

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: April 26, 2007

TO: Commission Clerk (Cole)

FROM: Division of Competitive Markets & Enforcement (Moses, Casey)
Office of the General Counsel (Tan)

RE: Docket No. 040763-TP – Request for submission of proposals for relay service, beginning in June 2005, for the hearing and speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

AGENDA: 05/08/07 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Anticipate the need for sign language interpreters and assistive listening devices. Place near the beginning of the agenda or at a time certain to reduce interpreter costs.

FILE NAME AND LOCATION: S:\PSC\CMP\WP\040763.RCM.DOC

Case Background

The Florida Relay System (FRS) provides hearing impaired persons access to basic telecommunications services by using a specialized communications assistance operator (CA) that relays information between the hearing impaired person and the other party of the call. The primary function of the FRS is accomplished by the hearing impaired person using a Telecommunications Device for the Deaf (TDD) which has a keyboard and screen. The person using the TDD types a message to the CA who in turn voices the message to the other party. The

reverse of this process completes messages to the hearing impaired person. This is how the term “relay” originated.

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system and became effective May 24, 1991. It is authorized under Chapter 427, Florida Statutes. Section 427.701(1), Florida Statutes, provides that the Florida Public Service Commission (FPSC or Commission) shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by persons who are hearing impaired or speech impaired, or others who communicate with them. This system provides telecommunications service for hearing impaired persons functionally equivalent to the service provided to hearing persons. TASA provides funding for the distribution of specialized telecommunications devices and provision of intrastate relay service through the imposition of a surcharge of up to \$0.25 per landline access line per month. Accounts with over 25 access lines are billed for only 25 lines.

Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies (LEC), was named by the FPSC to serve as the TASA administrator. On July 1, 1991, the LECs began collecting an initial \$.05 per access line surcharge pursuant to Order No. 24581. Since that time, the surcharge has changed to reflect the budgetary needs and is currently \$0.15.

Section 427.706, Florida Statutes, provides for up to 10 members of an advisory committee to assist the FPSC with the implementation of the relay system. Two members of the advisory committee resigned on February 22, 2007, another member resigned on March 20, 2007, and one member notified staff of her resignation effective July 1, 2007. The purpose of this recommendation is to address FTRI’s 2007-2008 proposed budget and appoint replacement committee members for those who have resigned.

The Commission is vested with jurisdiction over these matters pursuant to Chapter 427, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve FTRI’s proposed budget as outlined in Attachment A for the fiscal year 2007-2008, effective July 1, 2007 and should the Commission reduce the current Telecommunications Relay Service (TRS) surcharge from \$0.15 to \$0.11 per month?

Recommendation: Staff recommends that the Commission approve FTRI’s proposed budget as outlined in Attachment A for the fiscal year 2007-2008, effective July 1, 2007, and recommends that the TRS surcharge be reduced from \$0.15 to \$0.11 per month for the fiscal year 2007-2008, effective July 1, 2007. Staff also recommends that the Commission order the incumbent local exchange companies, competitive local exchange companies, and shared tenant providers to begin billing the modified surcharge beginning July 1, 2007. (Moses, Casey)

Staff Analysis: As shown in Table A, the trend for minutes of use for traditional TRS has declined. It is projected that the traditional TRS minutes will continue to decline in 2007-2008. Traditional relay users are transitioning to the more efficient technologies of IP-Relay,¹ Video Relay Service² (VRS), CapTel captioning service, and Blackberry or Palm wireless devices.

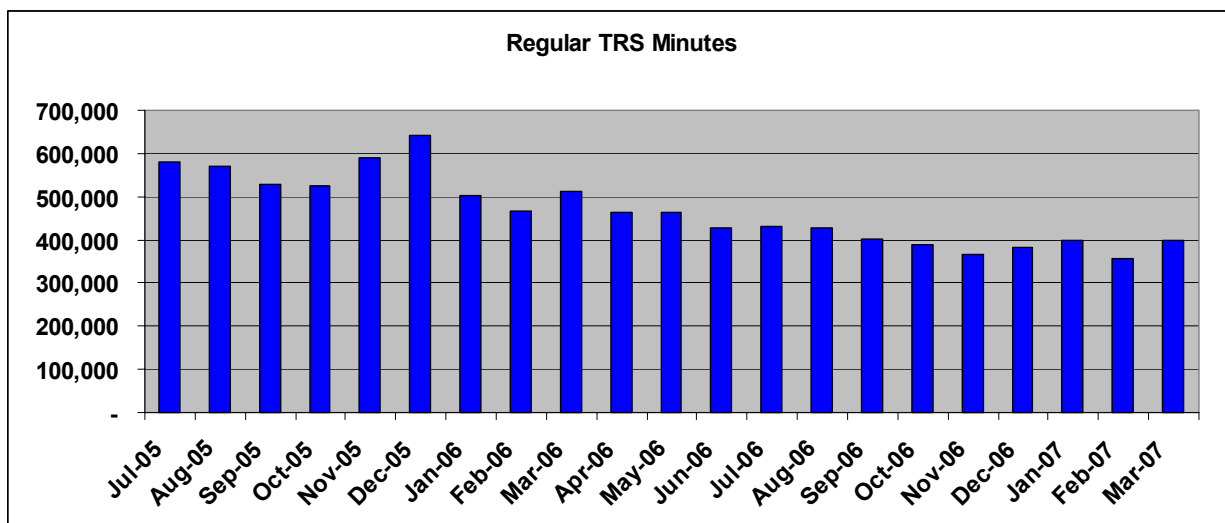


Table A – Florida Traditional TRS Minutes July 2005 – March 2007

¹ IP Relay allows people who have difficulty hearing or speaking to communicate through an Internet connection using a computer and the Internet, rather than a TTY and a telephone.

² Video Relay Service is a form of Telecommunications Relay Service that enables persons with hearing disabilities who use American Sign Language to communicate with voice telephone users through video equipment, rather than through typed text. Video equipment links the VRS user with a TRS operator so that the VRS user and the operator can see and communicate with each other in signed conversation. Because the conversation between the VRS user and the operator flows much more quickly than with a text-based TRS call, VRS has become a popular form of TRS.

VRS and IP-Relay

The traditional relay users who are transitioning to IP-Relay and VRS are presently having their relay minutes of use paid through the interstate TRS fund. However the Federal Communications Commission (FCC) has stated that this arrangement is only temporary. The FCC believes Title IV and its legislative history make plain that Congress intended that the states be responsible for the cost recovery for intrastate relay services provided under their jurisdiction.³

Presently, there are no means available to automatically determine the geographic location of IP-Relay and VRS calls, and therefore there is no way to determine if a particular IP-Relay or VRS call is interstate or intrastate. The FCC is examining ways to determine whether these calls are interstate or intrastate, and will eventually transfer the cost burden of intrastate IP-Relay and VRS calls to the states. Presently the VRS compensation rate is \$6.644 per minute and the IP-Relay compensation rate is \$1.293 per minute, compared to the traditional TRS compensation rate of \$0.75 per minute. The FCC has not formally opined on the time frame when the IP-Relay and VRS costs will shift to the states, but when it does happen, additional funding through statutory changes may have to be pursued because of the statutory cap of \$0.25 per access line for TRS in Florida. Prior to the filing of this recommendation, staff contacted the FCC and asked if it could provide a better time frame of when states would be assuming the intrastate costs of IP-Relay and VRS. The FCC Deputy Bureau Chief advised staff that the change would probably not take place in the fiscal budget year of 2007-2008 we are addressing in this recommendation. Staff estimates that the total monthly responsibility of intrastate IP-Relay and Video Relay costs would be \$1,513,857 or \$18,166,293 annually.

The \$18,166,293 additional IP-Relay and VRS costs would more than double the current proposed budget for Florida TRS to over \$31 million and likely exceed the current \$0.25 cap per access line allowed by statute. If this happens, a legislative change may be necessary to either increase the present TRS cap or have all carriers such as wireless charge the surcharge rather than just landline carriers. Another alternative is to have the FCC fund the entire relay program. The timeline for a legislative change may impair the stability of the Florida TRS fund.

In order to minimize the impact of this change on the Florida TRS Fund, the Commission took action in the 2006-2007 FTRI budget year by maintaining a \$0.15 per month TRS surcharge to create a surplus to handle the initial costs of the intrastate VRS and IP-Relay cost burden. By Order PSC-06-0469-PAA-TP, issued June 1, 2006, the PSC, in lieu of a surcharge reduction to \$0.09/month, maintained the Florida TRS surcharge at \$0.15/month to prepare the state TRS fund for assuming intrastate costs of VRS and IP-Relay. It is estimated that this will provide a surplus in the Florida TRS fund of \$16,497,597 by the end of the 2006-2007 fiscal year in June 2007. Interest earned on this amount should increase the surplus amount enough to accommodate the intrastate VRS and IP-Relay costs for a period of 12 months.

³ Federal Communications Commission Report and Order, Order on Reconsideration, and Further Notice of Proposed Rule Making in CG Docket No. 03-123, released on June 30, 2004, FCC 04-137.

CapTel Service

CapTel service, which is a telephone that provides captioning of the incoming call for a hearing impaired person, has had its minutes of use slowly and steadily increase over the past year. It is projected that CapTel minutes of use will surpass 200,000 minutes per month starting in October 2007. Once that benchmark is reached, the cost per minute for CapTel service will be reduced from \$1.37 per minute to \$1.33 per minute per the terms of the Commission contract with Sprint Relay. Table D shows CapTel minutes of use from July 2005 through March 2007.

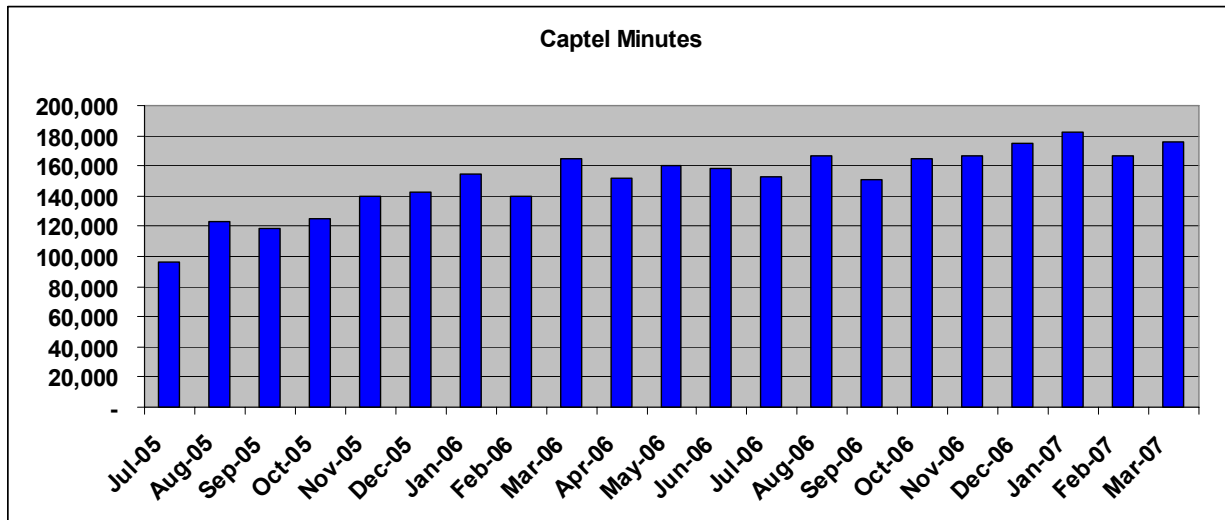


Table D – CapTel minutes of use July 2005 – March 2007

Staff has been working with Sprint to address quality issues with the captioning and believes the improvements being made by Sprint will cause the usage to continue to grow in the next fiscal year. A recent survey of Florida CapTel users showed that 87.5% of users enjoy using their CapTel phone. Respondents who showed concerns with their CapTel phone provided reasons such as technical problems with the phone, they cannot listen and read at the same time, the captions were too fast, the audio level was not right, they don't need the CapTel phone, and the captions were unclear. FTRI is following-up with respondents to make sure the customers have the phone which best meets their needs. Technical problems are being addressed by Sprint Relay and the CapTel manufacturer.

FTRI Budget

FTRI prepared its 2007-2008 budget with the understanding that the \$0.15 surcharge would remain as is. After analysis of the proposed budget, staff believes sufficient monies will be in the surplus account to address the initial cost of implementing VRS and IP-Relay when that mandate occurs. Therefore, staff believes that the surcharge can be reduced to \$0.11 to cover the FTRI 2007-2008 budget as shown below.

	<u>FTRI Proposed Budget</u>	<u>Staff Recommended Budget</u>
Operating Revenue:		
Surcharges	\$16,897,564	\$12,391,546
Interest Income	<u>949,051</u>	<u>831,416</u>
Total Operating Revenue	\$17,846,615	\$13,222,962
Other Revenue Funds:		
Surplus Account	<u>\$16,497,597</u>	<u>\$16,497,597</u>
Total Revenue	\$34,344,212	\$29,720,559
Operating Expenses:		
Relay Provider Services	\$ 5,922,431	\$ 5,922,431
Equipment and Repairs	1,837,664	1,837,664
Equipment Distribution And Training	1,304,991	1,304,991
Outreach	779,544	779,544
General & Administrative	<u>1,378,906</u>	<u>1,378,906</u>
Total Expenses	\$11,223,536	\$11,223,536
Revenue less Expenses	\$23,120,676	\$18,497,023

Conclusion:

Staff has reviewed FTRI's 2007-2008 fiscal year budget request and believes it is reasonable. Staff also believes the Commission's actions to minimize the impact of funding the intrastate costs of VRS and IP-Relay has provided sufficient surplus in the TRS Fund to allow enough time for legislators to make any necessary changes which may be needed to the TRS statute. To meet FTRI's budget needs for the 2007-2008 fiscal year, a TRS surcharge of \$0.11 will be needed. The present TRS surcharge is \$0.15 per month. Therefore, staff recommends that the TRS surcharge be reduced from \$0.15 to \$0.11 per month for the fiscal year 2007-2008, effective July 1, 2007. Staff also recommends that the Commission order the incumbent local exchange companies, competitive local exchange companies, and shared tenant providers to begin billing the modified surcharge beginning July 1, 2007.

Issue 2: Should the Commission approve Ms. Maryrose Sirianni, Ms. Demetria Clark Watts, and Ms. Kathy Zarate as Advisory Committee members to replace Ms. Nancy Schnitzer, Mr. Brian Musselwhite, and Mr. Harry Anderson effective immediately, and approve Mr. Rick Kottler as an Advisory Committee member to replace Ms. Julie Church effective July 1, 2007?

Recommendation: Yes, the Commission should approve Ms. Maryrose Sirianni, Ms. Demetria Clark Watts, and Ms. Kathy Zarate as Advisory Committee members to replace Ms. Nancy Schnitzer, Mr. Brian Musselwhite, and Mr. Harry Anderson effective immediately, and approve Mr. Rick Kottler as an Advisory Committee member to replace Ms. Julie Church effective July 1, 2007. (Moses, Casey)

Staff Analysis: Section 427.706, Florida Statutes, provides for up to 10 members of an advisory committee that assists the Commission with the implementation of the relay system. Section 427.706(1)(c), Florida Statutes, requires, to the extent practicable, one deaf and blind person recommended by the Coalition for Persons with Dual Sensory Disabilities serve as a member of the advisory committee. Mr. Harry Anderson, who has served in this position for a number of years, submitted his resignation on March 20, 2007. Ms. Kathy Zarate has been nominated to serve as a representative for the deaf and blind on the advisory committee. She has extensive experience in working with deaf-blind adults at the Helen Keller National Center. Staff believes Ms. Zarate would be a valuable addition to the committee.

Section 427.706(1)(e), Florida Statutes, requires that two representatives of telecommunications companies, one representing a Florida local exchange telecommunications company and one representing a Florida interexchange telecommunications company be on the Advisory Committee. Ms. Nancy Schnitzer of Embarq-Florida, Inc. and Mr. Brian Musselwhite of AT&T have served in these positions but have resigned effective February 22, 2007.

Ms. Maryrose Sirianni has been nominated to serve as a representative of the Florida local exchange telecommunication companies on the Advisory Board, and Ms. Demetria Clark Watts has been nominated to serve as a representative of the Florida interexchange telecommunications companies on the Advisory Board. Ms. Sirianni is manager of Regulatory Relations for BellSouth Telecommunications, Inc. d/b/a AT&T Florida, and Ms. Demetria Clark Watts is a Regulatory Specialist with Verizon Communications. Their knowledge and experience should be very beneficial as members of the Advisory Committee.

Section 427.706(1)(f), Florida Statutes, requires that the Advisory Board include a person with experience in providing relay services recommended by the Deaf Service Center Association (DSCA). Ms. Julie Church, Vice President of DSCA, has served in this position but has resigned effective July 1, 2007. DSCA has designated Mr. Rick Kottler to be the representative replacing Ms. Church effective July 1, 2007. Mr. Kottler, who is President of DSCA and has previous experience serving on the TASA Advisory Committee, would provide valuable experience and knowledge to the Advisory Committee.

Staff supports these nominations and recommends that the Commission should approve Ms. Maryrose Sirianni, Ms. Demetria Clark Watts, and Ms. Kathy Zarate as Advisory Committee members to replace Ms. Nancy Schnitzer, Mr. Brian Musselwhite, and Mr. Harry

Docket No. 040763-TP

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Anderson effective immediately. Staff also recommends approval of Mr. Rick Kottler as an Advisory Committee member to replace Ms. Julie Church effective July 1, 2007.

Docket No. 040763-TP

Date: April 26, 2007

Issue 3: Should this docket be closed?

Recommendation: No, this docket should not be closed. (Tan)

Staff Analysis: This docket should remain open for the duration of the contract period with Sprint as the relay provider. This docket is used to monitor relay and contract issues that arise during the contract term.



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DIVISION OF
COMPETITIVE SERVICES

April 2, 2007

Mr. Rick Moses, Chief of Quality Service
Division of Competitive Markets and Enforcement
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

RE: FTRI FY 2007 / 2008 Budget

Dear Mr. Moses:

I am pleased to forward a copy of the FY 2007 / 2008 budget that was recently approved by the Florida Telecommunications Relay, Inc. (FTRI) Board of Directors. This budget was reviewed by our Budget Committee and the Board and was adopted by the Board on March 26, 2007.

The budget as approved by the Board projects total revenues at the current surcharge level of \$.15 to be \$17,846,615 and total expenses to be \$11,223,536. The difference will be transferred to the surplus account, which should be approximately \$16,497,597 at the end of the current fiscal year. Although a surcharge of \$.11 would be sufficient to meet FTRI's operating expenses, we have not proposed to revise the surcharge based on the discussion and decision of the Commission during the budget review last year.

As of March 2007, FTRI has over 365,000 individuals in the client database. It is evident that FTRI and its regional partners are reaching out to meet the telecommunications access needs of residents who are deaf, hard of hearing, deaf/blind, or speech impaired. Outreach continues to play a major role in FTRI's mission as we look forward to another successful year creating awareness and telephone independence for the more than 1.6 million potential clients in Florida.

Should you have questions or desire additional information, please do not hesitate to call me at 205-1470 ext. 230 or email at jforstall@ftri.org.

Sincerely,

A handwritten signature in black ink, appearing to read "James Forstall", is written over the typed name and title.

James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

FLORIDA TELECOMMUNICATIONS RELAY, INC.
 FISCAL YEAR 2007-2008 BUDGET

	2006-2007 APPROVED BUDGET	2006-2007 ESTIMATED REV & EXPEND	2007-2008 PROPOSED BUDGET	VARIANCE 2006-2007 BDGT 2007-2008 BDGT
OPERATING REVENUE				
1	17,012,637	17,198,538	16,897,564	(115,073)
2	118,995	625,849	949,051	830,056
3	0	0	0	0
	TOTAL OPERATING REV	17,824,387	17,846,615	714,983
OTHER REVENUE/FUNDS				
4	7,233,968	9,424,298	16,497,597	9,263,629
	TOTAL REVENUE	27,248,685	34,344,212	9,978,612
OPERATING EXPENSES				
CATEGORY I - RELAY SERVICES				
5	9,197,349	6,366,484	5,922,431	(3,274,918)
	SUBTOTAL-CATEGORY I	6,366,484	5,922,431	(3,274,918)
CATEGORY II - EQUIPMENT & REPAIRS				
6	173,400	85,200	58,800	(114,600)
7	5,680	0	0	(5,680)
8	36,000	0	18,000	(18,000)
9	20,939	4,553	4,430	(16,509)
10	9,592	0	0	(9,592)
11	433,200	145,925	105,060	(328,140)
12	2,038,362	1,071,336	1,333,932	(704,430)
13	16,067	16,744	15,376	(691)
14	60,000	36,000	60,000	0
15	15,330	0	15,330	0
16	2,640	1,680	1,680	(960)
17	183,675	90,494	104,536	(79,139)
18	65,565	35,955	47,675	(17,890)
19	560	0	0	(560)
20	36,072	34,639	72,845	36,773
	SUBTOTAL-CATEGORY II	1,522,526	1,837,664	(1,259,418)
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING				
21	41,621	33,912	41,966	345
22	1,426,195	983,666	1,194,173	(232,022)
23	35,332	13,705	68,852	33,520
24	0	0	0	0
	SUBTOTAL-CATEGORY III	1,031,283	1,304,991	(198,157)

FLORIDA TELECOMMUNICATIONS RELAY, INC.
 FISCAL YEAR 2007-2008 BUDGET

	2006-2007 APPROVED BUDGET	2006-2007 ESTIMATED REV & EXPEND	2007-2008 PROPOSED BUDGET	VARIANCE 2006-2007 BDGT 2007-2008 BDGT
CATEGORY IV - OUTREACH				
25 Outreach Expense	627,544	609,644	779,544	152,000
SUBTOTAL-CATEGORY IV	627,544	609,644	779,544	152,000
CATEGORY V - GENERAL & ADMINISTRATIVE				
26 Advertising	3,000	2,226	3,792	792
27 Accounting/Auditing	17,121	16,857	17,067	(54)
28 Legal	72,000	72,000	72,000	0
29 Computer Consultation	28,990	20,341	42,580	13,590
30 Bank Charges	1,520	1,621	1,669	149
31 Dues & Subscriptions	2,156	3,055	3,485	1,329
32 Office Furniture Purchase	5,588	2,564	2,788	(2,800)
33 Office Equipment Purchase	10,970	9,300	11,860	890
34 Office Equipment Lease	4,213	3,459	3,470	(743)
35 Insurance-Hlth/Life/Dsblty	250,866	242,763	275,698	24,832
36 Insurance-Other	6,313	4,047	5,336	(977)
37 Office Expense	26,654	23,919	25,919	(735)
38 Postage	22,736	19,221	21,674	(1,062)
39 Printing	4,057	2,738	3,768	(289)
40 Rent	88,104	88,426	91,084	2,980
41 Utilities	11,577	9,630	12,660	1,083
42 Retirement	74,952	57,732	73,385	(1,567)
43 Employee Compensation	552,743	516,640	541,184	(11,559)
44 Temporary Employment	86,674	37,602	39,032	(47,642)
45 Taxes - Payroll	42,285	39,523	41,401	(884)
46 Taxes - Unemplmt Comp	5,266	3,722	4,096	(1,170)
47 Taxes - Licenses	61	61	61	0
48 Telephone	26,490	23,435	28,731	2,241
49 Travel & Business	29,950	11,472	28,293	(1,657)
50 Equipment Maint.	8,156	1,609	7,081	(1,075)
51 Employee Training/Dev	7,760	4,765	15,760	8,000
52 Meeting Expense	4,342	2,423	5,032	690
53 Miscellaneous Expense	100	0	0	(100)
SUBTOTAL-CATEGORY V	1,394,644	1,221,151	1,378,906	(15,738)
TOTAL EXPENSES	15,819,767	10,751,088	11,223,536	(4,596,231)
REVENUE LESS EXPENSES	8,545,833	16,497,597	23,120,676	14,574,843