

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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

PROCEEDINGS: PUBLIC HEARING  
Tampa, Florida

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

DATE: Wednesday, September 23, 1998

TIME: Commenced at 6:00 p.m.  
Concluded at 8:35 p.m.

PLACE: County Center  
Hillsborough County  
Commission Chambers  
Second Floor  
601 East Kennedy Boulevard  
Tampa, Florida

REPORTED BY: Donna W. Everhart  
CSR, RPR, CP, CM  
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Notary Public  
State of Florida at Large

BUREAU OF REPORTING

RECEIVED 10-1-98

DOCUMENT NUMBER-DATE

10795 OCT-1 98

STATE OF FLORIDA REPORTING

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7

## 8 ALSO PRESENT:

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10 Division of Communications.

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P R O C E E D I N G S

(Hearing convened at 6:00 p.m.)

1  
2  
3 CHAIRMAN JOHNSON: Ladies and gentlemen,  
4 I'd like to welcome everyone here this evening.  
5 Appreciate you coming out. My name is Julia  
6 Johnson. I'm the Chairman of the Florida Public  
7 Service Commission. Last year the Legislature  
8 passed House Bill 4785 --

9 Again, my name is Julia Johnson. I'm the  
10 Chairman of the Florida Public Service Commission.

11 The court reporter is having problems,  
12 too, because it's fading in and out.

13 We're going to try this again and see if  
14 it works if I speak directly into the microphone.  
15 Perhaps it's a voice-activated system here. Is  
16 that better? Again, I'm Julia Johnson. I'm the  
17 Chairman of the Florida Public Service Commission.

18 Counsel, if you could read the notice.

19 MR. COX: Pursuant to notice, this time  
20 and place has been set for a public hearing in  
21 Undocketed Special Project No. 980000A-SP, fair and  
22 reasonable residential basic local  
23 telecommunication rates. The purpose of the  
24 hearing is set forth in the notice.

25 CHAIRMAN JOHNSON: Wil, there's a -- the

1 button should be on. You didn't have your button  
2 on.

3 MR. COX: Okay. Try that one more time.

4 CHAIRMAN JOHNSON: Sure.

5 MR. COX: Pursuant to notice, this time  
6 and place has been set for a public hearing in  
7 Undocketed Special Project No. 980000A-SP, fair and  
8 reasonable residential basic local  
9 telecommunications rates. The purpose of the  
10 hearing is set forth in the notice.

11 CHAIRMAN JOHNSON: Thank you. We'll take  
12 appearances.

13 MR. BECK: My name is Charlie Beck. I'm  
14 with the Office of Public Counsel in Tallahassee,  
15 appearing on behalf of Florida citizens.

16 MR. COX: Wil Cox on behalf of the  
17 Florida Public Service Commission staff.

18 CHAIRMAN JOHNSON: Again, my name is  
19 Julia Johnson. I'm the Chairman of the Florida  
20 Public Service Commission. And tonight we have all  
21 of our Commissioners present. To my far left is  
22 Commissioner Leon Jacobs. Seated next to him is  
23 Commissioner Susan Clark. To my right is  
24 Commissioner Terry Deason. And to my far right is  
25 Commissioner Joe Garcia.

1           Again, let me go back over some of the  
2 background. As you arrived, you probably received  
3 one of the blue sheets, which goes into quite a bit  
4 of detail as to the purpose of our hearings. But  
5 if you will, allow me to go through just briefly  
6 the issues that we are going to be dealing with  
7 over the next several months and explain to you the  
8 report that we'll be issuing to our Legislature  
9 next legislative session.

10           Last year the Legislature passed House  
11 Bill 4785. And in that they asked the Commission  
12 to go out and study and report back as to the fair  
13 and reasonableness of local residential rates.  
14 They provided several criteria that they asked us  
15 to review as we provide our analysis and issue and  
16 considerations to take into the final report that  
17 we will provide to the Legislature.

18           They asked us to look at the  
19 affordability, rates in other states, the cost of  
20 service, and the value of service. Pursuant to  
21 that request, we have scheduled 22 hearings across  
22 the state to hear from customers, to hear what you  
23 think about the value of the service, the  
24 affordability of the service, the quality of the  
25 service, any issues that you've been concerned

1 about or that you have questions about as it  
2 relates to telecommunications services.

3 Some customers as we have gone across the  
4 state have talked about whether the rates were too  
5 high, too low, whether they thought there were  
6 subsidies. Some have talked about other consumer  
7 issues, slamming, cramming. We're here to hear  
8 from you. We will take your comments and combine  
9 those into our analysis and into the report that we  
10 will issue to the Legislature.

11 Now, to the extent that you don't want to  
12 provide any oral comments to us here today, the  
13 blue sheet, at the end there's a section if you  
14 want to provide any written comments. You can  
15 write those comments in, fold the sheet up, provide  
16 those to Ms. Crump out front. Or if you go home  
17 tonight and you have some other concerns or ideas  
18 or things that you'd like for us to know about,  
19 simply mail that in to the Commission, and that  
20 will be made a part of the correspondence side of  
21 the record.

22 Also on the blue sheet we have our 1-800  
23 number as a way for you to call us and to  
24 communicate any concerns you might have on this  
25 issue or other issues that we regulate. We also

1 have our Internet site. For those that would  
2 rather file their complaint or file their issues or  
3 concerns or statement via the Internet, that  
4 process is also available.

5 You can also go to our Web page and if  
6 you have the appropriate equipment on your  
7 computer, you can link in to the hearings that  
8 we've already held as they've been recorded, and  
9 they are available for you to listen to if you want  
10 to hear what happened in Miami or Fort Lauderdale  
11 and hear what some of your neighbors across the  
12 state have been saying and what their testimony has  
13 addressed. We will-- we have made that possible  
14 for those of you who, again, have that kind of  
15 equipment and access to computers in your home or  
16 at work.

17 With that, we're going to at the  
18 appropriate time ask those that would like to  
19 testify to stand, and I'll swear you in. We do  
20 have a court reporter who is taking all of your  
21 comments down, and we swear you in so that the  
22 information can be a part of the official record  
23 upon which we can rely when we do indeed make our  
24 final report to the Legislature.

25 I don't know -- are there any other



1 preliminary matters that we need to address,  
2 Mr. Cox?

3 MR. COX: There are no preliminary  
4 matters at this time.

5 CHAIRMAN JOHNSON: Then again, since we  
6 are here to hear from you, your thoughts and your  
7 concerns, it will be appropriate at this time for  
8 those that would like to testify to stand, and  
9 I'll go ahead and swear you in. If you could raise  
10 your right hand.

11 (Witnesses collectively sworn.)

12 CHAIRMAN JOHNSON: Thank you. You may  
13 all be seated. Public Counsel, I believe we're  
14 prepared for the first customer.

15 MR. BECK: Thank you, Chairman Johnson.  
16 The first witness is Adam Smith.

17 CHAIRMAN JOHNSON: Mr. Smith, as you're  
18 coming forward, I know I announced earlier that the  
19 testimony in tonight's hearing would be transmitted  
20 over the Internet live. We were unable to activate  
21 the system, so that this will be recorded and  
22 probably in about two weeks your comments and your  
23 testimony will be placed into our system, but it  
24 will take a couple of weeks.

25 And as you come forward, if you could

1 again state your name and where you're from for the  
2 record, please feel free to provide your comments.  
3 After you've provided your comments, the  
4 Commissioners may have questions for you. If you'd  
5 like to entertain those questions, that's fine, go  
6 ahead. If you don't want to answer any questions,  
7 that's fine too. Mr. Smith.

8 THEREUPON,

9

ADAM SMITH

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

13 WITNESS SMITH: Thank you, Madam  
14 Chairman. Good evening, Commissioners. Welcome to  
15 Tampa. My name is Adam Smith. I'm with the Tampa  
16 Chamber of Commerce located at 401 East Jackson  
17 Street, Suite 2100, Tampa, Florida 33602.

18 The Tampa Chamber of Commerce has  
19 supported procompetitive telecommunications  
20 policies and legislation since October of 1994.  
21 Today, as was the case in '94, we support freedom  
22 of choice and full and fair competition among  
23 competing providers, that full and fair competition  
24 should be realized by not advantaging one  
25 competitor over another or artificially impeding

1 one over another.

2 The role of government regulation during  
3 the transition to a competitive marketplace should  
4 be to assure that consumers are receiving the full  
5 benefits of competition while universal service  
6 goals are maintained. We appreciate your efforts  
7 here and throughout the state concerning this  
8 important economic and quality of life issue.

9 I would like to request that the Public  
10 Service Commission add the Tampa Chamber to your  
11 mailing, fax, e-mail list, and to please keep us up  
12 to date on any and all developments regarding your  
13 preliminary and official findings concerning the  
14 telecommunication market. This will be in an  
15 effort to keep our members up to date on your  
16 progress. Thank you.

17 CHAIRMAN JOHNSON: Thank you.  
18 Commissioners, any questions?

19 COMMISSIONER GARCIA: Let me ask you --  
20 let me ask you -- this favors my form of speech,  
21 which is monotone, so it will pick it up as long as  
22 I bore you.

23 The issue is -- the issue of low rates  
24 has always been a priority for the Legislature of  
25 Florida and, of course, our policies which emanate

1 from them because we are a branch of the  
2 Legislature. There is -- there is an inherent  
3 value in keeping everyone on the network.  
4 Therefore, if you notice that blue handout, Florida  
5 has done, I think, a superb job in terms of the  
6 southern states of keeping basic rate at the lowest  
7 possible.

8 I think that advantages business also.  
9 In other words, the more of our consumers, your  
10 clients, that are on the phone system, better for  
11 the system. Tell me what you feel about that basic  
12 rate. I know you want competition, and I'm sure  
13 your high-end customers are getting that to some  
14 degree, but the company alleges -- the companies  
15 allege that we're not getting more competition in  
16 particularly in the local because price is so low  
17 that nobody is willing to enter the market. Give  
18 me your view on that.

19 And I've asked you several questions  
20 there, but basically the concept of trying to keep  
21 our basic residential as low as possible and how do  
22 you feel about that and, secondly, give me your  
23 view, your take on how competition has worked on  
24 the high-end business for your members and things  
25 of that nature.

1           WITNESS SMITH: Concerning low rates, I  
2 think that's everybody's concern that's here  
3 tonight. And I believe that's your concern and  
4 Florida Legislature's concern is low rates. I  
5 don't know if that answers Part 1 of your question.

6           As far as does that -- our current status  
7 in Florida as those rates are deemed low, I believe  
8 a secondary factor that would be addressed in a  
9 fair competitive market is innovations in  
10 telecommunications that at present through  
11 competition will be generated.

12           CHAIRMAN JOHNSON: Mr. Smith, I know you  
13 represent the Chamber. Have your members seen much  
14 competition in the telecommunications market, the  
15 business customers here in the area?

16           WITNESS SMITH: Without doing a total  
17 survey of our Chamber membership, I'd be  
18 misspeaking on their behalf. Anecdotal evidence I  
19 could probably give you. If there's -- if that is  
20 something you seriously would like to obtain, I'd  
21 be more than happy to get that done for you.

22           CHAIRMAN JOHNSON: I don't think we need  
23 any statistical. I just wondered if you had a  
24 general view or general -- any information  
25 regarding whether or not they were seeing

1 competition, whether they were being approached by  
2 alternative providers to provide them with local  
3 service.

4 WITNESS SMITH: There is anecdotal  
5 evidence to that effect but, again, there's no real  
6 hard facts on that.

7 CHAIRMAN JOHNSON: Okay. Any other  
8 questions for Mr. Smith? Thank you.

9 WITNESS SMITH: Thank you very much.  
10 Take care.

11 MR. BECK: The next witness is Jay  
12 Lasita.

13 CHAIRMAN JOHNSON: As Mr. Lasita comes  
14 forward -- and please do -- I wanted to acknowledge  
15 Senator Lee. He's been very active on  
16 telecommunications issues as well as all of the  
17 issues that we regulate, and I'm sure numerous  
18 issues for his constituents.

19 Earlier this morning we had some  
20 customers actually applauding the efforts that we  
21 and the activities that we have done in the  
22 slamming area. We owe a lot of that to your  
23 leadership and the leadership of both the House and  
24 the Senate, but particularly you and some of the  
25 work that you have done with our Commission in

1 helping us develop some of the most strict slamming  
2 rules in the nation. Again, thank you, and thank  
3 you for your participation.

4 THEREUPON,

5 JAY LASITA

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

9 WITNESS LASITA: Sounds good to me. I'm  
10 glad that's happening. My name -- Commissioners,  
11 thank you for being here. This is just the type of  
12 accessibility that you've shown in the past and  
13 that all consumers and all constituents need to see  
14 from their public officials in general.

15 My name is Jay Lasita, and I serve on the  
16 St. Petersburg City Council. I would have been at  
17 your hearing today in St. Petersburg, but I had a  
18 conflict that I was unable to get out of in order  
19 to be able to be there. But this is -- this is an  
20 issue that sort of transcends city boundaries. It  
21 goes all over the state. And we all need to weigh  
22 in, and that's what I'm hear to do.

23 As I understand it -- and I don't claim  
24 to know everything about this, but as I understand  
25 it, the premise of this is to allow local phone

1 service to essentially double in rates roughly over  
2 the next approximate 10 years.

3 I know that this proposal nearly  
4 passed -- had a very real shot at passing the  
5 Legislature this past session, until pressure from  
6 constituents and editorial boards sort of put it  
7 substantially on the back burner. I guess that's  
8 why it's here in front of you.

9 To me, to double a rate, to double a  
10 basic phone rate, serving in the capacity that I  
11 now serve in, is tantamount to like doubling a  
12 tax. For your basic phone rates certainly hit a  
13 wallet, hit a pocketbook as surely as any ad  
14 valorem tax does.

15 And if you went to the constituents out  
16 there and said over the next 10 years we're going  
17 to double your property taxes, well, I don't think  
18 the folks that get elected would be in office very  
19 long. You know, it flies in the face of what  
20 anticipated inflation is going to be. It's just  
21 not the way to go.

22 As a board member of the Florida Consumer  
23 Action Network, I had the opportunity to observe  
24 the legislative process in 1995 that led to such  
25 matters being taken out of your purview, your



1 ability to actually make decisions along those  
2 lines. Now it's down to recommendations.

3 I felt that that process could have  
4 played out in a more -- more phased-in kind of  
5 basis as opposed to going from virtually Point A to  
6 Point Z in one fell swoop. I think that you need  
7 to have the underpinnings of competition in place  
8 before you open the -- before you open the door to  
9 deregulation. I don't think that that necessary  
10 step was covered. That's my personal viewpoint  
11 based upon what I observed close hand.

12 As long as circumstances were the way  
13 they were, and the bill worked out the way it did  
14 in '95, that should not have happened. It should  
15 have stayed under your purview for as long of a  
16 time as necessary until we could see the true  
17 makings of competition.

18 Now, you can still do something about it  
19 though. You can recommend against this proposal,  
20 and I heartily urge you to do that. I think the  
21 constituents of this state will thank you for doing  
22 that. It's clearly not the thing to do at this  
23 time.

24 And please recommend against the proposal  
25 and put a stop to the -- what strikes me as

1 somewhat nonsensical that by raising rates you  
2 promote competition. It just seems to be almost an  
3 oxymoron to me. I thank you for your time, and  
4 have a great hearing.

5 CHAIRMAN JOHNSON: Thank you.

6 Mr. Lasita, I generally -- guess I got a little  
7 distracted by the microphone system, but there has  
8 been some confusion with respect to what our job is  
9 right now with respect to issuing a legislative  
10 report.

11 As you stated, there was a House bill  
12 that would have allowed rates to go up over time, I  
13 think over a five-year period, and access rates  
14 would have gone down, and it was a very  
15 comprehensive bill. The House did vote that out  
16 but then they turned around and they -- whatever  
17 you call a negative vote so that it disappeared.

18 The new legislation was just a study  
19 bill. They listed criteria. They didn't say  
20 anything about rate increases for the customers.  
21 So when we issue our report back to the  
22 Legislature, it won't focus on the bill that did  
23 not pass because that was never made law and, in  
24 fact, it never passed out of the House or it never  
25 even appeared in the Senate.

1 WITNESS LASITA: I'm aware of that.

2 CHAIRMAN JOHNSON: So that our focus will  
3 be to a more broader -- it will be a broader  
4 proposition. But your statements are well-taken.  
5 And several individuals that have spoken have said  
6 just make sure you tell the Legislature that bill  
7 that appeared once before, you know, should not be  
8 passed. And I think that's what you're asking us  
9 to do in this instance.

10 WITNESS LASITA: Yes. And I think that  
11 that could be potentially part of this process, a  
12 study that encompasses the elements of that bill.  
13 Is that correct or incorrect? The elements of the  
14 concept of raising the rates over a spaced-out  
15 period of time.

16 CHAIRMAN JOHNSON: Perhaps that concept  
17 will be discussed, but not a specific bill. A bill  
18 won't be analyzed, but perhaps parties will come  
19 forward and articulate the need for increases, just  
20 as I'm sure Public Counsel will probably articulate  
21 the need to not increase rates.

22 WITNESS LASITA: Again, I'll say that not  
23 having, you know, the underpinnings of competition,  
24 to move such decisions into the overt political  
25 arena I think was mistaken. You-all have staff and

1 you-all make it your business to study such issues.  
2 And until you actually had the opportunity to have  
3 competition -- and ask anybody, any person in the  
4 street if they -- if they're aware of any  
5 competition for the local phone service.

6 Commissioner Garcia asked the Chamber  
7 president about high-end users and so forth. That  
8 is absolutely correct, and much will probably  
9 happen along the same lines with power deregulation  
10 as well. But for the everyday person, you know,  
11 they're not seeing that type of circumstance.

12 And so until that happens, you know,  
13 you-all are here essentially to make sure that  
14 monopolistic tactics do not occur. And I felt that  
15 it was mistaken to move that process in 1995 out  
16 from you under your purview and into the more overt  
17 political arena until you had the underpinnings of  
18 competition.

19 The design of what all the rhetoric about  
20 the bill -- what the bill was going to accomplish,  
21 to actually have the underpinnings of it in place.  
22 And that did not happen. And until that happens, I  
23 think any recommendations you-all make should  
24 follow along the same lines as rulings you would  
25 have made as when you had that authority as --

1 CHAIRMAN JOHNSON: I see.

2 WITNESS LASITA: That's my viewpoint.

3 COMMISSIONER GARCIA: Councilman, I  
4 just -- I understand your feeling, but I think you  
5 have to also understand what the Legislature was  
6 trying to do. And clearly what the Legislature did  
7 I think was correct in the broader sense of what  
8 the entire nation was doing.

9 We passed our legislative package before  
10 the federal government. We were a leader across  
11 the country. And clearly we've got to understand  
12 that competition, you're absolutely right, is not a  
13 flash cut. I mean, think about Judge Greene's  
14 decision on long distance occurred in 1983.

15 We're now in the last four to five years  
16 is when we've seen true competition in that area  
17 where you have a myriad of options and services  
18 like -- and innovations like that Mr. Smith  
19 mentioned from the Chamber. Clearly all that is  
20 stimulated by a market as it opens up.

21 And we can't think of '95 being the year  
22 competition started. What the Legislature was  
23 trying to do is set up the parameters for that to  
24 happen. And I would -- I would assuredly tell you  
25 that most big large business is very happy that

1 that happened because they have a whole series of  
2 options that they did not have before as well as a  
3 whole series of choices.

4           Clearly it is an evolving process. We  
5 may need -- whatever happens here, I'm certain that  
6 anything that this Commission recommends to the  
7 Legislature will probably recommend that we be  
8 given some authority to balance it out as it moves  
9 out, whatever it is that they decide.

10           But I think in the overall context of  
11 what has occurred in the regulatory arena, the time  
12 was -- that was what had to be done at the time,  
13 and I think in the long-term I think we will all be  
14 served by that.

15           And the truth is that clearly we have  
16 kept our rates low. If there have been increases,  
17 it's been in allocations on a federal level, which  
18 the Florida Legislature and the PSC has no control  
19 over, and, in fact, we've spoken against most of  
20 those.

21           But clearly we've got to try to see the  
22 long-term here because if we believe that  
23 competition is good in terms of creating better  
24 prices, you've got to sort of -- you've got to  
25 believe for a little bit longer. And hopefully

1 that will be the case.

2 And that's why the Legislature has us  
3 looking at this as a whole thing. And I think the  
4 Chairman pointed that out. We're not just looking  
5 at the bill that was presented. That's far --  
6 that's just a small component, the rebalancing.

7 We're also looking at affordability.  
8 We're looking at building an access to tenants of  
9 telecommunications services and the issues around  
10 that. And hopefully what we're trying to do is  
11 give the Legislature some idea of where that is.  
12 And every year we make a report to the Legislature  
13 on how competition is going.

14 And clearly, you know, we are as  
15 disappointed as you. We would have loved to have  
16 seen, you know, the basic rate fall to \$2 and  
17 everybody -- or less because everybody was looking  
18 for a loss leader.

19 WITNESS LASITA: That's essentially  
20 happened --

21 COMMISSIONER GARCIA: But it takes a  
22 while.

23 WITNESS LASITA: I'm sorry. Excuse me  
24 for even beginning to interrupt. That's  
25 essentially what happened with long distance.

1 True, all the obvious signs, manifestations of that  
2 have occurred over the last five years, but in  
3 reality the rates themselves have dropped almost  
4 going back to that decision, at least over the last  
5 10 or 12 years.

6 I believe that the bill that led to the  
7 circumstance that we have today was flawed. I  
8 believe that there is an effort to learn from  
9 perceived mistakes that came out of the  
10 deregulation of long distance service. That's an  
11 impression I have, and it stands unshaken.

12 And I will tell you also that if you  
13 asked everyday citizens, you know, would they  
14 rather have somebody competing for their long --  
15 their local phone service or, you know, face -- or  
16 be assured of not seeing the kind of potential rate  
17 increases that were being discussed in the  
18 Legislature, they'd probably say, well, I'll stay  
19 with what I've got versus seeing my rates go up and  
20 the idea of bringing competition.

21 It's just a -- I mean, I can't approach  
22 it from the technical standpoint that you-all do,  
23 and I understand that, but just looking at it from  
24 the common sense standpoint, raising rates to  
25 promote competition to invite folks into the



1 market, well, there has to be a different way of  
2 doing that. And I think that, again, the process  
3 that led us to this, it was flawed and, you know,  
4 we'll just have to see what happens with that.

5 COMMISSIONER GARCIA: It's again -- and I  
6 don't want to -- it's not -- I'm not debating the  
7 issue, but the broader --

8 WITNESS LASITA: I know. And I  
9 appreciate the time on this.

10 COMMISSIONER GARCIA: -- the broader  
11 perspective is that when one makes the move to  
12 competition, services must -- we must try to make  
13 services meet the cost demands if we're saying to  
14 someone. And clearly there has to be some graded  
15 entry into that, and it just can't be flash cut.

16 We can't say, well, tomorrow if one  
17 believes -- and we are far from reaching any  
18 conclusion in this. Let's say that the companies  
19 believe that they are providing basic services,  
20 \$20. We have to figure out some way or some system  
21 to be able to keep those who need the service at \$8  
22 or \$14 or \$12. I think GTE's is 12 something.

23 We've got to keep that there. But at the  
24 same time we have to realize that that market is  
25 changing. And part of the Legislature's vision, I

1 think, here is to think about that process in the  
2 long-term so that we can -- so that we can to some  
3 degree protect those who need protection in that  
4 system.

5           And that -- you know, it goes to all  
6 sorts of things. I'll give you the example.  
7 Lifeline rates, which I'm sure the Chairman will  
8 touch on before we leave. And she's very  
9 articulate on that issue, so I'll leave it to her.  
10 But Lifeline is something we keep a subsidy to  
11 people who just can't afford phone service. And it  
12 basically brings their local service down to almost  
13 zero.

14           However, we're finding in BellSouth  
15 reports that those people who go back down to zero,  
16 they take the subsidy and instead of having a basic  
17 phone line, they add to it caller waiting, caller  
18 ID, all sorts of services. So the zero bill goes  
19 back to what it would have been had they not been  
20 given a subsidy.

21           So the question is should we as a state  
22 be encouraging -- should we as a state be  
23 encouraging that type of behavior. I would  
24 hesitate to say my initial view is probably not.  
25 There are others on this Commission who feel

1 perhaps to some degree. They should be able to  
2 have some choices, but they shouldn't be able to  
3 have all the bells and whistles if they're asking  
4 for assistance from the State.

5 So those are a whole series of things  
6 that we need to look at because I agree with you  
7 that the concept of keeping basic service low is  
8 essential. But I think there is a difference with  
9 providing basic service to someone like -- this is  
10 no -- Daddy Warbuck's home who has eight lines and  
11 all the bells and whistles.

12 He shouldn't be paying the same rate that  
13 is a subsidized rate that businesses that employ  
14 people in our community are paying compared to  
15 someone who's, you know, a single family who's  
16 got -- or my grandmother, who has a phone and she  
17 doesn't want anything except that it rings when  
18 people call and that it's busy when she's on the  
19 line. That's all she wants.

20 So I think we've got to try to balance  
21 that. And I think the Legislature's vision in this  
22 was let's look at all these things because I think  
23 when they began down the road of that bill, they  
24 realized there were some other things that needed  
25 to be touched on.

1           And I think that overall what we're doing  
2 here is trying to take your consideration as well  
3 as all those citizens who have spoken to us. And  
4 clearly we've heard it. The local service, we have  
5 to keep that as low as possible.

6           WITNESS LASITA: Fair enough. And I wish  
7 you well on the mission to get away from abuses,  
8 real and perceived. Those -- I will agree the  
9 point that you made on that. I think that any time  
10 you abuse an opportunity like that, that's wrong.  
11 But I stand by everything else I said. Thank you  
12 for your time, folks.

13           CHAIRMAN JOHNSON: Appreciate your  
14 testimony.

15           WITNESS LASITA: Appreciate you being  
16 here.

17           MR. BECK: Thank you, Councilman Lasita.  
18 Senator Lee.

19 THEREUPON,

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

24           WITNESS LEE: Well, thank you, Madam  
25 Chairperson and members of the Commission. I hope

1 you'll be as kind to me here tonight as I've been  
2 to you in the Legislature and not a bit more.

3 I really have no real formal advice for  
4 you here tonight, no real formal purpose. One, I  
5 want to welcome you to our community and tell you  
6 how pleased I am that you've taken this endeavor as  
7 seriously as you have and have traveled around the  
8 state trying to receive testimony from the people  
9 that we all represent, and that's the people of the  
10 state of Florida.

11 One thing that I -- I have learned in my  
12 two years of service as a member of the committee  
13 on regulated industries in the Senate and something  
14 I have learned this summer reading some of the  
15 material that you-all are getting into for the  
16 purposes of making your report as a senator that  
17 has been assigned to oversee this project for the  
18 committee on regulated industries is that it is  
19 extraordinarily complex.

20 And I recognize that we have some 60  
21 years of public policy that has created an  
22 environment where we have a preference on  
23 affordable local exchange service for customers.  
24 It is very clear to me that that is the purpose,  
25 the fundamental policy directive that we got into

1 with the Federal Communications Act many, many,  
2 many, many years ago.

3 And one of the -- some of the comments  
4 that I have heard made with regard to deregulation  
5 and competition here tonight and I've heard come  
6 out of your prior meetings is that we all have to  
7 tread very cautiously as we -- as we attempt to  
8 create a competitive environment and make sure as  
9 we review those who will undoubtedly be winners and  
10 losers that the broad base of our population in the  
11 state of Florida don't end up on the losing column.

12 It is a -- it is not an easy task that  
13 you have in front of you, but the folks that are a  
14 little bit distant from this process perhaps would  
15 come to understand it a little better if they  
16 looked at it from the standpoint that there are  
17 certain number of dollars that are being spent on  
18 telecommunication services in this state.

19 And this debate is not nearly as much  
20 about how much will be paid down the road as it is  
21 about who will pay more and who will pay less. And  
22 it's important in that overall debate that we look  
23 at what's best for fulfilling the promises of our  
24 deregulation package that the Legislature passed  
25 years ago, making sure that in the long-term

1 competition exists in our community and that it  
2 does result in not just less expensive service but  
3 better service and, most importantly, fair and  
4 equitable service for our entire state.

5 You know, businesses have come to realize  
6 that without consumers, there are no businesses.  
7 And it's important that we all work together and  
8 not view our role as being independent of one  
9 another as we proceed forward.

10 And I know that this is a very, very  
11 difficult area, and I was very pleased that the  
12 Senate took the position it did with regard to the  
13 House bill and suggested that perhaps as the  
14 councilman has observed, that there were more  
15 knowledgeable people to deal with this subject than  
16 the Legislature in the heat of legislative session.

17 And that we essentially punted this  
18 project to you for the purposes not of reviewing a  
19 bill that came out of the House but very important  
20 to note, a process and an area of public policy  
21 that is really on the cutting edge of where we're  
22 going as a society.

23 And to note in closing that when you  
24 think about the services that people require to  
25 sustain life these days, two of them are really in

1 the modern society becoming access to  
2 telecommunications services and access to  
3 affordable electricity costs.

4 And they happen to be two areas that this  
5 committee in the Senate deals with that you-all are  
6 assigned to, and it makes your responsibilities for  
7 the citizens of the state of Florida as paramount  
8 as mine.

9 And I appreciate what you're doing. I  
10 appreciate you being here. I'd be happy to answer  
11 any questions that you might have, but my real role  
12 here tonight is to support you and to encourage you  
13 to move very cautiously in this area and make sure  
14 that what we do, we don't look back with the  
15 benefit of 20/20 hindsight and perhaps wish we had  
16 done it a little differently. Thank you.

17 CHAIRMAN JOHNSON: Thank you, Senator.  
18 Any questions?

19 COMMISSIONER DEASON: Senator, I don't  
20 have a question but just a comment, if you could  
21 bear with me for just a moment. I appreciate you  
22 being here.

23 I think I speak for myself and the other  
24 Commissioners when I say that I think we're  
25 gratified that the Legislature has enough



1 confidence in the Public Service Commission to  
2 involve us in this. And it's also good to hear  
3 that you know that this is a complex area.

4 And there is some expertise on this  
5 Commission, but perhaps even more importantly there  
6 is some very good expertise in the staff of the  
7 Public Service Commission. And we're going to do  
8 the very best that we can to provide the  
9 Legislature with a useful report.

10 And it is not going to be an easy task,  
11 but I can assure you that the Commissioners here  
12 are taking this task very seriously. And we do  
13 want to hear from the public, and we're taking that  
14 input very seriously as well.

15 WITNESS LEE: Thank you. So noted.

16 CHAIRMAN JOHNSON: Thank you.

17 MR. BECK: Thank you, Senator. Marilyn  
18 Smith.

19 THEREUPON,

20 MARYLYN SMITH

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

24 WITNESS SMITH: Well, good evening. You  
25 stormed into town. I hope you get to storm out

1 too. Unfortunately, not all of us -- do I need to  
2 reidentify myself, or you've already got that  
3 requirement there?

4 MR. BECK: If you could give your name  
5 and address.

6 WITNESS SMITH: Oh, all right. It's  
7 Marilyn Smith, P.O. Box 66, Sydney, 33587.

8 I come with a bit of background in  
9 telecommunications. And it might be a little bit  
10 old, but it's still there. I was an operator on a  
11 board. You don't even know what a board is, most  
12 people. Real cords with the copper ends, you know,  
13 the kind you could break your fingers with.

14 And I learned one or two things being on  
15 the telephone and serving the public. And it was a  
16 totally different apparatus, but you had to have a  
17 smile in your voice and you were there to serve the  
18 public. I did local and long distance, so I had a  
19 broad spectrum of things to analyze.

20 But I do know one thing. Telephone is a  
21 very important instrument in your home. And  
22 especially when you're talking about people with  
23 health problems and children. You know, things  
24 happen very quickly in those arenas.

25 I would like to tell you that, yeah, a

1 phone is very necessary. Everybody should have  
2 one, at least one. Some people have lots of them,  
3 but I think just at least one to guarantee your  
4 security and safety is very important.

5 And now I'm going to tell you what I  
6 don't like. I resent the fact that the telephone  
7 company sells your name to every which body and you  
8 get phone calls from everybody on earth that you  
9 didn't want. And then they have the unmitigated  
10 gall to want you to buy all these gidgy gadgets to  
11 keep those people from calling you or to keep you  
12 from receiving those calls.

13 Now, I call that a really brave marketing  
14 way, you know. I mean, hey, first of all, we sell  
15 their name, and then they've got to buy all this  
16 crap to keep those people from calling them that  
17 they don't want to hear from; right? Pay to be  
18 quiet? Where is the peace? Where is the privacy,  
19 expectation of privacy?

20 And I just think that's an invasion into  
21 your home, you know. It really and truly is. And  
22 usually they call you at a time when you're eating  
23 and they disrupt the family's whole routine. And I  
24 don't appreciate it. And I'm really serious when I  
25 tell you this because the way I have my phone

1 listed, it's nobody would be able to call me unless  
2 they got it from the phone company. There is no  
3 doubt in my mind. I ain't a stupid grandma.

4 The other -- the other little thing that  
5 I do want to tell you is that I'm really happy that  
6 we have a senator named Senator Lee, just happens  
7 to be my senator. But he's worked very hard for  
8 us, and I'm very glad that he's on this particular  
9 committee that he reviews and he's on all of the  
10 public service, because the electric and  
11 telecommunications are two very, very important  
12 things to the citizens.

13 I don't have much else to say, but I  
14 really do want to urge you to urge competition  
15 because we do know that if people are competing,  
16 they will try to compete for the lowest dollar and  
17 the best service, and that's what competition is  
18 all about.

19 I was in sales and I trained salespeople,  
20 so I know it's very, very important that  
21 competition is there. And I don't like the fact  
22 that we have a monopoly here, not at all. I worked  
23 for a monopoly in California years ago, as I said,  
24 when I was going to college.

25 And although they treated a little bit

1 differently in many ways, a monopoly is still a  
2 monopoly, and I think we need to open that venue up  
3 just as we should with our energies or the various  
4 forms of energy, not just, you know, coal-fired  
5 energy.

6 Do you have any questions, want an  
7 opinion from a grandmother, whatever?

8 CHAIRMAN JOHNSON: There might be a few  
9 questions for you, Ms. Smith.

10 WITNESS SMITH: Sure.

11 COMMISSIONER GARCIA: Let me -- I wanted  
12 to ask -- wanted to tell you about if you resent  
13 that, it's the agriculture commissioner has a  
14 service which you pay, and it's a fee once a year,  
15 and then you renew it every year for, I think, \$5.  
16 And it does not allow these companies to call you.

17 The other side of that -- I know as  
18 bothersome as it is, competition by its very nature  
19 is based on information. And I hate it too, but  
20 every once in a while you get one of those calls  
21 and they offer you some money to listen to them for  
22 a few minutes.

23 So while they are disruptive, a lot of  
24 those calls to sell you services are inherent in a  
25 competitive environment. They wouldn't be calling

1 you if they didn't want your business, and many  
2 times they offer you something for calling. So --

3 WITNESS SMITH: I'm not talking about  
4 another phone company. I'm talking about every  
5 other crap in the world. If I want to hear from a  
6 phone company, fine. I'll listen to their spiel  
7 and I'll make my decision. But I'm talking about  
8 people, you know, they want you to join this, they  
9 want you to give to that.

10 And that's not -- that's not the  
11 competition, Joe. That's not what I'm talking  
12 about.

13 COMMISSIONER GARCIA: Now I get what  
14 you're talking about.

15 WITNESS SMITH: Okay.

16 COMMISSIONER GARCIA: And I don't think  
17 you can stop charity organizations from calling,  
18 so --

19 WITNESS SMITH: If they don't sell my  
20 phone number, I can.

21 CHAIRMAN JOHNSON: Let me ask staff  
22 counsel: Do we have any authority with respect to  
23 a phone company's ability to sell the list of  
24 customers? Do we have any oversight over how they  
25 can treat that list of customers and whether or not

1 they can sell those lists?

2 COMMISSIONER CLARK: One of the problems  
3 may be that those -- the publisher of the phone  
4 books are not regulated companies. If you recall,  
5 the Legislature, gosh, 1985, you know, sort of  
6 okayed the fact that that was in a separate  
7 business unit. You know, I'm not sure that would  
8 preclude that though.

9 CHAIRMAN JOHNSON: But I think she's --

10 WITNESS SMITH: They also bring up --  
11 excuse me, Julia. They also say on the bottom of a  
12 lot of your little bills any of their sister  
13 companies. Now, they open that door for  
14 themselves. And good Lord, they could have so many  
15 subsidiaries, it's not even, you know, funny.  
16 That's where it could be coming from also.

17 COMMISSIONER CLARK: You want the ability  
18 like there are some places you subscribe to  
19 organizations that you may be part of that you're  
20 given the option of telling them not to sell your  
21 name to anyone, and is that what you're suggesting  
22 would be appropriate here?

23 WITNESS SMITH: Well, yeah. That's the  
24 reason why I do the way I do with anything through  
25 the mail. I make very sure that there's only --

1 that I tell them I don't want to deal with you if  
2 you're indeed going to sell my name to a company,  
3 another company. Many times they do it anyway.

4 But I tell people when they solicit me.  
5 And it's unsolicited. I'm not asking them to call  
6 me. You've got one choice -- one chance, and I'm  
7 going to tell you right now don't ever call me  
8 back. That's federal law, and I've informed you.  
9 You want to wrestle with me, we'll go.

10 COMMISSIONER CLARK: Well, it may be that  
11 there is an avenue for people to be able to say  
12 that they don't want their name sold.

13 WITNESS SMITH: I think there should be.  
14 If you want people to bring their services to you,  
15 fine, but if you don't indeed want that, then I  
16 don't think the phone company should be allowed to  
17 sell your name and then you've got to pay. And \$5  
18 a year is not the point. It's that, hey, don't  
19 sell my name. That's basic line.

20 COMMISSIONER JACOBS: Weren't there  
21 restrictions on phone companies to sell or  
22 disclose -- maybe not sell but to disclose  
23 information on customer accounts?

24 MR. COX: There are restrictions on that,  
25 and that is actually a big problem in the cost



1 proxy part of this docket when we're talking about  
2 customer location and trying to figure that out is  
3 that they have to be almost estimates because  
4 specific information is -- there are restrictions.

5 I would concur with the comments that  
6 Commissioner Clark made about the deregulation and  
7 our lack of authority over these directory issues,  
8 although I would say that with regard to  
9 telemarketing, I think Commissioner Garcia noted  
10 that primary jurisdiction, as far as I know,  
11 appears to rest with the Department of Agriculture  
12 on those types of issue.

13 We receive calls frequently in the legal  
14 division at the Commission regarding telemarketing  
15 issues, and we generally have to punt over to the  
16 Department of Agriculture on those issues.

17 COMMISSIONER JACOBS: But if the number  
18 is unlisted? That's what I understood you to say,  
19 Ms. Smith, is that your number is not listed and it  
20 should be -- should not be in the directory.

21 WITNESS SMITH: No, no. I didn't say it  
22 was unlisted. I just don't think they should have  
23 the right to sell your -- it's the directory people  
24 that are doing it, and that's where I think you've  
25 lost the control. It's not unlisted, but the way

1 it is listed, I know that it was sold because of my  
2 peculiar way of listing it out of choice. It's  
3 quite legal but I know that it is a solicitation  
4 call because of that.

5 So they have indeed sold it, and I don't  
6 think that the people with those directories should  
7 have that ability. There goes your privacy. When  
8 you sign up for a phone, maybe we ought to make  
9 sure the local phone company asks you do you want  
10 your name sold in any manner to anybody for any  
11 solicitation. The onus should be on them. You are  
12 paying for a service.

13 COMMISSIONER GARCIA: And that is --  
14 staff, maybe that's something we could look into  
15 and first be clear on the breadth of our authority  
16 and to determine whether or not the -- whether the  
17 local exchange company might be selling the  
18 information or whether the directory assistance  
19 folks or what that process might be.

20 And one of the things that Commissioner  
21 Clark just stated that oftentimes telemarketers  
22 will just pick up a phone book and just go down  
23 pages and pages and pages just calling people based  
24 upon publicly published phone books. In some  
25 instances that may be the problem. But the greater

1 issue of selling the information that they have  
2 collected from customers without those customers'  
3 permission, let's see if we can at least  
4 investigate that a bit.

5 WITNESS SMITH: Find out who has the  
6 hammer on that.

7 COMMISSIONER GARCIA: I would tend to  
8 agree with Mr. Cox though. If you think about some  
9 of the issues that we've looked at as the  
10 Commission, we sort of want to require the company  
11 to disclose a lot more, so that competitors also  
12 have access to this material and competing  
13 directories as well as other services.

14 So it's a tough -- it's a tough issue.  
15 It really is. And it's something that I wish we  
16 could do more about, but I think the law pretty  
17 much restricts us.

18 WITNESS SMITH: So in other words, we  
19 have the option not to answer the telephone on any  
20 given day. Thanks a lot, Joe.

21 COMMISSIONER CLARK: One of the things  
22 that may be happening is they don't even use the  
23 phone book. They have an automatic dialer, and it  
24 just changes one of the numbers, and there you go.

25 WITNESS SMITH: I know. I've received

1 those too, and I just know to hang up and just say  
2 oh, well, there they go again. All right. I just  
3 wondered it was something that you could possibly,  
4 you know, state that people are unhappy about.

5 And do keep the rates low, and I think  
6 you're right, through competition they should do  
7 that, but there are a lot of people that really do  
8 need their telephone. But if you subsidize them  
9 and then they put the geegaws on there, you ought  
10 to jerk it. Thank you.

11 CHAIRMAN JOHNSON: Thank you, Ms. Smith.

12 COMMISSIONER GARCIA: Thank you.

13 MR. BECK: Thank you. Vince Kudla.

14 THEREUPON,

15 VINCE KUDLA

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

19 WITNESS KUDLA: Good evening,  
20 Commissioners. My name is Vince Kudla. I'm a  
21 resident here in Tampa at 9844 Bayboro Bridge  
22 Drive. In addition to that, I am a small business  
23 owner here in the area as well. I certainly do  
24 appreciate the opportunity I have in addressing you  
25 this evening and for your time.

1           While it certainly appears from most all  
2 of the material that you have sent out that you are  
3 interested in discussing local rates, I would  
4 certainly like to remind you that any look at rates  
5 or charges in the telephone industry should  
6 certainly start with access charges. Both business  
7 and residential customer pay these charges. So  
8 both would certainly benefit from reductions.

9           I do understand that today in Florida the  
10 cost of the local telephone companies to provide  
11 this access is around a 10th of a cent per minute  
12 on each end. Thus the total cost to the local  
13 companies is maybe 2/10ths of a cent per minute,  
14 yet they charge the local long distance  
15 companies -- I'm sorry, charge the long distance  
16 companies, which I understand there are probably  
17 some 500 or so roughly in the state of Florida, 5  
18 to 11 cents per minute. The long distance  
19 companies include these charges in their long  
20 distance rates.

21           So customers are basically being charged  
22 by the local companies anywhere from 25 to 55,  
23 maybe even 100 times the cost of access. I think  
24 certainly anyone would agree that this was totally  
25 out of line and certainly should be reduced so that

1 all long distance users not only benefit but it  
2 could certainly bring some sanity into the local  
3 company's pricing.

4 I would strongly recommend that whatever  
5 study or conclusion you do send to the Legislature  
6 that you would include in it a recommendation that  
7 the Legislature reduce access charges drastically.  
8 And certainly put the excess back into the pockets  
9 of the consumers in Florida, which is basically  
10 where it's coming from at this time.

11 I'm certainly not an expert in the  
12 telephone business, and actually that is all I have  
13 for this evening unless you have any questions for  
14 me, I'd be glad to attempt to answer them.

15 CHAIRMAN JOHNSON: Any questions,  
16 Commissioners?

17 COMMISSIONER DEASON: I have a question.  
18 And certainly don't mean to put you on the spot, so  
19 if you're not comfortable answering, just say you  
20 don't want to, and that's fine.

21 One of the things that we're -- the  
22 Legislature has charged us with is to look at the  
23 cost of providing local service. Some parties  
24 allege that that cost is higher than what is  
25 currently being charged and part of that difference

1 is being made up by the fact that such things as  
2 access charges are priced way above cost. That  
3 provides a contribution which then allows the  
4 companies to keep basic residential rates low.

5 Now, we're going to look at that cost  
6 information and we're going to get information  
7 that's probably going to -- on both sides of that  
8 issue. And I have an open mind about that. I  
9 don't know where we're going to fall down.

10 But if it is shown that access charges  
11 do, in fact, keep residential rates low, where do  
12 you come down on reducing access charges if it  
13 could potentially have the effect of increasing  
14 basic residential rates? Do you understand where  
15 I'm coming from?

16 WITNESS KUDLA: I believe so. And I  
17 guess really my bottom line point to that would be  
18 I really don't mind paying close to what things  
19 cost for anything. It just is somewhat, I guess,  
20 infuriating when you see the markup of being that  
21 high. You know, if my local grocery store marked  
22 up my groceries by 50 times or 25 times, I'd go to  
23 another grocery store, but quite obviously we don't  
24 have that option at this particular time.

25 So I guess in direct answer to your

1 question, I would not mind paying a little bit more  
2 for my -- for my local rates if I knew that that  
3 was a consistent philosophy throughout my whole --  
4 you know, throughout the entire phone network, I  
5 guess, as it relates to both local and long  
6 distance.

7 COMMISSIONER DEASON: So you're saying  
8 then the price -- you don't object to prices being  
9 set closer to cost if those costs can be shown that  
10 they are accurate costs?

11 WITNESS KUDLA: As long as it's  
12 consistent between local and long distance, as long  
13 as it's kind of a consistent philosophy across the  
14 board, I wouldn't object to paying closer to cost,  
15 no.

16 CHAIRMAN JOHNSON: And, sir, you also  
17 mentioned access rates going down. I guess it's --  
18 and you believe that that will make the -- your  
19 total bill go down because the long distance rates  
20 would go down. Should in order to ensure that  
21 because reducing access rates for the long distance  
22 company, I guess, in the abstract doesn't  
23 necessarily mean that the rates will go down.

24 Should there be some mandatory  
25 pass-through provision, or how do you feel about



1 that, or do you believe the competitive market will  
2 take care of that?

3 WITNESS KUDLA: Is basically what you're  
4 saying if the more true to cost value is passed on  
5 from the local telephone companies to the long  
6 distance companies, is there any guarantee that the  
7 long distance companies will then bring it down.  
8 Certainly as an answer to the question, I certainly  
9 wouldn't know; however, I would strongly recommend  
10 certainly that's the bottom line objective of doing  
11 it.

12 Regardless of whether it's the local  
13 company or the long distance company, it's being  
14 charged. However, I think what's happening is it's  
15 going from the local to the long distance companies  
16 and then they are absolutely having to. They don't  
17 have the option to.

18 And certainly in the spirit and  
19 philosophy of competition, which a lot of people  
20 are speaking here about, at least that would give  
21 certain companies the opportunity to then lower  
22 their cost as compared to what they were being  
23 charged from the local telephone companies.

24 CHAIRMAN JOHNSON: Okay. Thank you.

25 COMMISSIONER GARCIA: Let me ask you:

1 You said you were a small business owner. Have you  
2 seen any benefit to competition?

3 WITNESS KUDLA: To be honest with you,  
4 I'm fairly new to the area. I haven't -- I guess  
5 it would be unfounded for me really to answer  
6 that. I haven't been solicited for any other  
7 business by anyone in the six-month period of time  
8 that I've been here. So I guess no would be the  
9 answer to that.

10 COMMISSIONER GARCIA: Thank you.

11 COMMISSIONER JACOBS: If I may ask, where  
12 did you come from before you were in Tampa?

13 WITNESS KUDLA: North Carolina,  
14 Charlotte.

15 COMMISSIONER JACOBS: Do you have a sense  
16 of the difference, if there was a difference in the  
17 phone charges that you paid in North Carolina  
18 versus what you pay here or the value of what you  
19 received?

20 WITNESS KUDLA: As far as -- as far as  
21 perceived value of service, I think it was fairly  
22 comparable. I did notice on some of this  
23 information that it was just a little bit lower  
24 here, which I certainly have taken notice of  
25 recently. But as far as value of service, it's

1       been fairly comparable to what I've seen.

2                   COMMISSIONER JACOBS:   Thank you.

3                   CHAIRMAN JOHNSON:   How do you spell your  
4       last name?

5                   WITNESS KUDLA:   K-U-D-L-A, Kudla.

6                   CHAIRMAN JOHNSON:   Thank you very much  
7       for your testimony.

8                   WITNESS KUDLA:   Thank you for having me.

9                   MR. BECK:   The next witness is Monte  
10      Belote.

11     THEREUPON,

12                                   MONTE BELOTE

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

16                   WITNESS BELOTE:   I want to see if this  
17     works before I jump off.   Good evening,  
18     Commissioners.   My name, again, is Monte Belote.

19                   For the last 14 years I've served as the  
20     director and staff of Florida Consumer Action  
21     Network.   I recently retired.   And I'm here tonight  
22     as an individual consumer, a customer of GTE.   I  
23     live here in Tampa.   And I've got a lot to say.  
24     But you've heard some of it before, so I'll try and  
25     see if I can give you a few things that will be

1 new.

2 The last time the Public Service  
3 Commission held rate case hearings involving GTE,  
4 GTE wanted to raise rates \$111 million, but thanks  
5 to your work, and Commissioner Clark specifically  
6 will recall that ultimately the PSC did not allow  
7 GTE to raise residential rates or business rates  
8 but rather the PSC ultimately lowered rates.

9 And as a result, individual customer,  
10 whether that's a business customer or residential  
11 customer, no longer has to pay a dollar per month  
12 per line for touch tone service. Something that  
13 customers had been paying for for decades, long  
14 since paid for but still getting billed for.

15 I think you should have an opportunity to  
16 pat yourselves on the back and remind that, that  
17 ultimately the PSC sometimes does turn rates in a  
18 consumer direction without any problems.

19 COMMISSIONER CLARK: Mr. Belote, I think  
20 that's the first time you've ever said that to us,  
21 and I appreciate it.

22 WITNESS BELOTE: You're welcome. But of  
23 course, you also know that in 1995 the Legislature  
24 decided to deregulate telephone services. And they  
25 promised at that point in time that they were out

1 to end the phone monopoly and would provide lots of  
2 choices, lots of new services, and lower costs.

3 I'm thankful that Senator Lee is here.  
4 Unfortunately, Senator Lee, you were about a year  
5 too early, unfortunately, because it might have had  
6 an opportunity to do this a little bit  
7 differently. But now it's three and a half years  
8 later.

9 Nonbasic services have grown dramatically  
10 in price. Second phone lines, the star system,  
11 star 69, star 67, that every time you hit it, it's  
12 75 cents, call waiting, simple rates for things  
13 like pay phone calls, which, of course, was set by  
14 the FCC not by the Public Service Commission but  
15 still it's a 40 percent rate increase practically  
16 overnight, literally in GTE's market, four days and  
17 suddenly you've got a 40 percent rate increase for  
18 a pay phone call.

19 So the companies are doing quite well,  
20 thank you. And now to add insult to injury, excuse  
21 me, the Legislature or at least some of the  
22 Legislature got the lawyers and lobbyists drafting  
23 legislation that would have ultimately doubled  
24 residential rates.

25 Now, you as the Public Service Commission

1 have been given the unenviable task of having to  
2 try and decipher all of this. But the problem here  
3 is the fault that was done originally in 1995. The  
4 only fair benchmark which we have used all across  
5 the country, as you know, has been rate of return  
6 regulation. And we do that because telephone  
7 services are a monopoly.

8 Now, we might like to think that we're  
9 going to develop new competition, but it's three  
10 and a half years later, and I'm here just to ask  
11 anyone in this room that can you honestly choose  
12 your basic residential phone service from anywhere  
13 other than GTE? Anyone? I can't either. That's  
14 the problem.

15 What the Legislature should have done was  
16 to stimulate competition but not to deregulate.  
17 With no measurable competition and the serious lack  
18 of resale rates that allow the wholesale use of  
19 telephone lines in such a way that you can develop  
20 competition, we still have 99 and 94/100ths percent  
21 of the market in a monopoly.

22 In the meantime, what can we do? Well,  
23 you're going to produce a report and ask the  
24 Legislature to do some good things, I hope. One of  
25 those I would strongly suggest to you is to make

1 absolutely sure that the current price caps that  
2 are written into the law stay and don't just go  
3 away at the end of next spring.

4 Secondly, you certainly don't want to  
5 give a monopoly even more money in this process.  
6 And, third, if you can, reregulate, start over, and  
7 do it the right way next time. That being  
8 providing a package that stimulates competition  
9 without deregulating anything, and bring the two  
10 together so that you can gradually deregulate over  
11 a number of years and not flash cut, as  
12 Commissioner Garcia has talked about. Three years  
13 in the real world might as well have been flash cut  
14 or we wouldn't be in this situation today.

15 So the rest of the presentation. The  
16 whole problem ultimately winds up being with where  
17 GTE is at today. GTE's rate of return on equity in  
18 1996 topped 40 percent. And the legislative act in  
19 1995 said we no longer regulate profits, the sky is  
20 the limit. How high can you go.

21 And yesterday you were basically asked in  
22 decisions from your staff and intervenors that  
23 ultimately once again masks where the real profits  
24 of GTE, BellSouth, and Sprint are. That's not your  
25 fault, but it's part of the problem. Because it's

1 just not fair to ask consumers to raise rates,  
2 whether they are residential or business, when GTE  
3 doesn't have to open up its complete books and tell  
4 you where that money is actually going.

5 Well, here are some suggestions about  
6 where it may be going. It may be going for that  
7 glass skyscraper two blocks away prominently  
8 displaying GTE. Maybe it's the sponsorships for  
9 golf tournaments that they so proudly tout. Or  
10 their image advertising touting the  
11 telecommunications provider of past Super Bowls.  
12 Although I noticed this past weekend in Raymond  
13 James Stadium that GTE is not the new  
14 telecommunications provider of the Tampa Bay  
15 Buccaneers. Maybe they are learning.

16 Their lobbyists in Tallahassee, do we  
17 want to support that? They're the folks who came  
18 up with that idea of trying to double people's  
19 residential phone rates.

20 Or my favorite, seat cushions. Can I  
21 make a telephone call with a seat cushion? If you  
22 read today's Tampa Tribune, you will read a story  
23 that says that all GTE really wants to do is, you  
24 know, they have this problem. They say that they  
25 have too many rural customers and you just need to



1 have a universal service fund and we'll just tax  
2 you 3 percent, 4 percent, 5 percent, but everyone  
3 will pay, so GTE can, I guess, pass out more seat  
4 cushions. Well, I don't know. You tell me. Is  
5 that fair and reasonable to customers? I would  
6 suggest not.

7           Ultimately we the customers have been  
8 paying for these lines and switches through our  
9 monthly phone bills for decades. Why is it fair  
10 and reasonable for GTE to instead have to deal with  
11 the fact that their own workers are ashamed of  
12 their customer service record or lack thereof.

13           You know that your staff has looked for  
14 the past several years and found that GTE's  
15 customer service ratings are among the lowest of  
16 any local phone company in the nation, not just in  
17 Florida. Is it getting any better? Not much.  
18 Gee. No, GTE.

19           Telephone service is still a declining  
20 cost industry. Just like computers, they keep  
21 getting faster, less expensive. And once those  
22 phone lines are in place, there is virtually no  
23 cost whatsoever in making a basic local telephone  
24 call. Therefore, there is no need to raise  
25 residential rates, period.

1           And as far as trying to set up a  
2           universal service fund so that we can tax customers  
3           even more, well, it's kind of like lifting the flap  
4           of a tent so that GTE's camel can get its nose  
5           underneath. But suddenly before you know it, that  
6           camel is going to be sitting right on top of your  
7           tent, and we're all going to be the ones who have  
8           to pay for it. Smothering Florida's consumers  
9           rather than helping them.

10           Once again, the last thing in the world  
11           that we need to do with an unregulated monopoly is  
12           to give that monopoly even more money so they can  
13           just make more profits. It's kind of the bank of  
14           GTE. And frankly, as a customer, I'm tired of  
15           paying.

16           I don't think that I should be getting a  
17           lower rate. I think that our rates are fair and  
18           reasonable just like they are. And business rates  
19           can and should go down. For starters, as the  
20           gentleman before us spoke, access fee reductions.

21           Why is it that BellSouth, who certainly  
22           is not bankrupt, able to provide local access and  
23           intrastate rates of less than 5 cents a minute  
24           while GTE continues to charge customers more than  
25           10 cents a minute? Meaning that if you have a call

1 from Tampa to Sarasota, your rates are  
2 significantly higher, almost double, than making  
3 that same call from Tampa to Los Angeles. Not  
4 fair. Could be done. It's within your power. And  
5 we hope that your report will ultimately move us in  
6 that direction.

7 I'd like to close, actually by  
8 challenging everyone that's still here in the room  
9 to tell about your financial situations. We know  
10 from GTE's annual reports that 42 percent rate of  
11 return on equity is pretty nice. I don't know  
12 about you. Maybe you're earning 5 percent at a  
13 certificate of deposit rate. Okay. Is that fair  
14 that GTE gets eight times what you get?

15 What about customer service problems?  
16 Can tell you about customer service problems and  
17 we'll be here until 11:00 at night. Or tell about  
18 your experience with competition. I've told you  
19 mine. I can't choose. I'd like to choose. Will  
20 you help us? Thank you.

21 CHAIRMAN JOHNSON: Thank you,  
22 Mr. Belote. Any questions? Thank you for your  
23 testimony.

24 MR. BECK: The next witness is Al Davis.  
25 THEREUPON,

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AL DAVIS

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

WITNESS DAVIS: Madam Chairman and the other members of the Commission, I bring you greetings. I'm Al Davis, and I'm at 3724 East Wilder Avenue.

Madam Chairman, I'm here in kind of like a dual role. The first one is that as an executive committee member of the Florida State Conference of the National Association for the Advancement of Colored People, our president did a mailing and informed its executive committee members if possible to attend these hearings because they was, you know, being conducted.

And so for that aspect, I guess I'm hopefully fulfilling that role. And I certainly will be informing the president, you know, of my attendance here and appreciate the alert that he sent out for the NAACP and his branches to see what's going on in this area.

I will state convention is coming up next month, so I expect this matter to be discussed and perhaps subsequent communication with the

1 Commission on this issue.

2 Now, my other role, Madam Chairman, is  
3 that of a consumer, you know. Forget, you know, my  
4 advocacy in some other area, but I have a  
5 telephone. You know, there's a saying goes -- and  
6 I'm going to try to be brief because generally we  
7 only get three minutes, and the buzzer starts  
8 sounding and, you know, just throw us off, but I  
9 appreciate you-all's tolerance for us.

10 There's a saying, I think, is kind of  
11 like introduction to our Declaration of  
12 Independence. We hold these truths to be  
13 self-evident that all persons are created equal and  
14 they're endowed by their Creator with certain  
15 inalienable rights. Among these is life, liberty,  
16 and the pursuit of happiness.

17 What could be more important in pursuit  
18 of happiness than being able to communicate. Since  
19 we can't see each other, being in each other's  
20 presence all the time. And thank the Lord for  
21 Mr. Bell for discovering, you know, the system. We  
22 communicate by telephone.

23 And it's just as essential to have a  
24 telephone or being able to communicate as being  
25 able to turn my faucet on to get some fresh water.

1 And I should not have to pay out -- what is out the  
2 nose for it. It ought to be reasonable.

3 You know, I went to high school, at  
4 least. And they taught us certain principles about  
5 economy, competition, you know, monopoly and all  
6 those kinds of things, and, you know, the American  
7 way. We're a capitalistic country. We got to make  
8 that buck. But at whose expenses, you see.

9 And they talk about the class system, you  
10 know, the classism between the weak and the poor,  
11 the haves and have nots. You know the argument.  
12 Now, and somehow or another I kind of -- there's a  
13 bit of truth, and I guess in logic they say that if  
14 the theory is half true and half false, then the  
15 whole premise is false; right? Something like  
16 that.

17 But the idea is to make profit. That's  
18 all right because, you know, everybody is entitled  
19 to make a little bit because that's what we are all  
20 about. Maybe that's what our liberty is predicated  
21 on.

22 And I really don't know, Madam Chairman,  
23 what this whole argument is about, but I tell you  
24 what, I was looking in yesterday's St. Petersburg  
25 Times, okay. Why would I look in the business

1 section, you know? It was just incidental that I  
2 happened to flip the page and I saw this title, PSC  
3 to hold hearing on phone rates.

4 I said, hum, that kind of remind me of  
5 something that my friend Monte Belote had, you  
6 know, told me about earlier. So I read it, and it  
7 says that phone companies want to raise rates but  
8 don't want to disclose their cost to show if an  
9 increase is justified. Bay area resident gets a  
10 say Wednesday.

11 I thought this was a fair kind of a  
12 thing. You show me your hand and I'll show you  
13 mine. Is that not the case? You know, I don't  
14 mind the phone company making a little profit. I  
15 don't mind the high technology.

16 But Madam Chairman, you know what? When  
17 I dial that number and get that if you want  
18 so-and-so, press 1, if you want -- if you want  
19 so-and-so, press 2. By the time I get through  
20 listening -- what they call that, a menu? I'm  
21 ready to strangle that telephone.

22 And they tell you at the very last, you  
23 know, when they go through all the 9, maybe 10  
24 menus, that if you need further assistance, press  
25 zero. That ought to be the first thing they ought

1 to tell me. Let me talk to a live person.

2 Now, if this high technology is a factor  
3 in the cost, well, so be it, but is there any way  
4 that the Commission could ask these phone companies  
5 to put a live person on there sometime?

6 Because you see, in the earlier days, I  
7 might would have been more, you know, agile and  
8 adaptable and able to, you know, push those  
9 buttons. But what's that Frank Sinatra song was  
10 about did it his way after 80 years or so?

11 But the point is the company or the  
12 industry got to adjust to the ability of the users  
13 without skinning them. And I thought the more --  
14 and we are great population in Florida, weren't we,  
15 you know, these so-called golden ager or senior  
16 citizen?

17 And, you know, our best market --  
18 marketing as far as employees years is kind of  
19 over, and we on fixed -- fixed -- it's fixed income  
20 so we may not can afford these, you know, increased  
21 rates.

22 And I appreciate what the Commission  
23 itself is doing. I note that you have had here 21  
24 of them. Now, you may want to be at home or doing  
25 something else. But you committed to, as the



1 saying goes, watch the consumers' back because if  
2 you don't, who will.

3 The industry, you know, they are up front  
4 with theirs in terms of what they want to do. They  
5 want to make money. And if you don't look out for  
6 us, we can't be to all the meetings. And we don't  
7 even know sometime what it's all about.

8 Telecommunication. I didn't know that  
9 was a term just for a phone. I didn't know that  
10 the term rate increase meant the cost of what  
11 they're going to charge me. Sometime I think the  
12 language or the term that is used is rather  
13 baffling. And so keep it simple.

14 And thinking about simplicity, Madam  
15 Chairman, and I want to acknowledge that GTE did  
16 alert me and its customers about the hearing, you  
17 know, when they get the monthly bill, but it's kind  
18 of in small print.

19 COMMISSIONER GARCIA: And you can buy a  
20 football helmet too; right? The other side was  
21 they were selling you a football helmet phone or  
22 something.

23 WITNESS DAVIS: Right. And fortunately,  
24 or maybe unfortunately, I was kind of aware of it,  
25 but I wanted to see how enthusiastic they were, you

1 know, to get the word out.

2 And when I compare what they claim that  
3 you-all supposed to be doing, that the Commission  
4 supposed to be doing and what the St. Petersburg  
5 article, you know, suggested what you will be doing  
6 and even what the legislation itself suggested what  
7 you'd be doing, I'm kind of confused. So Madam  
8 Chairman, you may have to help me out a little bit.

9 You know there's a term in the  
10 Legislature or the legislation proxy model,  
11 P-R-O-X-Y model. What is that?

12 COMMISSIONER GARCIA: You know, I'm dying  
13 to have the Chairman explain that.

14 COMMISSIONER JACOBS: I want to hear this  
15 too.

16 COMMISSIONER CLARK: We want to know  
17 too.

18 WITNESS DAVIS: You know, I ain't trying  
19 to spot nobody, but, you know, this --

20 CHAIRMAN JOHNSON: It's when -- in that  
21 particular section they are probably talking about  
22 when we're trying to determine what costs are. And  
23 if we don't know the actual cost, if we don't have  
24 a receipt, then you come up with a model that will  
25 give you a proxy. It's -- it's an estimated cost

1 as opposed to a real cost. It's a proxy model of  
2 what cost might be.

3 So if you had three houses in a row, and  
4 you wanted to know how much it cost to serve each  
5 of those homes, perhaps that's too difficult to do,  
6 so you do some averaging. And that averaging, the  
7 formula used for averaging is kind of like a  
8 proxy. So it's a good estimation of cost but it's  
9 not the exact cost. It's not actual cost.

10 WITNESS DAVIS: Well, why can't we get  
11 the actual cost? Wouldn't the companies that  
12 providing the service be able to tell you who and  
13 what and the amount that it's actually cost without  
14 you having to create a proxy model? Is it because  
15 you don't have access to their information to come  
16 up with it or what?

17 COMMISSIONER DEASON: Part of the  
18 problem, Mr. Davis, may be that we're required to  
19 look at the cost of providing service using the  
20 most current technology.

21 WITNESS DAVIS: Okay.

22 COMMISSIONER DEASON: Which is the most  
23 current technology. Which the current cost of  
24 providing service, as Mr. Belote indicated earlier,  
25 costs are going down. And if you were to build a

1 new network right now, in theory perhaps it would  
2 cost less than what the old network cost with  
3 antiquated technology.

4 And we're trying to get an idea of what  
5 it would cost on that forward-looking basis as  
6 opposed to using past imbedded cost. And those  
7 actual costs, we probably could look at past  
8 imbedded cost and do things like we used to do when  
9 we were rate base regulated companies, but we're no  
10 longer doing that, and we're trying to use these  
11 models to look to see what the cost is of a  
12 theoretical network.

13 Now, I don't know if that helps any or  
14 not, but that's part of the problem that you can't  
15 just go out and add up the numbers and say this is  
16 the cost because we're looking on that  
17 forward-looking basis using the latest technology.

18 WITNESS DAVIS: And I heard you use a  
19 term that I was going to ask about further, the  
20 imbedded cost. Would you elaborate on that just a  
21 little bit more?

22 COMMISSIONER DEASON: Yes, sir. Imbedded  
23 costs are those actually on the books and records  
24 of the company. When you go back and you add up  
25 everything they spent in prior years when they were

1 putting in the systems, putting in the lines and  
2 switches and the conduit, the imbedded cost is what  
3 the cost is actually remaining on their books  
4 and -- the accounting costs.

5 WITNESS DAVIS: Okay.

6 CHAIRMAN JOHNSON: And one of the things  
7 when we -- when you're looking at when you take  
8 proxy and you add the forward-looking cost model,  
9 you might say, well, why do you want to know what  
10 the forward-looking costs are? You want to know  
11 what it costs now. You want to know what GTE put  
12 in the ground, what that cost.

13 Well, I think what the Legislature is  
14 thinking, and I know on the federal level they're  
15 saying, well, how relevant is that really to a  
16 competitor? Because if a competitor came in and  
17 wanted to build his or her own network, it would  
18 cost something different than what it cost GTE to  
19 put in their network.

20 So for that reason, particularly when  
21 we're looking at universal service and when we're  
22 looking at what are the real barriers to entry, we  
23 need to look at what if a competitor came in today  
24 and wanted to build a network, what would it cost.  
25 So that's why we look at forward-looking cost and

1 it's a proxy because it's a model of costs.

2 WITNESS DAVIS: Well, if the bottom line  
3 will result in looking out for the -- there's  
4 another term that you-all use in the Legislature,  
5 economic disadvantaged or low-income. You know,  
6 that's important when you take all of that in  
7 consideration, look out for the least that's among  
8 us.

9 That's the -- it may be in the rural  
10 area. It could be right in 10 blocks of this  
11 chamber. Where poor people, they need the phone,  
12 they need to be able to call 911 in the event of an  
13 emergency. They may want to keep up with their  
14 child that's in school and the principal may want  
15 to get in touch with them. If they have no phone  
16 and cannot afford it, then they may be being denied  
17 that basic fundamental right to life, liberty and  
18 the pursuit of happiness.

19 CHAIRMAN JOHNSON: And Mr. Davis, to that  
20 point the Legislature was concerned about those  
21 that were economically disadvantaged. And what we  
22 have here in Florida is a program. One is called  
23 Lifeline, and that program provides a \$10.50  
24 discount off of your monthly bill for people that  
25 fit within a certain category. They receive food

1 stamps, supplemental social security, those kind of  
2 programs.

3 Also there's a program called Linkup, and  
4 that provides for a \$30 discount off of your  
5 initial connection fee, again, if you fit within  
6 those categories. We are going to continue to look  
7 at those issues because as we've gone around the  
8 state, there have been several issues raised.

9 Some of the consumers -- I think  
10 Mr. Belote was one that raised one of the ideas  
11 because we have such a low subscription rate, so  
12 few people actually are participants in those  
13 programs. He had suggested that maybe we should  
14 have an automatic enrollment for those that fit  
15 within those categories.

16 And that way, as you stated, oftentimes  
17 people don't know that programs are available.  
18 They don't know what help is available. There is a  
19 suggestion that there should be automatic  
20 enrollment.

21 There is another suggestion that, well,  
22 maybe not automatic enrollment but at a minimum  
23 there should be applications available. I know  
24 that AARP and the NAACP both have stated that they  
25 would be distributors, that they would get the word

1 out to people if they only had applications.

2 And to date the companies don't have  
3 applications to distribute. People have to call.  
4 And there's a very cumbersome process. So we're  
5 going to work on those issues also.

6 Now, there was a side issue raised.  
7 There was an issue raised -- and I think  
8 Commissioner Garcia discussed it a bit -- and that  
9 is some of the companies are saying those customers  
10 that we have signed up, they subscribe to a lot of  
11 extra services. They get the call waiting, the  
12 call forwarding. There is an issue as to whether  
13 or not they should get the discount if they can  
14 afford to buy those services.

15 The jury is still out on that. We're  
16 going to be discussing that. But we will make  
17 recommendations to the Legislature because the  
18 Legislature is very, very, very interested in this  
19 issue. They talk about universal service, and they  
20 truly focus in on the economically disadvantaged as  
21 well as all of us having access to  
22 telecommunications.

23 WITNESS DAVIS: Thank you. And speaking  
24 about these so-called ancillary service like call  
25 waiting, call forwarding, and these kind of



1 automatic redial and all that kind of a thing, you  
2 know, they think that's kind of a luxury, but of  
3 those I think call waiting is very important  
4 because oftentime if you only have the basic  
5 service, someone may be trying to call you -- now,  
6 there is a way, you can ask the operator to, you  
7 know, intercede to get the person that has an  
8 urgency caller or emergency call. That might  
9 suffice far as that is concerned.

10 But another thing I think many of us  
11 subscribers are not aware of, we may get the basic  
12 service, true, but then by the time they get  
13 through adding federal tax, state tax, city tax,  
14 county tax, gross receipt tax, we indeed may be  
15 paying more than what we generally think when we're  
16 thinking about basic services.

17 And that affects all of us. Maybe I  
18 might could afford -- now according to the  
19 St. Petersburg article, they did have some rates,  
20 phone rates. And GTE in Tampa, their rates it  
21 cites as being \$11.81. Well, maybe by the time I  
22 get, you know, figure out maybe I can afford  
23 \$11.81. But by the time these other taxes is added  
24 onto it, I may determine that I really can't afford  
25 it.

1           So maybe there ought to be some way or  
2 another that -- and I guess death and taxes going  
3 to be with us -- ought to be some way that every  
4 person that need the service ought to be able to  
5 have it at an affordable rate.

6           And Madam Chairman and Commission, I  
7 thank you-all for doing what you're doing. I know  
8 you got a long row ahead of you, and I hope the  
9 amenities in the community that you visit wherever  
10 you are quartered or wherever you eat is delicious,  
11 the bed is comfortable, you got the service that  
12 make your life a little bit more pleasant than what  
13 it would be if you was out somewhere else. And I  
14 thank you.

15           CHAIRMAN JOHNSON: Thank you very much,  
16 Mr. Davis. Appreciate your testimony.

17           MR. BECK: The next witness is Tom  
18 Franklin.

19 THEREUPON,

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

24           WITNESS FRANKLIN: Thank you for allowing  
25 me to be up here. I'm going to be very brief, as a

1 fact of most of these other --

2 COMMISSIONER DEASON: Mr. Franklin, you  
3 may want to pull that microphone down.

4 WITNESS FRANKLIN: I'm going to just be  
5 very brief in my comments here due to the fact that  
6 the previous speakers have perhaps stated  
7 everything that I think needs to be stated here.  
8 They've done a remarkable job. And so have you  
9 people in your responses to them.

10 No. 1, I feel that the communication  
11 companies have done outstanding progress in their  
12 technology that they have developed. And they've  
13 become very efficient, and they've lowered their  
14 cost and their operations. And this is something  
15 that should always be looked at. And as a person  
16 who is a senior citizen, I feel that rates, if  
17 anything, should be dropped, not increased.

18 Then I also want you to consider that  
19 here in the state of Florida, we've going to  
20 continue to have new businesses coming in to the  
21 state, new people coming in to the state, and the  
22 telephone business is going to continue to grow and  
23 grow. Therefore, the companies like GTE are going  
24 to continue to be able to make a very substantial  
25 profit.

1           Now, one thing that hasn't been addressed  
2 here previously was international calling. Well,  
3 if you try calling international, you will find out  
4 that if you were to call -- say you had relatives  
5 in South America, you're going to talk 10 minutes  
6 and you just spent about \$8. Talk 20 minutes, you  
7 spent \$16. And I think the rates are extremely  
8 high.

9           And other than that, I feel that the best  
10 way for you people to do this is to see what the  
11 real cost is for these type of services that these  
12 telephone companies are giving to the public here.  
13 And thank you very much.

14           CHAIRMAN JOHNSON: Thank you,  
15 Mr. Franklin. Questions? Comments?

16           COMMISSIONER CLARK: No, Mr. Franklin, I  
17 was just going to comment on the international  
18 calls, that isn't something that we have control  
19 over. That would be the FCC, I think. But I  
20 became aware that sometimes you are able to get  
21 good rates to some countries that you call on a  
22 frequent basis.

23           And I would urge you to call your long  
24 distance companies and, you know, if there's a  
25 particular country you call a lot, try and look for

1 a good rate for them.

2 WITNESS FRANKLIN: Well, I have done  
3 that.

4 COMMISSIONER CLARK: Okay.

5 WITNESS FRANKLIN: And but I'm just  
6 indicating, for example, if I wish to call to South  
7 America to the country of Colombia, the cost of a  
8 call to either Bogota or Barranquilla is like 70,  
9 80 cents a minute.

10 COMMISSIONER GARCIA: Let me suggest  
11 something to you. And it follows the lines of what  
12 Commissioner Clark was talking about. There are  
13 calling card companies which specialize at calling  
14 particular countries, and they buy -- and you  
15 sometimes can get a much better rate per minute  
16 than what is provided by long distance carrier  
17 standard through your home line.

18 So that may be -- I don't know if they  
19 market here because I know in Miami they market  
20 pretty aggressively, you know. I think there's  
21 a Colombia card.

22 WITNESS FRANKLIN: Yes, you're absolutely  
23 correct. I'm now aware of that just as of recently  
24 though. And, again, I want to commend you people  
25 on what you've been doing here. Thank you.

1 CHAIRMAN JOHNSON: Thank you, sir.

2 MR. BECK: Rosette Walsh.

3 THEREUPON,

4 ROSETTE WALSH

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

8 WITNESS WALSH: Good evening,  
9 Commissioners. These microphones are always way  
10 too high for us short folk.

11 My name is Rosette Walsh, and I'm  
12 president and currently executive director of  
13 Florida Consumer Action Network, which is a  
14 consumer and environmental advocacy organization  
15 with over 40,000 members throughout Florida from  
16 Key West to Tallahassee.

17 This evening the first thing I'm going to  
18 say is I would like to thank you for taking action  
19 on the slamming and for giving them the fines that  
20 you have been giving them. I think the work you've  
21 been doing in that area is real high quality and  
22 will help Florida's consumers because hopefully it  
23 will discourage the companies from engaging in  
24 those practices.

25 Secondly, I would like to say that we do

1 not believe that any long distance company should  
2 be allowed to operate under names such as "I Don't  
3 Care" or "It Doesn't Matter." These names are  
4 designed to trap and capture business from  
5 unsuspecting consumers.

6 On the question of the bill, House Bill  
7 4785, which is what has put you here in these  
8 hearings, I believe the Legislature decided not to  
9 tackle this issue for political reasons. This is  
10 an election year, and raising rates for people who  
11 are going to be voting for them in the near future  
12 is not a good idea.

13 Therefore, rather than take the heat on  
14 the issue themselves, they have passed the ball and  
15 now you-all have it in your laps. And they gave it  
16 to you without giving you a full range of authority  
17 to deal with the issue. They've only asked you to  
18 consider four factors. Perhaps they should have  
19 just allowed you to consider all factors.

20 You would not put people on the Lifeline  
21 or Lifelink if they did not provide you with  
22 information on their income. However, the phone  
23 companies are asking you to give them the increases  
24 without giving you true figures on their income. I  
25 don't think that's fair.

1           It is our position that the Public  
2 Service Commission should not allow any increases  
3 in basic phone service rates without the phone  
4 companies giving you their accurate costs for  
5 providing basic service and the revenues they  
6 collect for it. It is only after you have that  
7 information that you can reach a fair rate  
8 decision.

9           Also, comparing the rates with rates  
10 elsewhere is not truly apples to apples because  
11 rates in other areas are also politically  
12 influenced and not necessarily based on rate of  
13 return or any other real reason.

14           I'd also like to point out that in the  
15 information that you have produced on basic costs  
16 for the areas, you are only including basic cost of  
17 service. You are not including the taxes that  
18 people have to pay on that basic rate. So when I  
19 get my bill, the basic rate might be close to the  
20 \$12. But when I'm through paying the taxes, it now  
21 is over 15, I believe. I'm sorry, I didn't bring  
22 my bill with me. So that basic rate becomes the  
23 number including the taxes.

24           And then my question would be: Why  
25 should I as a consumer pay the taxes when taxes are



1 a cost of doing business and should be coming out  
2 of their money, not mine. All other businesses pay  
3 taxes, and they don't have a separate little charge  
4 to the consumer on those. Why do the phone  
5 companies have the ability to do this?

6 And I did hear the discussion this  
7 morning that people like to see it itemized. You  
8 can itemize it and show it, but it doesn't have to  
9 necessarily be paid by the consumer. It can be  
10 written into the bill and say a portion of your  
11 bill goes to paying such-and-such. Then it's not a  
12 direct cost but should come out of profit. And  
13 maybe the shareholders could afford those little  
14 dollars and \$2.00 a little more than some of our  
15 lower-income people.

16 And while we do have that Lifeline  
17 option, there are people that are just above that  
18 level. They don't get food stamps, they don't  
19 qualify for a lot of the programs; therefore, they  
20 don't qualify for this program either. And so we  
21 have people that are somewhere or we used to say  
22 they fell through the cracks.

23 And this is again going to happen to  
24 people who have just barely enough income to get  
25 along and really need that phone and are some of

1 our seniors on fixed incomes. So, again, we need  
2 to keep that basic rate as low as possible so that  
3 the phone does not become a luxury item.

4 And just because GTE, Sprint, and  
5 BellSouth say they are providing basic residential  
6 service below their costs is not reason enough to  
7 give them an increase. They should be made to  
8 prove the need for it.

9 I could tell you, if you weren't looking  
10 at me, that I am tall, slender, and unless you  
11 really got to see the truth, you wouldn't know that  
12 the statement wasn't true. So please keep that in  
13 mind and pass that along to our legislators. Thank  
14 you. Do you have any questions?

15 CHAIRMAN JOHNSON: Any questions? Thank  
16 you for your testimony.

17 WITNESS WALSH: Thank you.

18 MR. BECK: Fred Tomaski.

19 THEREUPON,

20 FRED TOMASKI

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

24 WITNESS TOMASKI: Fred Tomaski, 5147  
25 Worth Court, New Port Richey, Florida. I also work

1 for Florida Consumer Action. I do program work for  
2 them, and I talk to members all the time. But I'm  
3 here as a private citizen tonight.

4 And I want you to know that I feel that  
5 the phone companies in Florida are making wonderful  
6 money off of us. None of them are going broke. We  
7 are now the third largest state populationwise in  
8 the nation, and there's more telecommunications  
9 business going on in Florida than I think we even  
10 realize.

11 GTE, for one, is not faltering. They  
12 have expanded into cable service, computer service.  
13 They are making money hands over fist. And I  
14 certainly don't see where they need any raise in  
15 the rates for local service.

16 You know that there's thousands of  
17 low-income families in Florida that can barely  
18 afford telephone services now. So please don't  
19 raise the rates. Local phone rates must remain  
20 affordable for all of us, especially the elderly,  
21 disabled, the low-income people.

22 Not everyone is looking for government  
23 assistance or will even admit to needing it or will  
24 accept it. And I know this for a fact because I  
25 was supervisor of the social security office for

1 20-some years here in Florida. And a lot of people  
2 you almost had to drag into the office to file for  
3 SSI.

4 They didn't want to take it. They don't  
5 want government assistance. They want to try to  
6 work. They want to try to get along with what they  
7 have. So a lot of people don't accept this. A lot  
8 of our older citizens are proud and they don't want  
9 assistance. They don't want someone else paying  
10 their bills. They want to pay their own way.

11 Maybe this is part of the problem why  
12 there's low subscriber rates on the Lifeline and  
13 Linkup programs. That's probably part of it.  
14 These are the people, though, that are more likely  
15 to have emergencies and the real need for a phone.  
16 For many people, shut-ins especially, the phone is  
17 a lifeline to the outside world.

18 Since we've had deregulation, most people  
19 haven't seen any reduction in their phone bills,  
20 just more choices and more paperwork being  
21 generated. I now get a phone bill that's got  
22 eight, nine, ten pages long. It's unbelievable  
23 what you have to read.

24 I talk to members several nights during  
25 the week for Florida Consumer Action. I talk to

1       them about their telephone bills. And I advise  
2       them to look their bills over closely. Make sure  
3       that the long distance company that they have  
4       selected is the one that's charging to their phone  
5       bill.

6                   I talk to them about slamming and  
7       cramming and bring them on board about this. I  
8       think it's important that they know this. And I  
9       know that it's important and that you've brought  
10      this out too. I really appreciate that.

11                   And companies like "It Doesn't Matter"  
12      and "I Don't Care," I warn them to be careful if  
13      anyone calls them with regards to a company name  
14      like that. That's why they need to check those  
15      phone bills.

16                   But, you know, there's a lot of older  
17      people out there that the phone bill is so involved  
18      and so long that a lot of them don't really look at  
19      it. They look at, well, how much do I have to pay  
20      this month? Is it about the same that I paid last  
21      month? They really don't look at it unless there's  
22      a gigantic difference from what they paid. And  
23      they're just sending that check out and paying it  
24      without looking at that phone bill.

25                   So I try to bring it out to everyone,

1 make sure you do look at that phone bill because it  
2 is important. It's money going out from your  
3 pocket. There's no need for us to make the phone  
4 companies any richer than they are. They've got  
5 plenty enough money.

6 So I do urge the Commission to try to  
7 keep the phone rates down and help us all here in  
8 Florida. Thank you very much.

9 CHAIRMAN JOHNSON: Thank you. Any  
10 questions? Thank you.

11 MR. BECK: Diane Godfrey. Is Diane  
12 Godfrey here? Barbara Merritt.

13 CHAIRMAN JOHNSON: Ma'am, did I have the  
14 opportunity to swear you in earlier?

15 WITNESS MERRITT: Yeah, I was here.

16 CHAIRMAN JOHNSON: Okay.

17 WITNESS MERRITT: I raised my right hand  
18 and did the thing.

19 CHAIRMAN JOHNSON: Any members that have  
20 signed up to testify that did not -- that I did not  
21 have the opportunity to swear in earlier this  
22 evening? Okay. Sir, did you say you were not  
23 sworn in?

24 WITNESS NOLTE: That's correct. I was  
25 not.

1                   CHAIRMAN JOHNSON: We covered you this  
2 morning, so we're okay.

3 THEREUPON,

4                   BARBARA MERRITT

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

8                   WITNESS MERRITT: I'm Barbara Merritt,  
9 and I live in Tampa. I have been here about 19  
10 years. Came from New York. I'm one of those  
11 former Bell System employees. When I came to  
12 Florida, I did have a shock with the phone system.  
13 I think we're finally catching up to what I left.

14                   I have a problem with some of the  
15 services that are offered by GTE because I'm not  
16 sure what exactly they consider their maintenance  
17 problems. If you call and you have a problem with  
18 static on the line, well, you have to go and unplug  
19 all of your phones. There's a whole rigmarole.

20                   Senior citizens, some of them just can't  
21 do this kind of stuff. And for days I had a  
22 neighbor who is 82 years old, her phone didn't  
23 work, and she couldn't figure out why. We went  
24 around unplugging everything. They told her it was  
25 an extension off the hook. Finally I persuaded GTE

1 to come out. Turned out that the extension wasn't  
2 off the hook but the wire was out of the wall.

3 So I mean, there are different things  
4 like that. I don't understand what you are paying  
5 for with your local maintenance. We have --

6 COMMISSIONER GARCIA: They didn't charge  
7 that person for that because they were paying for  
8 inside wire maintenance?

9 WITNESS MERRITT: I'm not sure, but the  
10 senior citizen was without a phone a week. So, I  
11 mean, you know, she had to come over to my house.  
12 It was inconvenient. I can go on and on.

13 There were problems like with my mother  
14 in Bradenton, they had to take the wire off the top  
15 of her roof and move it to the ground. It took  
16 five days for the subcontractor to come out to bury  
17 the wire. She couldn't use the driveway because  
18 she couldn't go over the wire because the car would  
19 drag the wire.

20 And I have a problem because with GTE so  
21 many things are subcontracted out, and I know you  
22 go on a list and you're one of -- I know you're not  
23 the only problem in the area, but there are some  
24 times when, you know --

25 COMMISSIONER GARCIA: But they have



1 requirements with us. Let me just make a  
2 suggestion to you, because you're not the first  
3 that has given this sort of complaints on issues  
4 similar to this.

5 On that blue sheet that they handed out  
6 when you came in, there's a 1-800 number.

7 WITNESS MERRITT: Okay.

8 COMMISSIONER GARCIA: When you speak to a  
9 GTE or to an AT&T or to a BellSouth representative  
10 and you don't feel that you are being treated  
11 correctly or you don't feel that it's reasonable  
12 what they are requiring of you, call us at that  
13 number. You may have to wait four or five minutes  
14 before someone comes on the phone. We have --

15 WITNESS MERRITT: I'm going to use the  
16 Internet because now I have a way to get you a lot  
17 quicker. But --

18 COMMISSIONER GARCIA: But I'll tell you  
19 what, once you file with us, lo and behold, these  
20 companies have a tendency of moving just a little  
21 bit quicker.

22 WITNESS MERRITT: Well, GTE, it's a  
23 monopoly here, and like I said, you're treated --  
24 well, you're not treated always with the kindness  
25 and respect of a customer. And I do work a lot

1 with the seniors in my area and people that are  
2 having problems paying bills. And they are afraid  
3 to call sometimes because they might be a little  
4 bit behind in a bill.

5 But now that I know that there's these  
6 other things available, I'm going to suggest that  
7 they call and get that kind of information. And I  
8 think that people working with the food stamps and  
9 social services should be able to tell people also  
10 that these things are available.

11 But to get back to things like with GTE,  
12 I've worked between GTE -- I'm sorry, Tampa and  
13 Orlando. Waiting sometimes for a dial tone in GTE  
14 is a lot longer. I don't know what the  
15 requirements are. You know, it used to be 10  
16 seconds and you got dial tone. Sometimes in this  
17 area, it's not. And then you have to keep  
18 redialing calls that don't always go through.  
19 Sometimes it's two or three times. I realize that,  
20 you know --

21 COMMISSIONER GARCIA: That's on your  
22 phones?

23 WITNESS MERRITT: On phones in certain  
24 areas of town because --

25 COMMISSIONER GARCIA: Could you speak

1 with, I guess, Mr. Williams before you leave and  
2 give him your information, and we'll have someone  
3 come and test your phone?

4 WITNESS MERRITT: Okay. Well, that's all  
5 right. And one other thing. With the marketing  
6 that's been going on for different features, last  
7 year we were called in the area for the call  
8 waiting ID for the busy signal.

9 They said, Oh, we'll send you a free  
10 caller ID. I said, Well, I have a caller ID. I  
11 don't need one unless it's going to work with the  
12 service. Oh, no, it will work, it will work.

13 So I got the package in the mail, caller  
14 ID. Well, it didn't work with the service. So  
15 then I had to go into the phone mart and purchase  
16 another caller ID at 69.95. So for six weeks I  
17 tried to get the thing to work. I had technician  
18 after technician out there.

19 Well, it turns out that my area of the  
20 county wasn't ready for it yet. But the marketing  
21 went on, and I mean for six weeks I was paying for  
22 a service that I really couldn't use. And then  
23 when I went to bring my caller ID back, they  
24 wouldn't take it back because it was past 30 days.

25 But then when I had them to try to show

1 me how to work it in the phone mart, well, the  
2 phone mart wasn't wired to use it. So I mean, it's  
3 just things like that that are frustrating.

4 My Bell System phone that I had when I  
5 was up in New York is still working. Since I've  
6 been here in Tampa, although my husband says I do  
7 have a tendency to wear a phone out, I've gone  
8 through nine wall phones because the plastic -- I  
9 mean, literally they fall apart. I do have a  
10 teenager, but he's in Tallahassee, but that's right  
11 now.

12 But the phones, I don't know, the way  
13 they make the phones are not -- I guess we're in a  
14 disposable era, but I just would like the phone to  
15 work. I have a -- you know, when you have problems  
16 like that, it's just frustrating.

17 And you can call in with a problem and  
18 they'll say, well, it's the phone, bring it to the  
19 phone mart. You bring the phone to the phone mart.  
20 Well, no, it's your line at home. You know, so I  
21 just -- you know, I think that there needs to be a  
22 little bit of, I don't know, way to test the line  
23 at home. Okay. Thank you.

24 COMMISSIONER GARCIA: Thank you.

25 CHAIRMAN JOHNSON: Thank you, ma'am. Let

1 me ask you one quick question. You said that you  
2 had the service for several months but your area  
3 had not been upgraded and you had paid for it. Did  
4 they refund you? Did the company refund you for  
5 that?

6 WITNESS MERRITT: No. They gave me  
7 another deal on something else. It was, you know,  
8 they said that, well, the package was included so  
9 it was only 75 cents a month or whatever, 75 cents  
10 for that type of a service. So I guess I got  
11 credit.

12 CHAIRMAN JOHNSON: Okay.

13 WITNESS MERRITT: But, I mean, it's just  
14 that I, you know, wanted the service. I went  
15 through all the effort to get all the proper  
16 equipment after I was told that the equipment they  
17 sent me would work. And these are just, you know,  
18 things like that that just drive you crazy.

19 CHAIRMAN JOHNSON: I understand.

20 WITNESS MERRITT: And like I said, and  
21 then -- well, I guess like the custom calling  
22 features is what, when they're packaging those,  
23 really I feel that they should work in an area.

24 One of the things, my neighbor, the one  
25 that's 82 years old, my neighbor, she was

1 complaining when those telephone calls come in that  
2 are prerecorded and you hang up the phone, they  
3 don't disconnect sometimes for three to four  
4 minutes. Why are they allowed to do that and tie  
5 up the line? Why when you hang up can't they be  
6 disconnected?

7 You have sales calls like, you know, and  
8 they are prerecorded. The pitch is three to four  
9 minutes.

10 CHAIRMAN JOHNSON: Oh, I've never gotten  
11 one of those.

12 WITNESS MERRITT: You've never gotten one  
13 of those? Oh, they're wonderful.

14 COMMISSIONER CLARK: I know Sears will  
15 sometimes -- if you've ordered something, they do  
16 record a call, and if you hang it up in the middle  
17 and pick it up just a minute later, it's still on  
18 there. And I don't know -- I don't know if they  
19 can do anything because of the technology that  
20 maybe that the person who called has to hang up.  
21 But we'll look into that.

22 WITNESS MERRITT: Because, I mean, they  
23 lock your line in.

24 COMMISSIONER CLARK: Yeah, they sure do.

25 WITNESS MERRITT: And if you -- I know

1 one time we couldn't get --

2 COMMISSIONER CLARK: If you had an  
3 emergency, you can't get out.

4 WITNESS MERRITT: We couldn't get one to  
5 disconnect on my mother-in-law's phone, and that  
6 was another run-over. Okay. Thank you.

7 CHAIRMAN JOHNSON: Thank you, ma'am.

8 MR. BECK: Matt Nolte.

9 THEREUPON,

10 LAWRENCE "MATT" NOLTE  
11 was called as a witness on behalf of the Citizens  
12 of the State of Florida and, having been duly  
13 sworn, testified as follows:

14 WITNESS NOLTE: Good evening, Madam  
15 Chairman, all members of the Public Service  
16 Commission board and staff members.

17 Well, I learned a little bit today in  
18 listening to your proceedings. I'm just beginning  
19 to get involved. I have a little background in the  
20 telephone industry. Okay? So just about  
21 everything that's been said here this evening  
22 pretty much has good credence to it.

23 As this lady was just reiterating about  
24 the service when somebody doesn't hang up and hangs  
25 up your line. I doubt if there is much of that

1 left anymore because now the way the system works  
2 is when one hangs up, it automatically hangs up the  
3 other half of the line. It's done in the central  
4 office. Okay? Just to enlighten you a little bit  
5 of what's out there already.

6 As far as the phone companies and their  
7 profitability, they are doing very well. There's  
8 no ifs, ands or buts about it. I own stock in a  
9 few of them, okay, and I haven't been hurt on any  
10 of them. They are both in long distance and local.

11 What we need out of this whole  
12 situation -- and I'm assuming you have been put in  
13 the position of being an advisory board to the  
14 Legislature. Am I correct in that?

15 CHAIRMAN JOHNSON: We'll be issuing a  
16 report to the Legislature.

17 WITNESS NOLTE: Advisory then. Okay.  
18 Good. Is there any instance where you can set  
19 policy or set rules at all anymore?

20 CHAIRMAN JOHNSON: Certainly. There are  
21 some areas of regulation where we can. But as it  
22 relates to this issue, they've asked us for a  
23 report. So we'll be issuing an advisory report,  
24 and they will determine what needs to be done.

25 WITNESS NOLTE: Would you do me a favor?



1 CHAIRMAN JOHNSON: Yes, sir.

2 WITNESS NOLTE: If and when you have the  
3 time and opportunity, put together some kind of  
4 scenario of the complete job of the Commission? Is  
5 that possible to get that from you-all?

6 CHAIRMAN JOHNSON: We have -- yes.  
7 Ms. Crump may have some materials because we do  
8 have an annual report. We also have a document  
9 called "Know the Public Service Commission" that I  
10 think may be out front. That might be helpful.  
11 And to the extent --

12 WITNESS NOLTE: I didn't see it.

13 CHAIRMAN JOHNSON: You didn't see one?  
14 We'll make sure to have your address, and we'll  
15 have one sent to you, the annual report and the  
16 "Know the PSC" document. And if that's not  
17 sufficient, you can call us and we'll try to  
18 explain in more detail.

19 WITNESS NOLTE: Excellent. I appreciate  
20 that, Madam Chairman.

21 I would like to see, for my personal part  
22 in all of this, it's a win-win situation for the  
23 telephone industry and the user public. Everybody  
24 needs to have a good feeling about this.

25 Being in the industry for many years

1 myself, I was kind of put on the spot by not only  
2 the federal government, the court, Judge Greene,  
3 just about anybody you could name right down the  
4 line. The only one that didn't hassle me was the  
5 Public Service Commission, believe it or not.

6 But when a customer got on my case about  
7 something I couldn't do anything about and you were  
8 the answer or the president of the company, all I  
9 did was open the phone book and pointed to that  
10 little paragraph that makes that statement. I  
11 didn't have to say a word.

12 So I was living up to the company  
13 policy. We weren't supposed to speak about that.  
14 And I don't know whether that's a shock to you or  
15 not, but that's the way they operate. Okay. So I  
16 enlightened the customer as to where to go when  
17 they needed help and I couldn't provide it.

18 And believe me, I worked repair work for  
19 many, many years, and I done the best of my ability  
20 and took a lot of heat from the public and also my  
21 employer. I am now retired and they can't touch  
22 me, so so be it. Okay?

23 I'm not bitter. I just had an  
24 opportunity to do a real job for a real company,  
25 and I'm proud of the company, but I'm not so proud

1 of some of the people that make policy in the  
2 company. Okay?

3 It's just like our country, the United  
4 States right now, I'm terribly ashamed of our  
5 president, but I'm very proud of this country and  
6 the people in it. The majority of them are fine  
7 people. We just have a president that doesn't  
8 think that matters, but it matters to me.

9 In my day, which hasn't been too long ago  
10 before him, moral turpitude was what he was talking  
11 about. I don't know if you-all ever heard that  
12 word, but you know -- I'm sure you know what I'm  
13 saying when I say it. And whatever happens to the  
14 man, he can run but he can't hide anymore. Okay.  
15 Enough said about our illustrious leader.

16 And the regulation, do they have any idea  
17 when they expect to achieve competition without --  
18 with raising the lid off of regulation? In other  
19 words, just cap as I'm assuming has something to do  
20 with it? Am I wrong in that?

21 CHAIRMAN JOHNSON: No, I do believe that  
22 in 1995 when the Legislature got rid of rate of  
23 return regulation and implemented the price cap, it  
24 was -- it was as a result of -- and some other  
25 regulatory policies that they changed was because

1 if we were going to open up the markets to  
2 competition, then you no longer have or need a  
3 monopoly structure.

4 They also set a lot of other policies in  
5 place. Interconnection agreements. Procedures for  
6 companies negotiating, and if they couldn't  
7 negotiate the terms of how their networks should  
8 interconnect or at what price they should  
9 interconnect, they could then come to the Public  
10 Service Commission.

11 I think that the Legislature thought, as  
12 we all did, that the process would move rather  
13 rapidly, but it's taking much longer than any of us  
14 anticipated. And I think that's why the  
15 Legislature asked us to look at this again and to  
16 provide them with a report so they can determine  
17 what else might need to be done to open up the  
18 markets, bring in competition, choice, and lower  
19 prices.

20 WITNESS NOLTE: Well, Madam Chairman,  
21 could you give me a little scenario as to what your  
22 board and the Legislature, what their idea as to  
23 how to speed it up? Have they got any suggestion,  
24 or that's what they're asking you to do?

25 CHAIRMAN JOHNSON: I think that's what

1 they're asking us to do in this instance. There  
2 was -- last session there were some bills, some  
3 House bills that were drafted that they thought  
4 might be the right approach.

5 And that is some of the local companies  
6 had argued that local rates are below cost and that  
7 a competitor won't come in to a market if they  
8 can't make money because if the local company must  
9 price below the cost of service, that won't create  
10 competition.

11 So the Legislature thought about that  
12 idea, and they started crafting language and bills  
13 to try to resolve that issue. But they've gotten a  
14 lot of comments from the public, they've gotten a  
15 lot of comments from other industry groups and  
16 other policy makers, and I think they're trying to  
17 rethink.

18 What we're going to do is collect  
19 information from people like you, from the long  
20 distance companies, from the local companies, and  
21 we're going to put together a report to issue to  
22 the Legislature that will hopefully provide, as you  
23 stated, some advisory or some alternatives that  
24 they can then deliberate and perhaps come up with  
25 some other means of opening the markets.

1                   And I think it's -- it could involve a  
2 multitude of solutions, but right now I don't think  
3 they have one set plan as to how we're going to  
4 open the markets. But in the meantime, we're  
5 continuing to work. The companies are continuing  
6 to negotiate. We are continuing to move forward  
7 under the price cap regime that's in place.

8                   WITNESS NOLTE: Is any part of this price  
9 cap in effect at this time?

10                   CHAIRMAN JOHNSON: The price caps are in  
11 effect at this time. And by that I mean like GTE  
12 currently can't raise your local rates.

13                   WITNESS NOLTE: At all.

14                   CHAIRMAN JOHNSON: At all. That \$11.81  
15 cannot go up.

16                   WITNESS NOLTE: It's frozen at this time.

17                   CHAIRMAN JOHNSON: Yes, sir, it's frozen.

18 Now --

19                   WITNESS NOLTE: For any certain length of  
20 time yet?

21                   CHAIRMAN JOHNSON: I think it's to the  
22 year 2000 because I think the Legislature -- I  
23 think originally in the 1995 I think it was to '99,  
24 and I believe they added a year to the year 2000.  
25 That gives them next session to determine what

1 might need to be done. But the cap on the local  
2 rate is still in place.

3 WITNESS NOLTE: In place at this time.  
4 Well, that's good. As far as what it costs them if  
5 they're complaining that they're not making enough  
6 money on the basic rates to cover their expenses,  
7 well, it's always been subsidized, okay, since year  
8 one.

9 Telephone service has always been  
10 subsidized by the money making part of it. I don't  
11 care if they get it from out here in left field.  
12 If it made the money and the rest of it didn't,  
13 they had a monopoly, they had the business, so one  
14 helped the other.

15 When they dropped long distance out of  
16 the picture, they no longer helped subsidize this.  
17 Because you've got to understand in the telephone  
18 industry, the big money maker is basically long  
19 distance. Because they spend big dollars to  
20 install that equipment. Once it's in, then it's a  
21 maintenance thing. Replacing broken parts and  
22 maintenance. Okay. That's the only expense they  
23 have except modernization.

24 And that's what we're going through right  
25 now. You know, computer. All your offices are now

1 giant computers. Okay? There's no more step  
2 switches. That stuff is gone. They shifted that  
3 to South America and outside this country where  
4 they have less money to spend. Okay? So they're  
5 investing money in this.

6 But my aspect with them is why do they  
7 have to be so secretive if they were involved in  
8 the monopolistic regulatory type situation, and now  
9 apparently they're not. Local service, there's no  
10 regulation on it anymore? Do I understand that  
11 correctly?

12 CHAIRMAN JOHNSON: There's no rate of  
13 return -- we don't look at their profits, but there  
14 is some regulatory oversight.

15 WITNESS NOLTE: But you still regulate.

16 CHAIRMAN JOHNSON: Yes, sir.

17 WITNESS NOLTE: You regulate, but you do  
18 not -- you don't ask them to look in their pocket  
19 or the bank book or whatever.

20 CHAIRMAN JOHNSON: Yes, sir.

21 WITNESS NOLTE: That kind of bothers me.  
22 Why do they figure that they don't have the right  
23 to look at this if they come to you and ask for  
24 more money? Where is the -- where is the problem?  
25 They want us to shell out more money, but yet they



1 don't want to tell us why we should shell it out  
2 being a regulated industry. Anybody answer me  
3 that?

4 CHAIRMAN JOHNSON: One of the things that  
5 we will be looking at, we'll be looking at the cost  
6 of service. We'll have a week-long proceeding  
7 where we will look at how much it actually costs.  
8 The Legislature specifically delineated that as an  
9 issue. They do want to understand the cost.

10 But I think it's because we are going  
11 into a more competitive market that we aren't  
12 necessarily focusing in on the profits but again --  
13 or the rate of return. Because we  
14 aren't -- because they are starting to deregulate.  
15 But that may be an issue that people bring forth.

16 We heard the Consumer Action Network  
17 folks advocate that perhaps we should be looking at  
18 the rate of return. We've heard a lot of  
19 customers. And that will be a part of our report  
20 too, that customers are saying maybe you should.

21 And these are the kinds of things that  
22 the Legislature will have the opportunity to know  
23 what the customers are saying so as they do their  
24 evaluation and they look at all the alternatives,  
25 that will be one of the alternatives that will be

1 on the table again as a question that's being asked  
2 by customers.

3 WITNESS NOLTE: Apparently you've heard  
4 that before.

5 CHAIRMAN JOHNSON: Yes, sir.

6 WITNESS NOLTE: Okay. Quality of service  
7 bothers me. For many, many years, this local phone  
8 company has had a problem with quality of service.  
9 I don't understand why because if you go out to fix  
10 anything, if you do it right the first time, that's  
11 the cheapest way to do it, isn't it?

12 CHAIRMAN JOHNSON: Yes.

13 WITNESS NOLTE: Is it always cheaper to  
14 do go back two and three times and do it again?  
15 Because everything is at a higher price at that  
16 time. Considering we've lived under inflation for  
17 all of my lifetime and sometime before that. So I  
18 don't think it's going to change any time soon.  
19 It's backing off; right? We've had lowest  
20 inflation the past few years we've had in my  
21 lifetime.

22 So they need to take time, these  
23 companies, to fix something and fix it right. I  
24 don't mind waiting an extra day for them to fix my  
25 phone if it doesn't go out the next time it rains.

1 I personally think that's pathetic.

2 Because I'll tell you from past  
3 experience the best troubleshooter in any telephone  
4 company that has lines in the ground or out of the  
5 ground, aerial, their best troubleshooter is the  
6 sunshine. Take my word for it. It's true. I'm  
7 sure they won't admit it, but it's true.

8 Because I worked with them for many  
9 years. That was my helping hand. It repaired it  
10 temporarily until I could get to the real problem  
11 where it was leaking. Okay? This is a another  
12 aspect where the regulatory board, you people or  
13 the Legislature, if they so choose to do that, is  
14 to get involved in this kind of stuff.

15 I use an old thing, and maybe you've  
16 heard it, maybe you haven't. The quality goes in  
17 before the name goes on. That was a motto of  
18 Zenith TV. I was raised around that stuff. That  
19 was the first TV set I bought in our home, and my  
20 older brother and I bought the first one.

21 But I believe in that. I believe in  
22 quality. Because if you don't have quality, you  
23 don't have much after that. Because if quality  
24 isn't there, nothing lasts any length of time.  
25 You're replacing it. It's like building

1       obsolescence. And you know many things we buy in  
2       the past 50 years have been built that way to wear  
3       out in three to five years, now go buy a new one.

4                Okay. Enough said about that. The  
5       broader perspective I heard you mention. Explain  
6       that to me.

7                CHAIRMAN JOHNSON: In what context did I  
8       mention the broader perspective?

9                WITNESS NOLTE: Well, I don't know if you  
10       mentioned it. Somebody mentioned it up here. What  
11       they're looking at to better the service, I guess.  
12       Something I come up with, why should we pay to be  
13       abused with telemarketing? Do you have any power  
14       over those people?

15               Because we're paying for our phone  
16       service, they're not. If they want to pay my bill,  
17       they can harass me all they want. I can just take  
18       the phone off the hook. I know how to do it.  
19       Unplug it. Either one works. In other words, they  
20       are wasting their time.

21               I have personally -- and this is -- a lot  
22       of people will enjoy hearing this -- personal  
23       secretary, which is the automatic answering service  
24       the telephone company offers. If you're willing to  
25       pay the rate they charge, it gets rid of your

1 telemarketing.

2 I've had it since the day of inception,  
3 and I haven't gotten one message left on it in, I  
4 don't know, six, seven years, I guess, how long  
5 it's been back. Never once a telemarketing message  
6 left on my answering service, never.

7 So that's got to tell you something.  
8 It's their dime and they know if they're talking to  
9 a recorder, they hang it up ASAP because they pay a  
10 unit rate, time per second. So for what it's worth  
11 to anybody out there, that's a little thing that  
12 might help you with that respect, get them off your  
13 back. If you can listen to the phone ring two or  
14 three rings and not touch it.

15 But with the service I have, and it's not  
16 land line, it's wireless. But all I have is a  
17 number and an answering service. I do not have a  
18 physical phone to even answer. Okay? That's how I  
19 do it.

20 What is your regulatory power over the,  
21 quote, local phone company now? Just with their  
22 rates for installation?

23 CHAIRMAN JOHNSON: Rates, quality of  
24 service. We still -- we still regulate the quality  
25 of the telecommunications service. We still handle

1 disputes between companies. We still have  
2 regulatory oversight.

3 The only thing -- well, the main change  
4 is when you look at the revenues as opposed to the  
5 rate of return, we have the price cap, but we still  
6 look at quality of service, we still handle what  
7 you heard some individuals comment on, consumer  
8 issues, slamming, cramming, billing. We're looking  
9 into some additional billing issues.

10 So we still have quite a bit of  
11 regulatory oversight over the companies.

12 WITNESS NOLTE: You have regulatory power  
13 over anybody from anywhere that operates in the  
14 state of Florida?

15 CHAIRMAN JOHNSON: The telecommunications  
16 companies.

17 WITNESS NOLTE: Anybody no matter where  
18 they're headquartered or where they're from.

19 CHAIRMAN JOHNSON: That's right. In the  
20 state.

21 WITNESS NOLTE: In the state. Okay.  
22 Super.

23 And I'm sure you-all understand about  
24 regulation, how we have regulation in the first  
25 place. In the monopolistic viewpoint is for us to

1 give everybody universal service; right?

2           The other part of regulation, the other  
3 side of that, which is not the best side, but it is  
4 part of it, is the fact that there's been  
5 wrongdoing in the past. That's how regulations  
6 come about. They don't just come out of the sky.  
7 Just because somebody does something wrong, they  
8 get their hand slapped for doing it. That's what  
9 regulation does; right?

10           So with this deregulation not only the  
11 phone industry, many industries, is letting the fox  
12 back in the hen house. And it's, of course, your  
13 job and our job to keep an eye on that. Because if  
14 we don't, they'll have their pocket up -- their  
15 hand in our pocket up to their armpits, not their  
16 elbows, just like Uncle Sam is.

17           We need some changes, and, in fact, we  
18 need another tea party in this country. Because  
19 our government is doing to us three times worse  
20 than England did to the original colonies in this  
21 country, three times as fast and three times as  
22 much.

23           So it's about time that we stand up and  
24 be counted a little bit here and keep a little bit  
25 of what we earn. And this applies to the phone

1 company also. Nobody disputes anybody making a  
2 fair profit for doing anything, as long as it's not  
3 illegal.

4 So I have -- I really have no quarrel  
5 with the phone company. I would just like to see  
6 them be up front, honest, and open about it. And I  
7 think this needs to be what Florida used to call  
8 open Legislature in the Sunshine Law? You-all  
9 remember that?

10 CHAIRMAN JOHNSON: Yes.

11 WITNESS NOLTE: Do we still have it in  
12 this state?

13 CHAIRMAN JOHNSON: Yes, we do.

14 WITNESS NOLTE: In regards to  
15 everything?

16 CHAIRMAN JOHNSON: Uh-huh.

17 WITNESS NOLTE: Okay. Good.

18 CHAIRMAN JOHNSON: Sir, not to interrupt  
19 you, but how much more do you have left?

20 WITNESS NOLTE: A couple minutes.

21 CHAIRMAN JOHNSON: I may have to give the  
22 court reporter a break. She's been going for quite  
23 a few hours.

24 WITNESS NOLTE: Just a couple minutes,  
25 and I'll let you-all go.



1 CHAIRMAN JOHNSON: Thank you.

2 WITNESS NOLTE: I'd just like to say we  
3 all want low rates. And I hope the service  
4 improves. And the rates raising since deregulation  
5 has been a thorn in everybody's side. And I was  
6 one of them individual that heard it from everybody  
7 I faced every time I faced them. I got asked  
8 questions, I wasted half of my working time trying  
9 to explain it. It didn't do a whole lot of good.  
10 They were still upset when I left.

11 So there needs to be some clarification,  
12 whether the Legislature does it, the Public Service  
13 Commission does it, or the phone companies do it,  
14 or a combination of all of you. Please give the  
15 cost to the customers exactly what's going on with  
16 all this. I know my rates have tripled since  
17 deregulation. Okay? I have the bills to prove it.

18 So in respect, I thank you for your time.  
19 And any help you can give all of us, we need it.  
20 And it's been a pleasure addressing this body,  
21 this honorable body. Thank you very much. That's  
22 all I have this evening.

23 CHAIRMAN JOHNSON: Thank you for your  
24 comments.

25 MR. BECK: Chairman Johnson, Mr. Nolte

1 was the last witness signing up.

2 CHAIRMAN JOHNSON: I wanted to thank  
3 everyone for coming out tonight. I know we had a  
4 representative from Representative Tamargo's  
5 office. I wanted to thank them also for observing  
6 this hearing and being a part of this process. The  
7 testimony that we've received from you will be a  
8 part of the official record that we will use as we  
9 make our recommendation to the Legislature. Thank  
10 you again, and good night.

11 (Whereupon, the hearing concluded at 8:35  
12 p.m.)

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F L O R I D A )  
: CERTIFICATE OF REPORTER  
COUNTY OF PINELLAS )

I, Donna W. Everhart, CSR, RPR, CP, CM,

DO HEREBY CERTIFY that the PUBLIC HEARING in this cause, Special Project No. 980000A-SP, was heard by the Florida Public Service Commission 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, consisting of 114 pages, inclusive, constitutes a true transcription of my notes of said proceedings; it is further

CERTIFIED that I am neither of counsel nor related to the parties in said cause and have no interest, financial or otherwise, in the outcome of this docket.

DATED THIS 29th day of September, A.D., 1998.

Donna W. Everhart  
Donna W. Everhart  
CSR, RPR, CP, CM  
Notary Public, State of Florida  
Commission No.: CC 670687  
My Commission Expires: 12/8/2001



Donna W. Everhart  
MY COMMISSION # CC670687 EXPIRES  
December 8, 2001  
BONDED THRU TROY FAIN INSURANCE, INC