

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. UNDOCKETED

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In the Matter of

POLICY ISSUES RELATING TO ELIGIBLE
TELECOMMUNICATIONS CARRIERS.

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PROCEEDINGS: STAFF WORKSHOP

DATE: Monday, August 20, 2007

TIME: Commenced at 1:00 p.m.

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

TRANSCRIBED FROM:
ELECTRONIC RECORDING BY: JANE FAUROT, RPR
 Official Commission Reporter
 (850)413-6732

P R O C E E D I N G S

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2 MR. TEITZMAN: Pursuant to notice issued August 10th,
3 2007, this time and place has been set for a staff workshop to
4 discuss policy issues relating to eligible telecommunications
5 carriers.

6 I'll do some introductions. I'm Adam Teitzman, I'm
7 an attorney with the Commission, and I am joined by Dave Dowds,
8 Kira Scott, Bob Casey, and Greg Fogleman. I'd like to start
9 off by taking appearances on the phone. Anybody on the phone,
10 if you could please make your appearances.

11 MS. HALL: Yes. Lynn Hall, Smart City.

12 MS. KLINZMAN: Stacey Klinzman, VCI Company.

13 MS. WHITACRE: Rachelle Whitacre, Cox Communications.

14 MR. SCHOONOVER: Bruce Schoonover, Knology.

15 MR. STAIHR: This is Brian Staihr with Embarq.

16 MS. MCCALL: Angie McCall with Frontier.

17 MR. STIDHAM: Jim Stidham with AT&T.

18 MR. TEITZMAN: Anyone else on the phone?

19 All right. Two things for those of you on the phone.
20 If you could remember to mute your phone when you are not
21 speaking, and also please remember to restate your name when
22 you begin speaking.

23 I will now take appearances here in the room. Start
24 from the left.

25 MS. SIRIANNI: Maryrose Sirianni, AT&T Florida.

1 MR. McCABE: Tom McCabe, TDS Telecom.

2 MS. MASTERTON: Susan Masterton, Embarq. And I also
3 have with me Sandy Khazraee with Embarq.

4 MR. WHITE: James White with Sprint Communications.

5 MR. WAHLEN: I'm Jeff Wahlen of the Ausley Law Firm.
6 I'm here for Windstream, Smart City, and Indiantown. And Mr.
7 White is shy, but he wants to make it clear that he is not a
8 lawyer.

9 MR. MAUREY: Steve Mowery with Alltel.

10 MS. COLLINS: Denise Collins with Alltel.

11 MR. TWOMEY: I'm Mike Twomey, I'm also appearing with
12 Alltel.

13 MS. ELLINGSWORTH: Lynn Ellingsworth, Sprint Nextel.

14 MR. MITUS: John Mitus, Sprint Nextel.

15 MR. NELSON: Doug Nelson, Sprint Nextel.

16 MR. TEITZMAN: Is there anyone else in the room who
17 would like to make an appearance?

18 MR. O'ROARK: De O'Roark, Verizon.

19 MR. HATCH: Tracy Hatch with AT&T Florida.

20 MR. CHRISTIAN: Dave Christian with Verizon.

21 MR. LANG: Leighton Lang, TracFone Wireless.

22 MR. TEITZMAN: All right. A few bits of
23 housekeeping. There is a sign-in sheet over on the left side,
24 so I would ask that you please sign in. There is also copies
25 of the notice and today's agenda. The meeting is being

1 recorded. It is not being transcribed at this time, however,
2 we do plan to have a court reporter transcribe it at a later
3 date. The transcript should be available in two weeks or so.

4 To start off, I will be basically working off the
5 agenda that was provided. Would anyone like to make some
6 opening comments regarding the material that falls under
7 discussion of issues on the agenda?

8 MS. MASTERTON: I know that Brian Staihr with Embarq
9 on the phone would like to make some opening remarks.

10 Brian.

11 MR. STAIHR: I didn't know if that was a signal to go
12 ahead or if you were finding out who all wanted to do it.

13 MR. TEITZMAN: No, please go ahead.

14 MR. STAIHR: Okay, thanks. I appreciate that.

15 This is Brian Staihr. I'm an economist with Embarq.
16 And, again, I appreciate the opportunity to make just a brief
17 opening statement here regarding ETC designations in Florida
18 going forward.

19 As the Commission considers these important issues,
20 and they are important issues, Embarq would like to lay out
21 just a few points that we believe are key to ensuring that the
22 granting of competitive ETC designations in Florida will serve
23 the public interest. First, we believe it is absolutely vital
24 that the Commission keep an important distinction in mind, and
25 that distinction is this; incumbent carriers are required by

1 law to serve all regions in their serving territory, including
2 areas that are uneconomic to serve. And, in contrast,
3 competitive carriers, whether they are wireline or wireless,
4 have no such obligations. What this means is if a competitive
5 carrier is currently serving an area, any area in Florida, it
6 is doing so now because it is profitable to do so. If it
7 wasn't profitable, they wouldn't be serving it.

8 Now, with regard to universal service, the reason
9 this matters for the Commission is simple, it's not in the
10 public interest to provide a carrier with USF dollars simply
11 for doing what it is already doing in the pursuit of profits.
12 The residents of Florida are not better off when a carrier
13 receives money for serving the areas it has already decided are
14 profitable to serve.

15 Keep in mind every dollar of USF support ultimately
16 comes out of the customer's pocket. Therefore, this Commission
17 has an obligation to ensure that when a Florida resident pays a
18 higher USF assessment on his or her bill, which will happen
19 whenever this Commission designates additional CETCs to receive
20 money, that those dollars are going to be used for something
21 else, something other than paying a company to do what it was
22 doing anyway. And so accordingly, Embarq feels that this
23 Commission should only designate additional competitive ETCs if
24 the CETC can guarantee and demonstrate that the dollars it
25 would receive will go to building plant in areas that would

1 otherwise go unserved. This is the original intent behind
2 universal service, to offset the costs that are actually
3 incurred when providing service in high cost uneconomic areas.

4 It's not enough with regard to the public interest
5 that a CETC demonstrate that it is using USF dollars to provide
6 the supported services. For example, a wireless CETC could
7 take USF dollars and spend them on increasing the capacity of
8 its cell towers in downtown Orlando and claim that the dollars
9 were being used to provide the supported services. That is not
10 what USF is about. CETCs should use USF dollars to expand
11 their service into areas that are currently unserved.

12 To finish, this issue more than any other will
13 determine whether or not the extra dollars that are coming out
14 of Floridians pockets are truly serving the public interest.
15 It will ensure competitive neutrality, as it will require CETCs
16 to actually incur the costs in the same high cost areas that
17 incumbents are obligated to serve, and it will benefit those
18 residents in those high cost areas, the very areas that USF is
19 intended to benefit.

20 I appreciate you all letting me make this opening
21 statement, and we look forward to working with you all
22 throughout the workshop today and in the future.

23 MR. TEITZMAN: Any other opening comments or
24 responses?

25 MR. WAHLEN: I have just a couple of general remarks

1 that kind of are overarching for this on behalf of Windstream,
2 Indiantown, and Smart City. I probably don't have as many
3 detailed comments.

4 The first one that I will make is just to say that
5 even though the Commission has issued an order about its
6 jurisdiction to designate wireless carriers to be ETCs, we
7 continue to have serious questions about whether the Commission
8 has subject matter jurisdiction to do that. We don't have to
9 have a big discussion about that, I just wanted to say it.

10 Second of all, we would note that the purpose of the
11 Universal Service Fund was to provide universal service, and we
12 think that the Florida Commission should be guided as much as
13 possible by Florida law. And in this regard Florida law only
14 designates one type of entity to be the carrier of last resort
15 and that is the incumbent local exchange companies. We think
16 the Commission should be very careful before it extends ETC
17 status to anybody other than the entities the Florida
18 Legislature has designated to be the carrier of last resort and
19 responsible for providing universal service. So to the extent
20 you have jurisdiction, you should be guided by Florida law in
21 that regard.

22 Third, we do believe that if you are going to assert
23 jurisdiction here and go beyond providing ETC status to anyone
24 other than an incumbent local exchange company, you should make
25 sure that you do it in a competitively neutral manner and

1 should impose the kind of obligations on ETCs across the board
2 notwithstanding what type they are. Thank you.

3 MR. TEITZMAN: All right. We are going to move to
4 the questions to be answered, but before we do, I believe a few
5 people have added on the phone since we took appearances. If
6 you are on the phone right now and you joined the call after we
7 began and took appearances, if you could please state your name
8 now.

9 MS. FOREST: Kathy Forest (phonetic) with AT&T
10 Southeast.

11 MS. FRANCO: Angie Franco (phonetic) with Swiftel.

12 MR. TEITZMAN: All right. Thank you very much.

13 Bob, do you want to go through the questions?

14 MR. CASEY: Okay. If there is no more opening
15 remarks, we have asked the ETCs or everybody who is attending
16 here, all the parties to come prepared to answer these
17 questions. I know some of you probably aren't, and prefer to
18 do it in post-workshop comments. But should we go right down
19 the line with Number 1? What is the role and authority of the
20 FPSC in the USF process? Would anybody like to make some
21 comments on that?

22 MS. SIRIANNI: This is Maryrose Sirianni with AT&T,
23 and we do have comments for all of the questions, and
24 Mr. Stidham, who was supposed to be here in Tallahassee today,
25 is actually in St. Louis. He could not make it to Tallahassee;

1 his flight was canceled. But I'm going to kind of hand off to
2 him; he is our expert in this area. So as we go through the
3 questions, Jim, as you feel it necessary to respond to the
4 questions with our appropriate comments. So I'm going to hand
5 it to him at this point. Maybe.

6 MR. CASEY: Are you on the line, Jim?

7 MR. STIDHAM: Yes. She faded out, I didn't hear the
8 last part.

9 MS. SIRIANNI: Okay. Well, I'm just going to hand it
10 off to you, and as you feel appropriate and they go through the
11 questions, to respond.

12 MR. CASEY: Let me repeat question Number 1. What is
13 the role and authority of the Florida Public Service Commission
14 in the USF process?

15 MR. STIDHAM: Well, this is Jim Stidham, and I will
16 clarify that I'm not an attorney, seeing as how Mr. White
17 wished to do the same, and just say that AT&T believes that the
18 Commission's authority is vested in 214, and that authority is
19 granted by the federal government, so --

20 MR. CASEY: Would anybody else like to comment on
21 Number 1?

22 MR. McCABE: Tom McCabe with TDS Telecom. From the
23 standpoint of USF, I mean, I do think that this Commission has
24 the sole responsibility for designating competitive ETCs in the
25 state of Florida. I think that regardless of the

1 jurisdictional issue, it has been my position from the
2 beginning that this Commission under -- and I'm not going to
3 get into all the chapters, because I don't recall them offhand,
4 but I think it is 364.051 on universal service, this Commission
5 has the responsibility to ensure that universal service is
6 available to all consumers in the state of Florida, and that is
7 given to you under the state statute. And this is what this is
8 all about is ensuring universal service and ensuring that the
9 funds for universal service are being used as they are intended
10 to be used. So that is our position with respect to that role.

11 Now, I also think, though, that the Commission
12 doesn't have a responsibility to establish ETC rules for
13 wireless providers and ETC rules for nonwireless providers.
14 The Commission's only responsibility is to establish what the
15 rules are for ETCs, and I don't think that you sit there and go
16 ahead and make up different sets of rules for the provisioning
17 of phone service. I think you look towards the Florida
18 Statutes in terms of what it is that they are asking you to do
19 in terms of developing the state policy. Thanks.

20 MR. CASEY: Thank you, Tom. Anyone else like to make
21 comments?

22 MR. MOWERY: (Inaudible. Microphone off.)

23 MR. TEITZMAN: I'm sorry to interrupt you. If you
24 would just turn your mike on. Thanks.

25 MR. MOWERY: Sorry, I forgot. Certainly, the

1 Commission has the authority to determine the appropriate rules
2 for designating and also for recertifying ETCs in Florida for
3 federal USF purposes. The FCC has given a lot of guidance as
4 to how they will certify and designate carriers. They have
5 asked the states to use that as a guide. Many states are doing
6 so. It adds consistency to do that.

7 Certainly you have to look at the interests of
8 Florida when you do that, and also national interests, but I
9 would encourage you to look very strongly at what the FCC laid
10 out in their March 17th, 2005, universal service order as to
11 the appropriate things to consider when designating ETCs. That
12 will put Florida consistent with most other states in terms of
13 how the analyses are done. And that suggestion from the FCC
14 and those rules adopted by them for those states where
15 commissions don't have jurisdiction came after a great deal of
16 consideration by the Joint Board, comments from parties all
17 over the country, and in proposed rules from the FCC that again
18 received numerous comments from all over the country, and they
19 arrived at what they determined to be a fair and equitable
20 means of determining the establishment of designation for ETC
21 and annual certification, as well. So while they are not
22 perfect, while they are certainly not what we would have
23 proposed, there is a great deal of value in being consistent
24 with what other states are doing there.

25 MR. CASEY: Thank you. Anything else?

1 MR. NELSON: Just briefly. Doug Nelson from Sprint
2 Nextel. I agree with what Steve said. I think I will say
3 that, you know, that the Commission should try to stay
4 consistent with FCC rules and guidance as much as possible. I
5 won't repeat everything Steve said, but the FCC spent a lot of
6 time and effort in thinking through all of these various
7 issues.

8 I also want to just note that the Commission has been
9 very thoughtful in its incremental approach to regulating a
10 variety of ETCs, and due to the sort of jurisdictional
11 limitations in the statutes, the Commission, I think, has to at
12 every point consider whether the rule it is seeking to pass is
13 consistent with the legislature's grant of authority to the
14 Commission. You know, this was examined in the Alltel
15 designation case, and I think it will be examined in the future
16 as rules are implemented.

17 MR. CASEY: Thank you, Doug.

18 Anyone else on question Number 1?

19 MR. STIDHAM: This is Jim from AT&T. I didn't hear
20 any of that last one. Someone on the bridge didn't mute and
21 was typing.

22 MR. CASEY: Could you do a summary of what you said?
23 He couldn't hear it.

24 MR. NELSON: A summary of what I said. I didn't
25 really come with prepared responses, so I will do my best. I

1 just wanted to say that Sprint Nextel thinks that the
2 Commission should look to the FCC's prior orders and procedures
3 developed in designating ETCs, and also it has to recognize the
4 jurisdictional limitations it has as it goes into more and more
5 regulation of eligible telecom providers.

6 MS. SALAK: And what do you think those limitations
7 are? You said that we had limitations, and what do you think
8 those are?

9 MR. NELSON: Well, those were really some of the
10 limitations that Commissioner McMurrian pointed out in her
11 assessment of the Alltel designation application. We didn't
12 take a position on that, but, you know, there are limitations
13 on regulating wireless providers generally, and you guys are
14 more aware of the details of that than I am. But, you know, we
15 have always been here to cooperate and to comply with the state
16 rules, we just want to make sure that all the rules are based
17 on a grant of authority.

18 MS. SALAK: So you were talking about our generic
19 wireless jurisdiction as opposed to ETC, or do you think there
20 are limitations associated with wireless ETC designation? I
21 was just trying to clarify what you were talking about. Do you
22 think there are limitations in the wireless ETC arena, or do
23 you think it is just in the generic regulation of wireless?

24 MR. NELSON: I mean, I really don't want to say
25 anything. I want to reserve my rights to brief this in

1 post-workshop comments, as well. But, generally speaking, the
2 limitations are on any regulation that affects wireless.
3 Whether it is under, you know, the guise or the authority to
4 approve an application or to regulate an ETC essentially. I
5 mean, I don't think they are separate islands unto themselves,
6 basically. I mean, if you are going to regulate rates of
7 wireless providers, that's prohibited under the Federal Act.
8 If you are going to regulate, you know, terms and conditions,
9 there are restrictions in state law, too.

10 I really didn't mean to make as big a deal out of
11 this, but I'm just saying that the Commission, I think, is
12 being thoughtful in the way it is proceeding and making these
13 rules, and I think it just should continue to be.

14 MR. McCABE: (Inaudible. Microphone off.)

15 MR. CASEY: Sure. Tom.

16 MR. McCABE: We look at it a little bit differently.
17 We don't think that the Commission is regulating (Inaudible?
18 Microphone off.) And if a company chooses not to follow that
19 criteria, then they will have to get ETC (Inaudible).

20 MR. CASEY: Okay. Any other comments on Number 1? I
21 would like to remind everybody on the phone, could you please
22 mute your phone so other people on the phone can hear clearly.
23 I appreciate it.

24 Let's go on to Number 2. How many ETCs should be
25 designated in a rural wire center? In other words, should

1 there be a restriction on the number of CETCs? Comments?

2 MR. STIDHAM: Jim Stidham with AT&T.

3 MR. CASEY: Hey, Jim.

4 MR. STIDHAM: I'm trying to think of the right way to
5 say this. I think that this issue really as far as setting a
6 specific number needs to be dealt with at the FCC. Reverse
7 auctions is one of those approaches to dealing with that. And
8 while I appreciate that the Commission is trying to find the
9 right answers, and I think they are asking the right questions,
10 I'm not sure that the Commission should get in front of the
11 FCC.

12 To the extent that the Commission in any given
13 jurisdiction, or study area, service area, thinks that another
14 carrier is too many, I think that needs to be dealt with on an
15 individual case basis, because a second or third carrier in a
16 rural area might be okay, but the fourth one might not,
17 depending on who the carriers are. And so it is hard to say
18 that RSA-5 is the right answer as an additional carrier for a
19 rural area as opposed to Alltel, Sprint, us. So I think to try
20 and say that it is a black and white answer is difficult.

21 MR. CASEY: Okay. Thank you, Jim.

22 MS. SALAK: Jim, could I ask you a question? This is
23 Beth Salak.

24 When you say we, and you are AT&T, are you
25 representing ILECs and wireless and all of them?

1 MR. STIDHAM: I'm talking for everybody.

2 MS. SALAK: Okay, thank you.

3 MR. CASEY: Steve.

4 MR. MOWERY: Thanks, Bob. I just agree with Jim. I
5 just wanted to say that I don't think there is ever a magic
6 number, but I think you have to look on a case-by-case basis.
7 Not only the companies involved, but what are the needs of the
8 consumers in that area. Are they getting everything they need
9 from two ETCs, does the third ETC bring something more to the
10 table. I think you just have to look at it case-by-case, which
11 is more or less where the FCC came out, as well. I don't think
12 there is just a formula that can be followed. A great
13 question. A lot of thought needs to go into it, and I think,
14 unfortunately, you are just going to have to go into every case
15 to determine what the right answer is.

16 MR. CASEY: Okay. Dave, did you want to go ahead?

17 MR. CHRISTIAN: Thanks, Bob.

18 Verizon has a little different take on this, and we
19 have said this in our federal comments on the Joint Board's
20 proceedings. We believe there should be one ETC in a rural
21 study area and that should be the incumbent. In nonrural there
22 should be two, and that is consistent with 214 today where the
23 Commission can elect how many carriers in a nonrural study area
24 can be chosen. We think you should limit it to two as a policy
25 consideration.

1 Thank you.

2 MS. SALAK: And the same question for you, Dave. You
3 are representing Verizon?

4 MR. CHRISTIAN: I'm representing every Verizon group,
5 entity --

6 MS. SALAK: Wireless?

7 MR. CHRISTIAN: -- line of business, yes.

8 MS. SALAK: Thank you.

9 MR. CASEY: Jeff.

10 MR. WAHLEN: Yes. For at least the three small
11 companies I'm talking with, all of whom of incumbent LECs, have
12 no wireless or other interests, we don't think the answer to
13 this can just be found in the federal legislation. We think
14 you also have to look at state law. And at the risk of being
15 repetitive, under state law, the incumbent local exchange
16 companies are the carrier of last resort.

17 Whatever maximum there is, there ought to be at least
18 one, and it ought to be the incumbent local exchange company,
19 because by statute we are designated as the carrier of last
20 resort, and we are responsible for universal service. So at a
21 minimum there ought to be one, and it ought to be the incumbent
22 whether. Whether there ought to be another one is a whole
23 another question, but at a minimum, there needs to be one and
24 it needs to be the incumbent electric.

25 MR. CASEY: So you believe it should be handled on an

1 individual case basis?

2 MR. WAHLEN: I don't know.

3 MS. SALAK: You say that because under state law the
4 ILEC is the COLR, so what happens January 1st of '09? Do you
5 still have the same position, since hopefully we are setting
6 policy for long-term here?

7 MR. WAHLEN: Well, the short answer is that date has
8 been extended for so many years, I'm not sure I've got an
9 answer to what is going to happen then, because I really am not
10 sure that it is going to hold. We can certainly think about
11 that and brief it, but at least in the short-term between now
12 and then, there ought to be one, and it ought to be the
13 incumbent.

14 MR. CASEY: Any other comments? Would anyone on the
15 phone like to comment? Okay. Let's go right on to Number 3.
16 Let's talk about nonrural wire centers. How many ETCs should
17 be designated in a nonrural wire center, or should there be a
18 restriction at all on it? Anyone?

19 MR. STIDHAM: Going first seems to be a common theme
20 for me here. This is Jim from AT&T.

21 I think the answer is the same for a nonrural area as
22 it is a rural area. And whether the standard for public
23 interest is the same is a question, but certainly there is
24 reasons why it is not everyone and there are reasons why it is
25 at least the incumbent and possibly others.

1 MR. CASEY: Thank you, Jim.

2 Dave, did you have something?

3 MR. CHRISTIAN: I would just reiterate what I said
4 before that there should be two in a nonrural study area, the
5 incumbent and whoever wins the reverse auctions.

6 MR. CASEY: Tom.

7 MR. McCABE: Tom McCabe with TDS. I guess the only
8 question I have -- I mean, I think it is kind of difficult to
9 determine exactly what the appropriate number is. I think
10 before you get to there, I think you really have to sit down
11 and figure out what is your policy objective and what are the
12 requirements that you are going to impose on ETCs. Because
13 that may ultimately have an impact in terms of how many are
14 going to be there.

15 You know, for example, if you get into some of these
16 ideas about the reverse auctions, I don't know that we
17 necessarily disagree with that, but what happens if, for
18 example, a wireless ETC wins that serving area, say, Quincy
19 serving area. Now, does TDS no longer have to provide tariffed
20 rates at \$13? Because the support levels that we are getting
21 today were used to set those local rates. And so I would
22 assume then we wouldn't have to have any service quality
23 standards anymore because we are no longer the universal
24 service provider.

25 So, I think as you start, maybe, perhaps fleshing

1 those ideas out, you start to kind of come down to, you know,
2 how many people are going to be willing to take on that social
3 obligation. Or the question is, perhaps, there is no social
4 obligation anymore, we just tell everybody, you are deregulated
5 and we go to the legislature and tell them, well, for the past
6 five years when we have been saying that rate rebalancing is
7 going to knock people off of the network we have had it all
8 wrong. I think, you know, if you answer some of those
9 questions, you might figure out how many people are available.

10 MR. CASEY: Thank you, Tom. Anyone else?

11 MR. STIDHAM: This is Jim from AT&T, if I may.

12 MR. CASEY: Sure, Jim, go ahead.

13 MR. STIDHAM: One of the things that I mentioned
14 earlier was to be careful about getting out ahead of the FCC,
15 and I think that the concerns just raised are ones that there
16 are two problems or two things to consider. One is all of
17 those questions and many more, and how Florida would act under
18 those to resolve those questions, I guess.

19 The other is, by getting ahead of the FCC, does the
20 world want 50 different sets of criteria, because not only
21 Florida looks at these questions, but specifically Oklahoma
22 looked at almost identical questions recently. And when you
23 have each state creating its position ahead of the FCC, it just
24 causes a little bit of confusion in the industry, or could.

25 MR. CASEY: Okay. Thank you, Jim.

1 Anyone else? Sure. Could you come over to the
2 microphone over there, if you don't mind. I appreciate it.
3 Thank you.

4 MR. LANG: I would just like to make a comment, or
5 more in the nature of a suggestion. I think most of the issues
6 regarding ETC have to do with the high cost fund. And TracFone
7 Wireless, we are interested in serving as an ETC for purposes
8 of offering Lifeline. So I think as we go through the list and
9 answer the various questions, the issues may be a little
10 different with Lifeline than it is for high cost.

11 MR. CASEY: Could you identify yourself just for the
12 record.

13 MR. LANG: Yes. I'm Leighton Lang with TracFone
14 Wireless.

15 MR. CASEY: Thank you.

16 Any other comments? Okay. Let's jump on to Number
17 4.

18 If a limit is set on the number of ETCs designated in
19 a wire center, how should it be decided which ETC should serve
20 it? Should we have one wireline, one wireless, or what other
21 criteria should we use?

22 Any comments? Okay. You're having a little problem
23 with your microphone there.

24 MR. McCABE: It may be broken there. I think a lot
25 of folks are somewhat reluctant to share their opinions. I

1 think that you have the FCC proceedings going on today and
2 trying to get an understanding where the FCC is going to come
3 down on lot of these things, and I do tend to agree that you
4 have the potential to get too far out in front in terms of what
5 the FCC may ultimately decide in terms of how universal service
6 is going to be disbursed, because that may ultimately make some
7 changes to your recommendations. You know, there has been
8 discussions regarding whether it's, you know, one line per
9 household, you know, if it is a cellular provider that has it
10 you don't get it on the wireline, vice versa. Those things can
11 ultimately have an impact as to what you ultimately decide what
12 the rules are for the ETCs. But, I guess, from my standpoint,
13 it's difficult for me to understand why you would regulate my
14 10,000 residential access lines different than somebody that
15 has over a million access lines and being cellular providers.

16 I think you have a carrier of last resort obligation
17 that goes with being a universal service provider. I don't
18 think that there is a distinction. Universal service provider
19 is to provide reasonable -- to provide service at reasonable
20 rates. I think that's in the federal and in the state
21 statutes, and I think that is what you need to look towards in
22 terms of what it is that you are expecting that universal
23 service provider to be doing. So I think that carrier of last
24 resort obligation plays in there, and at the same time I also
25 think it kind of solves some of the problems that you have had

1 with COLR issues over the last couple of months with private
2 developments.

3 There you go. You have got to bar those providers in
4 those areas if they are going to be a CETC. Why turn around
5 and tell the ILEC that you have got to deploy services into
6 these neighborhoods when you have already designated -- if you
7 were to designate a wireless provider in that market. Because
8 what you are doing is saying you are one in the same, wireless
9 and wireline, there is no difference. All we are talking about
10 is communication services.

11 So I think you also then look at service standards.
12 You know, if there is a need for me to make sure that I have
13 answer time requirements for my 10,000, why not have it on the
14 million? And if you don't want to go down that road, let's get
15 out of that business. Let's get out of requiring service
16 quality standards. And if that requires legislative changes,
17 then you go to the legislature and say we didn't need these.
18 We have determined we don't need them anymore.

19 Regulatory assessment fees. The only reason why I'm
20 here today is because wireless providers are wanting to get
21 CETC dollars, and regulatory assessments fees are for the
22 purposes of covering the costs of this Commission, and that is
23 why I'm here. They don't pay them. Go to the legislature and
24 say they should be paying. Any CETC should pay regulatory
25 assessment fees. And if not, give me my money back. All I'm

1 asking for is to be treated the same way.

2 So I think if you look at how you regulate the
3 incumbent LEC as the carrier of last resort, you look and
4 impose those same types of conditions on the competitive ETCs.
5 And if not, then you go back and say we don't need to do this
6 anymore.

7 MR. CASEY: Okay, thank you. Steve.

8 MR. MOWERY: Just to follow up briefly. A couple of
9 things surprisingly that I see a little differently. One of
10 the things that you have to remember is that -- and I'm
11 speaking under today's USF structure, because I don't know what
12 tomorrow's USF structure is going to be. I've got a lot of
13 ideas, so do a lot of other people, but I think we have to look
14 now at what are the Federal FCC Rules, what are the structures,
15 how does it work, and how should Florida build rules around
16 that.

17 We may have to change rules in Florida if the FCC
18 changes, or when they change who knows when, or how that's
19 going to occur. But especially, you know, an issue that always
20 comes up is this carrier of last resort issue, and there is
21 very little difference in the carrier of last resort
22 requirement on ILECs and the requirement to serve all
23 reasonable requests that falls along competitive ETCs in that.

24 Under the FCC's six-step process you have to go
25 through a series of tests to determine whether or not it's

1 reasonable to provide service in response to a request, and it
2 starts with looking at can you tweak the handset, can you add
3 antennas on top of the house, can you redirect signals from a
4 tower. It comes all the way down to finally do you need to
5 build a new tower to serve this customer? And then the
6 question is, is it reasonable to do that with limited ETC
7 funds.

8 Very similar to the aid to construction tariffs that
9 the ILECs have in place. They do have a responsibility to
10 serve all providers, but if a provider wants to have telephone
11 service put in out in the middle of the swamp far away from
12 existing service, they're going to have to pay significant aid
13 to construction in order to get that done. And that is the
14 same basis that you would have this reasonable request for
15 service from the CETCs. Is it reasonable to build a full tower
16 to serve two customers or not? Or is it reasonable to add some
17 facilities to a tower to serve two customers? Maybe it is.
18 But it prevents you from using limited funds in a manner that
19 doesn't allow them to be available for others who need them
20 more efficiently. Very much like the aid to construction
21 intent was to not saddle existing ratepayers with the cost of
22 serving a customer who has a real unique application. So I
23 think you really have very, very similar requirements as to
24 carrier of last resort, and I have a lot of trouble
25 distinguishing between the two.

1 MR. CASEY: Thank you, Steve. Anyone else?

2 MR. STAIHR: Yes. Hi, this is Brian Staihr with
3 Embarq.

4 I just would like to say that I think we have a
5 pretty strongly different opinion of the requirements that were
6 just outlined in terms of the six steps the wireless carriers
7 have to go through. Not the least of which is that currently
8 there is no designation of an entity to actually identify what
9 is or isn't a reasonable cost. And because there is a clear
10 difference in being forced to provide service with additional
11 compensation for additional costs versus being allowed to get
12 out of providing service because the costs weren't determined
13 to be reasonable, we would say that these are actually very
14 different things.

15 MR. CASEY: Thank you, Brian. Anyone else? Okay.

16 Let's go on to the next one. How should public
17 interest be determined for ETC designation in a rural area?

18 MR. STIDHAM: It's Jim.

19 MR. CASEY: Okay, Jim. Go ahead.

20 MR. STIDHAM: I think that the answer is, at least
21 for the time being until the FCC tells us otherwise, that the
22 March 17th ETC order that this Commission, as I understand, has
23 adopted is the basis to do it. Looking at increased customer
24 choice, advantages and disadvantages of unique services, the
25 cost of providing -- the amount of high cost support would be

1 provided per line, all the kind of things that this Commission
2 needs to look at. I think that Congress gave the states the
3 authority to grant ETC status in part because they felt that
4 the states knew best what was the public interest needs of
5 their state. I think if you use the ETC order as kind of the
6 guideline to do that, you will find the answer for rural areas.

7 MR. CASEY: Okay. Thank you. Susan, did you want to
8 comment?

9 MS. MASTERTON: I think Doctor Staihr touched on this
10 in his opening remarks, but Embarq thinks that to determine the
11 public interest the dollars must be used to expand service into
12 areas that are currently unserved. And we also think we are
13 not restricted, that you all are not restricted to the criteria
14 in the FCC order. In fact, the FCC has authorized states to go
15 beyond the criteria in that order and we believe you should.
16 And, Brian, I don't know if you want to add anything to that.

17 MR. STAIHR: No, you said it really well. I mean, it
18 is very clear in the ETC designation order that the FCC
19 envisioned the states going beyond the criteria that are in
20 that order, because as Jim Stidham said, they are the best ones
21 to determine the public interest. No, I think you said it real
22 well, Susan.

23 MR. CASEY: Okay. Would anyone else like to comment?
24 All right. The next one is about public interest in a nonrural
25 study area. We are required to look at public interest in a

1 rural study area, should we look at it in nonrural areas, too?

2 MR. STAIHR: This is Brian. I will jump in and take
3 Jim's place in terms of going first here.

4 MR. CASEY: Go ahead.

5 MR. STAIHR: Actually, I think it's actually pretty
6 clear that the FCC clarified this in the designation order that
7 the expectation is that there is an explicit public interest
8 determination to be made whether it's rural or nonrural. I
9 know we have been involved in this for a long time and there
10 was a fair amount of disagreement in terms of the words they
11 may designate, they shall designate rural versus nonrural that
12 everybody knows about. But in the ETC designation order, and
13 particularly I think it is Paragraph 43, they make it clear
14 that there is analysis to be done in both cases to determine
15 the public interest. And doing that (inaudible) explicit
16 public determination, public interest determination. So I
17 think that it has pretty much been clarified by the FCC, it
18 isn't just a rubber stamp in nonrural areas.

19 MR. CASEY: Okay. Thank you.

20 MR. STIDHAM: This is Jim getting to go second this
21 time. Thank you, Brian.

22 MR. CASEY: Okay, Jim. Go ahead.

23 MR. STIDHAM: I would even say that in the ETC order
24 in the third paragraph it makes it very clear. I believe, and
25 have always said that the requirement has always (inaudible),

1 and so this order I think is pretty clear that there is a
2 public interest showing required in all cases.

3 MR. CASEY: Okay. Anyone else? Okay.

4 The next one, what additional criteria should be
5 required to obtain ETC status for high cost funds? We gave you
6 a couple of examples. Should we require that they be invested
7 in Florida? That's the assumption, that any funds you receive
8 in high cost will go back into the study areas, but should we
9 require it? Should USF funds be used in unserved areas only?
10 What are your ideas? We are looking for input.

11 MR. McCABE: Tom McCabe with TDS. I certainly think
12 that any USF dollars that are received in a particular study
13 area should be spent in that study area. That is the whole
14 purpose is to invest or reinvest that money into that
15 marketplace. Today, the CETCs are receiving universal service
16 support based on the costs that I incur through my investment
17 in my study area. It seems really kind of ludicrous to sit
18 there and say, okay, well, you're getting money in Quincy,
19 Florida, but we are going to allow you to spend that in Miami,
20 Florida.

21 And the Commission has the authority to do that. I
22 mean, I think the Kansas Commission requires that, and
23 interestingly enough, the wireless providers are fighting
24 against that saying that they should be able -- in that case, I
25 believe, it's my understanding that the wireless providers are

1 arguing that they should be able to take high cost support and
2 spend it in SBC's service area, which doesn't even receive high
3 cost support. That seems to be kind of crazy.

4 If the incumbent doesn't need to have high cost
5 support it shouldn't be spent there. In Florida, most of the
6 ILECs in Florida don't receive high cost support from what I
7 understand. I think in most of BellSouth's serving area and
8 perhaps Verizon, as well. So, it would seem kind of crazy to
9 take money out of the rural high cost market of Quincy,
10 Florida, Gretna and Greensboro, and spend that in Miami.

11 MR. CASEY: Thank you. Steve.

12 MR. MOWERY: I absolutely agree that it would be
13 ridiculous to take money out of Quincy and spend it in Miami.
14 How about that? However --

15 MR. CASEY: I was going to say you two agree on
16 something. Let me write this down.

17 MR. McCABE: However, I have participated in the
18 Kansas proceeding, and it is not quite as clear as it might
19 seem on the surface. What you find in that proceeding is that
20 Alltel's study area in Kansas consists of the study areas of
21 the small ILECs and the study area of Southwestern Bell or
22 AT&T. And as has been demonstrated, there are many areas, many
23 parts of the SBC study area there that are every bit as rural
24 as the ILEC study areas, and we have an obligation there to
25 provide that service throughout.

1 We don't have the big urban areas to get the support
2 from to go build those rural areas in the SBC areas, so the
3 thing you have to look at is what is the need of consumers and
4 what is the need of the area. Will it get built out without
5 support, or won't it get built out without support. The
6 purpose of the Universal Service Fund is to provide comparable
7 services in urban and rural areas. And, wireless services, the
8 service areas don't match up to the service areas of the
9 incumbents. So there are areas that are just as rural and in
10 just as much need of support that don't get, quote, high cost
11 support from the ILEC because the Bell company must average
12 their entire service area in the state and, therefore, through
13 that averaging process they don't happen to draw high cost
14 support. So I just say there are a lot of things to look at
15 there. You need to think very carefully about the impact on
16 the customer there more so than the impact on the companies.

17 MR. CASEY: Thank you.

18 Jeff.

19 MR. WAHLEN: I think this is probably one of the more
20 important questions on the list. I mean, they are all
21 important, but this is a pretty good one. And I guess I'll
22 repeat what I said at the beginning, whatever criteria you
23 apply need to be applied on a competitively neutral basis and
24 with some uniformity. And the fact that some of the people at
25 the table my perceive there are jurisdictional limitations, I

1 don't think you need to worry about that, because if they don't
2 want to be an ETC, they don't have to comply with the
3 requirements.

4 There are federal funding statutes all over the place
5 that give federal dollars if you comply with certain terms and
6 conditions. For example, the Federal Highway Act. If a state
7 wants to have federal highway dollars, they have got to follow
8 the rules. They have got to have certain right-of-way, they
9 have to have speed limits, they have to have billboards in
10 certain places and things like that. And if a state doesn't
11 want the highway dollars, they don't have to do it.

12 The same with special education. This federal
13 government cannot require states to provide educational
14 services to disabled kids, but if states want the money, they
15 have got to do it a certain way. This is no different. You
16 may, in fact, have some jurisdictional limitations, but if they
17 don't want to be an ETC, they don't have to comply with the
18 requirements you impose.

19 One of the jurisdictional issues you have, and one
20 potential difference is that you can compel repairs and
21 additions to the plant of a local exchange company. There may
22 be some people here in the room that say you can't do that for
23 a wireless company, but it strikes me as a little bit odd that
24 a wireless company could get high cost money to build plant and
25 then take the position that the Florida Public Service

1 Commission can't compel an improvement or a repair to a
2 facility that is purportedly there for the purpose of providing
3 universal service.

4 So I would look at this question very carefully and
5 make sure that whatever requirements you impose are imposed on
6 a uniform basis, and I would not worry too much about
7 jurisdictional limitations, because if the companies don't want
8 to do the things that you say are required, they don't have to
9 get the status.

10 MR. CASEY: Okay. Any other comments? Steve.

11 MR. MOWERY: You know, I agree that companies who are
12 designated should be willing to do what is required in order to
13 get the funding. We operate that way. We believe in that
14 strongly. We are willing to make the commitments and live by
15 them.

16 I think the key, though, that you have to look at
17 when you are establishing those are what requirements are
18 necessary for the purposes of ETC versus what requirements are
19 remnants from the old monopoly days. And maybe those need to
20 be gotten rid of for everybody. But what requirements get
21 imposed on competitive ETCs should be requirements that are
22 related to being an ETC, not just because the wireline
23 companies have this requirement under the old monopoly
24 regulation.

25 So I think you have to be careful not to fall into

1 the trap of just saying, gee, it's not fair to regulate them
2 this way and then another way. We might need to look at
3 lightening up what you do on the incumbent LEC side for
4 purposes of -- or because there are no longer necessarily a
5 monopoly. But, by the same token, to the extent that we need
6 to have rules for what ETCs need to do, I agree, everybody
7 ought to be able to step up to those commitments and know what
8 they are and be held to them.

9 MR. WAHLEN: I think we have just identified one
10 other area that Tom agrees with Mr. Mowery on.

11 MR. CASEY: That's two. We're getting there.

12 MR. McCABE: We can work on three.

13 One thing I would comment, I agree with the comments
14 that Jeff has made. You know, there has been a lot of
15 suggestions in terms of reliance on the FCC (inaudible), and I
16 can recall many situations in front of this Commission when
17 arbitration decisions and things of that nature where the
18 Commission was sitting there and saying, you mean I've got to
19 do what the FCC is telling me, because we think that they have
20 it wrong. And that is one of the things that this affords you,
21 that opportunity to establish what the criteria for ETCs are.

22 TDS has filed a petition with the FCC regarding how
23 Sprint Nextel is spending their ETC dollars in the state of
24 Virginia, and the question would be is would this Commission,
25 you know, be able to look at that if it was a situation here.

1 I don't know that relying on the FCC to see how effectively ETC
2 dollars are being spent is the best idea.

3 MR. CASEY: Okay. Any other comments?

4 MR. STAIHR: This is Brian with Embarq. Just real
5 quick, on the issue of where the funds are invested, there are
6 a lot of different states that have gone a lot further than
7 anything the FCC has explicitly done. For example, we know for
8 a fact Mississippi is very specific about placing the funds in
9 the highest cost areas and not doing things like increasing the
10 capacity of cell towers in urban areas. So there was a lot of
11 precedent for this Commission and the staff to look at in terms
12 of identifying targets for the support to be used in areas.

13 MR. CASEY: Thank you. Anyone else? Okay.

14 Let's jump to the next one. Pursuant to 214(e)(1),
15 should an entity be required to establish its ability to serve
16 all customers of the current ETC if the incumbent ETC
17 relinquishes its designation? I see Dave heading for a
18 microphone.

19 MR. CHRISTIAN: This is an interesting question. If
20 a CETC enters and they get to pick where they want to serve, a
21 wire center, and under today's rules a rural wire center, and
22 the incumbent LEC goes out of business or decides not to be an
23 ETC anymore, the question then is should that current CETC have
24 to serve every customer in the incumbent's footprint? I don't
25 know if that can be done today under the existing rules, so we

1 would say no, because the wire centers don't necessarily match
2 up with the entire service territory of the incumbent.

3 (Phone ringing.)

4 MR. CHRISTIAN: Is that me? This is an unknown
5 number on my Blackberry, so it must be a wrong number. Sorry.
6 I've never heard it ring before. That's it.

7 MR. CASEY: Thank you, Dave. Anyone else?

8 MR. McCABE: I'll throw out a different thought
9 there. To me it just kind of goes back towards what is the
10 public policy that the Commission wants to have. If a company
11 was to relinquish its ETC status because there was another
12 individual in the market, and it's having a negative impact in
13 the existing ETC to provide service in a lot of the market,
14 they might want to exit. And so then the question is you're
15 left with, well, are we going to ensure that rates are
16 affordable, and do you have that authority to ensure rates are
17 affordable?

18 And I think that is one of the questions perhaps you
19 might want to look at when you go forward in terms of just what
20 role the Commission -- what role the wireless carriers believe
21 you have in establishing criteria. Because if you ultimately
22 decide that, one, you can't set local rates, you can't require
23 service standards, you can't require where the money is spent,
24 which I believe you can, but if the Commissioners were to come
25 to that conclusion because of some, you know, determination on

1 how they view the regulation of wireless, you might want to say
2 we don't even want to deal with this, and now let's kick this
3 back to the FCC, and we are not going to assert jurisdiction on
4 this issue.

5 MR. CASEY: Okay. Anyone else?

6 MR. STIDHAM: I'm feeling left out here. It is Jim
7 from AT&T.

8 MR. CASEY: Okay, Jim.

9 MR. STIDHAM: I think that the question -- I was a
10 little confused by the question, and one of the reasons I was
11 confused is the FCC's ETC order says that the build-out plan is
12 intended to show the commitment and ability to provide service.
13 So there is a certain expectation that you can offer the
14 service. But also in the order -- the FCC's rule, excuse me,
15 there is provision to relinquish your ETC status. And in that
16 it says that a carrier has a year to build or buy the
17 facilities to assume service for all of the customers.

18 So I guess my question is -- it is more of a question
19 than an answer here is that you now have the FCC saying that if
20 you're an ETC and there is nobody else but you, because the
21 other carrier is allowed to relinquish its ETC status, you have
22 to be able to step up and do it. But that doesn't mean you have
23 to do it today. That means that you have to be able to do it
24 when you have had a chance to build or buy the network that
25 exists.

1 MR. CASEY: And I believe the rule provides for 12
2 months or a year.

3 MR. STIDHAM: Yes, I believe so.

4 MR. CASEY: Okay.

5 MR. STIDHAM: And I think there was an order out of
6 Wyoming, it might have been South Dakota, that said you can't
7 require a carrier to provide service everywhere as a condition
8 of being an ETC because they need the money to build the
9 network in the first place. So that's the whole idea behind
10 some kind of a build-out plan, allow a carrier the chance to
11 start in the market and build the network that will serve its
12 service area at some point in the near future.

13 MR. CASEY: Okay. Any other comments?

14 MR. STAIHR: Yes. This is Brian with Embarq just
15 real quick. That order in terms of you can't expect the ETC to
16 have the plant everywhere because it needs the money to have
17 the plant everywhere, that was very clearly in terms of at the
18 time it applies for ETC designation. And I think what Jim was
19 saying, and I think Embarq agrees, is that the expectation is
20 there that the plant will be built, and the fact that they
21 don't have to have it on day one of the designation does not
22 somehow negate that expectation.

23 MR. CASEY: Okay. Thank you. Anyone else? All
24 right. The next one, in Order PSC-07-0288, the Commission
25 concluded that we now have jurisdiction to consider CMRS

1 applications for ETC designation. Given that the FCC's
2 jurisdiction to designate a carrier as an ETC in 214(e)(6) of
3 the Telecom Act is premised on a state commission not having
4 jurisdiction, can the FCC designate any additional carriers
5 within Florida? Right now I believe they have four
6 applications pending up there. Comments? No one wants to take
7 a stab at it?

8 MR. McCABE: Sure. I would say the answer is no. I
9 think that -- well, I stayed at a Holiday Inn Express, so I can
10 give a legal opinion, I guess. I mean, the act is pretty clear
11 that a state commission has the responsibility for designating
12 ETCs, and the only way the FCC would come into play would be if
13 a state relinquishes that requirement. And since this
14 Commission has asserted that jurisdiction, unless somebody
15 challenges that, I would say the FCC wouldn't have the ability
16 to do it.

17 MR. CASEY: Anyone else? All right. The next one,
18 can the FCC continue to perform annual certification of
19 carriers that it has designated if it no longer has
20 jurisdiction under 214(e)(6) of the Telecom Act? We're talking
21 about the annual certifications.

22 MR. McCABE: No.

23 MR. CASEY: No? Easy answer. Anyone else?

24 MR. STIDHAM: This is Jim from AT&T. I agree the
25 answer is no, and I would specifically state for the five

1 components of the high-cost mechanism, which are the -- I'm
2 sorry, high-cost model, high-cost loop safety valve, safety
3 net, and local switching support. As it goes for IAS and ICLS,
4 the FCC currently does that separate from the state
5 jurisdiction.

6 MR. CASEY: Okay. Doug.

7 MR. NELSON: This is Doug from Sprint Nextel. This
8 was a tough question, and I think the Commission has to
9 consider that the FCC has designated competitive ETCs in
10 Florida already, and they have been administering pursuant to
11 the order they issued, designating them for probably several
12 years in many cases, and so the expectation would be that they
13 would continue to, at least from our perspective.

14 MR. CASEY: Just for clarification for my sake,
15 Nextel Partners does have ETC status in rural areas in Florida.
16 For the year 2007, this year, did you get annual certification
17 from the FCC? Did you send it in to the FCC?

18 SPEAKER: We have to file that by October 1st, so we
19 haven't filed it yet, but we will file it by October 1st.

20 MR. CASEY: Are you planning to file with this
21 Commission or with the FCC?

22 SPEAKER: We were planning on filing with the FCC.

23 MR. CASEY: Okay. I'm not an attorney, so -- I'm not
24 going to say that I'm an attorney. I didn't stay at a Holiday
25 Inn. You know, James is saying he is not an attorney, Tom is

1 saying, well, I will be one. I'm not even going to try.

2 SPEAKER: As Doug was saying, we feel that since the
3 FCC granted us the approval initially they have the right to
4 regrant us a recertification every year.

5 MR. CASEY: Okay. I would have to look to our legal
6 people for an answer on that, and I'm sure they are not ready
7 right now to answer it, but they can look into it for you.

8 MR. TEITZMAN: Well, all I would say is that is a
9 question that definitely needs to be addressed and obviously
10 before October.

11 MR. CASEY: For the rural LECs who have submitted
12 their affidavits to us, the order is coming out today. It's
13 going to come out today, and we will be sending that to the FCC
14 and USAC.

15 MR. WAHLEN: And we thank you very much.

16 MR. CASEY: Any other comments or questions on that?
17 Okay.

18 Should an ETC be required to offer all supported
19 services pursuant to 47 C.F.R. 54.101, not just Lifeline and
20 Link-up?

21 SPEAKER: Yes. I mean, we believe it's very clear
22 that is the requirement.

23 SPEAKER: We would echo that.

24 MR. CASEY: Okay. Could you step up to the
25 microphone? I know you have received a variance from the FCC,

1 so TracFone can provide Lifeline and Link-up. You haven't
2 received your ETC designation, but you received a variance from
3 their rule.

4 MR. LANG: That's true. We didn't receive the
5 forbearance, but I think the premise of the question is that
6 the supported services where Lifeline is an exception to the
7 other supported services. I think for the most part Lifeline
8 does include the supported services, and in our application we
9 showed how that was the case.

10 MR. CASEY: I think what staff was after is should
11 they only be designated through an ETC, or should a carrier be
12 designated as an ETC only for purposes of Lifeline and Link-up,
13 or should they be required to do the high cost and provide
14 services.

15 MR. LANG: Well, we think not, obviously, because we
16 have applied as designation only as Lifeline ETC. There is
17 really no reason to grant us authority for high cost when we're
18 not seeking it.

19 MS. MASTERTON: Just for clarification, I mean,
20 Embarq is not ready to address this yet, although we do plan to
21 respond in our written comments. And I'm not sure, is the
22 question may a carrier apply to be certified only for Lifeline
23 and Link-up, is that what the question is?

24 MR. CASEY: Yes.

25 MS. MASTERTON: Okay. Thanks.

1 MR. CASEY: Would anyone else like to comment? Okay.

2 If an ETC uses its ETC designation only for the
3 purposes of providing Lifeline service, should a waiver be
4 sought of other requirements to offer services? What is the
5 extent of the Commission's authority to grant such waivers.
6 Comments? No comments.

7 Okay. What can Florida do to relinquish its role as
8 being the number one net contributor to the USF fund? That's a
9 good question.

10 MR. STAIHR: This is Brian with Embarq. I'd like to
11 jump in here. Embarq has been very active at the federal level
12 promoting a change to the way universal service is calculated
13 and having it calculated at a more granular or targeted level.
14 We have done analysis that shows that Florida would be a
15 significant beneficiary if the support were calculated at a
16 wire center or a subwire center level. There are high costs
17 areas in Florida that are as high cost as anyplace in the
18 country. These places get no support now because support is
19 calculated using study area averages, and if Florida really
20 does want to change its net contributor status, getting a
21 little bit more granular is a really good way to do it.

22 MR. CASEY: Thank you. Anyone else? Steve.

23 MR. MOWERY: I would just add that that is the
24 primary driver, I absolutely agree that granularity would
25 target support to the high cost areas and generate for Florida

1 the support it deserves to get.

2 One other thing that has contributed to that,
3 however, though, is that there haven't been as many CETCs
4 designated in Florida as there have in other states. And the
5 Commission didn't have jurisdiction, there was nothing the
6 Commission could do about that. But one of the things that
7 will help bring about more parity there is to designate
8 additional ETCs where it is appropriate to do so.

9 MR. CASEY: Okay. James.

10 MR. WHITE: Bob, we think that one of the biggest
11 things that Florida can do right now is just basically support
12 the comprehensive reform that has taken place right now at the
13 federal level. We believe the system is broken. I think most
14 folks would agree that it's broken, and I think some steps are
15 on the way to try to fix it. And we think by adding on ETCs
16 will complicate the issue rather than help resolve it, so we
17 think that that is one of the things that Florida can do, and
18 we think that that should be done by basing support on each
19 ETC's own cost that's involved in it rather than other criteria
20 that is being pursued.

21 We just feel real strongly that the system is in the
22 process of being reformed, and we can take two steps, we can
23 either add to the problem or we can try to resolve it. And we
24 think that steps are underway right now to try to get it
25 resolved, and so by adding additional ETCs, we don't think it

1 is productive at all. That is just our opinion.

2 MR. CASEY: Okay. Thank you.

3 SPEAKER: We would agree with Mr. White's comments
4 there. It doesn't seem to be a real good idea for consumers --
5 for Florida consumers that the best way to reduce our role as a
6 net contributor is to increase the size of the fund and
7 increase the universal service payments that end users are
8 paying. That seems to be counterproductive to controlling the
9 growth of the fund and controlling the impact on consumers. So
10 it seems like that wouldn't be the best idea to turn around and
11 let's start granting more CETCs in the state of Florida.

12 Perhaps one of the things is limit the growth in
13 Florida. I mean, that is a big issue. I mean, the bottom line
14 is you are the fourth largest state and you are the lowest cost
15 state. I mean, it's a federal program and unfortunately
16 sometimes federal programs work out that way. I'm sure that
17 Florida receives a lot more in Medicaid support than the state
18 of Wyoming, and I understand this Commission's role in terms of
19 its responsibility to Florida ratepayers from a telephone
20 perspective, but that's really the reason why you are a net
21 contributor. You are a low cost state and you have a lot of
22 customer. If you only had half the number of customers, you
23 wouldn't be paying as much. The bottom line is a Florida
24 resident does not pay any more money than a resident in
25 Wyoming.

1 MR. CASEY: Okay. Thank you. Go ahead.

2 MR. LANG: TracFone believes that the Commission is
3 on the right track by focussing on Lifeline. You came out with
4 an excellent report in 2006, and we would like to see many of
5 those, if not all of those recommendations implemented. And we
6 further think that an ETC application that is Lifeline only
7 could contribute quite a bit to increasing the level of
8 households in Florida that have telephone service.

9 Now, the so-called penetration rate has actually gone
10 down since the '96 Act and the universal service provisions
11 were enacted. So definitely something needs to be done, and we
12 think wireless can contribute to increasing the penetration
13 rate through the Lifeline program. And we will be filing an
14 application here with the Commission within the next few days
15 to do that, which will be similar to what we have already filed
16 at the FCC before you assumed the wireless designation
17 authority.

18 MR. CASEY: Thank you. Any other comments? Let's go
19 ahead and take a ten-minute break, we are half way through the
20 questions, and come back at 2:30. Thank you.

21 (Recess.)

22 MR. CASEY: Okay. We are on Question Number 14.
23 When considering the public interest standard, to what degree
24 should the following aspects be considered: Benefits of
25 increased customer choice, the impact of designation on the

1 Universal Service Fund, the unique advantages and disadvantages
2 of the competitor service offering?

3 Who would like to go first? James.

4 MR. WHITE: I will take a shot at that first one,
5 benefit and increased customer choice. It is our thought that
6 the USF should only be used to serve unserved areas, and it
7 should not be used to give consumers a choice. I think that's
8 one of the problems we have. We are talking about two
9 different things here, and I think that the fund should not be
10 used for competition. We don't think that that is the intent
11 of USF, and we don't think that that is a proper use of the
12 funds.

13 MR. CASEY: Thank you.

14 MR. STAIHR: This is Brian with Embarq. We couldn't
15 hear any of that. I'm sorry, I think it's just the microphone
16 or something.

17 SPEAKER: Either he is too far away from the
18 microphone or too far away from the speakerphone. If you could
19 get a little bit closer.

20 MR. STAIHR: I am stepping right in. Can you hear me
21 now?

22 SPEAKER: That's good.

23 MR. WHITE: I hate to use that term, can you hear me
24 now. It is James White with Windstream. We just feel that the
25 USF fund should be used to serve unserved areas and should not

1 be used to give customer choices. We don't think that the fund
2 should be used for competition. That is not, in our opinion,
3 the use of the USF funds.

4 MR. CASEY: Okay. Thank you. Would anyone else like
5 to comment on that?

6 MR. STAIHR: This is Brian. If I could jump in here.

7 MR. CASEY: Sure. Go ahead.

8 MR. STAIHR: On the increased customer choice, that
9 is actually an important point to Embargo because it ties in
10 with an obligation to extend your service area. If you have a
11 CETC who is asking for designation in their current serving
12 area or in their current coverage area, well, then ETC status
13 doesn't do anything to increase anybody's choice. The same
14 people who had a choice of that carrier a week before
15 designation have the same choice a week after, and you don't
16 get an increase in customer choice unless there is the
17 associated obligation to extend service into areas that
18 currently aren't being served. So if you are going to weigh
19 increased customer choice, it has to be tied into an actual
20 increase in the choice which is tied into an expansion of a
21 service area.

22 MR. CASEY: Okay. Thank you. Dave.

23 MR. CHRISTIAN: Dave Christian with Verizon. I
24 actually agree with Doctor Staihr's comments, and it is also
25 the basis for a study that was produced by Criterion Economics

1 that lays out some of the surprising statistics about the
2 coverage problem we just heard about from Doctor Staihr, and we
3 can certainly provide copies of that.

4 MR. CASEY: Sure, I appreciate it. Anyone else?
5 Steve.

6 MR. MOWERY: And I would be happy to provide a
7 rebuttal to the Criterion study. There are some really bad
8 assumptions in that study and you need to be aware of that when
9 you read it.

10 MR. CASEY: And that's why we're here. We want to
11 hear from all parties and all sides.

12 MR. MOWERY: We will provide that to you.

13 MR. CASEY: That is the whole purpose of this
14 workshop today. Anyone else like to make comments? How about
15 the impact on the Universal Service Fund regarding public
16 interest, or the unique advantages or disadvantages of a
17 competitor service offering? Okay. Sure. Go ahead.

18 MR. MOWERY: In summary, all three of those. All
19 three of those are mentioned in the March 17th order as
20 important factors to be considered. All three of those are
21 factors that Congress envisioned when they created the
22 Universal Service Fund with the Telecom Act of '96. So I think
23 it is very important that you consider all of those. And,
24 again, you really have to consider those on a case-by-case
25 basis of what does it mean to the public. In one location, one

1 may be more important than another, and in another location
2 another may be. It's another one of those areas where you are
3 going to have to look at it case-by-case, weigh all the factors
4 and determine what is good for the public.

5 MR. CASEY: Any other comments? Okay. Let's go on
6 to the next one.

7 How should the comparable local usage requirement of
8 ETC designation be considered? Now, what the FCC has said is
9 we require an ETC applicant to demonstrate that it offers a
10 local usage plan comparable to the one offered by the incumbent
11 LEC in the service areas for which the applicant seeks
12 designation, but they did decline to adopt a specific local
13 usage threshold and they're looking at it on a case-by-case
14 basis. Any comments? Steve.

15 MR. MOWERY: Yes. I think this is a really difficult
16 question to narrow down, because it looks like a simple
17 comparison to something comparable. And what you find is
18 that -- or what I have found is that we want to be able to
19 provide our choices as well as providing the basic requirements
20 of CETC. Now, if the service -- I like to look at it in terms
21 of a service being comparable in value to the consumer, because
22 if a consumer doesn't find value in the service, he won't buy
23 it. And in the case of the CETC, if a customer doesn't buy the
24 service, there is no support, because the support comes per
25 line to the CETC.

1 So one of things you have to look at here is do
2 consumers perceive the service to be of equal value. And in
3 many cases you find that it is such that wireless lines now
4 outnumber wired lines by a significant amount. If we price the
5 service such that it is not comparable in the minds of
6 consumers, we won't sell it. If we don't sell it, we get no
7 support. So it's a factor that you have got to keep in mind.
8 It is not looking at saying, well, the ILEC has a \$12 plan.
9 What does the wireless provider have? Does he have a \$12 hour
10 plan? Well, maybe not, but he may have statewide calling, he
11 may have a lot of other things that go with that service, and
12 does the customer perceive that the wireless carrier's \$20
13 plan is equal to the \$12 plan of the wireline. Or vice versa,
14 it could be either way.

15 But the one thing that I think is very important is
16 what does it mean to the consumer in terms of value. It
17 doesn't do him a great favor to offer him two plans just alike,
18 exactly alike. And so consumer perception is displayed in
19 their purchase decisions. If they believe that the service has
20 comparable value or better value, they will buy that service.
21 And so I would just like to lay that out as something to
22 strongly consider when you are looking at comparable service.

23 MR. CASEY: Thank you. Would anyone else like to
24 comment?

25 MR. McCABE: Sure, I will go ahead.

1 MR. CASEY: Tom, go ahead.

2 MR. McCABE: I will disagree with Steve on this one.
3 To me it kind of goes back towards, you know, what is the
4 public policy that you are looking for. And in rural markets,
5 I don't think you can go at this with the idea that somebody is
6 always going to be there. That the incumbent local exchange
7 company is always going to be there. You know, we certainly
8 hope to be, and expect to be, but, you know, as market
9 conditions change and we discuss the idea that you can -- you
10 know, an ETC can give up that designation, and they might be
11 forced to give up that designation depending on how we may play
12 out these universal service rules on a going-forward basis in
13 terms of how the support is distributed.

14 But I think when you look at the Florida Statutes, a
15 couple of years back when the incumbent local exchange
16 companies attempted to do measured service, we thought the
17 world was going to fall apart, and the legislature said, no,
18 you can't have measured service. You are the incumbent local
19 exchange carrier, you are the carrier of last resort, and we
20 need to make sure that customers have access to affordable
21 service. And the legislature basically said affordable service
22 is that current rate that exists today. They didn't come back
23 and say 29.99 for five hours is affordable. They said you had
24 to have basic service which is defined as flat rate service.

25 Now, when we talk about folks will start to try and

1 throw in the idea that you have different calling scopes, well,
2 EAS was an important part of determining local calling scopes,
3 and this Commission has included those into the basic local
4 rate, or they have had an EAS adder that's mandatory. But that
5 set forth the basic calling pattern of customers. The fact
6 that a wireless provider may include Panama City as local
7 calling, customers don't view that as local service, and that
8 is what the universal service support is for is for local
9 service, not long distance service.

10 And now if you want to start talking about
11 comparable, I don't know that we are at comparable anymore,
12 because I get Sprint's bundled service. It gives me unlimited
13 long distance and unlimited local service, and I believe it's
14 like \$49. I think, you know, a lot of the wireless plans it
15 might be 500 minutes is \$49, and I think the Commission needs
16 to look at, you know, whether it's Lifeline or whether it is
17 local service, is five hours of local calling affordable in
18 terms of what its public policy is for basic universal service.

19 So we think that the Commission should look to, at a
20 minimum, establish some level of local calling. I don't
21 recall, I mean, I know years back there were some studies in
22 terms of the number of local minutes and all of that stuff. I
23 know that we don't have that information, but it may exist in
24 the past in terms of the average local minutes customers use.
25 Perhaps that's something that you look towards, but I think

1 that should.

2 MR. CASEY: Okay. Thank you. Anyone else? Go
3 ahead.

4 SPEAKER: Tom, I want to clarify one thing. You said
5 Sprint, I think you meant Embarq.

6 MR. McCABE: I'm sorry, yes.

7 SPEAKER: I just wanted to clarify that.

8 MR. CASEY: Okay. Any other comments? All right.

9 The next one, should the amount of per line support received by
10 the incumbent LEC be a consideration in ETC designation? Any
11 takers?

12 MR. STIDHAM: This is Jim with AT&T.

13 MR. CASEY: Okay, Jim.

14 MR. STIDHAM: And I'm not an economist, Brian is, but
15 I stayed at a Holiday Inn Express. I think the answer can be
16 found in the ETC order itself, and that is that the Commission
17 should look at it. If it's so terribly expensive to provide
18 service in that area, then you lose some economy of scale. I
19 would say that it is one of a series of factors, including, you
20 know, choice and advantage, disadvantage, that the Commission
21 should look at. I guess that's it.

22 MR. CASEY: Thank you.

23 MR. STAIHR: This is Brian. And the only thing I
24 would add to what Jim said is that this is an issue that is
25 being looked at very closely at the federal level with regard

1 to what everyone calls the identical support rule. And so
2 this, you know, we have been talking on and off about getting
3 out in front of the FCC on certain things, I mean, this is one
4 where you might just kind of want to take a little bit of a
5 wait and see approach on anything that might happen federally.

6 MR. CASEY: Okay. Thank you. Anyone else? All
7 right, moving right along.

8 Should a requirement of one line per household for
9 USF be imposed, and does the Commission have the authority to
10 take such action?

11 Anybody? Steve.

12 MR. MOWERY: I'll just kind of speak the obvious,
13 but, you know, the FCC approached that a year or two years ago,
14 I guess, whether to have a one line per household limitation,
15 and the Congress told them no. They took the authority away
16 from them to make that decision. So I don't think that is an
17 issue that is ripe for dealing with in this proceeding.

18 MR. CASEY: Okay.

19 MR. McCABE: I would like to agree with Steve.

20 MR. CASEY: Whoa. What is the score now? It's
21 three. Anyone else?

22 MR. DOWDS: I would like to say something.

23 MR. CASEY: Sure. Mr. Dowds.

24 MR. DOWDS: Just to clarify what happened, they put a
25 line entry in the FCC's appropriations bill forbidding them

1 from using any of the appropriated funds to implement a primary
2 line restriction. Congress itself has not addressed the issue
3 from a policy perspective.

4 MR. CASEY: Thanks for the clarification. Anyone
5 else like to make a comment? Okay.

6 Should ETCs be required to list the projects and
7 locations of all projects for which USF funds will be used in
8 their five-year plans, and should ETCs be required to provide
9 an explanation if a project isn't completed by the time of the
10 next annual recertification?

11 MR. STAIHR: This is Brian with Embarq. Embarq would
12 say yes and yes, and would add one more thing, which is the ETC
13 should be required to identify which projects would be
14 completed in the absence of universal service funding and how
15 that list differs from the projects that will be completed that
16 are solely attributable to the receipt of universal service
17 funding, because that is the only way the Commission and the
18 staff can really know what the impact of the funding would be.

19 MR. CASEY: Thank you. Steve.

20 MR. MOWERY: Yes, just a couple of comments. One,
21 yes, as an ETC we should all be obligated to identify
22 specifically the projects we plan to do and to continue to
23 communicate with the Commission and the staff as to changes
24 that will occur no doubt during the year because of unforeseen
25 things and show what was completed or what was not completed.

1 And if not, what was done instead of that to prove exactly how
2 all the funds were used.

3 One thing I would recommend here, which many states
4 have gone to, and I don't have a list in front of me, but
5 rather than doing a five-year plan, many states have gone to a
6 two-year plan simply because nobody budgets five years into the
7 future with any level of detail at all. And so what you find
8 is it is generally pretty much a waste of the company's time to
9 try to put together a five-year plan, and pretty much a waste
10 of the Commission's time to try to review a five-year plan when
11 things change so much three or four or five years out.

12 And when you do a two-year plan you are always
13 looking out, and you have a chance to examine a year before you
14 are even into the second year to add another year after that,
15 so you are always looking ahead as to what's going to happen.
16 We don't do any internal budgeting five years out, and I doubt
17 if anybody else does anymore, either. And so many states have
18 gone to the two years just as more efficient and it still
19 provides everything the Commission would want to see to know
20 how those funds are being used in advance of the time that the
21 projects are built.

22 MR. CASEY: Thank you. Anyone else? All right.

23 How should the benefit be measured of adding plant in
24 a wire center using USF funds? Should it be more customers,
25 more handsets, better coverage, what do you think it should be?

1 How should it be measured?

2 MR. STAIHR: This is Brian with Embarq. And this
3 goes back to the increased customer choice. Obviously, an
4 expansion of coverage will produce that increased customer
5 choice, so that would be the number one. In terms of more
6 customers that would actually depend on a take rate. That is
7 little bit more wishy-washy, but clearly the better coverage
8 and the increased options for customers as a result of the
9 expansion of plant would be a good measure to use.

10 MR. CASEY: Okay. Anyone else? Tom.

11 MR. McCABE: I guess one of the things that would
12 be -- it would be difficult to measure, though, but, you know,
13 when you start looking at increased coverage, you know, is it
14 to enhance universal service or is it a competitive advantage?
15 You know, you can look at my service area. I've got Verizon,
16 Sprint Nextel, Cingular, and I don't know perhaps maybe
17 T-Mobile, Alltel. You know, this kind of differentiates
18 providers by them investing money into their network in order
19 to improve service quality. So I don't know that, you know,
20 just turning around and saying let's put out some universal
21 service dollars to somebody really is that clear of a
22 differentiator of the benefits, because it might happen whether
23 you provide universal service dollars or not.

24 MR. CASEY: Would anyone else like to comment on
25 that? Okay. What criteria should be used to determine if an

1 ETC is meeting the Lifeline and Link-up advertising
2 requirements?

3 MR. STIDHAM: This is Jim.

4 MR. CASEY: Okay.

5 MR. STIDHAM: Right now, the FCC is looking at the
6 question of what could be required for advertising of Lifeline
7 and Link-up, and the present requirement is that you do it. I
8 have been involved in several states where they're looking at
9 how to be more effective, or more efficient, or how they reach
10 more people, or what kind of impact does the advertising have.
11 And the problem is, is it is different for different states.
12 And, if you come out and say a specific requirement is you have
13 to do three newspaper ads, and a radio ad, and a bill message,
14 and it has got to be on three park benches, you may not have
15 accomplished anything, because that might not be how you are
16 going to get your Lifeline customers to be aware, or the
17 potential customers to be aware of Lifeline.

18 So, I think what my suggestion is, is kind of wait to
19 see what the FCC does on this. But, again, USAC is auditing
20 carriers and looking at what they are doing, so it is not a
21 complete absence of oversight out there.

22 MR. CASEY: The FCC is pretty general on it. They
23 say advertising should be throughout the service area for which
24 a designation is received using media of general distribution.
25 And is that a little too broad or should we narrow that down?

1 Okay. What criteria should be met if an ETC decides
2 it wishes to relinquish its ETC designation?

3 MR. STIDHAM: This is Jim again. I'm starting to
4 feel like I'm talking too much. I think that the answer is in
5 214(e)(4), which says that state commissions shall permit.
6 There isn't a question of what criteria. As long as there is
7 another ETC in the area, a carrier is allowed to relinquish its
8 status. It's not an option that a Commission would tell it you
9 can't.

10 MR. CASEY: But there is some criteria for doing
11 that, too, for the relinquishment in the federal rule, correct?

12 MR. STIDHAM: There has to be a carrier, an ETC in
13 the location, and there has to be a one-year time period
14 established that allows the other ETC the opportunity to build
15 or buy the network necessary to serve all customers.

16 MR. CASEY: Thank you.

17 Anyone else like to comment on that?

18 MS. SALAK: I would like to ask a question. During
19 that 12-month period, if it became evident that that designated
20 ETC could not provide service and couldn't afford to take over
21 the network or whatever, and we undesignated them, would that
22 moot your request to not be an ETC?

23 MR. STIDHAM: I think that one needs to be answered
24 by a lawyer.

25 MS. SALAK: Thank you.

1 MR. STIDHAM: I wasn't trying to dodge it. I'm not
2 sure what the answer is.

3 MS. SALAK: Any lawyer like to answer that question?

4 MR. McCABE: What the Holiday Inn Express folks?

5 SPEAKER: No.

6 MS. SALAK: That would be fine by me, but Mr. Wahlen
7 seems to want to answer it, too.

8 MR. WAHLEN: I don't know the answer to that.

9 MS. SALAK: Tom, would you like to try?

10 MR. McCABE: I'm just looking at it from a practical
11 standpoint. I mean, how I would view a situation in which --
12 and my company, we have no interest in giving up our ETC
13 status, but when I sit there and look like at what might get me
14 in that situation, it would be a situation in which the formula
15 in which I receive high cost support changes to the point that
16 I may not be receiving that today, or the same amount that's
17 making it impossible for me to continue to serve or be the
18 carrier of last resort.

19 Now, if there is not another ETC in my marketplace,
20 then I don't anticipate having those problems in the future.
21 But if there is somebody in there and I'm losing that level of
22 support, you know, that is where my problem comes in. So if
23 that one left, I wouldn't anticipate that I would have a need
24 to exit the market.

25 MR. STIDHAM: This is Jim. Let me provide two quick

1 thoughts, if I may. The first is, don't necessarily or maybe
2 we don't need to think about this as an entire study area.
3 Maybe it is a wire center where your next door neighbors come
4 over and overbuilt, okay, and they became an ETC because there
5 was support available. Once they're overbuilt, then everything
6 is taken care of, they may decide to exit as an ETC, but not
7 stop providing service. So you would have the obligation to
8 serve that wire center as a carrier of last resort, but you are
9 not getting any USF support because you don't have any
10 customers, or only one or two, but all of your plant costs and
11 everything that goes with it are still there.

12 MR. CASEY: Any follow-up comments or responses? All
13 right.

14 What are the differences in the requirements to be an
15 ETC versus the requirements of a carrier of last resort? This
16 is an interesting one.

17 MR. STAIHR: This is Brian. We'll actually be filing
18 some other stuff on this, but I think the most important one is
19 that ETCs can use resale to meet their obligations and
20 obviously carriers of last resort can't. And that's more than
21 just a little bit of a labeling thing, because when you use
22 resale you are avoiding the actual cost of serving high cost
23 areas almost as assuredly as if you were never there, since you
24 are reselling off of a retail discount.

25 So not only is that a fundamental difference in terms

1 of the requirements, but it is a fundamental difference in
2 terms of the obligations that should be involved in terms of
3 how long an ETC can rely on resale if it's supposedly receiving
4 support for serving high cost areas where it really isn't
5 incurring the cost.

6 MR. CASEY: Steve.

7 MR. MOWERY: One important point there, and it's not
8 Alltel's plan to use resale in any extensive basis, it would be
9 just in an emergency situation. But when a competitive ETC
10 uses resale, it receives no support for that, so the support is
11 received only for service provided over your own facilities.
12 So it's not like the carrier is going to receive support for
13 using resale, it just doesn't happen.

14 MR. CASEY: Anyone else?

15 MR. HATCH: Hey, Bob, this is Tracy Hatch with AT&T.

16 MR. CASEY: Yes, Tracy.

17 MR. HATCH: A couple of thoughts. I guess the first
18 big obvious difference is that while they look a lot the same
19 in terms of the definition of supported services and that sort
20 of thing, probably the single biggest difference between COLR
21 and ETC status is that COLR is -- first, COLR is only an
22 obligation of incumbents in Florida. There is no COLR
23 obligation on anybody else. Second, that COLR obligation is
24 very prescriptive in exactly what you must provide, and more
25 importantly it is at a prescribed capped rate. And so that is

1 a huge difference between COLR and ETC status.

2 MR. CASEY: Okay. Just from a person who is not a
3 lawyer, if COLR goes away now --

4 MR. HATCH: It has never stopped the staff before.

5 MR. CASEY: That's true. Now, if COLR goes away,
6 wouldn't the ETC obligations be the same?

7 MR. HATCH: Not necessarily. I mean, the COLR
8 obligations are different. If COLR went away, the ETC
9 obligations would still remain for those that are still
10 designated ETCs and getting ETC dollars and so forth. But
11 COLR, per se, if it went away, it just goes away and then you
12 have to figure out what are your obligations as an ETC, and
13 whatever your obligations were as a COLR have gone away with
14 it.

15 MS. SALAK: Tracy, you said that COLR is very
16 prescriptive. What did you mean by that?

17 MR. HATCH: It is prescriptive in the sense that you
18 have to provide service to anybody within your territory as a
19 basic local telecommunications service as defined by the
20 statute. That's prescriptive. And the ability to provide
21 services other than just that reside within ETC, so there is
22 more services available potentially under ETC that are not
23 available under COLR.

24 MS. SALAK: You made a comment about price caps. I
25 mean, say COLR goes away for the state, if you also offer basic

1 services those are going to be at your price-capped rate.

2 MR. HATCH: No question, but then you don't have a
3 COLR obligation. I don't have to go build-out to everybody in
4 the universe at a basic local telecommunications rate is the
5 point.

6 MS. SALAK: Well, if you are offering basic local
7 service to someone, COLR or not, you are still going to be
8 under price caps.

9 MR. HATCH: The question then becomes do I have to
10 offer basic local exchange service to everybody in my
11 territory, per se. That's what COLR is.

12 MS. SALAK: I thought you had to offer service, you
13 are just saying you can offer some kind of different service,
14 is that what you are saying?

15 MR. HATCH: Yes.

16 MR. CASEY: Any other comments? Tom.

17 MR. McCABE: A non-lawyer comment. I've got a
18 feeling Tracy is not going to like mine.

19 I don't know. I mean, I see my obligation as not
20 changing whether I'm COLR or universal service provider. Under
21 the Federal Act, universal service support is to ensure that
22 you have access to affordable rates. That's what the intent of
23 the high cost funds are for, which to me is no different than
24 the situation I have as a carrier of last resort. And this
25 Commission has the authority to ensure that I am providing

1 affordable rates under the universal service statute, so I
2 don't see that there is a big distinction.

3 I think the biggest -- I don't even think it is a
4 distinction. I think it is something that the Commission has
5 made in terms of what's reasonable. Under the Federal Act, I'm
6 only required to provide reasonable access, and I really think
7 that is the same as for the COLR. Now, it's a matter of how
8 you all interpret that, and I think that issue is going to be
9 decided in the hearing.

10 MR. CASEY: Okay. Thank you. Anyone else? Okay.
11 Here is a follow-up question.

12 The next one, do the responsibilities associated with
13 ETC designation differ from those afforded a COLR under state
14 law? And if so, what are the differences and similarities?

15 MR. STAIHR: This is Brian, and here you're getting
16 an economist answering what a lawyer should answer, but
17 obviously in terms of required new build-out in areas that fall
18 within your service territory, but are not currently built,
19 there is a big difference depending on how the ETC's designated
20 service area was defined. So, there is potentially a
21 significant difference.

22 MR. WAHLEN: This is Jeff Wahlen. I guess this is
23 another opportunity to say what I have already said before, and
24 that is this is the real question, is there a real difference
25 between the carrier of last resort and the ETC? Right now the

1 only ETCs in Florida are carrier of last resorts. Now the
2 question is are you going to open the door for others, and if
3 so under what terms and conditions.

4 I think, you know, Tom agrees that it would be nice
5 if the incumbent local exchange companies were suddenly free to
6 operate the same way wireless companies are, and that's a great
7 goal for us. But right now the carriers of last resort in
8 Florida are subject to a lot of requirements that some of the
9 other people at this table aren't.

10 And the ultimate purpose here is to provide universal
11 service, right now it is being done by the incumbent local
12 exchange companies. When you decide what the requirements are,
13 I think you can impose requirements as long as they are done on
14 a uniform, nondiscriminatory, competitively neutral way. And I
15 think at the end of the day there may not be a big difference
16 between the carrier of last resort and ETC if we have defined
17 this all correctly.

18 MR. CASEY: Steve.

19 MR. MOWERY: Hold on just a minute. Could the people
20 on the phone please mute your button, please. Thank you.

21 MR. CASEY: Go ahead.

22 MR. MOWERY: I spoke earlier about how I think these
23 are very similar and related the aid to construction issue with
24 the reasonable request issue, and I still stand by that. One
25 thing that keeps coming to mind, though, we hear that the ILECs

1 have a carrier of last resort responsibility, and that ETCs
2 have a responsibility to provide service in response to a
3 reasonable request. One thing that just continues to gnaw at
4 me a little bit is that the ILEC's carrier of last resort
5 responsibility isn't because they are ETCs. It's a remnant of
6 regulation that the ILECs have.

7 Now, I think practically we have done the same thing
8 with the six step process that the FCC put in place. It very
9 much so accomplishes the same thing. But the ILECs haven't
10 become carriers of last resort because they are ETCs. They
11 were carriers of last resort before there was such a thing as
12 an ETC. And so we have to look what is an ETC requirement and
13 what is a regulatory requirement. There may be differences
14 there, although I think in this case we have accomplished the
15 same thing through both sets of requirements.

16 MR. CASEY: Thank you, Steve. Anyone else like to
17 comment? Okay. Let's go on to the next one.

18 Should a company which is a reseller and who also
19 leases network elements be required to have a certain
20 percentage of customers served by the leasing of network
21 elements to meet the owned facilities requirement providing
22 service using their own facilities as defined by the FCC?

23 The FCC really doesn't define what percentage or
24 anything of customers need to be served by network elements.
25 So in reality, a competitive ETC could have one or two

1 customers served by network elements and 5,000 to resale. Any
2 comments? No comments. All right.

3 MR. WAHLEN: Well, I'll make a comment. I'm not sure
4 how it advances universal service to give somebody money to use
5 somebody else's facilities to provide service. Because if
6 there's facilities there, universal service is being provided.
7 So, I think there is kind of a basic question here about
8 whether you should ever use universal service money to get
9 somebody else's facilities.

10 MR. STIDHAM: This is Jim. I've got to kind of talk
11 about this theoretical as opposed necessarily preferences.
12 Because I think, first of all, it is important to remember that
13 a reseller doesn't get any universal service money, at least
14 not for the circuits that they are going to provide using
15 resale.

16 Now, I mean that from -- if they're an ETC. And
17 while, you know, opinions differ as to the appropriateness of
18 using resale, the FCC and Congress have said it's one of the
19 three methods of entering the market; there is resale, what was
20 UNEs, and there are true facilities. And an ETC is required to
21 provide service throughout using its own facilities or a
22 combination of its own facilities and resale. It doesn't say
23 you have to do 45 percent, 55 percent, one or the other, it
24 just says that you have to do it.

25 So as much as it bothers me that someone might have

1 one wholesale complete or resold UNE-P type circuit and
2 50 customers, or 100 customers that they are providing service
3 through resale, they are only eligible for support for one
4 line.

5 MR. CASEY: I believe the question was designed about
6 a carrier becoming an ETC in the first place. A 100 percent
7 reseller cannot be an ETC. So if they go out and get a
8 commercial agreement with an ILEC, they can provide it to one
9 customer and still meet the guidelines of the FCC and become an
10 ETC. Now, should the state go a little further and say, okay,
11 maybe 50 percent of your customers should be served by network
12 elements.

13 MR. STAIHR: This is Brian with Embarq. I mean, this
14 issue of resale is actually very complicated. And the claims
15 that you don't get USF for resold lines, while theoretically
16 they are true, in practice there are ways around that that do
17 happen. And beyond that, if an ILEC hasn't disaggregated its
18 support, you can use resale to meet your service obligation in
19 terms of serving an entire area and you will get support you
20 are not really entitled to because the support is being
21 distributed across all the lines in the area and you are only
22 incurring the cost of the lower cost lines.

23 This is a really complicated thing. Embarq will put
24 it in its comments, but it is a cute sound bite to say if you
25 do resale you don't get USF for that. It is a lot more

1 complicated than that, and so I just hate to leave that with
2 that simply being what we think we have in our minds here.

3 MR. MOWERY: And, Brian, thank you, I wasn't trying
4 to oversimplify, and there is all sorts of issues with this
5 from an economist perspective. I was trying to expand the
6 discussion a little bit other than what we had.

7 MR. STAIHR: I understand.

8 MR. McCABE: Bob, it would also seem to me that you
9 could look at the public interest determination in that type of
10 a situation, as well. I mean, perhaps you include that as a
11 factor in terms of, you know, is the resale just to meet
12 specific, you know, emergency types of situations. For
13 example, Alltel mentioned that they have no intention of doing
14 resale unless it was on an emergency basis. You might look at
15 that and say that sounds like a good deal, okay, we can live
16 with that. Another business model might be 50/50, and you may
17 come to the decision, no, we don't think that's worth -- that
18 meets a public interest criteria for getting universal service
19 support. Or perhaps it is going to be, but we will have that
20 50 percent built out within, you know, 18 months or something
21 of that nature. I would think you would perhaps factor those
22 items.

23 MR. CASEY: Okay. If a carrier comes in for ETC
24 designation strictly for the purpose of providing Lifeline and
25 Link-up, and they know in order to be an ETC you have to get

1 the network element thing and the commercial agreement, how
2 would you look at that if they come in just for Lifeline and
3 Link-Up? That gets back to our conversation earlier. Would it
4 be okay for an ETC just to provide Lifeline and Link-Up, or do
5 they have to provide all services. Any comments?

6 All right. We will go to the next one, then. What
7 percentage of wireless CETC support should go to new towers in
8 unserved areas? Come on, guys. I've got the wireless people
9 over here. You don't want to comment on that?

10 SPEAKER: Sure. It's not 100.

11 MR. McCABE: I didn't want to disagree with Steve.

12 MR. MOWERY: I knew what his answer was.

13 MR. CASEY: Hang on, Steve. Now, I remember that we
14 also got Verizon Wireless, a representative representing
15 Verizon Wireless and AT&T wireless here, too. I'm sorry. I
16 thought it was just these two.

17 SPEAKER: You have to look at it -- again, this is
18 going to be something you are going to have to look on it on a
19 case-by-case basis as to how much network is there today, what
20 are the needs of the area for improvements, can it be improved
21 by adding antennas to existing towers versus building new
22 towers. In some cases, you know, there may be a substantial
23 amount of money that needs to be devoted to new towers, and in
24 other cases it may not require that in order to expand the
25 service.

1 And as the penetration matures, much like in the
2 wireline world, a higher percentage will have to operations and
3 maintenance over time. Just as today, a high percentage in the
4 wireline world goes to operations and maintenance. So it is
5 one of those things that I think you have to look at the
6 existing state of the network, what the needs are for service
7 improvements and expansion of coverage. And in other states
8 where we sit down with the commission staffs as we work through
9 our build plans each year, and we talk about those very things
10 and come to agreement on what makes sense. And that's what we
11 would propose to do here, as well.

12 MR. CASEY: Thank you.

13 MR. MITUS: This is John Mitus. I would agree with
14 that. That is why we gave you a two or five-year service
15 improvement plan so the Commission or the staff can take a look
16 at it and see if we are using the money wisely.

17 MR. CASEY: Okay. Thank you. Any other comments?
18 Okay. Let's go on to the last one.

19 MR. MITUS: I do have one more comment.

20 MR. CASEY: Sure. Go ahead.

21 MR. MITUS: If we have a requirement that we have to
22 spend money a certain way, why don't the ILECs have a
23 requirement to spend money a certain way?

24 MR. CASEY: If you had a requirement. We don't have
25 a requirement now. We're trying to get ideas and input here

1 whether it should be.

2 MR. MITUS: Correct. Well, it should be
3 competitively neutral is my point here. If we get a
4 requirement that we have to spend a certain amount of money, it
5 should land on the ILECs, as well.

6 MR. McCABE: The only problem is --

7 MR. CASEY: James.

8 MR. WHITE: I mean, the whole purpose of that comment
9 in my mind is all we are asking for is a level playing field,
10 and there are no rules right now that says what's required when
11 we spend our money, but if you are going to enact a rule, I
12 think it ought to be enacted across the board. That's all we
13 are saying.

14 MR. CASEY: You agree with him now, though.

15 MR. WHITE: No, I don't agree with him.

16 MR. CASEY: He says the same requirement should apply
17 to ILECs as applies to wireless.

18 MR. WHITE: There isn't a requirement now for us is
19 what I'm saying.

20 MR. CASEY: Okay. Tom.

21 MR. McCABE: I don't know that we are necessarily
22 saying how it should be spent, although we do think that it
23 should be spent in the service area in which that -- in that
24 study area in which that support is received, which is exactly
25 how our USF support is calculated. Our USF support is based

1 on, first of all, it is a two-year lag in terms of the
2 investment that we made two years ago is what we get today,
3 unlike what we're dealing with for competitive ETCs. That's a
4 big difference.

5 MR. CASEY: Anyone else?

6 MR. STAIHR: Yes. This is Brian. Just in terms of
7 the competitive neutrality thing, you know, as soon as you can
8 identify what constitutes an unserved area for an ILEC, I guess
9 then the notion of being required to expand into that would
10 make some sense. But since we have ubiquitous coverage to
11 begin with, it's kind of a different place to start.

12 MR. CASEY: Okay. Thank you. Anyone else?

13 Let's go to the last one. What other issues need to
14 be addressed when considering ETC policy? Okay.

15 Step up to the microphone so we can get it on the
16 record. This is Mr. Lang from TracFone.

17 MR. LANG: Could I back up a moment? Your Question
18 24 you asked about the issue of resale, should a Lifeline
19 provider who is a reseller be required to have facilities. I
20 think the prohibition against pure resellers getting universal
21 service in the Act is due to the possibility of double recovery
22 of USF if, say, a competitive local exchange provider is
23 reselling the service of the facilities-based provider, then
24 presumably there is a USF subsidy built into what he is already
25 getting, so it would not make sense to give the CLEC an

1 additional USF subsidy. I think there is a rationale, and I
2 think that was in the '97 FCC order, explained that. But in
3 the case of a wireless reseller it is entirely different. We
4 buy service from most of the major wireless carriers in this
5 room. It's an arm's-length negotiation, and they do not
6 provide us any universal service subsidy in the minutes we buy
7 from them. So we have argued that that provision should not
8 apply, and we applied for forbearance with the FCC. The FCC
9 agreed with us that it should not apply, and that is why we did
10 win the forbearance petition. And this information will be
11 provided to the Commission with our ETC application.

12 MR. CASEY: Thank you. Anything else you believe
13 needs to be addressed when we are considering ETC policy? We
14 have got a lot of great ideas out there today, and we want to
15 hear every viewpoint. Both sides. Okay. I'm going to turn it
16 back over to Adam, who will tell you about post-workshop
17 comments.

18 MR. McCABE: Bob, one question.

19 MR. CASEY: Go ahead.

20 MR. McCABE: You know, one of the items that has
21 already come up, you know, we dealt with the AllTel ETC
22 application, that Lifeline was like the primary reason to grant
23 ETC status. And at this point in time we really don't have a
24 position as to whether or not you should be able to just get
25 ETC status for Lifeline. But I do question, you know, and

1 perhaps maybe wireless is different than wireline, but it seems
2 kind of crazy to have legislation that says that, you know,
3 rates are going to be X, and then to have resellers, wireline
4 resellers for that matter offering Lifeline service at a rate
5 of 39.99 when they can get that service from an incumbent local
6 exchange company for the tariffed rate, which ultimately comes
7 down to about \$4 when you apply the discounts.

8 So, it doesn't seem to make a lot of sense to grant
9 somebody ETC status for Lifeline that is charging a rate of
10 29.99, 39.99, or what have you. The whole idea is to kind of
11 protect low-income customers, and if that means that you have
12 to make choices for them to say what is available, it seems
13 maybe that is a good idea.

14 MR. CASEY: Okay. Thank you. Any other comments?

15 I will turn it over to Mr. Teitzman, then.

16 MR. TEITZMAN: All right. Bob, I may need some of
17 your input on this. As we discussed earlier, this meeting was
18 recorded and it will be transcribed, and the transcript will be
19 available in approximately two weeks. That's the date that I
20 have been given.

21 I know we had discussed August 31st as a possible
22 comment date, but in light of the transcripts not being
23 available for another two weeks, did we want to extend that?

24 MR. CASEY: I think it would benefit the parties if
25 they had the transcript before they wrote the comments. Does

1 everyone agree?

2 SPEAKER: Agreed.

3 MR. TEITZMAN: All right. With that in mind, we
4 will --

5 MR. CASEY: Hang on just a second.

6 (Pause.)

7 MR. TEITZMAN: All right. After much discussion, I
8 think we are going to go back to the 31st. But what we will do
9 is we will work with our court reporter to try to get those
10 transcripts earlier, if I have to type myself.

11 SPEAKER: That is December 31st, you're talking
12 about?

13 MR. TEITZMAN: August 31st.

14 MS. MASTERTON: Let me just say, though -- I mean,
15 that is not even two weeks from today. I mean, if you all
16 really want good full comprehensive responses you're not going
17 to get them in 11 days. You have got 26 questions here, some
18 of which could be pages on their own. So, I mean, we can do it
19 in 11 days, but I don't think you should expect to have
20 everything as complete as you might like in that short a period
21 of time.

22 MR. CASEY: Well, let's try for the 31st. We really
23 need to because there are some other factors involved.

24 MS. MASTERTON: I mean, that brings me to a question
25 that I have about where is this going. What's the plan here as

1 far as how you are going to -- is this rulemaking, is this an
2 order, what are you all looking towards?

3 MR. TEITZMAN: I think there is really no answer to
4 that question at this point. The purpose of this was to help
5 us determine what the next step for the Commission to take
6 should be, so this is really just information gathering. But
7 as far as whether or not we will go into a rulemaking or there
8 will be any other steps taken by the Commission, those are yet
9 to be determined.

10 MR. WAHLEN: But wherever we're going, we're in a
11 hurry?

12 MR. TEITZMAN: Apparently so.

13 MR. WAHLEN: I've got clients, too. I understand.

14 MR. TEITZMAN: All right. I believe that's
15 everything then, and we can thank everybody for their
16 preparation, and we will try to get those transcripts done as
17 quickly as possible.

18 Thank you.

19 MR. WAHLEN: Thank you very much.

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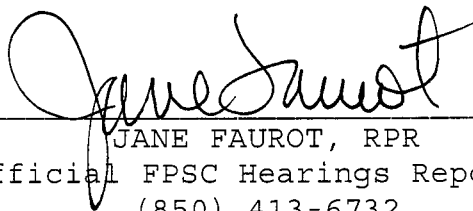
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