

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 110013-TP

REQUEST FOR SUBMISSION OF
PROPOSALS FOR RELAY SERVICE,
BEGINNING IN JUNE 2012, FOR
THE DEAF, HARD OF HEARING,
DEAF/BLIND, OR SPEECH IMPAIRED,
AND OTHER IMPLEMENTATION MATTERS
IN COMPLIANCE WITH THE FLORIDA
TELECOMMUNICATIONS ACCESS SYSTEM
ACT OF 1991.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 3

COMMISSIONERS
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, May 14, 2013

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
(850) 413-6732

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FLORIDA PUBLIC SERVICE COMMISSION

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FPSC-COMMISSION CLERK

1 **P R O C E E D I N G S**

2 **CHAIRMAN BRISÉ:** Okay. Moving to Item
3 Number 3.

4 **MR. WILLIAMS:** Thank you, Mr. Chairman. Good
5 morning, Commissioners. Curtis Williams on behalf of
6 staff.

7 Item 3 addresses Florida
8 Telecommunications Relay, Incorporated's 2013/2014
9 proposed budget. During staff's review of the
10 budget, we discovered that the relay provider
11 expense, which are services provided by AT&T and
12 FTRI, was based on conversation minutes instead of
13 session minutes. Staff made an adjustment to
14 increase relay provider expense by \$780,682,
15 resulting in a total operating expense of
16 10.1 million.

17 Staff is recommending that FTRI's
18 2013/2014 projected revenues and expenses, as
19 modified by Staff, be approved and the relay
20 surcharge be maintained at the 11 cents per month.

21 James Forstall, who is Executive Director
22 of FTRI, and Doc Horton, their legal counsel, are
23 here to answer questions. And staff, of course, is
24 also prepared to answer questions. Thank you.

25 **CHAIRMAN BRISÉ:** Thank you very much.

1 Commissioners, we have heard the item.

2 Commissioner Brown.

3 **COMMISSIONER BROWN:** Thank you, Mr. Chairman.

4 As many of you know from years past, I
5 have some questions and concerns regarding the FTRI
6 budget, the annual budget. It has continuously come
7 before us. We have substantial deficits, requiring
8 us to tap into the surplus year after year. I don't
9 think it is a sustainable business model with the
10 knowledge that the minutes of use continue to
11 decline. For that reason, I keep scrutinizing these
12 costs and expenses.

13 I just don't think it is sustainable at
14 all at this juncture, so I'm going to go through a
15 couple of the items that I think I'd like FTRI to
16 look a little bit more closely at. Starting on
17 Pages 8 and 9. It's on Attachment A, Commissioners.
18 I'm just going to focus on a couple of them.

19 There were a lot of different areas that I
20 thought may have been a little inflated looking at
21 last year's approved budget and comparing it to this
22 year's request, so I'm limiting it to the larger
23 items that I have a concern with.

24 The big one starting out is the outreach
25 expenses. That's on Line Item 25, Category 4.

1 FTRI, this is addressed to you. You are requesting
2 to keep the budget the same as last year, even
3 though you have not spent it all yet this year. I'd
4 like to know what the justification is for keeping
5 it at last year's approved budget. And there are
6 several questions in this area, but first what is
7 your justification for that?

8 **MR. FORSTALL:** Okay. Good morning. First of
9 all, to address the reason why we are maintaining the
10 outreach budget as approved from last year is because we
11 want to continue to do the same amount of outreach that
12 we have done in the past. The reason for some of the
13 expenses that may be left this year, the actual, is
14 because we always try to get the best price we can for
15 services, product. We may propose a certain amount, but
16 during the negotiation or the actual purchase of the
17 service, we do get the best price available for those
18 products. That doesn't necessarily mean it's going to
19 be equal to what we propose.

20 Also, we want to continue the level of
21 outreach we have done in the past. We are finding
22 that newspapers seem to be a very, very effective
23 approach to promote the program throughout the State
24 of Florida. Of course, newspaper expense continues
25 to rise. Unfortunately, we are only able to do part

1 of the year. We do two particular sessions of the
2 year in outreach advertising in newspapers. We do a
3 fall and a spring. We would, of course, love to be
4 able to do it all year round, but newspaper being
5 what it is, it is an expensive media to promote the
6 program.

7 **COMMISSIONER BROWN:** Thank you.

8 And you say that you try to get the lowest
9 cost available. Is there any other cost-effective
10 alternatives that you have explored to cut down on
11 that? It's a big part of your budget, over half a
12 million. I'm curious what other cost-effective
13 alternatives you have looked at.

14 **MR. FORSTALL:** We do look at the social media
15 networking and trying to work with promoting the program
16 through the Internet. Direct mail. We do contract with
17 regional distribution centers throughout the state that
18 promote outreach in their area, reaching out to the
19 people in their community.

20 That's a major portion of the budget, as
21 well. And it is all depending on what they do apply
22 to do the outreach. For instance, they'll apply for
23 certain activities, and we'll review it, approve it,
24 and reimburse them for that.

25 **COMMISSIONER BROWN:** Are clients continuing to

1 decrease or increase from last year?

2 **MR. FORSTALL:** This year we are seeing a
3 decrease overall for new clients. However, it changes.
4 Other services continue to pretty much stabilize, but
5 new clients is what we would like to see increase, but
6 it has decreased over last year.

7 **COMMISSIONER BROWN:** So what quantifiable
8 results have you seen from the outreach expense from
9 last year if clients are decreasing?

10 **MR. FORSTALL:** Okay. Of course, we always try
11 to target to increase the clients from over the previous
12 year, prior year. Just to maintain what we have done,
13 hopefully.

14 Let me back up. This year we did take a
15 different approach with the newspaper as opposed to
16 what we have done in the past. We are trying to get
17 more exposure for the same amount of money spreading
18 out to newspapers in other areas, the rural areas.
19 And we find that we didn't think it was as
20 successful as the prior year in putting it in major
21 metropolitan newspapers, and that's what we want to
22 do this coming fiscal year, is go back to that
23 model. And hopefully we should see an increase in
24 the number of clients that we do reach in that
25 market.

1 **COMMISSIONER BROWN:** Okay. I read one of your
2 data requests. It was the general outreach operating
3 budget. It was -- you were asking for increases in
4 conference exhibit fees, RDC outreach contracts, and
5 seminars. So I'm curious of what results you are
6 seeking to achieve by increasing these costs when,
7 again, clients are decreasing.

8 **MR. FORSTALL:** Exhibiting is when an RDC will
9 go to a health fair throughout the state. A couple of
10 years ago we withdrew that from the proposed method for
11 outreach. However, in talking with the regional
12 distribution centers throughout the state, they have
13 expressed concern to us that they felt like part of the
14 decrease was due to not being exposed in the exhibits
15 throughout the state.

16 It is a difficult venue to track. Because
17 when people do go in an exhibit, they are exposed to
18 the program and, of course, we may hand them an
19 application and we will identify it on the
20 application, a code, for that particular event.
21 Sometimes the clients may not -- may hang on to the
22 application or that information. It may go to a
23 center later. It can be a little challenging
24 tracking that information as to how exactly they
25 heard about the program, because we do have a

1 tracking mechanism in place, and one of the
2 challenges are through exhibits. But in talking
3 with the centers, because we do solicit their
4 feedback and input as to what works in their area,
5 and the majority of them have said that the exhibit
6 is -- they want to get back out into exhibiting,
7 exposing their program to the masses.

8 And in the past we have worked closely
9 with Senior Expo, an organization that has exhibits,
10 expos throughout the state. And we have worked
11 directly with them to negotiate good fees so we can
12 go to the different exhibits throughout the state,
13 and then we will refer those to our local
14 distribution centers to go and expose and display
15 the X-drive program in those areas.

16 **COMMISSIONER BROWN:** With your indulgence, I
17 just have a few, several few questions.

18 **CHAIRMAN BRISÉ:** Go right ahead.

19 **COMMISSIONER BROWN:** In your opinion, why do
20 you think that clients are decreasing when you are
21 spending a lot of money on outreach? Is there other
22 technology that's being utilized?

23 **MR. FORSTALL:** It's a combination of both.
24 It's really difficult to pinpoint exactly one or two
25 things. But we do know that clients, in my opinion,

1 that are migrating from landline to wireless, and
2 unfortunately we don't provide services or equipment to
3 consumers with wireless because of the way the statutes
4 are set up. However, we feel like there are people out
5 there who have wireless that could benefit from our
6 program, had we had the capability to distribute those
7 equipment.

8 Another is the technology advances. And,
9 again, throughout the year when we do outreach, you
10 know, talking with different people, we do hear from
11 people that have never heard of it before. So we do
12 feel like we still need to continue to do outreach
13 to the community.

14 **COMMISSIONER BROWN:** Okay. Thank you. I'm
15 going to shift to another category.

16 **CHAIRMAN BRISÉ:** I don't know if Commissioner
17 Balbis had a question on that same issue, but we will
18 come back to you.

19 **COMMISSIONER BROWN:** Okay.

20 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
21 And I'm not sure where her line of questioning is going,
22 but I would like to follow-up on some of the questions
23 she had asked and shift a little bit.

24 I think there was good discussion on
25 attempts from the company to increase revenues, but

1 what have you done to decrease your operating costs?
2 Because there is a gap between costs and revenues,
3 and you seem to be hitting the reserve account. So
4 what have you done to reduce your costs?

5 **MR. FORSTALL:** Okay. Unfortunately, we only
6 have control over a couple of categories that directly
7 impact administrative. We always budget enough
8 equipment to make sure that we do not run out or be
9 short of equipment, because we have never had to turn
10 down a client or deny a client services because we don't
11 have equipment. So we always -- we look at the actual,
12 and then we will project what we anticipate in the next
13 fiscal year. So we want to make sure that we have
14 enough equipment on hand to make sure that when a client
15 does request it we are able to provide that equipment.

16 The primary area where we do have better
17 control of the expenses are outreach and
18 administrative. A few years back we had cut the
19 administrative as close as we can. We have trimmed
20 back tremendously. And outreach is another area,
21 and we do trim back as much as we can.

22 Again, as I explained earlier, some of the
23 avenues or methods that we use to reach out to
24 people are not -- they are expensive. They do cost
25 money, and we try to always look for the best return

1 on our investment in getting the word out as much as
2 possible.

3 **COMMISSIONER BALBIS:** Okay. Thank you.

4 **CHAIRMAN BRISÉ:** Commissioner Brown.

5 **COMMISSIONER BROWN:** Thank you, Mr. Chairman.

6 Directing your attention to employee
7 compensation, Line Item 42 for you, Commissioners.

8 My understanding from your data request is
9 that you are asking for a 3.9 percent increase this
10 year to staff compensation, although last year you
11 received a 2 percent merit-based increase for staff
12 employees. I believe your data request said that
13 the board of directors ultimately had to approve it
14 after we approved that 2 percent merit increase.

15 I'm trying to understand the justification
16 for the jump to 3.9 percent. I know you mentioned
17 overtime. If you could elaborate on those factors
18 and who receives overtime and why.

19 **MR. FORSTALL:** Absolutely. Actually, the
20 increase for the compensation is 3 percent. And
21 historically FTRI has always budgeted an excess amount,
22 3 to 6 percent over compensation current, just in the
23 event that the board does approve increases. The
24 overtime is in the event that we have some special
25 project that needs special attention to, and we may need

1 to have employees work extra just to get caught up, for
2 instance, in the database. For instance, we like to
3 update it and keep it up-to-date with current
4 information. And sometimes we will have spent a little
5 extra overtime to help assist with cleaning up the
6 database.

7 A good example would be clients in our
8 database range anywhere from 80 -- we have a variety
9 of age range, but we do have a number of clients
10 that move. As they age, they move into a different
11 bracket. And then after a period of time they do
12 decease, and they pass on, and we have no way of
13 knowing that. So what we do is we will go into a
14 program that allows us to see if the person is still
15 active in our program. If they are not, then we
16 will make them inactive. So we take a little extra
17 time to clean up the database for that particular
18 reason.

19 Unfortunately, when people do pass away,
20 we are not always notified of that. The family
21 members may not be aware that the product does
22 actually belong to FTRI to return it back to us. We
23 do get some back, but we do not get all of them.
24 And so those particular clients are the ones that we
25 need to identify in our database.

1 **COMMISSIONER BROWN:** Have you traditionally
2 paid overtime? I don't remember that in last year, the
3 previous year's category.

4 **MR. FORSTALL:** Not always. We like to budget
5 for it in the event we do need it. But last year, I
6 think you are correct, we had very little of it. This
7 year we may have -- I don't know the exact figure of the
8 overtime amount, but it's probably the .9 percent that
9 you are talking about, and we only use it if necessary.

10 **COMMISSIONER BROWN:** Okay. And to speak to
11 the question that I had, increasing it from a 2 percent
12 merit increase to then let's just address it to a
13 3 percent increase. What is the justification?

14 **MR. FORSTALL:** The 3 percent is, I think -- if
15 I can remember correctly, is that we picked that figure
16 as being the max. We always max, budget the maximum
17 amount. It used to be 6 percent and we cut it down to
18 3 percent, and that's just the explanation I have for
19 you.

20 **COMMISSIONER BROWN:** Okay. May I move on
21 if --

22 **CHAIRMAN BRISÉ:** Sure.

23 **COMMISSIONER BROWN:** If the other
24 Commissioners don't have a question, I will move to
25 another category.

1 Insurance, Line Item 34. It's on Page 9.
2 I notice the insurance is almost as much as the
3 employee compensation. How many employees do you
4 employ?

5 **MR. FORSTALL:** We have 15 full-time employees.

6 **COMMISSIONER BROWN:** Okay. That insurance
7 seems to be a pretty high number. I'm curious if any of
8 the staff members contribute towards the insurance or if
9 FTRI pays for all the insurance?

10 **MR. FORSTALL:** Okay. FTRI pays 100 percent
11 for all full-time employees. Family members pay -- any
12 addition will pay a portion of the insurance.

13 **COMMISSIONER BROWN:** Have you done anything to
14 mitigate the increasing insurance costs? Again, it's
15 almost as much as the employee compensation here.

16 **MR. FORSTALL:** A few years ago FTRI did make a
17 major change in the health insurance premium policy and
18 it did reduce the cost at that time. I'm guessing
19 six or seven years ago.

20 We are looking now in cost comparison with
21 other insurance providers in the area so we can get
22 a cost comparison. We are looking at other ways to
23 reduce the cost to maybe assist -- with employees
24 assisting more with the coverage payment, but we are
25 looking into it.

1 **COMMISSIONER BROWN:** I'd like to move to
2 another category.

3 **CHAIRMAN BRISÉ:** Sure.

4 **COMMISSIONER BROWN:** It's really kind of an
5 overriding category of how -- what efforts you have made
6 to trim down your budget. And really is there any other
7 areas here that you see that FTRI has looked at to trim
8 down this budget? Again, to make it more sustainable,
9 to stop having, you know, a deficit; to stop having, you
10 know, to tap into the surplus fund.

11 **MR. FORSTALL:** And another area where we are
12 working to reduce costs, and I failed to address it
13 earlier, is we do equipment bid process. And when we do
14 that, we do try to reduce costs on the pieces of
15 equipment that we do purchase. So we do have a process
16 in place to reduce costs in Category 2, I believe. And
17 of course, we always try to negotiate a better price for
18 the regional distribution centers in their contracts.

19 **MR. HORTON:** Commissioner Brown and
20 Commissioners, you are absolutely correct about normally
21 you would not want to budget a deficit. The fact is for
22 the last several years we have intentionally tried to
23 reduce the amount of the surplus. That's with -- we let
24 it build up because of some possible FCC action and now
25 we are trying to reduce it. We're not going out on a

1 spending spree by any stretch of the imagination, but
2 rather than increasing the surcharge to bring in the
3 revenues, we have been dipping into the surplus account.
4 And I believe, you know, with staff's knowledge.

5 So the fact that we have got a deficit, if
6 you will, is intentional to try to bring that
7 surplus down for a number of reasons. So you're
8 right, we would not normally do that. That is not a
9 sustainable business plan for a normal business.
10 But there is a goal here to reduce the amount of the
11 surplus, so that's part of it.

12 **COMMISSIONER BROWN:** I like to hear that.
13 Thank you for pointing that out. And I do believe
14 outreach is imperative to increase those minutes of use
15 and to increase knowledge out there. But, you know, and
16 this is why I'm scrutinizing the costs. Again, I'm not
17 trying to be nit-picky here. I just think we need --
18 there needs to be a way to trim the costs so that you
19 can avoid tapping into that surplus. And what do you
20 believe that the likelihood is that the FCC will
21 promulgate those regulations that the surplus was
22 intended for?

23 **MR. HORTON:** That's anybody's guess, I think.
24 I would have no idea.

25 **COMMISSIONER BROWN:** Okay.

1 **MR. HORTON:** I think we have been expecting
2 something for years now and seen nothing. I'm looking
3 over at Mr. Casey, because he has been following that
4 real closely.

5 **COMMISSIONER BROWN:** Mr. Casey.

6 **MR. CASEY:** If I may. We have been watching
7 this for a number of years. At the very beginning when
8 we built up this surplus, we were told that more sooner
9 than later it's going to come. It's in the Telecom Act
10 that states will pay for all intrastate costs of TRS,
11 and they have that in their backing. In every order
12 that comes out for their new rates, they put a little
13 subtitle down there saying we will eventually pass these
14 costs on to the states.

15 They have been afraid to do it right now
16 because of some statutes in states such as ours
17 where it says we can only have one provider. So for
18 video relay service where deaf and hard-of-hearing
19 people are using a number of VRS providers as a
20 competitive market, we would only be able to have
21 one in the State of Florida. And that's one of the
22 reasons they are holding back right now. But they
23 keep saying, yes, it's going to be passed on to the
24 states. There's a change of leadership up there
25 now, and we don't know what's going to happen.

1 **COMMISSIONER BROWN:** That is somewhat
2 concerning. And, I guess, just to wrap up my questions,
3 Mr. Casey. You know I have some areas of concern about
4 the budget. Again, I have expressed it year-after-year,
5 and I continue to have those same concerns.

6 I'd like some assurances from staff to
7 understand what you all are doing to really, again,
8 scrutinize this. I looked at your data requests,
9 and you're monitoring that, but is there any
10 additional measures that you are taking to really
11 scrutinize these costs that they are reasonable?

12 **MR. CASEY:** We have asked FTRI if they could
13 give us the budget a month earlier so we have more time
14 to look it over. We have also initiated a performance
15 audit which will begin this week which will cover all
16 the expenses, the budget. They will be in the FTRI
17 offices sometime this week to start that.

18 **COMMISSIONER BROWN:** Okay.

19 **MR. CASEY:** One thing I would like to mention
20 that maybe James overlooked is as far as cutting
21 expenses, they used to have an annual workshop. All the
22 regional distribution centers would come in and, of
23 course, they would pay for all that. James has
24 initiated a webinar now. He has bought software where
25 all the regional distribution centers can be trained at

1 their sites on the computer just to cut the workshop
2 expense out. And it was a huge hunk.

3 **COMMISSIONER BROWN:** Right. Thank you for
4 pointing that out. I'm done with my line of questions.

5 **CHAIRMAN BRISÉ:** Okay. Any further questions?

6 Okay. Any comments?

7 Commissioner Balbis.

8 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
9 I do have a question for Mr. Casey.

10 You mentioned that the federal government
11 has indicated that at some point the states will be
12 required to pay all the interstate costs or
13 intrastate costs, how much would that be per year?

14 **MR. CASEY:** We were able to estimate it up
15 until about two years ago when they stopped giving us
16 information. But at that time it was approximately
17 \$30 million a year would have to be added to our fund,
18 our state fund. It's a lot of money.

19 And this Commission has actually issued
20 comments on it saying it should stay at the federal
21 level. And one more thing, NASRA, the National
22 Association for State Relay Administration, had a
23 meeting with the FCC about a month ago and
24 reiterated that point. It should stay at the
25 federal level, not burden the states with it.

1 **COMMISSIONER BALBIS:** So one of the purposes
2 of that surplus account would be to try to build up
3 funds to pay for those additional costs, is that
4 correct?

5 **MR. CASEY:** Yes, sir. Because of the
6 legislative session and when they come into play, there
7 may be a period of time there where we would have to
8 exceed that 25-cent maximum on the surcharge to cover
9 that.

10 **COMMISSIONER BALBIS:** So the intent was not to
11 cover a budget deficit of the annual operations, but to
12 cover the additional costs from the federal government?

13 **MR. CASEY:** Yes, that was the original intent.

14 **COMMISSIONER BALBIS:** Okay. Thank you.
15 That's all I had.

16 **CHAIRMAN BRISÉ:** All right. Thank you.

17 Any further comments, Commissioners?

18 Okay. I think we are at the proper
19 posture for action.

20 Commissioner Graham.

21 **COMMISSIONER GRAHAM:** I move staff approval.

22 **COMMISSIONER BROWN:** Second.

23 **CHAIRMAN BRISÉ:** Okay. It has been moved and
24 seconded.

25 Any further discussion?

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Okay. Seeing none, all in favor say aye.

(Vote taken.)

CHAIRMAN BRISÉ: Any opposed?

All right.

Seeing none, thank you.

Moving on to Item Number 2.

I want to thank our interpreters this morning for their work today.

* * * * *

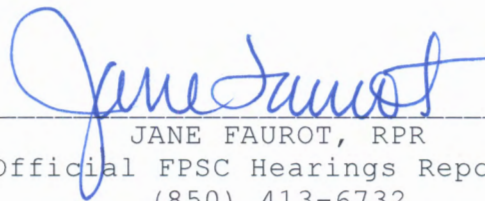
1 STATE OF FLORIDA)
 2 : CERTIFICATE OF REPORTER
 3 COUNTY OF LEON)

4
 5 I, JANE FAUROT, RPR, Chief, Hearing Reporter
 6 Services Section, FPSC Division of Commission Clerk, do
 7 hereby certify that the foregoing proceeding was heard
 8 at the time and place herein stated.

9
 10 IT IS FURTHER CERTIFIED that I
 11 stenographically reported the said proceedings; that
 12 the same has been transcribed under my direct
 13 supervision; and that this transcript constitutes a
 14 true transcription of my notes of said proceedings.

15
 16 I FURTHER CERTIFY that I am not a relative,
 17 employee, attorney or counsel of any of the parties,
 18 nor am I a relative or employee of any of the parties'
 19 attorney or counsel connected with the action, nor am I
 20 financially interested in the action.

21
 22 DATED THIS 11th day of June, 2013.

23
 24
 25


 JANE FAUROT, RPR
 Official FPSC Hearings Reporter
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