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1		BEFORE THE
2	FLORIDA PUBLIC SERVICE COMMISSION	
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4	In the Matter of:	DOCKET NO. 090246-TP
5	Notice of adoption o interconnection agre- BellSouth Telecommun	ement between
6	d/b/a AT&T Florida d Southeast and Cbeyon	/b/a AT&T
7	LLC by Clective Tele	com Florida, LLC.
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10	PROCEEDINGS :	AGENDA CONFERENCE ITEM NO. 6
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12	COMMISSIONERS PARTICIPATING:	CHAIRMAN MATTHEW M. CARTER, II
13		COMMISSIONER LISA POLAK EDGAR COMMISSIONER KATRINA J. MCMURRIAN
14		COMMISSIONER NANCY ARGENZIANO COMMISSIONER NATHAN A. SKOP
15		
16	DATE:	Tuesday, August 18, 2009
17	TIME:	Commenced at 9:38 a.m.
18		Concluded at 10:34 a.m.
19	PLACE:	Betty Easley Conference Center
20		Room 148 4075 Esplanade Way
21		Tallahassee, Florida
22	REPORTED BY:	MARY ALLEN NEEL, RPR, FPR
23		4075 Esplanade Way Tallahassee, Florida MARY ALLEN NEEL, RPR, FPR
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25		

FPSC-COMMISSION CLERK

PROCEEDINGS 1 CHAIRMAN CARTER: Thank you, Commissioners. 2 And with that, Commissioners and staff, we now move 3 to Item 6, which we're taking up out of order. We 4 have on the phone -- if I butcher your name, it's 5 nothing personal. It's just that, you know, 6 sometimes I have an accent, so why don't I just go 7 with your first names. I think I can cover those, 8 and you can make appearances. Evan and Brad, would 9 you please give us your name and the party that 10 you're representing, please? 11 MR. MONDSCHEIN: Commissioner, this is Brad 12 13 Mondschein, and I am representing Clective Telecom 14 Florida. CHAIRMAN CARTER: Okay. Evan? 15 16 MR. KATZ: Yes, sir. This is Evan Katz. I am the director of Clective Telecom Florida. 17 CHAIRMAN CARTER: Okay. Staff, would you 18 please introduce this issue, the item, rather, 19 Item 6? 20 Good morning, Commissioners. 21 MS. TAN: Lee Eng Tan on behalf of Commission staff. 22 23 Item Number 6 a recommendation regarding a 24 notice of adoption of an existing interconnection 25 agreement between AT&T and Cbeyond Communications,

LLC by Clective Telecom Florida, LLC, in Docket No. 090246-TP.

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Staff's recommendation addresses whether AT&T has standing to request the cancellation of Clective's competitive local exchange certificate and whether Clective can adopt the interconnection agreement. Staff recommends that AT&T does not have the standing to request the cancellation of Clective's CLEC certification. Staff further recommendations that pursuant to 47 USC Section 252(i) and 467 CFR Section 51.809, Clective may adopt the AT&T and Cbeyond interconnection agreement.

Also, representatives from Clective and AT&T are here today or on the phone to speak with you, along with a representative of TDS Telecom.

Staff is available for any questions.

CHAIRMAN CARTER: Let's do this,

Commissioners, before we go to our questions. Let's take the appearances of the parties that are present with us.

MR. GURDIAN: Good morning, Commissioners. Manny Gurdian on behalf of AT&T Florida. Also with me today is Tracy Hatch.

MR. McCABE: Tom McCabe on behalf of TDS

Telecom.

2	CHAIRMAN CARTER: Okay. And we have on the
3	phone with us Mr. Katz and Mr
4	MR. MONDSCHEIN: Mondschein, yes.
5	CHAIRMAN CARTER: That's close enough for me.
6	Okay. Commissioners, staff has introduced the
7	issue. Questions, Commissioners? We're on Item 6,
8	Commissioners.
9	Commissioner Skop, you're recognized, sir.
10	COMMISSIONER SKOP: Thank you, Mr. Chairman.
11	Just a quick question to staff with respect to the
12	issue before us. One of the objections that I
13	believe AT&T has raised would be harm in terms of
14	what may or may not be happening in another state.
15	Could staff briefly expand upon how AT&T is
16	adequately protected in this instance specifically
17	in terms of being able to require deposits and
18	such? Thank you.
19	MS. KING: Yes, Commissioner. This is Laura
20	King with Commission staff.
21	The interconnection agreement Clective would
22	like to adopt does have a deposit provision which
23	we believe would protect AT&T. They can request a
24	deposit from Clective before Clective orders any
25	service. We believe that would protect AT&T's

interests.

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Also, there are dispute resolution provisions 2 in the interconnection agreement that address 3 billing and if there's disputes with regard to 4 deposit amounts, et cetera. 5 COMMISSIONER SKOP: Thank you. So in staff's 6 opinion, AT&T's interest is adequately protected by 7 the contractual provisions of the interconnection 8 agreement? 9 MS. KING: We believe so at this time. 10 COMMISSIONER SKOP: Okay. And then if there 11 were to be problems that would arise somewhere as 12 to what may or may not be happening in another 13 state, then AT&T certainly would have recourse to 14 address that matter not only within the agreement, 15 but also before the Commission; is that correct? 16 MS. KING: Yes, sir. 17 COMMISSIONER SKOP: All right. Thank you. 18 CHAIRMAN CARTER: Commissioners, any further 19 questions? Hearing none -- Commissioner Edgar, 20 you're recognized. 21 COMMISSIONER EDGAR: Mr. Chairman, if there is 22 no further discussion, I can make a motion at this 23 time in favor of the staff recommendation on all 24 25 issues.

COMMISSIONER SKOP: Second. 1 CHAIRMAN CARTER: Commissioners, we have a 2 motion and a second to move staff on Item 6. Are 3 there any further questions? Any debate? 4 MR. GURDIAN: Chairman, this is Manny Gurdian 5 I would like an opportunity to on behalf of AT&T. 6 address staff's recommendation before the 7 Commissioners vote. 8 CHAIRMAN CARTER: You're recognized. 9 Thank you, Commissioner. Thank MR. GURDIAN: 10 you, Chairman. Good morning. Manny Gurdian on 11 behalf of AT&T. 12 AT&T has filed an objection to Clective's 13 adoption and a petition to cancel Clective's 14 certificate because Clective lacks the financial, 15 managerial, and technical capabilities required by 16 Florida law. AT&T Florida disagrees with the 17 staff's recommendation that it doesn't have 18 standing. 19 Pursuant to federal law, as a way of 20 background, AT&T Florida is required to enter into 21 interconnection agreements with CLECs. However, 22 AT&T Florida is only required to enter into 23 interconnection agreements with certified CLECs, 24 those who have been certified by their state 25

Commission to provide CLEC service in the state. These certifications protect not only -- these certification requirements protect not only the citizens of the State of Florida, they also protect companies such as AT&T Florida, ILECs, from having to do business with people who do not possess these capabilities.

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Generally the adoption by CLECs of valid connection agreements is a routine matter, and AT&T Florida does not object. However, in the instant case, AT&T has concerns with Clective's capabilities.

And because Clective's certificate was obtained based upon what AT&T considers misinformation, this federal requirement provides AT&T Florida with standing to challenge the sufficiency of Clective's certificate, or at a minimum, to request an investigation of such sufficiency before entering into a business relationship with Clective. And staff's recommendation fails to address AT&T's -- the information provided by AT&T regarding Clective's misrepresentations in their CLEC application.

But before I get to that, let me tell you about some of the other concerns:

One, Clective in Georgia has been disconnected 1 by AT&T for nonpayment of bills, and the same 2 individuals who run the company in Georgia run 3 Clective here in Florida. 4 Clective in Georgia filed for bankruptcy, and 5 in those documents, they've indicated they have 6 They filed for bankruptcy in 7 \$6,000 in cash. Georgia and indicated they have \$6,000 in cash. 8 Looking at those financial documents and looking at 9 the interrelationship between Clective in Georgia 10 and Florida, it doesn't appear that Clective has 11 the financial ability to operate here in Florida. 12 Third, Clective failed to pay its 2008 13 regulatory assessment fee on time and was penalized 14 by this Commission. 15 Fourth, AT&T Florida has requested deposits 16 from Clective, while Clective has not indicated --17 which Clective has not indicated that it will pay. 18 Fifth, Clective is attempting to move its 19 operations from Georgia to Florida and to continue 20 its strategy of obtaining services from AT&T and 21 22 then not paying AT&T. Clective in Florida and Georgia have employed 23 and contracted with current and former employees of 24 Global NAPs, a company that left AT&T holding the 25

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bag for over \$20 million.

Sixth and most importantly, Clective has made 2 a misrepresentation to this Commission. When 3 Clective over -- approximately a year ago filed 4 their application to provide CLEC services in this 5 state, they indicated that one of their technical 6 capability folks was Joseph Nichols, and they 7 described him as Director of Carrier 8 Interconnection for Clective Georgia. However, 9 this representation in Clective's CLEC application, 10 which the Commission relied upon in granting their 11 certificate, is an outright misrepresentation. 12 Joseph Nichols is not a real person. It's an alias 13 used by Jeffrey Noack, an employee of Global NAPs. 14 Clective has failed to explain why they made this 15 misrepresentation to this Commission. 16 Further, Clective misstates Joseph Nichols 17 a/k/a Jeffrey Noack's status with the company, in 18 that the application asks for employees and 19 officers of the company that would indicate 20 sufficient technical experiences, and it is 21 admitted by Clective that Mr. Nichols/Noack was 22 neither an officer nor an employee, but a 23 consultant and an independent contractor of 24 Clective. 25

In conclusion, AT&T believes it has standing 1 to request the cancellation of Clective's 2 certificate because of its obligation pursuant to 3 federal law to enter into an ICA with Clective. 4 However, if the Commission does not believe AT&T 5 has standing, it, at a minimum, should order staff 6 to open an investigation into whether Clective has 7 made misrepresentations and whether it has 8 sufficient technical, managerial, and financial 9 capability to provide CLEC services in Florida. 10 Thank you. 11 CHAIRMAN CARTER: Thank you. 12 Mr. McCabe. Good morning. Good morning. 13 MR. McCABE: Tom McCabe on behalf of TDS Telecom. I'm here this 14 morning to express my concerns with regards to 15 staff's recommendation to require AT&T to allow 16 Clective to adopt Cbeyond's interconnection 17 18 agreement. In the 13 years that I've been employed with 19 TDS, I've never questioned the ability of any CLEC 20 to provide service in Florida. However, after 21 reviewing the pleadings in this case and the 22 experiences that TDS has encountered over the last 23 several years trying to collect outstanding charges 24 against Global NAPs in Georgia, Vermont, and New 25

Hampshire, TDS is deeply concerned with the 1 financial and managerial abilities of this company. 2 I would like to offer the following 3 observations and the potential impact to TDS. For 4 several years now, TDS has been involved in 5 complaints against Global NAPs in Georgia, Vermont, 6 and New Hampshire. On July 21st, the Georgia 7 Commission ruled in favor of our complaint against 8 Global NAPs, whereby the Commission found in favor 9 of TDS that Global NAPs owes terminating access 10 11 charges. Unfortunately, we do not hold out much hope of 12 ever collecting any of this money. Based on 13 information in the public domain regarding 14 complaints filed before state commissions or 15 courts, there have been awards issued against 16 Global NAPs in excess of \$100 million. 17 18 Based on evidence that has been filed in various jurisdictions and court proceedings, Global 19 NAPS' corporate structure consists of many shell 20 corporations designed to protect the parent 21 company, Ferrous Miner. I'm not implying that 22 Clective is a corporation of Global NAPs, but that 23 was certainly some concern that we have. 24 25 In filings in this proceeding by Clective,

they allege that there is no relationship between Clective and Global NAPS. Based on the information filed in the proceeding, it's not that clear. As indicated in the pleadings, Mr. Joseph Nichols, whose actual name is Jeffrey Noack, is listed as Director of Carrier Interconnection. This is the same Mr. Jeffrey Noack who filed testimony on June 10, 2009, on behalf of Global NAPs in the dispute in Maryland. On page 1 of his testimony, he identifies himself as the Director of Network Operations of Global NAPs and that he has held that position since 1999.

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Also, this appears to be the same Mr. Noack that was listed on the CLEC application in Illinois for MyBell. I believe this application was filed in early 2007, in which Mr. Noack, according to his recent testimony, was also an employee of Global NAPs. Based on the information in that case, it appears that the other officers and directors of MyBell were Global NAPs employees. After further investigation by the Illinois Commission, it's my understanding that MyBell withdrew their application for the CLEC certification.

The mere fact that Clective recently filed a letter indicating that Mr. Noack is no longer

associated with Clective does not provide TDS a lot of comfort.

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Also, I would like to point out in their application, question 17, which requires a CLEC to identify any officers or directors of any other Florida certificated or registered telephone companies. In the response they indicated no, yet at the same, Global NAPs, based on the Commission website, Global NAPs still holds a certificate at this Commission, and Mr. Noack is an employee of Global NAPs.

With regard to the financial ability of this company, we believe that the Commission should have serious reservations as to whether or not this company has the ongoing financial capability to provide service. TDS is concerned that Clective of Georgia, which has been in business for less than two years, has already attempted to file for bankruptcy protection in Georgia.

In their letter dated May 29th, they indicate that the Georgia Commission has not issued any ruling with regard to whether VoIP providers are required to pay access. And just to update that, the Commission recently on July 16th issued an order that required VoIP providers -- that access would apply to intrastate VoIP traffic. So it appears to me that the outstanding complaint that they have in Georgia hopefully will be resolved before too long, and there's going to be a financial settlement that they've going to have to make to AT&T, yet at the same time, it appears that they're filing for bankruptcy protection.

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According to the unaudited balance statements by Clective of Florida in August of 2008, the company's net worth was listed at less than \$100,000, which includes equipment in the amount of \$50,000. Talking with our folks, we can't understand how anybody can be in this business providing the services that they are with \$50,000 worth of equipment.

Finally, with regard to the issue of whether AT&T is protected under the interconnection agreement with the issuing of the deposit, that may be correct for AT&T, but there's no such protection afforded to my company or any other company that may have to terminate traffic by Clective. What happens under an interconnection agreement that Clective has, AT&T would be required to transit any of that traffic to third-party providers. That's the same situation that we experienced with Global NAPs in which we ended up having outstanding balances of over \$600,000, and which we will never see any of that money.

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So I certainly think that there's a lot of concern that this Commission should have, and I think that it would be proper to delay ruling on whether an interconnection agreement should be entered into until such time that the Commission can further investigate the managerial and financial capabilities of this company.

CHAIRMAN CARTER: Thank you. Either Mr. Katz or Mr. Mondschein, you're recognized.

MR. MONDSCHEIN: Sure. I'll be happy to talk on this. This is Brad Mondschein on behalf of Clective.

The first issue that seems to be first and foremost in at least AT&T's and TDS's mind appears to be an issue relating to Global NAPs, and I think addressing that head on is probably the best way to discuss this. There appears to be in AT&T's mind, and perhaps in TDS's mind, a notion that someone who works for one company is somehow banned from ever working for another company for the rest of their life. And it just seems that what they're saying is that because Jeff Noack holds a position with Global NAPs, that he can't go out and seek other employment either on a part-time basis or on a consulting basis, and that's just not true. Mr. Noack has never been accused by anyone of doing anything wrong on behalf of Global NAPs or on behalf of anybody.

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Certainly I'm familiar with the Global NAPs situation in other parts of the country, and Global NAPs certainly has the reputation that perhaps maybe it even deserves. But to force that upon Mr. Noack or upon Clective is just wrong. And to say that Mr. Noack can no longer work for any company or that any company who employs Mr. Noack or uses his services is somehow tainted is just something that is unfair to Mr. Noack, and it's unfair to any company that wants to use his services.

Secondly, the situation with MyBell I'm very familiar with, and in fact, that's the whole reason why Clective of Florida actually used Mr. Noack's alias of Mr. Nichols. And the reason for that is, if you look at the Clective Georgia application, when Mr. Katz and Ms. Morris filed that, they used Mr. Noack's name, and no one raised an issue with that.

Shortly after that, Mr. Noack along with some other folks from Global NAPs attempted to start their own CLEC separate from Global NAPs in Illinois, and AT&T, like they are now, came in and started to raise issues about whether Global NAPs was in fact running MyBell or somehow running the -- somehow pulling the strings for MyBell, which they weren't. But frankly, the people who were trying to start MyBell up just didn't have the resources and funding to fight that fight in Illinois, and obviously AT&T has all kinds of resources that a lot of people don't. So they decided that the better course of business for them was just to drop the MyBell application in Illinois and live to fight another day and in perhaps maybe another jurisdiction.

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So knowing that, when Clective Florida filed their application, there was certainly no intent and certainly no misrepresentation that was intentional on behalf of Clective. They simply used an alias. The person actually -- Mr. Noack was in fact in that position for Clective Florida at the time, and his financial and managerial capabilities were there. What they wanted to avoid was another situation in Illinois and the situation

that we have currently, which is that the mere fact 1 Mr. Noack is somehow assisting this company is 2 somehow an indictment against them because of 3 Mr. Noack's association with Global NAPs. 4 And that's just something this that Commission 5 should dismiss. It's not -- it's basically 6 7 throwing mud up against the wall and seeing if it will stick, and actions like that have no place 8 before this Commission. 9 10 As far as what is going on in Georgia, I think 11 the representative of TDS summed it up, which is 12 that there is a ongoing dispute there. The fact that Georgia may have just ruled on that issue I'm 13 14 not that familiar with at this point. I'll have to 15 go back and look at it. But the fact is that 16 there's an ongoing dispute in Georgia. Whether it 17 was ruled on against Clective or not happens to be 18 another issue. But the fact that there was a good 19 faith dispute that required a Commission decision 20 is what was going on there, and it again has 21 nothing do with Clective Florida either. 22 And so Clective Florida itself is a separate 23 entity. Certainly it's owned by Ms. Morris, and 24 Ms. Morris owns Clective Florida and Clective 25 Georgia. But other than that, there is no

affiliation between the two. They're two separate 1 companies. They're run as two separate companies. 2 They're financed as two separate companies. And 3 we're hoping to have an interconnection agreement 4 with AT&T so that we can go out and get funding so 5 that we can start operating in Florida and fund the 6 company. 7 CHAIRMAN CARTER: Thank you. Commissioner 8 McMurrian. 9 COMMISSIONER MCMURRIAN: Thank you, 10 Mr. Chairman. I have a question I guess for 11 Mr. Mondschein to start with. 12 Mr. Mondschein, I think you said that you like 13 to address issues head on. 14 MR. MONDSCHEIN: Yes. 15 COMMISSIONER MCMURRIAN: So my question is --16 I think that in your statement that you admitted 17 that Mr. Noack used an alias with respect to 18 getting a certificate in Florida, and I guess my 19 question is, do you believe that the use of an 20 alias in documents filed before a Commission where, 21 in my opinion, you should be telling the whole 22 truth about the situation and then allowing us to 23 judge whether or not you meet those financial and 24 technical capabilities, do you believe using an 25

alias like that is justified because of problems 1 that you experienced in another state with AT&T? 2 MR. MONDSCHEIN: Well, let me answer it this 3 I don't condone the use of the alias by 4 way. Clective Florida. However, under the 5 circumstances, I think that it was not -- it should 6 not be viewed as an intentional act, as something 7 that was done intentionally to misrepresent to the 8 Commission the true status of Mr. Noack with 9 Clective, because certainly the person actually 10 exists, and the capabilities that he brought and 11 12 has brought to the company actually existed. So I would view it as something that Clective did 13 perhaps unwisely, but I don't think as an 14 15 intentional misrepresentation to the Commission. 16 COMMISSIONER MCMURRIAN: Okay. I quess, 17 Mr. Chairman, the only other thing, I would like to 18 hear from staff at some point. But I quess I 19 wasn't aware of the concerns -- obviously, I looked at the pleadings, and I was aware of AT&T's 20 21 concerns that they had raised in some of these 22 later pleadings. 23 And, of course, I have some of those same 24 concerns, and I talked to staff -- I'm sure all of us probably did -- about whether we were looking 25

into it kind of on our own to make sure that CLECs before our Commission are doing what they should have done, and did we have any kind of legal problems with that. Anyway, we had that exchange.

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And so I guess I would say to AT&T, the lack of my questions and all to begin with, and TDS, was more because I had assurance, I think, from staff that that kind of analysis and all would be done regardless of what was done with respect to the interconnection.

And I believe with respect to the staff recommendation before us, that their recommendation on standing as well as the adoption of the interconnection agreement is sound, but that doesn't mean that we don't have concerns about the information that has been presented to us with respect to this company and their representations when they were getting a CLEC certificate.

But I wasn't aware of the -- perhaps I should have been, I'm not sure -- aware of the concerns by even other companies about the potential impact on them and how they may not have any kind of recourse with respect to the interconnection agreement and the customer deposit issue that Commissioner Skop raised, so that was kind of new to me as well.

So I guess I want staff to respond to some of these concerns that I've just heard today and see if that sort of changes the equation at all and sort of speak to the issue that has been brought up about doing some kind of investigation of this company.

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MS. TAN: It is the Commission's discretion to ask the staff to do a in-depth investigation of Clective. In staff's opinion, in this situation, Mr. Noack was an employee only of Clective with the appropriate experience and not a registered officer of Clective and does not rise to the level of cancellation of its CLEC certificate.

And at this time, staff has no indication that Clective has violated any rules of this Commission. And so one of the things that we're dealing with is of a prospective or a speculative nature, that Clective may do something, and at this time we don't have anything that causes us concern.

COMMISSIONER MCMURRIAN: So can you explain to me what is being done -- and I don't want to put you in kind of a uncomfortable position, because perhaps -- what kind of things can we do to monitor a situation like this without maybe opening a full-blown investigation? Either what is being

done already, what kind of things can we do, what kind of protections do you think are sort of embedded in our processes already now that we know that there are concerns out there that we should be paying attention to? MS. KING: Certainly, Commissioner, all we can do is look prospectively, and if we get complaints or if a company gives us some information that Clective is not acting appropriately as far as not paying bills or things like that -- until they actually start providing service, I'm not sure what we could do at this point. I mean, everything has been speculative. We don't know that they are not going to pay bills. We don't know that they're not going to come up with their deposit. We just don't know. COMMISSIONER McMURRIAN: And I'm definitely

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not suggesting that they're not going to come up with a deposit or anything like that either. I don't know, and I don't think we should try to speculate on what they will do.

But I also understand the concerns that have been raised that there might have been some trouble with respect to perhaps some of the same officers or something of this company. And with the concerns particularly that Mr. McCabe has raised, I just wonder what kind of recourse and all that they will have, other than, I guess, what it is they're asking us, which is to look into whether or not the certificate should have been provided. Anyway, I'm just kind of thinking out loud. MS. KING: Yes, ma'am. Certainly we're going to have to depend to some extent on the industry to let us know if the company is not paying bills, things along those lines. But I'll let Melinda address the issue with regard to the certification and if we knew today -- if we knew when they were certified what we know today, if that would have changed our opinion. COMMISSIONER MCMURRIAN: Okay. That would be helpful too. Thank you. MS. WATTS: Commissioner, Melinda Watts for staff.

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If we had known that Joseph Nichols was indeed Jeffrey Noack and has been associated with Global NAPs or was even perhaps only a consultant rather than a full employee, that still would not have changed whether or not we would have granted the certificate. You know, many companies do that. They offer -- you know, they consult with various

companies for various functions, you know, to kind of put together their corporate offerings. And I really don't think that if we had had this information before that we would have not granted the certificate.

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COMMISSIONER McMURRIAN: Let me, if I may, ask another, Mr. Chairman. With respect to how a recommendation would have been handled, though, in that situation, it seems like I definitely remember in some CLEC certification recommendations that if there is some officer that perhaps is also an officer -- and I'm not sure he's a officer, but if there's someone related to the company that might have been related to another company that's certificated, usually you all talk about that in the rec. That's my recollection. So if we had known that Mr. Nichols was indeed Mr. Noack, was that something that would have at least been disclosed to us at the time we made the vote about granting the certificate?

MS. WATTS: According to the records with the Department of State on state corporations, Mr. Noack is not an officer that we would recognize with Global NAPs, nor is he with Clective, so we still would not have looked at it from that

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perspective.

COMMISSIONER McMURRIAN: Thank you, Mr. Chairman. I'm kind of out of questions at the

movement. Thank you.

CHAIRMAN CARTER: Okay. Commissioner Edgar. COMMISSIONER EDGAR: Commissioner McMurrian hit most of the thoughts that I had, but I would just ask staff if there are other points that were raised by either of the parties in this that they can shed some additional light on regarding the recommendation and the questions and responses that we've heard today.

MS. TAN: The only thing that I can think to add is that the RAF issue that came up does happen to many corporations, and it was settled out with no problems. The company did pay the RAF issue. Nothing else that was raised is something that we can find actionable. And in fact, Clective Georgia did send a letter in terms of whether or not -- I believe that AT&T had mentioned that there was no indication of whether or not Clective would pay any deposit, and from what we understand, Clective Georgia's counsel sent a letter to AT&T indicating that it would agree to the deposit requirements, which I know is something that AT&T had mentioned

was a concern to them.

7	was a concern to them.
2	COMMISSIONER EDGAR: And just a follow-up.
3	Realizing that in questions to staff recently, I've
4	been given the answer that more information is
5	always better, is there a reason on behalf of staff
6	to do further review, investigation, for lack of a
7	better word, into any of the issues that have been
8	raised today before this Commission takes action on
9	the item before us?
10	MS. SALAK: I don't know so in this situation.
11	I know that we will probably add additional
12	monitoring and be calling TDS occasionally to make
13	sure that the bills are being paid and that sort of
14	things.
15	We have looked at most of the issues well,
16	the issues that were presented, and I will tell you
17	
	that generically, not in this case, it's not that
18	that generically, not in this case, it's not that unusual for us to have to get clarification on
18 19	
	unusual for us to have to get clarification on
19	unusual for us to have to get clarification on applications. And we usually do it before the
19 20	unusual for us to have to get clarification on applications. And we usually do it before the fact, I admit.
19 20 21	unusual for us to have to get clarification on applications. And we usually do it before the fact, I admit. But where something hasn't been filed quite
19 20 21 22	unusual for us to have to get clarification on applications. And we usually do it before the fact, I admit. But where something hasn't been filed quite right on the certificate I mean on the
19 20 21 22 23	unusual for us to have to get clarification on applications. And we usually do it before the fact, I admit. But where something hasn't been filed quite right on the certificate I mean on the application for a certificate, and we'll have to

Commissioner McMurrian, where we look to see if they have officers with the corporate -- people registered with the Secretary of State that were officers of another company. And we didn't find that in this situation.

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And we've looked at all the angles that were suggested by AT&T, and the bottom line is that we come down to the same answer, that we probably would have still given them the certificate. It may have been handled a little differently, but we would have still given them the certificate.

That's not to say that since all this discussion we won't be paying attention to them, but we do have a rule that once we give a CLEC certificate, that, you know, by violation of a rule or an order or a statute, that's when we can cancel them.

I can tell you there has been one time where the Commission has deemed that someone did not tell us the truth after the fact, after we had given them the certificate, where they didn't tell us the full truth, and we did fine them in that situation. So we could pursue something like that, definitely, if you would like us to do that. But that's only one instance. And again, I think that's because we

1	handle most of that stuff on the front end. We
2	find out about it through our process.
3	COMMISSIONER EDGAR: Thank you.
4	COMMISSIONER ARGENZIANO: Mr. Chair.
5	CHAIRMAN CARTER: Commissioner Argenziano,
6	you're recognized.
7	COMMISSIONER ARGENZIANO: I guess I look at
8	the I would like to ask staff whether we looked
9	into the financial viability when we issued the
10	certificate, and what do we do if the financial
11	status of a company changes. Is there a way to
12	just monitor that along the way? Because
13	everything else to me is hearsay, and I can't find
14	any justification of what could happen, although
15	there's like a pink alert out there, and I want to
16	know I guess the question, going back to the
17	question is, when we issued the certificate, was
18	the financial viability looked into, and how do we
19	keep looking into that?
20	MS. SALAK: First of all, no, we do not keep
21	looking at financial viability. We do not get
22	financial statements for telephone companies, and
23	we do not monitor that. When we originally are
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they're financially viable, with the understanding

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doing a certificate, they sign an affidavit saying

that many startup companies in our state, they're going to see some losses for a while. We recognize that they're not always meeting all those financial ratios you would like them to meet up front, but that's part of their building process.

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COMMISSIONER ARGENZIANO: But on the other hand, what if you have somebody who's not financially capable of fulfilling, you know, what they're attempting to do and could leave everybody in the lurch, so to speak? Do we have any rules established regarding financial viability? And I understand that a company is starting and they need to get to where they're going, but you also want to make sure they have some type of financial stability to perform.

MS. SALAK: We do try to look at that, and we actually have to rely somewhat on the affidavit that they have the financial capabilities. We do look at financial information, but as I said, for a startup company, they'll have a business plan, and we look to see how they're going to become profitable over time, not necessarily as a startup company.

COMMISSIONER ARGENZIANO: Okay. To that point, if there's an affidavit stating that they're

financially viable and then they just collapse because they really weren't financially viable, I mean, what's the purpose of an affidavit if we -- I mean, obviously, there's a purpose for the affidavit, saying, okay, you tell us the truth that you're financially viable. But if there's not the slightest bit of looking into that -- and I understand the problems with doing so, but even if we're not even scrutinizing it a little bit, I don't know how we can ever ensure that they really could perform.

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And then if there's no monitoring down the road, are we not leaving ourselves open or everybody else open for the collapse of a company that may have not been financially viable? And just because they checked the box that said they are, I'm not sure that's -- are there any prohibitions in us looking at financial viability to a certain degree?

MS. SALAK: We try to look at financial viability. We'll get some financial information. But again, there's no way to assure that a business plan is going to work for a particular company. We can only make sure that they have some telephone expertise or technical expertise and that they have

some managers that know something about the 1 telecommunications business or some knowledge of 2 That's -the business. 3 COMMISSIONER ARGENZIANO: So then the 4 affidavit is basically useless. That's what you're 5 telling me. 6 MS. SALAK: I quess what I'm telling you is 7 that when they come in and sign that affidavit, 8 that they're stating that they believe that under 9 their business plan and with their startup money 10 and what they have in place, that they are going to 11 be able to succeed in Florida, that that's what 12 their belief is. That's not to say -- there are a 13 multitude of startup companies that don't succeed, 14 but they believe that they will under their plan. 15 COMMISSIONER ARGENZIANO: And what is --16 MS. SALAK: Pardon me? 17 I just don't see COMMISSIONER ARGENZIANO: 18 then what's the purpose of the affidavit if there's 19 nothing to look at, and if they do fall on their 20 face, let's say -- you know, I'm not saying this 21 company will. I don't mean it in that way at all. 22 I just was thinking that maybe we could make people 23 feel more secure if we use some type of financial 24 viability of the company. And what you're telling 25

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l	me now is we really don't, we just say, "Check the
2	box here and tell us you're financially capable,
3	and good luck."
4	I guess that answers my question. Thank you,
5	Mr. Chairman.
6	MR. MONDSCHEIN: May I respond? This is Brad
7	Mondschein.
8	CHAIRMAN CARTER: Hang on a second. Hang on a
9	second. Commissioners, before I is this
10	Mr. Mondschein?
11	MR. MONDSCHEIN: Yes.
12	CHAIRMAN CARTER: Before I recognize
13	Mr. Mondschein, Commissioners, anything further
14	from the bench?
15	Commissioner McMurrian.
16	COMMISSIONER MCMURRIAN: I want to follow up
17	on the line that Commissioner Argenziano was asking
18	too, because and maybe it's best to ask this
19	instead of state it. But, staff, is it fair to say
20	that the statutes and I haven't reviewed them or
21	anything that the statutes and the regulations
22	are sort of set up so that it tries to make it
23	fairly easy to become a certificated company in
24	Florida because it's part of that promoting
25	competition?

MS. SALAK: Yes, ma'am. I believe our process is designed to meet that goal.

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COMMISSIONER MCMURRIAN: Okay. And along the same lines of Commissioner Argenziano's question, is there more that we can do on the front end to make sure that there is -- to look at the financial viability and that sort of thing than what we're doing and still -- still not be perceived as trying to harass companies trying to enter the state? I don't really know how else to say it. And I'm not saying that's what we would be doing, because I think perhaps we do need to be looking -- of course, there are a lot of CLEC applications as well, so I'm not sure how far we drill down into each one and that sort of thing. But when these kinds of questions are raised by other parties, it seems like that changes the equation somewhat and gives us reason -- and especially if we find out that someone used an alias or perhaps told us something incorrect in the original application, that that gives us reason to look at them a little bit more closely, even if we wouldn't have on the front end.

MS. SALAK: I will tell you that in the beginning, in the early days of competition, we

used to have a more stringent set of rules, you know, where there were a lot of -- we had financial ratios looked at and financial tests done and all the information that we were provided. And the majority of the companies were -- did not fare well under those ratios, recognizing that some startup companies don't do well.

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So that test, you know, it was questioned time after time about what we were doing, and so those tests were eliminated in the early years, where we don't do those financial ratios anymore nor perform those at all. But we used to do those.

You know, we have never asked for financial information after the fact. That is something we could do, I believe. I mean --

COMMISSIONER McMURRIAN: We're not prohibited under the law from doing that?

MS. SALAK: I doubt if anybody would -companies will not be pleased about that, but there's nothing we can do with them. We don't do any earnings. We can't, you know, tell them what they have to earn or anything like that.

But again, that would mean that we would look at them, and if they were still -- I'll say limping along, and their financials looked poor, but they

36 1 were still operating and doing okay, and they 2 hadn't violated a rule and they hadn't violated a 3 statute, I'm not sure what we would do about that. 4 I mean, I think that would be okay as long as their 5 consumers were happy and they were meeting their 6 complaints and they were not breaking a rule or a 7 law. 8 COMMISSIONER MCMURRIAN: So perhaps we don't 9 do it as a routine matter every time, but if 10 there's some question raised, and even if it has been granted, we could go back and do that kind of 11 12 review? If you asked us I think we could. 13 MS. SALAK: to do that on Clective, we certainly would do that. 14 We would ask for more financial information. 15 COMMISSIONER MCMURRIAN: In my opinion, that's 16 kind of where we're headed, Commissioners, but I 17 guess that's -- that's all I have for now. But to 18 the extent Mr. Mondschein addresses us, I think it 19 would also be good to hear from the companies 20 21 again. 22 CHAIRMAN CARTER: Let's hear from 23 Mr. Mondschein. You're recognized. MR. MONDSCHEIN: Mr. Chair, thank you. 24 I think one of the things that certainly every 25

commission struggles with in the competitive environment is trying to balance the rights of companies to come in and compete, and certainly the ability of the commissions to monitor those companies and what is adequate and what's not adequate when it comes to financial wherewithal.

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One thing you have to remember is that AT&T and all the ILECs have the ability to request deposits, and these deposits are based on two things. One is, it's based on the business plan and what's for that company to be doing within the state, and the second is on the -- it would really be like the Dun & Bradstreet report, the financial capability of those companies, sort of separate from what the Commission would require.

And in this case, the deposit is significant, what's being asked by AT&T to Clective. It's not an insignificant amount of money, and so certainly that's going to provide adequate protection in this type of a situation.

In addition to that, you know, if a company like Clective -- and Clective has had these conversations with AT&T. If a company like Clective and AT&T can't come to an agreement as to a deposit, then perhaps they can come to an

agreement as to the type of traffic that's going to be transferred between the two. And if there's a certain limitation that's done or something like that on the type of traffic, then perhaps the deposit requirements can be waived, and there's an agreement there.

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So there's give and take. The deposit -- you know, the deposit is really what is protecting a company like AT&T, as well as I think their ongoing monitoring of their own receivables.

You know, when you hear about companies that owe hundreds of millions of dollars -- and there are companies out there that owe hundreds of millions of dollars, both on the ILEC side and the CLEC side. I mean, AT&T, it's being claimed that they owe hundreds of millions of dollars to Iowa telecom companies for access rates, for access charges. So everyone is subject to these issues, whether you're an AT&T or and whether you're a small CLEC.

It really comes down to the ability of your company to monitor receivables and the ability of your company to get adequate deposits, and so I think that's where the financial protection comes to the other players in the market.

39 1 COMMISSIONER ARGENZIANO: Mr. Chair. 2 CHAIRMAN CARTER: Commissioner Argenziano. 3 COMMISSIONER ARGENZIANO: A question that maybe you can help me --4 CHAIRMAN CARTER: I'm sorry. I didn't hear 5 6 you, Commissioner. 7 COMMISSIONER ARGENZIANO: Can you hear me now? 8 CHAIRMAN CARTER: Yes, ma'am. 9 COMMISSIONER ARGENZIANO: I quess a question 10 to the gentleman. But wasn't there the exact 11 problem that you're saying that the company's ability wasn't there -- and I know it's a separate 12 state, but wasn't there those problems in Georgia? 13 14 And one other question I want to ask is, when it comes to the gentleman using a false name, 15 something bothers me about that. And I guess you 16 said before -- and I don't want to put words in 17 your mouth, but I think you said that it wasn't for 18 fraudulent purposes. But what was the purpose of 19 him using a different name, if not fraudulent, in 20 the State of Florida? 21 22 MR. MONDSCHEIN: Well, I think -- I'll address the Georgia issue first. 23 24 COMMISSIONER ARGENZIANO: Okay. MR. MONDSCHEIN: The Georgia issue was not an 25

issue of not having the ability to pay. It's the issue of whether they had to pay AT&T for those services. There was a bone fide dispute that was going on as to whether in fact those moneys were owed for the type of service that was being transmitted between AT&T and Clective in Georgia.

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COMMISSIONER ARGENZIANO: Okay. Thank you.

MR. MONDSCHEIN: And the second issue of Mr. Noack, the purpose of it really was to -- I guess at the time, and from what I understand from my conversations with Clective, is that, you know, they saw what happened in Illinois to MyBell, and they wanted to be as truthful as they could to the Commission for explaining what their managerial capabilities were and their technical capabilities, but at the same time, they didn't believe that it was any type of a fraud.

They didn't use Mr. Nichols' name or Mr. Noack's alias with the intent at all to somehow mislead the Commission. I think that if they left Mr. Noack completely off the application, I think that would be a different situation than we have here. I think here they were trying to balance the fact that they did not want to mislead the Commission with the fact that they knew that AT&T

41 1 would raise the issue of Global NAPs if Mr. Noack's 2 name was being used. 3 COMMISSIONER ARGENZIANO: So you're saying for the purpose of not having his name surrounded by 4 5 this other cloud or this other thing somewhere else, that was the reason that he used an alias? 6 7 MR. MONDSCHEIN: Correct. CHAIRMAN CARTER: Thank you. Commissioner 8 McMurrian. 9 10 COMMISSIONER MCMURRIAN: I don't think I had 11 any other questions. I just thought it might be 12 good to hear from AT&T and TDS one more time, with all the questions we've asked staff and the other 13 14 party. 15 CHAIRMAN CARTER: And after that, I want to 16 make a couple of comments. 17 Mr. Hatch or Mr. -- you're recognized, and then Mr. McCabe. 18 19 MR. GURDIAN: Thank you, Mr. Chairman. It is 20 somewhat strange to hear an attorney for a company 21 admit that their client made a misrepresentation 22 and admit that Clective thought up this scheme in 23 order to avoid AT&T intervening in their 24 certification docket. I mean, they provided a name 25 of someone who doesn't exist on their application,

in which they indicate -- and the application requires them to be truthful and correct, in order to prevent AT&T from intervening in that docket. I mean, that's something that stands out significantly, hid facts before this Commission.

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And the way they file this application is instructive in the way they do business. This is going to be going on. How can AT&T, who is forced to do business with this company, rely on the statements made by Clective when they're making misrepresentations to this Commission on their application to provide services in Florida?

This type of situation has arisen before. I refer the Commission to the Effectel investigation. In that, the issue was that a resumé was taken from the Internet from somebody else. The Commission opened an investigation in that docket. The CLEC ended up withdrawing their CLEC certificate, but there was an investigation and there was a docket open. At a minimum, the Commission should stay this notice of adoption and open an investigation if it won't allow AT&T to proceed on its petition to cancel the CLEC certificate.

On the issue of the deposit, Clective hasn't agreed to a deposit. They've agreed to escrow a

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1	deposit. That's different than what the
2	interconnection agreement that they're trying to
3	adopt requires. It's cash, letter of credit, or
4	bond, not escrow.
5	Thank you.
6	CHAIRMAN CARTER: Mr. McCabe.
7	MR. McCABE: Disregarding our concerns with
8	regard to the relationship, potential relationship
9	with Global NAPs, my real focus is on the
10	financials. What we have is a business model that
11	I don't think is any different between what they
12	have in Georgia and what they have in Florida. My
13	concern is that they've already filed for
14	bankruptcy in Georgia. That's my gravest concern.
15	I don't see how one can distinguish between the
16	actions of a CLEC of Georgia and the actions of a
17	CLEC of Florida when you have the same managerial
18	capability, you have the same business model, and
19	you have the same financial resources. That's to
20	your greatest concern, is that correct we're going
21	to be left holding the bag. We don't have the
22	opportunity to order or request a deposit from
23	Clective, or any other carrier, for that matter, on
24	these types of situations.
25	We don't question the fact that they had

received a certificate. We certainly don't question staff in terms of the review of that certificate, because we're in that same situation. It's a difficult situation in terms of trying to understand the financial viability of any company.

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But my question that I have today is that we already have learned something based on their actions in the state of Georgia, and that's filing for bankruptcy. We think at this point in time, perhaps before we go forward, we should review whether or not they have the ongoing financial capability. What type of facilities do they have out there, what type of equipment do they have, things of that nature, before we get down the road of, for example, my company having to come back and spend significant resources filing a complaint, ending up in a hearing, because that's all I've done in cases with Global NAPs in terms of trying to collect payment. It hasn't been so much that I'm ever going to see any money. It's in terms of getting them shut down. And they cost me a significant amount of money, and that's why I'm here today to try to prevent that on the front end rather than on the back end.

Thank you.

CHAIRMAN CARTER: Commissioner Edgar.

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COMMISSIONER EDGAR: Thank you, Mr. Chairman. And I would like to go backwards and ask your indulgence, because I did make a motion, and in my understanding, it is still pending, and at the beginning of that motion, I said if there is no further discussion. Obviously, there was, since we're almost an hour later.

I am, quite frankly, very disappointed, because, you know, this item was before us before. It was, I believe, deferred once. I've read it a number of times. It's very thin. Staff has told me repeatedly that more information is always better, and it does seem to me that questions have been raised that certainly were not in the information that was given to me by staff prior to this meeting today.

So, Mr. Chairman, I would like to withdraw my motion and ask that the item be deferred, with direction to our staff to do further analysis and review of some of the discussion that we have had today, with particular emphasis on, from my perspective and any others that Commissioners would like to elaborate on, but upon the concerns about perhaps misrepresentation or misleading of this

46 Commission through the use of the name on the 1 certificate or what other issues possibly could 2 surround that, and I would like further 3 information. 4 CHAIRMAN CARTER: Commissioner Skop, you 5 seconded it. What's your --6 COMMISSIONER SKOP: Yes, Mr. Chair. I'11 7 8 respectfully withdraw the second per Commissioner Edgar's request. And also a deferral, if 9 additional information would be helpful, I would be 10 11 happy to consider it. 12 COMMISSIONER EDGAR: Thank you, Commissioner. 13 I appreciate that. 14 CHAIRMAN CARTER: Commissioners, before we get 15 too carried away, let me just say this. We've had 16 a stimulating discussion, but I do think that a lot of what we were talking about was not pertaining to 17 18 what staff's issues were, so we're going to have to redefine these issues. 19 First of all, the issue was whether or not 20 21 AT&T had standing. Based upon the law, they do not 22 have standing. I mean, based upon the law as 23 presented here and based upon the facts of this 24 case, they do not have standing. But what we're 25 asking staff to do, that will give us an

l opportunity to get to the questions that you had from the bench. 2 The other aspect of the case was whether or 3 4 not they could adopt the interconnection agreement. 5 I think that based upon staff's reading of the law, 6 it was that it was fairly clear. But again, that 7 we have discussed today in terms of questions from the bench is different from what staff has ruled 8 9 on. 10 So I think that what we'll probably need to 11 do, Commissioners, would be to expand this 12 perspective to that level, because I think that on 13 its face, from my reading of staff's 14 recommendation, particularly as the issues were laid out, they're fairly straightforward. 15 So I 16 think that in the context of doing that, we're 17 going to probably need to -- we'll probably need to 18 give staff some direction, because based upon what 19 was provided to staff in this area here, it was 20 fairly cut and dried, to me, maybe not to -- but I 21 think that based upon the discussion today, from 22 where we've gone or the last hour or so, we 23 probably do need to give staff some greater

direction on that.

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Commissioner McMurrian.

1 COMMISSIONER McMURRIAN: Thank you, Mr. Chairman, and I support the revised motion of 2 Commissioner Edgar. The only thing I would say to 3 what we were just talking about there about the 4 issues we have before us, it seems that if a CLEC 5 -- if someone is certificated as a CLEC, they 6 usually are entitled to the right to have an 7 interconnection agreement pursuant to the laws as 8 the staff has enumerated them here. 9 But it seems if we're going to do some kind of 10 investigation into whether or not there could be 11 12 some problem with the CLEC certificate on our own, 13 not on AT&T's request, but essentially on our own motion, that -- and I just wasn't sure. I want to 14 15 be clear. I don't think we should vote or suggest that we have our mind made up with respect to Issue 16 2 at this point, because I think that it would 17 18 follow from what we find out with respect to the 19 certificate. 20 CHAIRMAN CARTER: And I agree with --21 COMMISSIONER MCMURRIAN: I hope that made 22 sense. CHAIRMAN CARTER: Excuse me for talking over 23 you, but I agree with you, because I think it does 24 25 put us in a posture where we're looking at from our

1 perspective as opposed to AT&T's perspective. That 2 gives us a different -- it gives us an opportunity to look at these issues that were raised in the 3 context of the application process itself. 4 COMMISSIONER EDGAR: And, Mr. Chairman, I'm 5 6 just asking for additional information. I think 7 that that perhaps would be helpful to all of us. CHAIRMAN CARTER: I agree with you, 8 9 Commissioner, and I do think that in the context of 10 that information, we need to expand the issues. So, staff, I hope that you kind of paid attention 11 12 with the issues. MS. SALAK: Yes, sir. And we will provide 13 additional information. 14 15 CHAIRMAN CARTER: Okay. Commissioners, is 16 there any objection to proceeding further as 17 Commissioner Edgar has recommended? 18 Okay. Show it done. 19 (Conclusion of consideration of Item 6.) 20 21 22 23 24 25

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1	CERTIFICATE OF REPORTER
2	
3	STATE OF FLORIDA:
4	COUNTY OF LEON:
5	I, MARY ALLEN NEEL, Registered Professional
6	Reporter, do hereby certify that the foregoing
7	proceedings were taken before me at the time and place
8	therein designated; that my shorthand notes were
9	thereafter translated under my supervision; and the
10	foregoing pages numbered 1 through 49 are a true and
11	correct record of the aforesaid proceedings.
12	I FURTHER CERTIFY that I am not a relative,
13	employee, attorney or counsel of any of the parties, nor
14	relative or employee of such attorney or counsel, or
15	financially interested in the foregoing action.
16	DATED THIS 29th day of August, 2009.
17	
18	Man Plen had
19	MARY ALLEN NEEL, RPR, FPR 2894-A Remington Green Lane
20	Tallahassee, Florida 32308 (850) 878-2221
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