of the art and up to date. CenturyLink's are for the most part, but they do have some outlying areas that are still, you know, served with facilities that will prove difficult to transition to IP quickly. So they have a few separate challenges, and that's going to make their timeline longer than AT&T's.

To implement this trial, AT&T first plans extensive customer outreach, advertising, and to put people in the area in King's Point and Carbon Hill to answer any questions for customers, have customer focus meetings and things of that nature so that all the customers are aware of what's going on and what they're planning on doing.

And, again, no retail or wholesale customer will be required to transition, do anything during the first phase of the trial, which is expected to continue through a substantial part of next year. They're not going to require any migrations until they have completed their product development, figured out the answers to their open questions of "How are we going to serve this, how are we going to solve this?" for the vast majority of them. Maybe not all of them, but, you know, the vast majority of them. And then they're going to go to the FCC and present that to them: "We've solved these problems. These are the services we offer.

We believe they are reasonable to cover the customer base that we have, and, you know, we'd like to be able to start grandfathering and migrating them."

But they do emphasize that, you know, migration of all TDM services to IP will be required at some point during the trial -- obviously with the FCC's permission -- but that's their -- that's -- that will be part of the trial.

This busy slide just talks about presently the services that they've developed and what, how they plan on offering transition customers to these services. In their wireline footprint -- remember, they are, you know, a major wireless carrier, so they have a wireline footprint and a wireless footprint that don't completely overlap. They'll have customers that will have access to their U-verse Voice and High Speed Internet services that they presently offer. These are, these are products that they're offering now, so these are developed products. And that will provide their dial tone, that will provide their Internet access, their broadband capabilities, you know, and anything along those lines that they need in, in their current wireline footprint.

In their wireless footprint they will have a service called Wireless Home Phone and Wireless Home

Phone and Internet, and those will replace landline phones, if they have them, and/or serve as their home phone service.

There are places that are currently in their wireline footprint that they actually intend to convert to wireless that are kind of in the less populated areas of the wireline footprint that they don't intend to bring U-verse to, U-verse is not currently available in, and they don't intend to bring it to it. They intend to substitute a wireless product for it.

And the FCC -- I'll talk about that in that the FCC did speak briefly about that in their, in their briefing the other week.

The wireless component, they generally have developed speeds -- 5, 12 megabits -- that are comparable with DSL products. So in most of their wireless footprint they have -- their wireless product does function a little bit like that.

Business services, they have Ethernet-based business services, AT&T Voice, Flexible Reach, U-verse products that are in their wireline footprint. Their wireless footprint, they have not quite developed a business wireless product. They're still working on that.

There are some incompatibilities.

911 requirements, they will comply with existing 911 requirements. But they don't have E-911 with street address worked out yet, and alarm monitoring, medical alerts, credit card validation applications, there are still some challenges there. They're developing enhancements that will be able to overcome those challenges.

There are some things that they're not going, they're not planning on being compatible with. They believe they're outdated technologies. They listed DVR services, elevator phones, third-party pay per call, dial around calls, and live operators.

They may not ultimately be compatible, you know, with all equipment: really old fax machines, for example. They may have to get a, a fax machine made in the last 15 years for it to work.

They intend to continue to meet consumer protections outreach plans. CPNI rules that they, that they currently apply to services, they'll roll those over to the IP services. They're not going to change any of those customer privacy rules during this trial.

And then the wholesale services, that's generated a lot of the comments about the trials because a lot of the wholesale providers are wondering what's going to happen when they transition to these IP-based

services. Not just what services now will we be required to buy, but what will their regulatory environment be as far as requiring wholesale access, you know, to, to your network once you convert it to IP. And AT&T said, you know, "During the first phase or two of the trial we're not going to require anything from the wholesale providers. They don't have to participate in the trial. We encourage them to participate, but there's nothing that we're going to require from them."

The last piece of that is, the important piece is that they will file a Section 214 process that I talked about earlier about phasing out or discontinuance of service, and that will mean a withdrawal of TDM-based wholesale services at some point in the trial.

The FCC talked about it happening maybe in a separate trial, so they talked about a wholesale trial. So it may even be separated out from this particular trial or put on at the very end of this trial. I don't know. It's kind of unclear what they, what they said.

And the other things that the FCC said in their open meeting, along with the independent consultant that they're going to hire, is that they seem to be geared towards what they think the important part of the trial is, and that is when they come in for one of these requests for relief where they want to

grandfather services, transition services, they expect sometime in the second half of 2015. They did not talk about when they would approve this trial. They generally have one meeting a month, and so the earliest they could do it would be July. They did not say specifically there were some things AT&T had to do to get it approved. They just -- staff briefed them on the status of it, and a couple of Commissioners made some, some statements, but they were more towards, you know, "We're not ready to, for this transition to happen. We're hoping that we're ready by 2015 when you come in and ask to actually withdraw some services or grandfather some services." They didn't really speak specifically of what we're going -- what they're going to do now.

And they, they, they pointed out that AT&T revealed that, that it plans to serve 25 percent nationwide of its current wireline customers with wireless-only products at the end of its transition. So that 25 percent of existing AT&T wireline customers will not be able to keep a wireline service. They'll have to convert to a wireless product if they want to stay with AT&T.

Well, there are a few more things I could talk about, but I don't need to.

(Laughter.)

I mean, you know, the, the, the -- they -- the FCC did spend some time on the wholesale services part in their update because, again, they've had a lot of comments on that, and a lot of the wholesale providers are concerned about that. Because that's their business; they need network elements from another carrier in order to complete their service. So they just want to make sure that they are able to construct a viable business plan after this is over.

CHAIRMAN GRAHAM: Commissioners, any other questions of Mark Long?

It says we have another speaker, Lila.

MS. JABER: Thank you, Commissioner.

CHAIRMAN GRAHAM: Chairman Jaber.

MS. JABER: Thank you. Lila Jaber, Gunster Law Firm, on behalf of TW Telecom and CompSouth. And, no, there's nothing wrong with Beth Keating. She's just got a scheduling conflict, so she let me come and present on behalf of our clients today.

Thank you to Mark Long for a very thorough presentation. Our comments are really to reiterate the point Mark last made with regard to wholesale services. From TW Telecom and CompSouth's perspective, really our ask of you is just to keep an eye on the process as it

relates to preserving the ability to have access to those wholesale services.

Just to put in context our comment, later on in the competition report I think you're going to hear good news with regard to the level of competition certainly in the business sector. There's a comment in the competition report, and I have no reason to believe it's not accurate, which is that CLEC market share has outgrown ILEC market share in the business sector. And that's a testament, frankly, to the regulatory policies you've put in place and the FCC has put in place.

So our encouragement is that that work continues as the transition happens with an eye on making sure appropriate access and agreements stay in place and that there is a transition that involves CLEC-to-AT&T communication and eventually Sprint and CenturyLink as well -- or CenturyLink and Verizon as well, but with a mindful eye that everyone needs certainty on what those equivalent products look like, in particular the wholesale sector. So thank you.

CHAIRMAN GRAHAM: Any questions of Ms. Jaber? Thank you.

J.R.

MR. KELLY: Mr. Chair, I'd just like to ask a question that's been posed to my office, and that is

what -- under the new IP-based system, what happens if the power goes out? And I think that a lot of the elderly that now if the power goes out, the copper system still works. And does it, does the answer change for wireline IP network versus the wireless footprint? And I -- that may not be a fair question to Mark, but I just, it just popped in my head when I was --

MR. LONG: Well, that was one of the other things I decided not to talk about, that the FCC staff brought up in the opening, that's one issue that has not been -- that they couched has not really been addressed much so far in the trial proposal, and that is the available fiber-based networks during power, power outages. So that's certainly a concern that they're aware of and, you know, will, will fully contemplate some solution to, you know, during this process, I'm sure.

MR. HATCH: Mr. Chairman, Tracy Hatch with AT&T. Just to sort of follow up on that. What you've got to realize today is that unless you have an old-fashioned wireline rotary or touch-tone phone, when the power goes out, your power goes out unless you have another alternative already.

Now everybody that's got cordless phones in their house, they go out when the power goes out. For

example, now if you are an AT&T U-verse customer and you have a U-verse voice product, that product comes with, I believe it's an 8-hour battery. You can get a bigger, bigger battery, if you want. But people will have to make those kinds of arrangements for whatever products that they have in the future.

And in the wireless world, of course, it's -- if your cell phone is charged up, it works. If it's not, then it won't work regardless of what it is.

CHAIRMAN GRAHAM: So, in other words, if your power goes out, you have bigger problems.

MR. HATCH: Potentially if the power really goes out, then you may have really bigger problems. That's exactly right.

MR. PARADO: Any other further questions or comments?

Mark, thank you very much for your presentation.

Now let's venture on to Item Number 2 on the agenda, which is the MOU.

MR. SHAFER: Good morning Commissioners. Greg Shafer with Commission staff.

Item 2 seeks approval of a revised Memorandum of Understanding with the water management districts. The currently effective memorandum was effective in

June 1991, and staff believes it's appropriate to update the memorandum. A Memorandum of Understanding with the respective water management districts is not a requirement, and each entity's legal responsibilities are delineated in statutes.

However, a Memorandum of Understanding seeks to address specific duties that each entity will undertake in furtherance of the statutory responsibilities when those responsibilities interact or overlap.

The attached revised memorandum represents a less formal, more contemporary style of document than the previous document and was developed through a collaborative effort between staff of the Public Service Commission and staff from each of the five water management districts.

Most changes are stylistic and organizational in nature. The most substantive change is the removal of language addressing reuse feasibility analyses. As a practical matter, the Commission conducted, I think, two feasibility analyses back in the '90s, reuse feasibility analyses, and has not been called upon to do such since then.

All of the Commission jurisdictional utilities that could cost-effectively install reuse facilities

have already done so. And, further, should the need arise, we would absolutely provide the necessary analysis. And with that, I'm happy to take questions.

CHAIRMAN GRAHAM: First question. Okay.

COMMISSIONER BROWN: Thank you, Greg. I know it's kind of a burdensome task to work with all of those different governmental agencies to come up with a final work product. So thank you for your perseverance and collaborative efforts with all of them.

But I know we spoke before about some stylistic and grammatical changes. I just have two substantive changes I wanted to raise to my fellow Commissioners. And I'm looking from the Attachment B, which is the red line version, so it's easier for me to look at the changes that were actually made.

On page 13 under the Florida Public Service Commission's responsibilities -- well, the first paragraph, the last sentence where it says, "The FPSC agrees to implement policies and procedures necessary to administer the following duties," I thought we should add language "when applicable" rather than making it carte blanche, always mandatory. I think "when applicable" or, alternatively, "in accordance or furtherance of Chapter 367."

The other change on there that I wanted to

suggest to you all is on number 3 of the responsibilities, it says "Recognize and allow recovery of expenses." I think we should add the words "prudently incurred" preceding the word "expenses."

Also, I didn't like the word "and allow" because it almost suggests that we, the Commission shall always allow recovery of those expenses, those expenses for excessive unaccounted for water. I kind of wanted to mirror the language, the last sentence of page -- of paragraph, of that same paragraph where it says, "Allowable expenses may include." So I kind of -- I thought it would be nice to change "Recognize and may allow recovery of prudently incurred expenses."

Finally, the last suggested change on page 16, the attachment under project coordination, a minor change. There was a stylistic change that's non-substantive, but the one that I wanted to include on number 3 under project coordination where it talks about "actions taken against individual water systems," I think it would be wise to include the words "subject to FPSC jurisdiction." And that looked to be a new provision, Greg, correct, looking at the, comparing the previous MOU? It looked -- is that correct?

MR. SHAFER: I don't know that it's new. It was restyled. The water management districts do not

typically take enforcement or make enforcement recommendations, which is what the old language said. And so the language was restyled to make it more correct with what they actually do.

COMMISSIONER BROWN: Okay. With those, I think it's a solid work product. I just, I think those changes would make it cleaner and would be -- I don't think it would really be to the detriment of the other water management districts. I think they would be complicit and agree accepting those minor changes.

CHAIRMAN GRAHAM: Any questions or concerns of the proposed changes by Commissioner Brown?

Anything from staff?

Okay. Anything else?

Commissioner Balbis.

COMMISSIONER BALBIS: Thank you. I have a quick question. I know previously in 1991 we had one MOU that was for all of the water management districts. But now in this case, I guess because of the South Florida Water Management District's desire to have an individual one, is that going to be the intent, that now we're going to have individual MOUs with each one or one blanket?

MR. SHAFER: Yes. Yes.

COMMISSIONER BALBIS: Okay. And then I did

notice that the Northwest Florida Water Management District did not want to execute it. I just think it's important, you know, when you go through rate cases to say we have an MOU with all of the water management districts. I mean, do you feel that that's a detriment, or are there revisions to the draft MOU that would make them more comfortable?

MR. SHAFER: First of all, I think it would probably be better if they were all participating. There was not a dialogue in regard to making changes to the document that would mollify any concerns. I think the express issue there was that the district -- and it's included in the letter -- that the district believes that their responsibilities and our responsibilities are clearly reflected in the current statutes and that it's not necessary to have the document. You know, I don't know that we pushed to, to try to bring them in. It just seemed like the decision had more or less been made on their end.

COMMISSIONER BALBIS: Okay. Because I know that with this Commission we've had a lot of discussions on where the appropriate inclining rate block structures are.

MR. SHAFER: Right.

COMMISSIONER BALBIS: And it's always

something that we always mention that we do have an MOU with all the water management districts. So, but if this is --

MR. SHAFER: And, again, the Northwest District did say in the letter and in conversation that, you know, they didn't anticipate changing the way they interact with us, that they, you know, that they look forward to cooperating with us in the future. It's just an internal decision was my interpretation.

COMMISSIONER BALBIS: Okay. Thank you.

MR. KISER: Mr. Chairman.

CHAIRMAN GRAHAM: Yes.

MR. KISER: A historical note, that district has consistently been treated differently through the years, and the reason for that was when the water management district constitutional amendment was prepared, it was to -- they wanted to limit it because the Constitution prohibits local -- state, any part of state government from having a property tax. But they wanted the water management districts to have property tax, so the constitutional amendment was required to give them 1 mil of taxation.

Well, the legislators representing Northwest Florida objected to that much of a millage. They didn't think 1 mil was -- that was way too much. So

there was an agreement in the Legislature to only give them half a mil, .5. Well, unfortunately, due to, they say a scrivener's error, it went on the ballot at .05. So for many years they had virtually no taxing authority to speak of. And every time something came along that dealt with state permits and other tax issues where they would have to come up with money, they were almost always exempted or a different provision put in because they just had no money to even pay co-payments, to pay on grants and things like that where you have to put a certain amount of money up of your own, they couldn't do any of that.

It wasn't until just relatively recently that the constitutional amendment was passed to bring them back up to where everybody else -- I think it brought them back up to -- it either brought them back up to 1 mil or it brought them back up to a half a mil. But for quite some time they have always been treated differently. And in situations like this where there was a certain amount of cooperation required, a lot of times they would just, they'd come to the Legislature and say, "We really can't do that because we don't have the money in our budget. We can't tax for that." So that's, from a historical note, that's why they've kind of been treated differently for quite some time.

CHAIRMAN GRAHAM: I think what it was is they brought everybody else back down to where they are.

MR. KISER: What's that?

CHAIRMAN GRAHAM: Never mind.

Anything else? Any other comments, questions?

COMMISSIONER BROWN: Move approval as amended.

COMMISSIONER BALBIS: Second.

CHAIRMAN GRAHAM: It's been moved and seconded to approve the MOU to the water management districts as amended by Commissioner Brown. Any further discussion?

All in favor, say aye.

(Vote taken.)

Sounds like you guys are good to go. Thank you.

Number 3. This is telecom day, isn't it?

MR. FOGLEMAN: Yeah. Good morning, Commissioners. Greg Fogleman with Commission staff.

Yesterday you should have received a brief outline of a few amendments to a proposed draft. There was one correction regarding telephone subscribership. What it was was an update. The data that we had in the report before was as of March 2013. This now reflects all of 2013.

The second amendment related to the third quarter USF assessment factor. That, that data became

available, and we seek to amend the, the proposed report to reflect those two, two updates.

In this report we -- there are two firsts that we've noticed. The first one related to AT&T. We noticed that AT&T's residential lines continue their decline, but they now match what their -- the number of business lines they have. We thought that was kind of interesting. Verizon looks like it's headed in the same direction. Maybe by next year we may see, see that as well.

The next thing we noticed that was kind of a first related to the CLECs. As mentioned before, now the CLECs have more business access lines than the incumbent carriers. CLECs did see the residential access lines decline by about 17 percent; whereas, their business lines increased by 16 percent. In the aggregate, all of the ILECs saw, saw their, their residential and business lines decline by, by 18 percent.

One thing also to note in this year's competition report, traditionally we rely on data from the FCC to kind of flush out the national trends and what have you. This year the FCC has not released a couple of reports that we look to, so that the data that we're using are, are end of 2012, December of 2012.

Staff would like to go ahead and update that should the FCC release data between now and when the report has to be distributed. Staff is available for questions.

CHAIRMAN GRAHAM: Commissioners? Questions, concerns, comments?

All good to go?

MR. LONG: I guess I burned them out on phones.

MR. FOGLEMAN: Thanks. I owe you lunch now.

As a matter of fact, wait a second, isn't it somebody's birthday today?

MR. LONG: No.

MR. FOGLEMAN: No? No?

MR. LONG: Tomorrow. Tomorrow.

CHAIRMAN GRAHAM: All right. They seek approval. Is there a motion?

COMMISSIONER EDGAR: Move approval.

COMMISSIONER BRISÉ: Second.

COMMISSIONER BALBIS: Second.

CHAIRMAN GRAHAM: It's been moved and seconded to approve the draft letter. Any further discussion?

All in favor, say aye.

(Vote taken.)

MR. LONG: And we would just include editorial privileges to keep the information updated and fresh as

it goes to press, if we can, so.

CHAIRMAN GRAHAM: That was in the motion.

MR. LONG: Okay. Just making sure.

CHAIRMAN GRAHAM: Guys, thank you very much.

COMMISSIONER BROWN: Thank you.

CHAIRMAN GRAHAM: And happy early birthday.

MR. LONG: Thanks.

CHAIRMAN GRAHAM: All right. Legislative updates.

MR. KISER: Mr. Chairman, we really, really don't have anything new to, to update other than I think maybe since the last meeting, as we know, the legislation was approved on Senate Bill 272 that dealt with the private water and sewer companies, and the implementation of that is moving forward. A draft of that is being circulated about how the petition is going to look and what will be attached to it and all that good stuff and we're right in the middle of doing that.

CHAIRMAN GRAHAM: Okay. Executive Director.

MR. BAEZ: Thank you, Chairman.

We actually, I think we had skipped one item. I think it's Item 4.

Commissioners, on June, June 19th of this year the staff at the Department of Agriculture and Consumer Services, the Office of Energy, had requested a letter

of support from the Commission on a pending application for a grant from the, from the U.S. Department of Energy.

The USDOE had recently announced their State Energy Program Competitive Awards for 2014. These allow state energy offices to compete for funding for projects addressing energy efficiency. And the DOE is offering two grants in, in some areas of interest that the DO -- that our Office of Energy, Agriculture's Office of Energy had expressed interest in: The first being state energy planning and the second being innovative opportunities for energy efficiency and renewable energy practices.

The Office of Energy is applying for a grant under, under the first item, state energy planning. Those grants are intended to assist in bolstering state planning by facilitating stakeholder discussions related to activities concerning the future direction of the energy sector in the state and how energy efficiency and renewable energy fit into the vision for the future.

We are requesting, as has been requested from us, approval for a letter of support for the energy office's grant application. A draft letter has been provided for your review and really mainly for discussion. It was staff's first stab at it. And on,

on second or third reflection, I think some of the verbiage could stand some tightening because, in my estimation, I think we may be tracking a little too closely to pending matters -- for instance, the goals dockets coming up this summer. So we would -- what we would request is, based on the intent of the letter, your approval of intent to file a supportive letter, and let us go back and tweak it a little bit, along with whatever else you may already have, in order to get that language a little bit clearer so it's not misinterpreted as, as prejudging any issues that may be live before the Commission at this point. Do you have any questions?

CHAIRMAN GRAHAM: The first question is what's the necessity of this letter?

MR. BAEZ: Necessity -- well, candidly, Chairman, it's, it was a request from a sister agency. I mean, there's, there's really no, no special way of putting it. We get, we get some of these requests from time to time. This has been a practice of ours. I believe we sent a similar letter of support for a prior grant application that the Office of Energy had provided, I believe it was in 2010. So this is, in many respects, a renewal.

CHAIRMAN GRAHAM: Commissioners? Commissioner Balbis.

COMMISSIONER BALBIS: Mr. Baez, with this letter of support, I mean, is it anticipated that the Public Service Commission will have any participation in the activities?

MR. BAEZ: It's not my understanding that we would have any participation in the, in the activities of the grant.

COMMISSIONER BALBIS: Okay. Because looking at their outline of the process in their application, there's a lot of crossover into what I know our staff looks at in preparing and going through different processes. So it would be good if we had some participation in it. So that wasn't discussed at all?

MR. BAEZ: To my knowledge, to my knowledge, it wasn't. Cayce, if you have anything to add.

MR. HINTON: At this stage there's been no real discussion about who's going to participate as they go forward. It's their -- they've -- they've -- they're pitching a project.

MR. BAEZ: Yeah.

MR. HINTON: It's going to start with a, an analysis of the current state of affairs in the state with regards to policy, you know, the energy portfolio, all that, those type things.

Once they get a good ground, look at the

ground -- as, as -- once they get a good picture of where things lay, then they're going to organize stakeholder meetings. And at that point we may or may not be invited to participate. I don't think it's been determined at this point.

And then once they've got, they have those stakeholder meetings, they're going to come up with a list of proposals they think that the state should consider going forward.

COMMISSIONER BALBIS: Okay. Well, hopefully if we are invited to participate, that there is some funding within this grant to, to pay for that. But those are my only concerns.

MR. BAEZ: Yeah. And I would, I would point out in addition -- as you can see, our attorney has moved up to the, to the table -- whatever requests of participation has to get filtered through whatever we have going on at the time. I mean, I would allude prior to my comments on the draft letter as well. We do have like questions that may have, whether or not a strict overlap, they could rub up closely against. And in an effort to be cautious with our own decisions, that's the filter with which we would consider any offer of participation or any insistence on participation, for that matter. It's always a good opportunity, but the

opportunity comes with risks as well. So we would always take that into consideration.

COMMISSIONER BALBIS: And one last thing, Mr. Chairman.

And I think you bring up a good point, Mr. Baez, in that there are a lot of statements in the grant application that I, that I want to make sure that the draft letter, the final letter that goes out doesn't imply any tacit approval of any of the --

MR. BAEZ: That's an excellent point. I think that's something that we would, as an overall goal, have the letter make clear, that in addition to staying away from making any statements of our own is to not necessarily adopt conclusions that may be part of the grant application, but rather a support in a general sense to a sister agency that is also charged with some public interest obligations. So I think that's really more the feeling that we would want to capture in the letter of support.

COMMISSIONER BALBIS: Okay.

CHAIRMAN GRAHAM: Commissioner Edgar.

COMMISSIONER EDGAR: Thank you, Mr. Chairman.

I am aware that DOE, when looking at grants to states and other governmental entities, is very interested in seeing coordination and communication

between a state energy office, a state commission, and, in certain instances, a state environmental protection agency. So for it to be part of the grant review process for DOE to be interested in seeing some evidence of that coordination and communication is in keeping with the approach that they're taking.

I certainly want to be supportive of our state energy office's efforts, and glad to see coordination and communication. But I will say that when I read the information available to us -- and I realize that there's, there's way more -- but it raised more questions in my mind than it answered.

It's, it's very broad, and I do have a concern about the last sentence in the letter. It will be coming from this agency, recognizing, Mr. Chairman, that if we move forward with this, it is your letter and I would defer to you for the word choice. But in the last sentence it says that this grant application, that we believe as an agency that the grant application will be an effective approach to developing a vision for Florida's energy future, and that just seems a little overly sweeping and --

MR. BAEZ: Conclusive.

COMMISSIONER EDGAR: Exactly. If, indeed, the grant money would be intended and focused more on, say,

energy efficiency or something else, my suggestion would be that we are a little more specific.

And perhaps, Commissioner Balbis, similar to some of your context when you talked about it, the team will convene. I'm just curious as to who the team would be, and we want to be careful that we aren't, without knowing that, sanctioning. And, again, I just think there's a whole lot more information that's out there. But as far as from my standpoint being supportive of our state energy office and giving evidence that we are trying to work together, I certainly would want to, to do that. But I think maybe a little more work needs to be done.

MR. BAEZ: Absolutely, Commissioner. Good points all. I, I think I would, I would fall back on my comment is to try to be as supportive without becoming unwittingly complicit in something that we, that we cannot commit to because of our process, if nothing, if nothing more. And so we want to be as supportive as we can be, and by our action to the, to the grant as a whole, to the intent of the grant as a whole, if not entirely, the, the claims and the statements that, that are made. But I think your points are well taken.

Like I said, we're going to take a much more critical stab at the, at the draft to try and keep, keep

to those parameters as well.

CHAIRMAN GRAHAM: Anyone else? I hear crickets.

All right.

COMMISSIONER BALBIS: When is the application due, Mr. Chairman or Mr. Baez?

MR. BAEZ: I'm not, I'm not sure. I do know that the request for the letter of support was made rather -- it was requested that it be turned around rather quickly. And I think that the Chairman had made a question, had had a question before offline. We don't, just for your information, we don't have another Internal Affairs before the application is due, if that answers your question. June 30th, I'm told, is the deadline.

CHAIRMAN GRAHAM: Next week.

COMMISSIONER BROWN: Mr. Chairman, I know in the past we've given discretion to the Chairman to leave it in your discretion to review and approve the letter, as it's your signature. So I would offer that to the Commissioners.

CHAIRMAN GRAHAM: Is there any other comments or concerns about the way this current draft reads other than the ones that Commissioner Edgar made?

Thank you, Commissioner Balbis.

COMMISSIONER BRISÉ: I think the spirit of the, of our thought process is included, that we want to provide assistance or provide support from a, a Commission, but we don't want our hands tied. And I think that that -- the letter needs to, needs to reflect that, that reality.

MR. BAEZ: Yes, sir. And we'll, we'll coordinate with, with, with your office, both -- I'm not volunteering Curt necessarily -- but, you know, have legal look at it as well, make sure that we're clear of all of those sticky parts, and get back to you ASAP.

CHAIRMAN GRAHAM: Okay.

MR. BAEZ: Thank you, Commissioners.

CHAIRMAN GRAHAM: Thank you.

Is there anything else in the Executive Director's report?

MR. BAEZ: Nothing else, Chairman. Thank you.

CHAIRMAN GRAHAM: Other matters. Anything?

Crickets again.

All right. Seeing none, we are adjourned. Thank you very much. Travel safely.

(Internal Affairs concluded at 10:29 a.m.)

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

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

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

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

DATED THIS 2nd day of July, 2014.

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