

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

----- :
: In the Matter of : SPECIAL PROJECT NO. 980000A-SP
: Fair and Reasonable :
: Residential Basic Local :
: Telecommunications Rates. :
----- :

PROCEEDINGS: PUBLIC HEARING

BEFORE: COMMISSIONER JULIA L. JOHNSON
COMMISSIONER JOE GARCIA
COMMISSIONER J. TERRY DEASON
COMMISSIONER SUSAN F. CLARK
COMMISSIONER E. LEON JACOBS, JR.

DATE: Tuesday, September 8, 1998

TIME: Commenced at 6:30 p.m.
Concluded at 7:09 p.m.

LOCATION: City Hall Annex
The Chamber, 15th Floor
220 East Bay Street
Jacksonville, Florida

REPORTED BY: MARIE C. GENTRY
Court Reporter and
Notary Public

MARIE C. GENTRY & ASSOCIATES, INC.
Court Reporters
1279 Kingsley Avenue, Suite 114
Orange Park, Florida 32073
(904) 264-2943

BUREAU OF REPORTING
RECEIVED 9-22-98

1 APPEARANCES:

2 BETH KEATING, ESQUIRE, Senior Attorney, Division
3 of Legal Services, Florida Public Service Commission, 2540
4 Shumard Oak Boulevard, Tallahassee, Florida 32399-0863,
5 Telephone: (850) 413-6212, appearing on behalf of the
6 Florida Public Service Commission.

7 CHARLES J. BECK, ESQUIRE, Office of the Public
8 Counsel, 111 West Madison Street, Room 812, Tallahassee,
9 Florida 32399-1400, Telephone No. (904) 488-9330, appearing
10 on behalf of the Citizens of the State of Florida.

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I-N-D-E-X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

WITNESSES:

PAGE

STEVE LIMBAUGH	8
KEITH GRAVES.....	24
TONY TROTTI.....	26
JAN ROBERSON.....	31
STEPHEN ZARICKI.....	32
MONTE BELOTE.....	35
DR. WILLIAM SCOTT.....	39
WILLIAM PRICE.....	46
JOHN HOWEY.....	48
CERTIFICATE OF REPORTER.....	52

P-R-O-C-E-E-D-I-N-G-S

(Hearing convened at 6:30 o'clock p.m.)

- - -

COMMISSIONER JOHNSON: Ladies and Gentlemen, if everybody can be seated we're going to go ahead and begin our public hearing.

Beth, I know it's your birthday, but we're ready to start.

MS. KEATING: I'm sorry.

COMMISSIONER JOHNSON: Counsel, if you could please read the notice?

MS. KEATING: By notice issued August 12th, 1998, this time and place has been set for a hearing in Undocketed Special Project No. 980000A-SP on fair and reasonable residential basic local telecommunications rates. The purpose is as set forth in the notice.

COMMISSIONER JOHNSON: We'll take appearances.

MR. BECK: My name is Charlie Beck. I'm with the Office of Public Counsel, Claude Pepper Building, Tallahassee, Florida, appearing on behalf of Florida citizens.

MS. KEATING: And my name is Beth Keating and I am here for the Commission Staff.

COMMISSIONER JOHNSON: I would like to welcome everyone here. My name is Julia Johnson. I'm the

1 Chairman of the Florida Public Service Commission.
2 Seated to my right is Commissioner Terry Deason, to my
3 immediate left is Commissioner Susan Clark, and to my
4 far left is Commissioner Leon Jacobs. Commissioner
5 Garcia will also be joining us tonight.

6 First, I'd like to welcome you here and give you
7 a little bit of background about why we're here today.

8 As you entered the room, you probably received
9 one of the blue handouts. That gives you a lot of
10 detail with respect to the purpose of the hearings
11 that we are holding over the next month or so.

12 But let me just go through some general
13 information. Last legislative session, the
14 Legislature passed Bill 4785, and, in that bill, they
15 directed the Commission to study and to report on fair
16 and reasonable rates.

17 I've often been asked in the hearings or
18 statements have been made that companies have asked
19 the Commission for a rate increase or that the
20 Legislature has approved a rate increase. That's not
21 what this is about. This is to hear from you. It's
22 to hear from you and how you feel about the fair and
23 reasonable rates that the companies are offering,
24 whether you feel they're too high, whether you feel
25 they're too low, whether you feel that more needs to

1 be done in order to have competition.

2 We will be taking your comments, and we will take
3 those comments and consolidate those with other
4 findings that we will have after we hold our public
5 and our technical hearings and issue a report to the
6 Legislature.

7 For those of you who would like to testify at the
8 appropriate time, I'll ask you to stand and I'll swear
9 you in. If you don't want to testify but you may want
10 to provide us with comments, if you turn to the back
11 of the blue sheet, you'll see a section where you can
12 provide us with your written comments. If you go home
13 tonight or tomorrow or the next month or two and you
14 think of additional things that you'd like to tell the
15 Commission, you could use this sheet as a means of
16 providing written comments, or you can call our 1-800
17 number that's provided on the front of this sheet, or
18 you can contact us via your computer through the
19 internet process. We have our web page here, too.

20 So there's lots of ways in which you can
21 communicate to the Commission any concerns or
22 questions that you might have regarding this process.

23 One of the things that we're going to be doing as
24 a Commission, as directed by the Legislature, is that
25 we're going to look at the affordability of rates. We

1 are going to look at the comparability to the rates to
2 those in the southeastern states.

3 We're also going to look at the cost of providing
4 residential rates.

5 And, most importantly, we're going to hear from
6 you, your comments, your concerns, and factor those
7 also into our decision.

8 Let me go ahead and at this time, those that
9 would like to testify, I think Public Counsel does
10 have the names, if you could stand, I'll go ahead and
11 swear you in at this time.

12 While you're standing, we ask that you do this so
13 that the comments that you provide can be part of the
14 official record upon which we can base our final
15 decisions and our deliberations. That's the reason
16 for the formal swearing in.

17 So, with that, if you could raise your right
18 hand.

19 (Witnesses sworn in.)

20 COMMISSIONER JOHNSON: Thank you. You may be
21 seated.

22 Are there any other preliminary matters?

23 MS. KEATING: None that I'm aware of.

24 COMMISSIONER JOHNSON: Okay. I notice that there
25 are several members from the industry groups in the

1 audience. To the extent that you have questions that
2 aren't appropriate for us to answer or that we can't
3 answer, we will then direct those to the appropriate
4 industry groups.

5 And, with that, I think we are prepared for our
6 first customer.

7 MR. BECK: Thank you, Chairman Johnson. The
8 first witness is Steve Limbaugh.

9

- - -

10

STEVE LIMBAUGH,

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

14 WITNESS LIMBAUGH: Thank you all for being here
15 and listening to us.

16 I'm Steve Limbaugh, and don't jump to any
17 conclusion, I'm no kin to Rush.

18 I live in Keystone Heights, about an hour out of
19 Jacksonville. I just retired a couple of months ago. So I
20 used to always worry about the retired people and now I am
21 one of them, so I worry about our rates to make sure that
22 we try to keep our rates as reasonable as possible.

23 The local phone service is no longer a luxury,
24 it's almost a given. And it's important, I think, to our
25 citizens to have good reasonable rates. The only thing

1 that scares me sometimes, fair and reasonable may be in the
2 eye of the beholder. So I'm sure, as Commissioners, you'll
3 look at all the facts.

4 My main concern is -- I live about an hour out of
5 Jacksonville, so everybody I call is a toll call. And I
6 know somehow factored into the local service costs, I can't
7 get any great breaks on local toll calls. In other words,
8 they'll let me call all over the United States for 10 cents
9 a minute or 5 cents on Sunday or sometimes free, but when I
10 try to call within Florida, nobody, none of the big
11 carriers, will give us any kind of a rate break that I see.
12 In other words -- and they all tell me it's because of the
13 charges that we make for access. I'm not a wizard in that
14 area.

15 So my concern is about local service and then
16 local toll calls. So I thought I'd bring that to y'all's
17 attention just because I'm interested in it, living an hour
18 and so out of Jacksonville. There are probably a lot of us
19 that do that.

20 So, if there's an answer to that in looking at
21 the local service, then please look at that part of it,
22 too.

23 COMMISSIONER JOHNSON: Thank you. Any
24 questions?

25 COMMISSIONER DEASON: I have a question.

1 THE WITNESS: Yes, sir.

2 COMMISSIONER DEASON: I know that you've
3 characterized local service as an essential part of
4 today's modern society. It's a necessity.

5 THE WITNESS: Yes, sir.

6 COMMISSIONER DEASON: One of the things we're
7 considering is the affordability of telephone service,
8 as well as local calling areas and things of that
9 nature, as part of the local service package.

10 THE WITNESS: Yes, sir.

11 COMMISSIONER DEASON: If there were competing
12 carriers out there who would provide a greater local
13 calling area but had a higher local rate than what
14 you're presently paying, would you be interested in
15 such a service?

16 THE WITNESS: Probably, Commissioner. I mean,
17 I'm pretty analytical. I would look at it and say how
18 often do I call Jacksonville or Orlando, what do I now
19 pay, factor that into the local rate.

20 Probably, yeah. We have an extended area in
21 Keystone that goes to Gainesville for a quarter - I'm
22 served by BellSouth - and that's been pretty good. I
23 make, you know, a half a dozen calls a month to
24 Gainesville. And just a little bit of thought on that
25 part.

1 So I think to answer your question as best I
2 can, probably, yes. I think that, you know, if your
3 call pattern is that you can look at it and say, well,
4 my call -- my call pattern to Jacksonville is not
5 going to change unless all my children and
6 grandchildren move, and I hope to God they don't. So
7 I know my call pattern to Jacksonville is going to be
8 the same month over month.

9 So, if I had an offer, you know, to reach that
10 and I would pay more monthly fixed, I would probably
11 take a good hard look at it and see, and, if it made
12 economic sense to me, I probably would do it.

13 Now, if I were retired and maybe on the end of
14 the scale where a dollar or two made a lot of
15 difference, like some of our retired folks might
16 really have to do, I guess I'd have to look at it at
17 from their vantage point and see again if it looked
18 like it was -- you know, was cost effective.

19 But I would think that might be something that we
20 would -- people would certainly pay attention to.

21 I don't think anyone wants anything free. We
22 understand it costs money to give us local phone
23 service and give us toll calls, but at the same time
24 we want it to be reasonable in comparison to what we
25 pay for other -- probably the industry people here

1 will jump out the window -- with other commodities,
2 because that's kind of what it gets down to be.

3 I mean, I'll drive halfway across Keystone to pay
4 ten cents less for a can of Libby's beans, because
5 Libby's beans are Libby's beans.

6 So, you know, phone service may not be quite that
7 much of a commodity yet, but it's probably getting
8 pretty close. So I think cost and price are critical
9 to us.

10 I hope I didn't build you a watch when you asked
11 me what time it was.

12 COMMISSIONER DEASON: Thank you. I appreciate
13 your answer.

14 COMMISSIONER JACOBS: Could you describe the area
15 you live in? Is it a rural area or closer to --

16 THE WITNESS: It's mostly a lake area. Rural, I
17 guess, would probably describe it. We have one red
18 light, if that helps you. But there are a lot of
19 folks that live -- it's a bedroom community to
20 Jacksonville. When I worked, I commuted the last
21 couple -- a year and a half.

22 But, you know, it's rural, small town. We're
23 about two-thirds of the way to Gainesville, Florida,
24 and I suspect that the center of interest -- or most
25 people, Jacksonville or Gainesville would probably be

1 where they would have a center of interest, either
2 working or family. And most of them, I would think,
3 that I know personally, are from Jacksonville,
4 Commissioner, for the most part.

5 So, you know, I sit there paying six cents to
6 call San Francisco and I'm paying sixteen cents to
7 call Jacksonville, and I'm going, "Something is not
8 right here."

9 But, you know, I don't know the intricacies of
10 your industry, but, I mean, that's some of the things
11 you look at.

12 COMMISSIONER JACOBS: Are you aware of the
13 companies that provide you the toll services, who your
14 toll providers are? Did you have a chance to select
15 those?

16 THE WITNESS: Oh, yes, sir. Yes, sir.

17 COMMISSIONER JACOBS: So you know who --

18 THE WITNESS: Well, I'm with AT&T.

19 COMMISSIONER JACOBS: And they give you both --
20 they give you local toll and long distance toll?

21 THE WITNESS: They can give me local toll as
22 well as long distance toll, according to information
23 they've sent me. And I've had mailings from other
24 large carriers that I recognize, MCI and Sprint. And
25 then other carriers I don't recognize, which I'll be

1 honest with you, I probably wouldn't fool with them,
2 because if I don't recognize them, I'm not sure, you
3 know, the quality of the service.

4 But they've all sent me letters and notes about
5 providing local toll service, which, you know, you've
6 got -- again, you know, you -- I mean, you need it
7 with someone, so you look at those providers against
8 what they're offering you against what you've
9 currently got and then make a -- kind of an economic
10 decision.

11 COMMISSIONER JACOBS: One of the interesting
12 points that I believe is going to come out of this,
13 the local competition issue, is how do you provide a
14 community, such as yours, effective choices and
15 alternatives --

16 THE WITNESS: Yes, sir.

17 COMMISSIONER JACOBS: -- because -- whatever
18 thoughts you have on that will be very interesting to
19 me.

20 THE WITNESS: Well --

21 COMMISSIONER JACOBS: Let me go a little bit
22 further.

23 THE WITNESS: Okay. I'll tell you what I think
24 might happen if we don't provide fair and reasonable
25 rates on a local basis, you're going to see more and

1 more people go to cellular, and cellular is going to
2 start replacing basic rates. And people are just
3 going to give up phone service at home and take
4 cellular around the clock, and then we're going to
5 have a real problem on our hands, I suspect, because I
6 don't know how that's going to work technically. But
7 I see now that you get cellular carriers with no
8 roaming charge, which means you don't pay toll in
9 Florida. You're paying a little more per minute, but,
10 I mean, that's -- I could see them coming in and
11 getting my local business if -- you know, when it gets
12 economically feasible.

13 Have I answered kind of what -- I mean, that's my
14 thinking on it.

15 COMMISSIONER JACOBS: Exactly.

16 THE WITNESS: And I don't know as far as -- I've
17 never been where you had more than one local carrier
18 to give you local line service. I don't know if they
19 have that in some areas. I know it's -- everybody is
20 looking towards it and coming towards it and I think
21 maybe eventually will happen. I don't know.

22 The feasibility of doing that in Keystone Heights
23 would, you know, take some real thought. I don't
24 think anybody is going to come down there and build a
25 central office just to get local service. But, then,

1 I don't know.

2 But, I mean, my thinking is that this thing is
3 going to get to be a convoluted mess with everybody
4 using different carriers and cellular and other
5 services, and, I guess, dialing in on a broad band,
6 multi-media carrier and stuff, it's going to get
7 confusing.

8 So I certainly don't envy you-all's job, but we
9 -- you know, just try to look out for us because
10 you've got staff and no-how that we don't have, and
11 we're just people out there writing checks.

12 COMMISSIONER JACOBS: Thank you.

13 THE WITNESS: Thank you, sir.

14 COMMISSIONER CLARK: Mr. Limbaugh, can I ask you,
15 have you made a comparison in your phone bills,
16 whether it would be -- if, considering your calls to
17 Jacksonville, it would be beneficial for you to use a
18 cell phone to do that?

19 THE WITNESS: I haven't -- well, let me say that
20 I have, but I've not used a cell phone yet.

21 This is crazy, Commissioner, but we're in a flat
22 spot. Within about a half a mile of my house, there's
23 a flat spot in there where cellular, for some reason,
24 just doesn't work good, and it's not anybody's
25 particular cellular carrier. It's most everybody that

1 comes to see me with a cellular phone can't seem to
2 make a call.

3 So I've kind of given up the idea right now
4 fooling with it until I know that that problem is
5 fixed.

6 When I was still working, I carried a beeper, and
7 I had to change beeper companies. The beeper I was
8 carrying, I don't even remember the carrier, wouldn't
9 beep me in Keystone Heights, so I changed carriers and
10 got another beeper and it worked.

11 So I'm in a unique situation there in Keystone
12 Heights in that there's a flat -- flat spot, whatever
13 the hell that means -- excuse my English -- but it
14 means you can't make a phone call.

15 So that's why I haven't really looked into
16 cellular. But I know people in Jacksonville and other
17 areas that have cellular, no roaming charge, and pay a
18 fixed fee a month, I guess. At some point I'm sure
19 they pay more per minute, but that means they can --
20 you know, they could call Jacksonville at no toll
21 charge. Of course, they may be paying, I don't know,
22 30 cents a minute for every minute they're calling, so
23 it may not make sense.

24 So --

25 COMMISSIONER CLARK: You say there are people

1 that evidently have found it beneficial to use their
2 cell phone to make the calls between Jacksonville and
3 Keystone?

4 THE WITNESS: I don't know between Jacksonville
5 and Keystone Heights, Commissioner, but I know there
6 are people that are -- these new cell phone offers
7 where it's no roaming charge and you pay, and I don't
8 know, \$69 a month or \$49 a month, and you get, and I
9 don't know, X number of minutes. And, you know, some
10 of them are saying -- I just -- you know, this can
11 just be my phone, it's always with me. If you're
12 going to call me at home, I've got this phone with me;
13 if you call me in the car, I've got it with me.

14 So I guess I'm seeing that there may be some sort
15 of a technology replacement there of some sort over
16 time.

17 And, again, I assume that -- like it does with
18 everything else, the more people that get to doing it,
19 the better the price will be over time. So there will
20 be some cellular carriers that will be doing it more
21 inexpensively down the road. I mean, we've seen --
22 we've seen the bottom come down on cellular calls just
23 looking in the paper and seeing the ads. My, God,
24 there's probably three ads in today's paper, in the
25 Times-Union, wanting you to sign up for a cellular

1 phone for, you know, much less than you could have
2 have gotten it a year ago or two years ago.

3 Just my thought.

4 COMMISSIONER GARCIA: Let me ask you one quick
5 question. And forgive me for arriving late during
6 your presentation.

7 THE WITNESS: No. We appreciate your being here.

8 COMMISSIONER GARCIA: If you commented on this,
9 then I'll just read it on the record later on.

10 But the concept that we've had in this state is
11 to promote as many phones as possible to individuals
12 or into the home.

13 THE WITNESS: Right.

14 COMMISSIONER GARCIA: I think it's been a
15 positive thing and I think it's served the state well.

16 If we were to find -- if our studies were to find
17 that the cost of service to some degree is being --
18 the cost of local residential service is being
19 subsidized by other costs, if our study found that --

20 THE WITNESS: Uh-huh.

21 COMMISSIONER GARCIA: -- do you think that we
22 should still make an effort to keep that policy? In
23 other words, should we say anybody who has -- I'll
24 give you -- and I'll use my grandmother as an example.
25 She will never get any ancillary service on her phone.

1 She has dial tone and she's happy, and, if she could
2 have the old BellSouth black phone, she'd have it.

3 But should we keep that type of service? Should
4 we try to reach out and make sure that that service
5 doesn't go up and then allow competition and all the
6 other services and somehow subsidize to keep that type
7 of service?

8 THE WITNESS: I've seen articles on that in an
9 AARP magazine that my wife gets. I'm too young to get
10 it. I'm only teasing. She registered.

11 But something like a Life Line service, I think
12 they call it, or a Life Saver Service, or something.
13 And that --

14 COMMISSIONER GARCIA: There is a Life Line, but
15 I'm trying to go beyond that. In other words, even if
16 you don't qualify for aid, but if you are a retired
17 person living on fixed income, if you're just a single
18 family and all you want is a phone --

19 THE WITNESS: Right.

20 COMMISSIONER GARCIA: -- you know, you don't want
21 Caller ID and all those things, should we as a -- do
22 you think there should be a social policy to have that
23 available as cheap as possible? All the ancillary
24 services would be --

25 THE WITNESS: Sure.

1 COMMISSIONER GARCIA: -- fixed to cost, or
2 whatever.

3 THE WITNESS: Absolutely, I think we should have
4 that, because there's got to be a certain segment of
5 our population that that would be critical to have but
6 they're not interested. Maybe, you know, they don't
7 want to dial into the internet.

8 COMMISSIONER GARCIA: Because we find it --

9 THE WITNESS: My mother and father, I mean,
10 they're scared of ATMs. They're not going to dial
11 into the internet, believe me, but they want a basic
12 phone that rings if somebody wants to call them and
13 that they can dial out on. It took me a while to sell
14 them Touchtone. I mean, you know, we're still doing
15 rotary.

16 So I know -- if you're talking about that, I'm
17 saying yes for the folks that really need to have
18 telephone service and don't want any of the pluses and
19 minuses.

20 And I think most people would agree that if the
21 service is here and I want this service extra, then
22 I've got to be willing to pay for that, and there's
23 not much argument for that. I don't expect you to
24 give me extras, but give us the ability to have the
25 basic residential service.

1 COMMISSIONER GARCIA: All right. The one
2 follow-up, because you touched on Life Line, certain
3 reports that I've seen from the Bell Company show that
4 people who receive Life Line, a good percentage of
5 them, and Life Line bringing down the service, their
6 basic service, to almost nothing, add to it by getting
7 all sorts of ancillary services. You know, they get
8 all sorts of other services which bring their phone
9 back to what it would have been had they not received
10 it.

11 Should we make a comment on that? Do you think
12 we should say, "Look, if you receive Life Line, you
13 can't get all these frills. You've got to get a
14 no-frill service"?

15 THE WITNESS: God, I don't want to jump up on the
16 podium on that and get run out of Florida. But I
17 could see where that would make a lot of sense to -- I
18 mean, if they're taking that minimum service so
19 they'll have service but then they're putting back
20 other services with it, then they must not be
21 struggling for the basic, basic rudimentary service
22 that the Commission maybe wants to give people that
23 really need it. And, if they start adding a lot of
24 ancillary services to it, then I don't know whether --
25 you know, it seems to me you'd be able to say, "I'm

1 sorry, if you're going to have all these ancillary
2 services, you're going to have to pay the basic rate
3 that other people pay for that service."

4 I know that's a tough decision. That's a hard
5 one to answer. But I think that we need fair and
6 reasonable rudimentary service for people to make sure
7 that everybody can have a phone, because, you know,
8 you can go by certain areas and you see, you know, a
9 couple of pay phones on the corner and these people
10 are trying to live with just a pay phone.

11 First, I can't find a pay phone when I want one,
12 and I know that's got to be a hard way to go. And so
13 for some of those folks -- and a lot of times it's
14 older folks, you know, retired folks that their money
15 gets pretty tight.

16 So, yeah, I think you need some kind of a basic
17 service for them and then look at the rest of us, and,
18 you know, see what's affordable and help us keep it as
19 affordable as we can and maybe give us -- you know,
20 give us the benefit, and I'm sure you will of your
21 know-how, your staff, your studies, that we just don't
22 have any way to look at and get to.

23 I hadn't seen, you know, anything like that in
24 BellSouth that people had got that. I'd think anybody
25 that got that service, they'd be happy to have that

1 phone service and that would be it. But, you see, you
2 don't always know.

3 COMMISSIONER GARCIA: Thank you.

4 THE WITNESS: Yes, sir.

5 COMMISSIONER JOHNSON: Thank you. Appreciate
6 your testimony --

7 THE WITNESS: Thank you.

8 COMMISSIONER JOHNSON: -- and responding to
9 questions.

10 THE WITNESS: Thank you, ma'am.

11 (Witness excused.)

12 - - -

13 MR. BECK: Keith Graves.

14 KEITH GRAVES,

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

18 WITNESS GRAVES: I'm a resident of Jacksonville,
19 and I don't have the problems that this last gentleman had.

20 I'm just here basically to support the findings.
21 If it is true that our basic telephone charge is not enough
22 -- is not paying the bill for our service, my opinion is
23 that the \$10 basic charge, or \$10 to \$11, whatever it is,
24 is probably the best bargain that we have.

25 And if that rate is not paying the bill and if

1 there would be a small increase in the residential charge
2 and that would help lower the auxiliary benefits, call
3 waiting, that type of thing, even long distance perhaps,
4 that that's still a bargain for the people who don't want
5 the extra services. And those who do want the extra
6 services, if those prices would be reduced because of it,
7 it looks to me like that would be fair.

8 Also, if business phones are subsidizing -- the
9 business phone cost, charges, are subsidizing the
10 residential expense, I would think that would be unfair,
11 too.

12 I know there's got to be a happy medium, but
13 you-all know businesses get taxed and charged and licensed
14 and harassed and regulated, and if businesses are helping
15 to pay all this residential charge, it would certainly seem
16 fair to reduce the business charge. Most businesses have a
17 pretty high expense on telephones to start with, and most
18 residences have a reasonable charge.

19 I -- sometimes I can't believe how reasonable a
20 residential phone is, including long distance.

21 I have two daughters that both live out of state
22 and my wife, I know, talks to one of them, with the
23 grandchildren every day, and the other one several times a
24 week and we still have a reasonable phone bill.

25 So, basically, that's all I have to say.

1 COMMISSIONER JOHNSON: Thank you, Mr. Graves.

2 Any questions?

3 (No response.)

4 COMMISSIONER JOHNSON: Thank you, sir.

5 (Witness excused.)

6 - - -

7 MR. BECK: Tony Trotti.

8 TONY TROTTI,

9 called as a witness on behalf of the Citizens of the State
10 of Florida, testified as follows:

11 WITNESS TROTTI: Good evening. Thank you for
12 letting me address the Commission tonight.

13 I'm a resident of Jacksonville, Florida. I'm a
14 business person here in Jacksonville, as well as a
15 homeowner and have residential lines.

16 And we all know that the telephone game, the
17 business in Jacksonville, as well as throughout the world,
18 is changing, and the market here in Jacksonville is
19 changing, and a lot of that is forcing the needs of these
20 price differentials and different price structures that you
21 guys are addressing -- or you people, individuals, are
22 addressing tonight.

23 Do I need to be real formal?

24 I think we need to level the playing field. The
25 customer in Jacksonville, Duval County, is changing as fast

1 as the number of providers and the number of different
2 services that are being offered.

3 In being in business, the basic business
4 fundamental that I've always lived by, and it's been about
5 25 years in my own business, we have to cover expenses
6 where the expenses are incurred.

7 In my business, it's acquisition cost, production
8 cost and delivery cost, and adjustments have to be made
9 from time to time whenever they're needed when one or the
10 other gets out of control or out of balance. We have to
11 make adjustments to bring them back in line or adapt to the
12 changing markets that we use or we're out of the game plan,
13 we're off the field. And I think we need to get back to
14 basics and a fundamentally sound business practice with the
15 phone rates here in Jacksonville.

16 We need to cover the cost of providing telephone
17 service on a residential basis or a business basis wherever
18 the costs are incurred with a fair and reasonable rate.

19 How long can any business spend two and half
20 times its income from any service or product it provides
21 without using the Peter to Paul principle to pay their
22 bills in the case with BellSouth charging higher rates for
23 other services, et cetera.

24 Providing a basic business and residential
25 telephone line costs BellSouth the same amount of money,

1 give or take a couple of bucks, approximately \$24 a month,
2 and, of course, we all know residential lines are billed at
3 about \$10 and business lines at about \$27 a month, almost
4 three times higher than a residential rate. Adjust the
5 rates to cover the costs where the costs are incurred.
6 Don't fake the under round too many times.

7 We all know the user has changed and I need you
8 to please take this into consideration. We've mentioned
9 the elderly, we've mentioned the needy, but very few -- and
10 I talked to a lot of people -- very few just want basic
11 telephone service. And a lot of those that still think
12 they have to have that last hookup are dying off. There's
13 a new generation user.

14 There's a great percentage of business conducted
15 on residential lines. More and more homes are now more
16 than ever secondary business offices, they're locations
17 where executives and individuals all the way down to
18 telephone operators -- telephone solicitors are residential
19 lines for business.

20 For example, for the cost of a \$10 residential
21 line and \$20 for America Online, I'm hooked up to the world
22 at my house. I have a computer and a fax and all the
23 electronics that go with it. My fax can page me -- excuse
24 me -- my computer can page me wherever I'm at. I can
25 conduct banking business, editorial research,

1 correct me, because he sometimes does. We haven't
2 found that yet. But if our study finds that the cost
3 of basic service is being subsidized, or residential
4 service is being subsidized by business and other
5 ancillary services, should we somehow keep that
6 built-in subsidy for those single-line users?

7 THE WITNESS: Let the rates prevail to cover the
8 costs, and if there has to be some formula to help
9 subsidize individuals that need help with their phone
10 bills, just as with medical expenses and with housing
11 and with transportation, figure out a way to do it
12 without providing them with all the ancillaries that
13 you had mentioned awhile back.

14 Being out in the public, and I'm in the newspaper
15 business, it's really something when you go in some of
16 these neighborhoods and they don't have phone service
17 but yet they have the dish out back, they have the
18 \$80,000 car in the driveway, okay, they all have their
19 needs. So they have their priorities; they just place
20 them in other areas.

21 I think anybody that wants basic telephone
22 service can have a basic simple one-line service with
23 maybe a subsidy help or maybe with relatives or other
24 agencies footing the bill. I know Catholic charities
25 does a lot to help pay phone bills.

1 thousand -- close to nine thousand dollars, and that's
2 pretty steep in terms of a service that -- or a cost that
3 we have to incur that really don't quite benefit directly
4 the kids that we serve and trying to do what we're trying
5 to do.

6 So I'm here to suggest to you and encourage you
7 to support that more fairly -- fair distribution of cost so
8 that small businesses, and especially nonprofit
9 organizations like my organization, can maybe reduce some
10 of those costs in terms of our phone services and number of
11 lines we have that cost us quite a bit of money that could
12 be diverted elsewhere into more direct services to
13 students.

14 So thank you for the opportunity to share that
15 with you.

16 COMMISSIONER JOHNSON: Thank you.

17 COMMISSIONER JACOBS: Mr. Zaricki --

18 THE WITNESS: Yes.

19 COMMISSIONER JACOBS: Is it Zaricka?

20 THE WITNESS: Zaricki.

21 COMMISSIONER JACOBS: Zaricki. I'm sorry.

22 Are you able to delineate what -- the various
23 charges that were summed up in that \$9,000 expense?
24 Is it all for local services, or how much of it is
25 long distance?

1 THE WITNESS: No, that includes everything,
2 including local, the number of lines. We have five
3 lines in my office, and it would include also long
4 distance. That was the entire bill. I didn't bring
5 the detail with me tonight.

6 COMMISSIONER JACOBS: Oh, no, that's fine. I
7 understand.

8 Are you able to perhaps give us a percentage, as
9 to what percentage would have been long distance
10 versus your local services?

11 THE WITNESS: Well, the majority of it is local,
12 because we don't make a lot of long distance calls.
13 We're a local program. We work primarily, or
14 exclusively, really, in Jacksonville. Occasionally we
15 will call Fernandina Beach or St. Augustine or other
16 parts of the state, but mainly it's local in terms of
17 our -- most of that service is local charges.

18 COMMISSIONER JACOBS: And do you make use of
19 many, what we call, ancillary services, call
20 waiting --

21 THE WITNESS: No.

22 COMMISSIONER JACOBS: -- or voice mail?

23 THE WITNESS: No, not at all.

24 COMMISSIONER JACOBS: Okay. Thank you.

25 THE WITNESS: Thank you.

1 COMMISSIONER JOHNSON: Thank you.

2 (Witness excused.)

3 - - -

4 MR. BECK: Monte Belote.

5 MONTE BELOTE,

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

9 WITNESS BELOTE: Good evening, Commissioners.
10 This is beginning to start to feel like it's old home week.

11 My name is Monte Belote. I'm here at my own
12 expense, as the former director of the Florida Consumer
13 Action Network, and I've been following BellSouth rate
14 cases for the last ten or eleven years.

15 And I wanted actually to start this evening by
16 thanking BellSouth, some of their representatives are here
17 in the room, thank them for admitting their past mistakes
18 and reducing phone rates, more than a billion dollars in
19 the last four years alone. Thank you from consumers. But,
20 of course, it did take several years of lawyering and
21 advocacy led by the Public Counsel, intervenors like the
22 Florida Consumer Action Network and the AARP, and, of
23 course, the Public Service Commission and your staff to get
24 those billion dollars in savings back to the customers.

25 Unfortunately, they're back asking once again for

1 new changes. The local phone monopoly has been hard at
2 work weaving a fairy tale designed to justify their cry to
3 undercut the only competitive market for basic local
4 telephone service that exists today in Florida, large
5 business customers. They have tried to spin out Chamber of
6 Commerce types from one end of the state to the other to
7 cry about the supposed subsidy that BellSouth claims that
8 exists and has dispatched their lawyers and lobbyists last
9 spring to craft legislation that was designed to double
10 basic local phone rates for residential customers.

11 Well, that may not have happened yet, but I'm
12 here this evening to ask you to remind yourselves that this
13 is not something that can be taken lightly, and please to
14 not be fooled.

15 Despite the Legislature passing a law in 1995
16 that basically deregulated telephone service, virtually all
17 local customers still have no choice whatsoever to make a
18 basic local telephone call other than the incumbent local
19 phone monopoly; in this area, BellSouth.

20 They promised in '95 open competition, lots of
21 choices, lots of new services, and the end of monopolies.
22 But it's three and a half years later and it's actually
23 gotten even worse. Pay phone calls were increased 40
24 percent. The increased cost of vertical services have been
25 astronomical in some cases. What are vertical services?

1 Those call waiting, call forwarding, three-way, call
2 completion, et cetera. Virtually all of those services can
3 only be provided by, you guessed it, the basic local phone
4 monopoly, BellSouth, our unregulated monopoly. Aren't we
5 proud!

6 As I've been traveling in the last couple of
7 weeks with you, I've been hearing this cry about the need
8 to deal with the telephone welfare problem, as some
9 business owners have suggested. I would suggest to you
10 that what we really have is a telephone corporate welfare
11 problem and BellSouth is as good example as any.

12 Why is it fair and reasonable to make basic local
13 telephone customers pay for BellSouth's far-flung offices
14 from South America to Hong Kong?

15 Why is it fair and reasonable to make basic local
16 telephone customers, business or residential, to buy an
17 airplane for the president of BellSouth?

18 Why it fair and reasonable that BellSouth
19 continues to make investments in the wireless cable market?

20 Why is it fair and reasonable that customers
21 subsidize BellSouth's lobbyists in Tallahassee who have
22 been fighting to keep out competitors?

23 And even local governments like Gainesville here
24 in North Florida that would like to use their fiberoptic
25 lines to provide local phone service at a lower cost but

1 continue to find hurdles and roadblocks.

2 It's not fair and reasonable to ask Florida's
3 customers to pay more for basic local telephone service
4 just so that BellSouth can make more profits.

5 Why should we be asked to consider raising our
6 rates for basic local service when BellSouth won't open up
7 their own complete records so we can judge what a fair and
8 reasonable profit is?

9 Please don't be fooled. Telephone service, as
10 you've heard this evening, is a declining cost industry.
11 Just like computers, they keep getting faster and less
12 expensive. Once the phone lines are in, there is virtually
13 no cost in making a basic local telephone call. There
14 certainly is no need to raise residential phone rates,
15 period.

16 We, the customers, have paid for those telephone
17 lines and switches through our monthly phone bills. Now,
18 if there were competition, I'd be willing to start arguing
19 about value and what is fair. But, again, three and a half
20 years later there's still no competition for basic local
21 telephone service for residential customers.

22 The telephone monopolies, in closing, are alive
23 and well and laughing all the way to the bank. And when
24 you see candidates for the Legislature this fall, we urge
25 you to tell them no way, no way should you raise my rates

1 well in it.

2 I'm here to express opinion in representing two
3 of the organizations -- one of the organizations that I am
4 a part of. My background is in the field of education, and
5 after 43 years I retired some eight years ago. And since
6 that time I have not retired from serving my community
7 wherever I could.

8 So I serve on -- I do what I can. I have turned
9 my attention to serving in the area of the elderly. That's
10 where I am now and that's where I devote most of my
11 retirement time to.

12 One of the organizations that I'm a part of is the
13 State Department of Elderly Affairs. The governor was kind
14 enough to appoint me to be a member of that advisory board.

15 The second thing that I do is and why I'm here
16 tonight primarily is to represent the American Association
17 of Retired People, retired people, the elderly.

18 Now, I do some other things that are locally,
19 too, but they're all concerned with the elderly as far as I
20 I can.

21 And so I'm here tonight because A-A-R-P or AARP,
22 or the American Association of Retired People, has asked me
23 to be here and to express to you in no uncertain terms how
24 they feel about the matter of fairness and reasonable
25 residential rates, because these rates are definitely going

1 to be a part of the people that we represent, the retired
2 and the elderly.

3 And, as you know, AARP supports principles and
4 issues and policies. They don't campaign for candidates or
5 anything like that, but when issues come before people, our
6 members, and the retired and the elderly, then they speak
7 out. And we speak out in opposition to anything that will
8 raise the rates of the -- basic rates, basic residential
9 rates in this area. We do that because we feel, first of
10 all, that the rates as they currently are is adequate and
11 we feel that it is enough.

12 If there's a need for additional profits by the
13 business people who -- or by the providers, there certainly
14 must be a way to solve the problem without raising the
15 basic residential rates.

16 You see those rates go down to people who can't
17 even -- who have problems trying to pay the rate that is
18 now. They are behind. My experiences have taught me in
19 dealing with the poor and the needy and the elderly that
20 they are scuffling trying to pay the telephone phone bills.
21 They are constantly cut off because they are behind. They
22 have to walk distances and go places and ask for telephone
23 service because theirs is cut off.

24 And so we who are elderly and we who are retired
25 and realize that there are thousands and thousands who are

1 having so much trouble paying the rate as it is now, that
2 if that rate is raised any higher than what it is, it will
3 be catastrophic as far as their living is concerned.

4 No one can do without a telephone. It's become
5 to be a necessity of life that we just can't do without.
6 And the poor and the needy, it doesn't make any difference.
7 They need a telephone, too. They have problems of
8 communication that, if they didn't have a telephone, they
9 just couldn't live properly. And so we ask you to consider
10 that.

11 I don't know what your final recommendations will
12 be, but in your recommendations and in your conclusions, as
13 you listen to us as we talk across the state, and I know
14 you're hearing a lot of what I'm saying now, you've heard
15 it before, but we must continue to say it, we don't want
16 the rates raised for the poor and elderly people. They
17 can't afford to pay the current rates as they are. Any
18 increase will mean that many of them will be without phones
19 at all, and how sad that would be. How are they going to
20 call 911 when they are ready? How are they going to check
21 on their sick and poor family members?

22 A phone business -- phone is something that is so
23 absolutely necessary for everyone to have, and we don't
24 want them to have to not be able to have a telephone at all
25 because the rates are too high.

1 The word is out that it was introduced in the
2 Legislature before this challenge was given to you all that
3 the rates would be raised from approximately ten dollars
4 and something to -- and the recommendation was for up to
5 twenty-three dollars. Well, I certainly hope that that was
6 not true, and, if it was, I'm so glad that the
7 consideration was made to allow you all to come out and
8 find out how we feel about it before you -- and then
9 recommend to them whether that was a good bill to bring
10 before the Legislature or not.

11 And, as you consider, please keep in mind those
12 that are not -- the thousands and thousands who aren't able
13 to pay the rate that is before us now who are suffering,
14 who do not have telephones. Any increase would mean that
15 they just couldn't afford a telephone at all.

16 I don't know why BellSouth or any other
17 businesses have decided to increase their rates. I'm sure
18 there must be good reasons for it.

19 And I hope -- my concern as far as AARP is
20 concerned is that we are sure that there must be a way to
21 solve the problem that these business people are asking for
22 the increases that they want without changing that basic
23 telephone rate. And that's the rate that the gentleman was
24 referring to, not all of the amenities that go with it,
25 which runs it up like my bill is every month or someone

1 else's. But the ones who just got only what they can
2 afford, they need that telephone in their home. They have
3 children and they have sick people and they're old and
4 they're elderly. Don't take it away from them at all by
5 raising the rate to a point where they can't afford a
6 telephone. They need a telephone.

7 A question was asked should they make an
8 exception. I don't know, but I certainly would, if I was
9 on the Commission, would want to make that exception if
10 that was the only way that we could keep the rate -- keep a
11 rate that the absolutely poor people, retired and elderly
12 and sick, could afford and we don't want it to get any
13 worse than what it is now.

14 And so that's my appeal to you tonight to
15 consider all of this as a part -- in your plans, that there
16 are people out here who are suffering trying to pay the
17 current rate, and an increase would mean that they couldn't
18 afford a telephone at all, and I don't think that that's
19 what Southern Bell or anybody else wants to do.

20 But that will happen, I'm telling you. They are
21 being disconnected all the time, their phones are cut off
22 for various reasons. They can do it in the matter of a
23 split second, "Sorry, that phone has been disconnected."
24 In many instances, that means that person couldn't pay the
25 telephone bill. It isn't always because they don't -- they

1 just didn't -- they were so lazy or so sorry they didn't do
2 it, because they didn't have the money.

3 Now, if the phone is higher, the regular monthly
4 rate gets even higher, what are they going to do?

5 The need is there, it's before us. American
6 Association of Retired People ask you umibly to take into
7 consideration those that are in the needy and elderly class
8 to a point where they cannot pay the current rate. Please
9 do not raise the basic rate, the basic one, that they are
10 trying so hard, and don't -- to keep a telephone rate so
11 high that these people cannot have a telephone in their
12 home.

13 Thank you.

14 COMMISSIONER JOHNSON: Thank you, Dr. Scott.

15 Any questions for Dr. Scott? There may be a few.

16 COMMISSIONER JACOBS: Do you know if AARP
17 maintains statistics on its members in terms of
18 average age, living conditions, average income, those
19 sorts of things?

20 THE WITNESS: I am certain that they do. I
21 don't have any of those statistics with me now nor do
22 I remember any.

23 COMMISSIONER JACOBS: Okay. That's what --

24 THE WITNESS: You know, it's such a large
25 organization -- there's millions -- such a large

1 organization, I'm sure.

2 Before they come to the issues that they want to
3 support, I'm sure that a lot of research has gone on.

4 COMMISSIONER JACOBS: Good. We may want to take
5 advantage of some of that research.

6 THE WITNESS: Thank you.

7 COMMISSIONER JOHNSON: Thank you, Dr. Scott. We
8 appreciate your testimony tonight.

9 (Witness excused.)

10 - - -

11 MR. BECK: William Price.

12 WILLIAM PRICE,

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

16 WITNESS PRICE: Hello. I have a business over --
17 I'm a business owner. I own a civil engineering firm here
18 in Jacksonville. I've lived here for about ten years.

19 I'm here to suggest to try not to raise -- or
20 lower the commercial rates and not have them subsidize the
21 residential rates.

22 As a small business owner - I started about 17
23 years ago, and when I first started it was very tough
24 getting started. You have a lot of expenses, you have
25 rent, you have, naturally, a phone bill, you have employees

1 to pay. And when you look at the phone bill when you first
2 get it, when you come from residential to commercial and
3 you look at it, then you'd say, well, how can I put an ad
4 in the yellow pages because your bill is so high when you
5 first get it. I mean, you know, I was very shocked.

6 But at the same time I'm not opposed to the Life
7 Line, you know, that was suggested here. I mean, I think
8 that's very important, as said by Dr. Scott.

9 But we cannot go on by subsidizing the
10 residential service here in Jacksonville and then expect
11 the small -- the small -- the small -- the small business
12 owners to strive.

13 As you know, the country is run by small
14 businesses. This is really the foundation of our country,
15 you know, and more so than the big businesses. If you kill
16 us, you kill the whole economy. And I'd just like you to
17 try to consider that when -- you know, when you make your
18 decision later on and try to consider not to -- not to have
19 the commercial or businesses continue to subsidize the
20 residential services.

21 Thank you.

22 COMMISSIONER JOHNSON: Thank you, Mr. Price.

23 Any questions?

24 (No response.)

25 COMMISSIONER JOHNSON: Thank you for your

1 testimony.

2 (Witness excused.)

3 - - -

4 MR. BECK: Chairman Johnson, Mr. Price was
5 the last witness to sign up ahead of time.

6 COMMISSIONER JOHNSON: Is there anyone in
7 the room that didn't have the opportunity to sign
8 up to testify that would like to testify tonight?

9 Seeing none --

10 Yes, sir, if you could come forward.

11 Sir, I'm going to need to swear you in.

12 If you could raise your right hand.

13 (Witness sworn in.)

14 COMMISSIONER JOHNSON: Thank you. And if
15 you could state your name and address for the
16 record.

17 JOHN HOWEY,

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

20 WITNESS HOWEY: My name is John Howey and I live
21 at 5060 Lincoln Circle South, and I am here to speak on
22 behalf of the residential people, the seniors. I'm one of
23 those myself. And as Dr. Scott has already forestated, we
24 can hardly bear the telephone bills that we now have.

25 And my wife is really an invalid. She's in a

1 wheelchair. We need our telephone. And we have to contact
2 doctors from time to time. We have emergencies in the
3 family from time to time because of her. If she wasn't
4 ill, she would probably be here with me tonight.

5 But she's completely an invalid and can't do
6 anything for herself and I have to make contact with
7 doctors, nurses, and we do have health care through
8 Medicare that comes our and at various times I need to call
9 them, so we do really need a telephone. And we're having a
10 hard time keeping up with bills now, because there are a
11 lot of doctor and medical expenses, as you know, in those
12 kinds of conditions.

13 So I'm here to ask you not to do anything to make
14 it -- the telephone bills for people in homes like myself,
15 and there are many of them, any more harder than what it is
16 to meet that payment.

17 Thank you very much.

18 COMMISSIONER JOHNSON: Thank you.

19 Any questions?

20 Sir --

21 COMMISSIONER JACOBS: Excuse me, Mr. Howey.

22 Are you able to make most of your calls without
23 paying long distance charges? Do you know? The
24 doctor calls and so forth.

25 THE WITNESS: Without long distance?

1 we make our recommendations to the Legislature.

2 Again, thank you for your comments. We
3 appreciate your coming out tonight.

4 Good night.

5 (Whereupon, at 7:09 o'clock p.m., the hearing was
6 adjourned.)

7

8

- - -

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

C-E-R-T-I-F-I-C-A-T-E

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF FLORIDA)
COUNTY OF CLAY)

I, MARIE C. GENTRY, do hereby certify that the matter of Fair and Reasonable Residential Basic Local Telecommunications Rates, Special Project No. 980000A-SP, was heard by the Florida Public Service Commission on September 8, 1998; that I was authorized to and did report in shorthand the proceedings and evidence in said proceedings and that the foregoing pages numbered 1 through 50, inclusive, constitute a correct record of the proceedings in said matter.

DATED this 18th day of September, 1998.

Marie C. Gentry
MARIE C. GENTRY, Court Reporter