

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of

PETITION BY VERIZON FLORIDA, INC.
TO REFORM INTRASTATE NETWORK ACCESS
AND BASIC LOCAL TELECOMMUNICATIONS
RATES IN ACCORDANCE WITH SECTION
364.164, FLORIDA STATUTES.

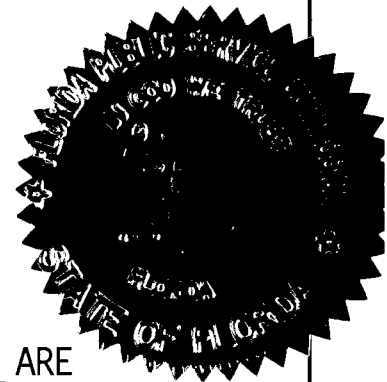
DOCKET NO. 030867-TL

PETITION BY SPRINT-FLORIDA,
INCORPORATED TO REDUCE INTRASTATE
SWITCHED NETWORK ACCESS RATES TO
INTERSTATE PARITY IN REVENUE-NEUTRAL
MANNER PURSUANT TO SECTION
364.164(1), FLORIDA STATUTES.

DOCKET NO. 030868-TL

PETITION FOR IMPLEMENTATION OF
SECTION 364.164, FLORIDA STATUTES,
BY REBALANCING RATES IN A
REVENUE-NEUTRAL MANNER THROUGH
DECREASES IN INTRASTATE SWITCHED
ACCESS CHARGES WITH OFFSETTING
RATE ADJUSTMENTS FOR BASIC SERVICES,
BY BELLSOUTH TELECOMMUNICATIONS, INC.

DOCKET NO. 030869-TL



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PROCEEDINGS: WEST PALM BEACH SERVICE HEARING
BEFORE: COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER RUDOLPH "RUDY" BRADLEY
DATE: Wednesday, October 29, 2003

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2 Concluded at 4:03 p.m.

3 PLACE: West Palm Beach City Commission Chambers
4 City Hall, 200 2nd Street
5 West Palm Beach, Florida

6 REPORTED BY: LINDA BOLES, RPR
7 Official FPSC Reporter
8 (850) 413-6734
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1 APPEARANCES:

2 H F. "RICK" MANN, ESQUIRE, Office of Public Counsel,
3 c/o The Florida Legislature, 111 West Madison Street, Room 812,
4 Tallahassee, Florida, 32399-1400, appearing on behalf of the
5 Office of Public Counsel.

6 MICHAEL B. TWOMEY, ESQUIRE, P.O. Box 5256,
7 Tallahassee, Florida 32314-5256, appearing on behalf of the
8 American Association of Retired Persons.

9 NANCY WHITE, ESQUIRE, and MARSHALL CRISER, III,
10 Vice President-Regulatory, BellSouth Telecommunications, Inc.,
11 c/o Ms. Nancy H. Sims, 150 South Monroe Street, Suite 400,
12 Tallahassee, 32301-1556, appearing on behalf of BellSouth
13 Telecommunications, Inc.

14 FELICIA BANKS, ESQUIRE, and PATRICIA CHRISTENSEN,
15 ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak
16 Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf
17 of Commission Staff.

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P R O C E E D I N G S

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2 COMMISSIONER BAEZ: Good afternoon. I will call this
3 hearing to order. Before we go ahead and read the notice, I
4 want to say a few words. I want to welcome you all here. It's
5 very important for us that you came out. We really do
6 appreciate it. My name is Braulio Baez. I'm a member of the
7 Public Service Commission. To my left is Commissioner Rudy
8 Bradley. We will be hearing your comments today on the
9 docketed matters as far as the petitions that have been filed
10 in this area by BellSouth.

11 (Discussion held off the record.)

12 COMMISSIONER BAEZ: As I was saying, this, this part
13 of the docketed process is very important to the Commission
14 because it is the time when the customers get to come up and,
15 and comment on, on the petitions. I'm sure you all know there
16 are certain rate increases that have been requested. So this
17 is your chance to, to come up and let the Commission know what
18 you think.

19 In a few minutes we're going to hear presentations
20 not just from BellSouth as petitioner, but from the Office of
21 Public Counsel. Mr. Mann is here representing the ratepayers
22 of the state. And also we have a brief slide presentation
23 that's going to be carried out by Ms. Banks, the staff counsel,
24 to try and better frame the issues for those of you that are
25 going to make comment today to understand exactly what --

1 comment on what kind of issues, what kinds of questions we are
2 trying to answer at the Commission. And to the extent that you
3 can direct your comments along those lines and in that context,
4 it will be of invaluable help to us as we consider this matter.

5 We're going to be -- those of you that have signed up
6 to, to give comments, we're going to be placing you under oath
7 in a little while. I don't want you to be intimidated by that.
8 It's just part of the process that we have to go through so
9 that we can get your comments on the record and ultimately be
10 able to consider those comments as we make our decision.

11 Before I move on, I want to call your attention -- I
12 believe we're using a yellow brochure today. You've
13 probably -- if you didn't pick one up outside when you signed
14 up, it looks like this. It says "Special Report" on the
15 outside. For those of you who didn't sign up to speak but
16 still want to make your comments known, I'll direct you to the
17 inside of the last page. There is a space where you can put
18 your name and address and make your comments in writing. And
19 you can either leave them outside at the table at which you
20 picked up the Special Report or you can fax them to us or mail
21 them to us, and they'll be placed on the correspondence side of
22 the file for the Commissioners to be able to read and access.

23 So as you can see, we're trying to be as flexible as
24 possible and try to create a level of comfort for everyone so
25 that they can let their ideas and let their thoughts be known

1 in any way they can.

2 Now I'll move on and have -- Ms. Banks, can you read
3 the notice, please.

4 MS. BANKS: Yes, Commissioner. Pursuant to the
5 notice issued October 8th, 2003, this time and place has been
6 set for a hearing in Docket Number 030867-TL, 030868-TL and
7 030869-TL, which are the petitions by Sprint, Verizon and
8 BellSouth to reduce intrastate switched access charges in a
9 revenue-neutral manner.

10 COMMISSIONER BAEZ: Thank you. Let's quickly take
11 appearances. Ms. White, Mr. Criser.

12 MR. CRISER: Marshall White -- Marshall Criser and
13 Nancy White representing BellSouth.

14 COMMISSIONER BAEZ: You want to be heard, don't you?

15 MR. MANN: I'm Rick Mann with the Office of Public
16 Counsel representing the citizens of the State of Florida.

17 MS. BANKS: And Felicia Banks on behalf of the
18 Commission. Here joining with me today is Ms. Patty
19 Christensen, and the gentleman outside who's been helping you
20 with materials is Mr. Dick Durbin.

21 COMMISSIONER BAEZ: Thank you, Ms. Banks.

22 Now quickly we're going to take opening comments. I
23 would urge you to be as brief as possible so that we can get to
24 public comment. But, Mr. Criser, you can begin as petitioner.

25 MR. CRISER: Thank you, Commissioner.

1 Good afternoon. Again, I'm Marshall Criser. I'm
2 here today representing BellSouth. As you may already know, on
3 September 30th BellSouth revised its proposal before the Public
4 Service Commission to reflect a decision that they had made.
5 What I'd like to do is just take a couple of minutes to
6 summarize the changes to our proposal for you.

7 Specifically, in our revised proposal we have asked
8 to reduce in-state toll access charges in three 12-month
9 increments instead of the two increments that we had previously
10 requested. These reductions will reduce the amount that
11 BellSouth charges to long-distance companies for in-state toll
12 calls to the amount that we charge them for calls made on an
13 interstate basis. These reductions will apply to calls that
14 you make on your home telephone, but they also apply to calls
15 that you may make for things like prepaid calling cards such as
16 Sam's Club cards, calls through 1-800 numbers or 10-10 numbers.

17 The implementation of our proposal would require the
18 long-distance companies to flow through or to reduce their
19 in-state toll charges by an amount equal to the amount of our
20 reductions. In addition to that, they would be required to
21 remove the in-state connection charge, which is on many
22 customers' bills in Florida, by the middle of 2006. By law,
23 the amount of these reductions would be verified and reported
24 to the Public Service Commission for their conference. If our
25 plan is approved, we propose to offset the reductions by

1 adjusting the charges for certain services. For example, on
2 business services we intend to simplify the rate for business
3 single-line service by reducing the current 12 rate groups that
4 we have in the State of Florida to three groups. We would make
5 that adjustment over two periods.

6 In addition to that, we have modified our previous
7 proposal to adjust the charge for residential basic service in
8 three-people increments -- or three 12-month increments, I
9 should say. Under our new proposal, the adjustment in
10 residential basic service would be approximately \$1.25 in 2004
11 and 2005, and approximately \$1 in 2006. However, in this
12 proposal we have continued our commitment to continue to
13 provide an exemption for Lifeline customers from these rate
14 rebalancings for the full four years that would have been
15 provided under the law for a four-year plan. We also plan to
16 adjust our nonrecurring charges over the three increments
17 similar to the period for residential basic service by
18 approximately 17 percent. Again, all of these adjustments are
19 subject to verification by the Public Service Commission to
20 ensure that they are revenue neutral to BellSouth.

21 BellSouth continues to pursue this effort because we
22 believe that competition and a strong economic foundation are
23 essential to the strength of Florida and to our Florida
24 customers. But we appreciate you taking the time today to
25 share your thoughts with us, and look forward to hearing your

1 comments. Thank you.

2 COMMISSIONER BAEZ: Thank you, Mr. Criser.

3 Mr. Mann.

4 MR. MANN: Good afternoon. My name is Rick Mann,
5 again. I'm with the Office of Public Counsel. And I also want
6 to express my appreciation for all of you individuals who have
7 come out here to, to voice your either concerns or approval of
8 the increases in your rates that are coming.

9 The Public Counsel's Office was set up as an
10 independent agency separate and apart from the Public Service
11 Commission to represent the customers of public utilities in
12 the state in matters that come before the Public Service
13 Commission.

14 In this particular case we represent the customers of
15 the three telephone companies who have filed petitions with the
16 Commission to rebalance their rates; that is, to lower the
17 access charges that they impose on long-distance companies for
18 your intrastate long-distance calls, and at the same time make
19 up the lost revenues from those decreases in access charges by
20 increasing basic residential and single-line business service.

21 As soon as the three companies filed in August of
22 this year, the Public Counsel quickly moved the Public Service
23 Commission to dismiss those petitions because they did not
24 comply with the legal requirements; that is, they wanted to
25 impose the entire rate increase that they sought in a single

1 year and a day over two increments, rather than the minimum two
2 years that the law required or a maximum of four years that
3 they could also select.

4 The Public Service Commission exercised its very
5 broad authority that the statute allows it in this case and
6 dismissed the three petitions. Of course, all three quickly
7 refiled and extended the time period, as Mr. Criser has
8 expressed to you. That will be now over three increments over
9 two years and a day.

10 The \$355.5 million in rate increases that these three
11 companies seek will be over that minimum two years rather than
12 four years, which is one of the problems that Public Counsel
13 has with that.

14 Now at the main technical hearing, Public Counsel, as
15 advocate for the customers of the utility, will cross-examine
16 the expert witnesses put on by the companies, we'll present our
17 own expert witnesses who will submit testimony and documentary
18 evidence. And we believe that with that evidence before the
19 Commission, the Commission will be called to again exercise the
20 broad authority that it has under this statute by rejecting the
21 rate increases in their entirety.

22 Again, thank you all for coming, and we look forward
23 to hearing from each of you.

24 COMMISSIONER BAEZ: Thank you, Mr. Mann.

25 Ms. Banks, if you'll indulge me for a moment. And,

1 ladies and gentlemen, if you'll indulge us up here for a
2 second, there, there is a Palm Beach delegation meeting and I
3 know that there's a couple of representatives, your
4 representatives here that had signed up to speak. And if it's
5 all right with everybody, I'd like to take them up first so
6 that we can get them back, back to their meeting.

7 First of all, let me acknowledge that Attorney
8 General Charlie Crist is here. And I guess, General Crist, if
9 you have some words that you want to say, now is the time, now
10 would be a good time to make your comments.

11 ATTORNEY GENERAL CRIST: Thank you very much,
12 Commissioner. I appreciate the opportunity. And
13 Representative Slosberg and Representative Domino, glad that
14 you gentlemen are here. Appreciate that very much. And all of
15 us appreciate you being here.

16 I want to thank the Commission for being in Palm
17 Beach County today. And this is an important piece of
18 legislation obviously; it affects and impacts the people of
19 Florida. And we at the Attorney General's Office felt it was
20 important to monitor the legislation. Obviously, it's supposed
21 to be revenue neutral, and we're all very hopeful that that
22 becomes, in fact, a reality. And that's why we're here is to
23 monitor the hearings and, frankly, to listen to the people like
24 Dorothy, who I just had a chance to meet outside. But that's
25 awfully important. And I know it's a lot of hard work for you

1 and you've had a lot of travels, and I appreciate your service.

2 Also to the people of Palm Beach County, I wanted to
3 introduce them to Jack Shreve, who recently has joined our
4 office. And we're grateful for his service, for being a long
5 advocate of consumers, and look forward to working with him.
6 And the meetings that I'm not able to make, fortunately he is.
7 And so we thank you, Commissioners, for your hard work, and we
8 look forward to hearing from the people that we have the honor
9 to serve. Thank you.

10 COMMISSIONER BAEZ: Thank you, General Crist. I have
11 Representative Slosberg. And a quick question. I see
12 Representative Brandenburg here, too. Okay. That works.

13 Welcome, Representative.

14 REPRESENTATIVE SLOSBERG: Welcome, Commissioners.
15 Thank you for coming to Palm Beach County and listening to the
16 people. Thank you for the good send-off, General Crist. I
17 appreciate the hard work you're doing.

18 I'm Representative Irv Slosberg. I represent parts
19 of Palm Beach County and parts of Broward County. And I
20 accepted campaign contributions from the telephone industry for
21 my reelection campaign. I voted against this bill raising our
22 telephone rates. I represent the people.

23 I feel that the Legislature has failed the people.
24 The Legislature should have taken a more positive role to
25 control these increases by regulating the phone companies, the

1 insurance industry, gas prices, pharmaceutical prices.
2 Unfortunately, because we didn't do the right thing, now it's
3 up to the Public Service Commission.

4 My district includes two Century Villages and one
5 King's Point. My average voter is 79 years old. My average
6 constituent is 68 years old. That includes three-year-olds. I
7 have the most senior district in the State of Florida, in the
8 United States and probably in the world.

9 I love representing the seniors and my community.
10 But besides the seniors, I represent regular working people. I
11 represent the teachers, I represent state workers. And the
12 state workers, the teachers, what did we get? We got a 2- or
13 3-percent increase in our cost of living? You know, when you
14 think about it, after they give senior citizens their 2-percent
15 increase for Social Security, well, they take it away because
16 they increase the price of Medicare. So where are we?
17 Nowhere.

18 Let me count the ways that the public is getting
19 financially buried. Our health care insurance, we know that's
20 doubled in the past years. Health care agency, home health
21 care, same story over there. Condominium insurance, well, that
22 doubled. Pharmaceutical companies doubled the cost of the
23 drugs in the last five to seven years. Gas companies, prices
24 are sky-high at the pumps. Medical insurance, our copayments,
25 same story there. And, you know, we're all talking about how

1 the cost of living is going up 1 or 2 percent. Not for us.

2 It's time for the state to stop big business from
3 price gouging. This is my second appearance before the PSC in
4 the last month, and hopefully you guys will do the right thing.
5 As most seniors -- as most people know, senior citizens, most
6 of them, they're on fixed incomes. Telephones are critical for
7 the senior citizens. I love representing them and I love
8 representing all of the citizens of the State of Florida. And
9 this is just a regressive tax from our phone companies rather
10 than from the government.

11 The phone companies' plan is to milk us for
12 \$651 million over a three-year period. The bill was passed
13 without consideration for the people who can least afford it.
14 The Legislature should have never put this critical price hike
15 in the PSC's hands. We should have done the right thing before
16 it got to the Public Service Commission. Now it's time for the
17 state to put its foot down. The phone companies claim
18 consumers are going to recoup the differences in the rate
19 increases through reduced in-state long-distance calls, which
20 means that -- many of my people are from, or our people are
21 from the New York area and they don't make calls to Orlando,
22 they don't make calls to Tampa. They make long-distance calls.
23 And besides, these kind of services are the least used
24 services. In reality, most Floridians can't utilize this kind
25 of offset. The phone companies know this; otherwise, there

1 would be no reason to raise one rate and lower the other one.

2 You know what this is like? This is like a reverse
3 Robin Hood. When did it become okay to take the money from the
4 poor and the senior citizens and the working class and give it
5 to the rich? This is a classic example of big business
6 becoming too greedy.

7 As a representative of the people, we are counting on
8 you guys up here to keep big business from picking their
9 pockets. These are services the average person cannot do
10 without, the telephone. And so what's happening is they're
11 being buried by expenses they can't afford. People cannot
12 afford another drastic increase, especially in a bad economy.

13 The Public Service Commission has the final say. You
14 guys have the final say on this rate hike. The public, as
15 defined by the American Heritage Dictionary, is "Connected with
16 or acting on behalf of the people, community or government."
17 Listen to that again. The American Heritage Dictionary says
18 about the word "public," it's "Connected with or acting on
19 behalf of the people, community or government."

20 We need the Public Service Commission to protect the
21 public. If the Commission fails to do so, I will do everything
22 within my power -- or if it's possible, I'll introduce new
23 legislation reversing it. I think that the people out there
24 need relief, and we're counting on the Public Service
25 Commission to help us out. Thank you.

1 COMMISSIONER BAEZ: Thank you, Representative
2 Slosberg.

3 Representative Brandenburg.

4 REPRESENTATIVE BRANDENBURG: Thank you, Commissioner.

5 I'm Representative Mary Brandenburg, and I represent
6 District 89, which includes West Palm Beach and ten other
7 municipalities. And let me begin, first of all, by thanking
8 you for travelling down here to listen to us in person. And
9 let me thank also the folks from West Palm Beach. We have
10 Officer John Leonard, we've got a couple of city employees here
11 in the room, and I appreciate their making this possible.

12 I want to tell you that I also strongly oppose large
13 increases over several years in the local phone bill rates.
14 Now the prevailing understanding in the Legislature was that
15 the local phone usage rate increases would result in reductions
16 in the long-distance rates for all Floridians. And I'm a
17 Floridian and I have family scattered around Florida and I make
18 in-state calls, so I understand, understand how that could
19 work.

20 I think that it is important that you limit any rate
21 increases to one increase for one year, and then see if that,
22 in fact, does bring down the long-distance rates. If the -- a
23 small increase in the local phone charges helps to bring
24 increased competition and it helps to bring smaller
25 long-distance bills, only then would it be appropriate to

1 consider additional increases to offset these losses. So until
2 then I ask that you consider holding the line and that any
3 increase be for one year only, that we have a look at how that
4 works out, and only if there is a benefit to the citizens in
5 the State of Florida, should we go ahead with this.

6 You know, the phone bill is a funny thing. I get my
7 own phone bills and I pay them every month, and there's a whole
8 string of charges on there. And one of those charges is a
9 federal excise tax that was designed to fund the
10 Spanish-American War. Now that war was over a way long time
11 ago. That tax is actually greater than the proposed increase
12 in the bill that's up before you today. So I would also ask
13 for your help in appealing to the Feds and reminding them that
14 the Spanish-American War is over. And if we took that charge
15 off our phone bill, then this minor addition here would be a
16 lot easier to stomach.

17 So, again, I thank you. Please help us in the
18 Legislature look out for the welfare of the individuals who
19 live in all of Florida. There are 133,000 people that live in
20 my district. Many of them, most of them probably have
21 telephones and are concerned about their monthly bills, as I am
22 concerned about mine. So any help you can give us all, I would
23 greatly appreciate. Thank you.

24 COMMISSIONER BAEZ: Thank you, Representative
25 Brandenburg. I'm glad you brought up the Spanish-American War

1 because, as a direct beneficiary, beneficiary of that war, I, I
2 feel I'm empowered to say it has been long enough. We hope we
3 can try and help you out there.

4 Mr. Twomey, I'm sorry you got here late. We're past,
5 we are past openings statements, but if you'd just like to
6 enter an appearance now.

7 MR. TWOMEY: Yes, sir, Mr. Chairman. I apologize for
8 running late, but I had a seriously late flight.

9 Ladies and gentlemen, I'm Mike Twomey appearing on
10 behalf of the AARP who has intervened in these three cases to
11 try and defeat all the rate increases on behalf of its
12 2.6 million members in the State of Florida. Thank you.

13 COMMISSIONER BAEZ: We'll show an appearance for
14 Mr. Twomey.

15 At this point, ladies and gentlemen, I'd like you --
16 I'd like to turn your attention to the slide show. It's very
17 brief -- I'm sorry. Sir?

18 REPRESENTATIVE DOMINO: I'm Representative Domino.

19 COMMISSIONER BAEZ: I am so sorry, Representative.
20 You can come up and give your comments. I didn't have the card
21 in front of me. My apologies.

22 REPRESENTATIVE DOMINO: Well, thank you. I know when
23 you undertake to sit next to Representative Slosberg, you're
24 probably never going to be listened to.

25 I am Representative Carl Domino, District 83, which

1 is the north part of Palm Beach County. And I, too, would
2 welcome you to our community and appreciate the undertakings
3 you have in your deliberations. It should be done within the
4 context of a rapidly changing industry.

5 Since the breakup of AT&T into BOCs and long-distance
6 companies and with the development of technology we've seen in
7 the long-distance front enormous technological change. We've
8 gone from a world where long-distance rates by cell phones have
9 come from the dollars per minutes to the pennies per minutes.
10 We've entered a world in which the University of Florida has
11 basically eliminated pay phones because each student there
12 tends to bring their own cell phone. We now have people moving
13 into residences and not installing phones simply because cell
14 phone technology is so inexpensive. And, and this required
15 billions of dollars by the major telecommunications companies.

16 It's now time to at least place into consideration
17 further increases in technology because the movement has just
18 begun. We're on the verge of a -- of voice over Internet
19 protocols; systems by which your voice will go into the phone,
20 be digitized, sent over many different lines, reassembled and
21 then come out the other end. This will be enormously
22 cost-savings technology.

23 We are on the wave of seeing massive not only voice
24 but visual, which will allow video on demand and massive
25 amounts of data which will allow many business and personal

1 benefits to develop.

2 But what do these developments require? Extreme
3 amounts of investments. And so as we turn to a need to provide
4 competition in local markets, I think your responsibilities are
5 insured (phonetic), that the pricing structure is such so that
6 the capital investment decisions are neutral and enhance
7 technology. As we've seen, technology over time does allow for
8 extreme benefits and cost efficiencies. Telecommunications is
9 now becoming a worldwide process. It is, it is hard to believe
10 that only ten years ago if you were in Europe, you had to call
11 down to the operator to make a phone call, they'd place it for
12 you, and your bill would be \$30, \$40. Now you can direct dial
13 and it's a few dollars.

14 I know it's difficult always to talk about increases,
15 but I would urge you to do so within the context of the
16 emerging technologies and the ultimate benefits to the consumer
17 that a fair, a fair price structure will create.

18 Thank you very much.

19 MR. TWOMEY: I have a question, if I may.

20 COMMISSIONER BAEZ: Keep it short, Mr. Twomey.

21 MR. TWOMEY: I've got a right to question the
22 witnesses, Mr. Chairman.

23 COMMISSIONER BAEZ: Mr. Twomey, I wouldn't want to
24 discuss the niceties of where we are in the process. I don't
25 think witnesses at this point have been sworn, but.

1 MR. TWOMEY: I'm sorry.

2 COMMISSIONER BAEZ: We're just having comments.

3 MR. TWOMEY: I'm sorry. I thought you had sworn the
4 witnesses. Thank you.

5 COMMISSIONER BAEZ: Does that end your question?

6 MR. TWOMEY: No, sir, it doesn't. The --
7 Representative Domino, if, if the Public Service Commission has
8 a choice of raising your constituents' rates by \$46.32 a year
9 or, in the alternative, can reject the increases and raise them
10 zero, is your preference that the rates go up \$46.32 a year?

11 REPRESENTATIVE DOMINO: I voted, and my position
12 simply here is as a policy we need to allow the rate structure
13 to be one that encourages the development and enhancement of
14 technologies, many of which in the long run will make the cost
15 of using the local telephone system more efficient and more
16 productive.

17 MR. TWOMEY: Thank you.

18 COMMISSIONER BAEZ: Thank you, Mr. Twomey.
19 Thank you, Representative.

20 REPRESENTATIVE DOMINO: Thank you.

21 COMMISSIONER BAEZ: Did any other elected officials
22 sign up to speak or are in the room and wish to speak? I don't
23 want to get caught with that one again. Thank you,
24 Representatives. Thank you all for being here.

25 Now, Ms. Banks, if you can quickly go through your

1 presentation.

2 Ladies and gentlemen, I would urge you to pay, pay
3 close attention to the explanation of how the, the standard
4 that we're reviewing these petitions under works so that you
5 can give -- it'll give you context for what your comments are
6 going to be. Thank you. Thank you, sir.

7 MS. BANKS: Okay. Thank you, Commissioner.

8 As has been stated previously, we are here to address
9 the petitions that were filed pursuant to 364.164 of the
10 Florida Statutes. The very purpose of this legislation is to
11 enhance competition and to address access charges.

12 As has been stated, there have been three separate
13 petitions filed by the three ILECs or local exchange companies:
14 Those are Sprint, Verizon and BellSouth.

15 Section 364.164 of the Florida Statutes is entitled,
16 "Competitive Market Enhancement," which states that a local
17 telephone company may decrease the rates charged to
18 long-distance companies for access to its network in a
19 revenue-neutral manner.

20 In considering these petitions, the Commission must
21 consider four criteria in reaching its decision on each
22 company's request. The PSC must consider whether saying yes to
23 the petition would remove current support for basic local
24 telecommunications services that prevents the creation of a
25 more attractive, competitive local exchange market of the

1 benefit of the residential consumers; whether it would induce
2 enhanced market entry; whether to require intrastate switched
3 network access rate reductions to parity over a period of not
4 less than two years or no more than four years. And parity
5 simply means that the access charges charged by the local
6 exchange companies are the same for the intrastate or
7 within-state calls as those charged for interstate calls or
8 calls made from state to state.

9 The reason that we are here today is to hear from
10 you. We would like to hear all of your comments. However, in
11 view of the specific criteria that the Legislature has
12 addressed or asked the PSC to address, we would particularly be
13 interested in hearing your comments regarding to what extent
14 there's competition in your local area for basic local
15 telephone services and what types of competition you would like
16 to see, your comments on the extent of competition that already
17 exists in your area, and whether you believe there are other
18 options available for you, your local telephone service, and
19 whether you would like more options or services than are
20 currently available to you and what types of services those
21 might be.

22 I just want to take a moment to just give you a brief
23 overview of the process itself in addressing these petitions.
24 The requests, as we indicated and as others have indicated,
25 there are three separate petitions that have been filed by the

1 local telephone exchange companies, those being BellSouth,
2 Sprint and Verizon. The process, as the statute requires, must
3 be complete within 90 days. The companies were allowed to
4 amend their petition and, because of that, the 90-day clock
5 will conclude around the end of December.

6 We're in the process now of conducting public
7 hearings around the state. The technical hearing for these
8 proceedings will actually take place in Tallahassee
9 December the 10th through the 12th. And during the technical
10 hearing companies will, companies and opposing parties will
11 present their evidence to litigate these issues, as has been
12 set forth in the statute.

13 For the technical hearing each party is responsible
14 for filing testimony, conducting depositions, attending the
15 prehearing conference which will be held in Tallahassee, and
16 putting on witnesses and conducting cross-examination.

17 Some of the parties that have intervened in this
18 process include the Office of the Public Counsel, and you heard
19 their presentation earlier, and the citizens of Florida --
20 representing the citizens of Florida, and also AARP, which is
21 the American Association of Retired Persons.

22 After the hearing, staff will prepare a
23 recommendation based on the testimony given at these hearings.
24 At that time no participation will be allowed from the utility
25 or the customer. That's why it's so important for you to make

1 your comments this evening. There will be a final vote and an
2 order, and thereafter any party that would like to seek review
3 of the decision may file with the Florida Supreme Court.

4 Again, we look forward to your comments, and that
5 concludes staff's presentation.

6 COMMISSIONER BAEZ: Thank you, Ms. Banks.

7 At this point I think, Mr. Mann, you can call your --
8 oh, let's swear in the witnesses.

9 All right. Would everybody that's signed up to give
10 testimony today please stand up and raise your right hand.

11 (Witnesses collectively sworn.)

12 COMMISSIONER BAEZ: Thank you.

13 Mr. Mann.

14 MR. MANN: Thank you, Commissioner. I don't know
15 that I've gotten all of the names up here, but if I don't,
16 we'll rectify that at the end of the list. And I will do my
17 best to pronounce everyone's name correctly or at least as
18 close to that as I can.

19 The first speaker is Mike Jones.

20 COMMISSIONER BAEZ: Mr. Jones.

21 MIKE JONES

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

24 DIRECT STATEMENT

25 MR. JONES: You got my name correct. My name is Mike

1 Jones. I'm a resident of Palm Beach County representing a
2 group, the Economic Council, which is a county-wide
3 organization: Leaders of business, primarily small, medium,
4 but some large businesses. And the mission of our organization
5 is to create an environment to help business prosper. And one
6 of the values that we strongly believe in is that, that the
7 free enterprise system represents the most beneficial
8 arrangement for maintaining a prosperous economy. None of our
9 members necessarily welcome increased costs for doing business.
10 On the other hand, the overriding concern is to promote
11 competition. And wherever there is an opportunity for
12 competition in the rates for long-distance or local service and
13 for customer choice, we believe those concerns should be the
14 predominant consideration for this group. Thank you very much.

15 COMMISSIONER BAEZ: Thank you, Mr. Jones. If you'll
16 just hold on a second. We've got to make sure that there are
17 no questions from the panel. Mr. Twomey.

18 CROSS EXAMINATION

19 BY MR. TWOMEY:

20 Q Mr. Jones, I'm Mike Twomey again from the AARP. I
21 want to ask you a few questions, if I may. First, is BellSouth
22 a member of your Economic Council?

23 A The BellSouth Companies, I think -- no, no company is
24 a member of my group. My group is made up of individuals,
25 private citizens who are personal members. They're not

1 corporate memberships.

2 Q Okay. Sir, to your knowledge are any BellSouth
3 executives or management members of your --

4 A I wouldn't call -- there is a representative that
5 works for BellSouth who is a personal member of the group, but
6 not a corporate executive.

7 Q Okay. You mentioned that your membership is
8 primarily small and medium businesses.

9 A Yes.

10 Q Are any of those businesses single-line business
11 customers to your knowledge?

12 A I would not have knowledge across the board as to the
13 extent of the services. I mean, they run the gamut from
14 individuals who operate their businesses out of their home as
15 consultants all the way up to some of the largest corporations
16 in Palm Beach County.

17 Q Okay. Do you recognize or have you been made aware
18 that these rate increases, if they're granted by the Public
19 Service Commission, will only be applicable to single-line
20 business customers and residents?

21 A I would confess to you that I'm not a student of this
22 rate case and all these intricacies. But fundamentally I am
23 familiar with the concept that, and it has been represented to
24 me that this is supposed to be revenue neutral and that it's
25 supposed to help eliminate any cross subsidies. And

1 particularly I would be concerned if their current rate
2 structure causes the small or any business customer to be
3 subsidizing the cost of service for other customers.

4 So we, we basically believe that the market should
5 prevail and you should pay the cost of whatever that real
6 service is and not create artificial barriers or arbitrary
7 rates.

8 Q Yes, sir. But do you know for a fact that, that
9 business customers are subsidizing anybody, or is that just
10 something you've been told?

11 A It is my general belief that under a regulated
12 system, for a long time business in many respects, taxes and
13 other services, public services, businesses tend to carry a
14 great share of the cost of providing for public services and
15 government.

16 Q Yes, sir. Now one last question that I asked
17 Representative Domino. Is it your recommendation, excuse me,
18 your recommendation to this Public Service Commission that if
19 they have a choice of not granting any rate increases at all
20 for anybody, residential, single-line business or multiline who
21 are not included, granting zero rate increases or granting rate
22 increases that will cost residents this \$46.32 more a year,
23 your recommendation is to go with the rate increases?

24 A Well, sir, you know, that presumes that I know all
25 the choices and that those are the only choices. I'm here to

1 say today that we believe in the free market, free enterprise
2 system. Let the market prevail, let customers choose, and let
3 the customer decide what they're willing to pay for that
4 service, whether it's long distance or local.

5 Q Thank you, sir.

6 COMMISSIONER BAEZ: Thank you, Mr. Jones.

7 Mr. Mann.

8 MR. MANN: Yes. The next speaker is Bob Sears.

9 BOB SEARS

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

12 DIRECT STATEMENT

13 MR. SEARS: Good afternoon, and welcome to Palm Beach
14 County. Thanks for taking the time to come down and meet with
15 us.

16 I'd like to talk just generally, probably a pretty
17 good follow-up to the cross subsidy issue that was just raised.
18 I want to talk generally. I'm not into the intricacies of
19 these particular petitions and so forth. But with respect
20 to -- I've just written a lengthy white paper to Public
21 Counsel's Office, and I'll provide you a copy to the FPSC
22 today.

23 But basically on cross subsidies, if you look at FPL
24 Group, FPL, and you go to their SEC-10Q report for March 31st,
25 2003, you're going to find that you have holding companies.

1 And this applies not only to electric companies, but also to
2 the telephone companies. So up here at the very top you have
3 FPL Group. Let's say over on this side you have FPL, and then
4 over on this side you have FPL Group Capital. FPL Group
5 Capital is the subsidiary that provides the funding to all the
6 nonutility companies. There's a financial guarantee that runs
7 from FPL Group to the nonutility funding company. There is no
8 financial guarantee running from FPL, FPL Group.

9 If you then look at the amount of common equity
10 that's within FPL, it is now 68 percent as of March 31st, 2003.
11 Over on their nonutility business, which is a higher risk
12 business than a regulated utility, they have 24 percent common
13 equity. If you're good with a calculator and can work through
14 the SEC financial report, you can break apart and see that
15 there is a massive subsidy going on between the ratepayers
16 paying for the cost of capital being 68 percent common equity
17 to support FPL Group Capital's nonutility businesses.

18 So when I hear people, businesspeople talk about
19 concerns about cross subsidies, I say to you folks, you are
20 creating some massive cross subsidies. If you do the math, and
21 let's say you earned a 12-percent return on common equity, and
22 you backed out from 68 percent to a 50-percent common equity
23 ratio, you would have \$1,000,000,410 -- I'm sorry,
24 \$1,000,000,415 of excess equity. That translates into a
25 revenue requirement that we're paying as customers of

1 \$170 million a year here in the State of Florida. If you look
2 at it for over ten years period of time, that, I would submit
3 to you, folks, is a \$1 to \$2 billion of cross subsidy going on
4 here in the State of Florida.

5 And I'm a businessman and I'm a former executive of
6 FPL, FPL Group. I've testified before the FPSC, FERC, Georgia
7 Commissions I've worked with, and I've done a lot of
8 international project finance work. And I really -- I have to
9 believe that it's ignorance more than anything else. I just
10 can't believe that anybody, you know, with knowledge is saying
11 this is the way we ought to be running our utility companies.
12 So that's one issue.

13 Then moving from that, you probably recall
14 \$62 million of bonuses paid to five inner circle executives at
15 the parent company level that were charged down to the utility
16 for the most part. At the time when the Palm Beach Post
17 reported on this, Commissioner Jacobs made the comments, and
18 I'll read it to you, it says, "The whole situation is unusual,
19 said PSC Chairman Leon Jacob, who does not plan to hold any
20 hearings on the issue. As long as we know it didn't go through
21 the rates, I don't think there's any more scrutiny we can do."

22 I'm telling you folks, if you know anything about
23 regulation, O&M expenses are part of what these folks are
24 paying for in their base rates. And so to simply say we can't
25 look at this and we don't care how much charges are coming down

1 from the top of these holding companies for cross subsidizing
2 from nonutility businesses into the utilities -- to me you
3 can't go on auto pilot and simply not look at the charges that
4 are going into these businesses. And I don't want to take up
5 too much time today, and I'll provide you with a copy of this
6 report. It goes into a lot more depth than this. It'll show
7 you many of the techniques used by the utilities on forecasts
8 and how you can manipulate the forecasts that you folks look
9 at. But I believe you really need to take a hard look and do
10 some soul-searching about the fairness of what's going on here
11 in Florida; not only for just the consumers, but for
12 businesses. I mean, I am a business owner and I'm paying these
13 charges. I don't understand why the Legislature is thinking
14 that they're looking out for my interests by removing supposed
15 subsidies. So, anyway, that's, you know, pretty much what I
16 have to say.

17 The only other comment I would make, I was a
18 BellSouth customer for 30 years, and I moved to Supra Telecom
19 simply because of your high charges. And what, what you look
20 at is happening is you're unbundling your services. Everything
21 is becoming another add-on service that really is providing
22 very high returns to your company when you add up all these
23 individual services. And in today's environment when -- back
24 in 1980 we were happy to get a 14- to 16-percent return on
25 equity, and in that environment we were looking at interest

1 rates of 14 percent. Today we've got interest rates -- FPL
2 just financed their 30-year bonds at 7 percent, and we've got
3 these lofty ROEs that were being provided by the Commission
4 that are far in excess of what's needed in this marketplace and
5 that what investors are demanding in the marketplace. So in
6 many senses I think what you're doing is you're creating an
7 environment where abuses actually take place because of the
8 regulation. Thank you for your time.

9 MR. TWOMEY: Mr. Chairman.

10 COMMISSIONER BAEZ: Mr. Twomey.

11 CROSS EXAMINATION

12 BY MR. TWOMEY:

13 Q Thank you, sir. Mr. Sears, you've been made to
14 understand that these rate increases are designed or intended
15 to increase competition?

16 A I understand that.

17 Q Okay. And yet I think I just heard you testify that
18 you're taking basic level service from a competitor of
19 BellSouth.

20 A That's correct.

21 Q So there, there is, in fact, competition available to
22 you right now.

23 A There is. But I would also suggest that you take a
24 look at all the problems that Supra Telecom and BellSouth has
25 had with the numerous disputes over charges as to what is,

1 quote, fair rates. Because, again, you know, they -- BellSouth
2 is trying to impose more and more costs on the competition, and
3 I think that's a problem.

4 Q Yes, sir. Now did you say you're paying more or less
5 for the Supra?

6 A I'm paying less.

7 Q Okay.

8 A And I would estimate roughly 20 to 30 percent.

9 Q That being the case, Mr. Sears, does it make any
10 sense to you at all that the existing customers of BellSouth
11 should have to pay in excess of \$46 more a year, or from 37 to
12 51 percent more per year in order to bring in more competition?

13 A I don't know that I can honestly answer that
14 question. I don't know enough of the details as to -- I
15 haven't looked at their, their costs and also, you know, I
16 would be speculating, and I really don't want to do that. I
17 mean, on the surface it seems to me that BellSouth makes a
18 hefty profit. Okay? But whether -- you know, I just don't
19 know enough details to say yes or no, whether \$46.32 or
20 whatever the number was is correct.

21 Q Let me ask you this way then. As a businessman, does
22 it make any sense to you to have to purchase competition when
23 the standard model is, is that competition is supposed to
24 reduce prices and increase choices? Does it make sense to
25 increase prices in order to strive for competition?

1 A No, I don't think so. And I think one of the
2 fallacies that goes on in the utility business is unlike the
3 technology businesses, which have shown considerable declining
4 prices, there's this attitude that utilities, once they're
5 locked into certain prices, that prices can no longer fall.
6 And yet we have seen substantial declines in inflation,
7 substantial declines in interest rates, and yet businesses
8 don't want to give up what they've already got as their pricing
9 structure.

10 And for BellSouth, it's my view, you're making a big
11 mistake. Because other -- you know, you send me almost every
12 couple of months a \$70 certificate to come back as a customer.
13 You know, if more and more people knew that this option was
14 available, you'll be spending more \$70 out there trying to get
15 them back as customers. It doesn't make sense to me. But, you
16 know, you're all running the business.

17 COMMISSIONER BAEZ: Thank you, Mr. Sears.

18 Mr. Mann, call your next witness.

19 MR. MANN: The next witness is Beth Anne Algie.

20 BETH ANNE ALGIE

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

23 DIRECT STATEMENT

24 MS. ALGIE: Hello. My name is Beth Anne Algie. I'm
25 from Jupiter, Florida. I'm a citizen. I heartily protest the

1 rate increases from BellSouth. Communication accessibility is
2 vital to personal safety. Competence is cost-effective.
3 Competence is cost-effective.

4 It doesn't take -- I'm a typical average citizen.
5 I'm not unique in any way. I will then assume that my
6 experiences with BellSouth are not unique in any way. It
7 doesn't take an industrial engineer to know that tasks
8 performed -- excuse me, I'm a little nervous -- in one step are
9 less costly than tasks performed in 40 steps.

10 And it has been my experience in 27 years to
11 constantly have to go through every avenue within BellSouth,
12 call Atlanta and then call the Public Service Commission to get
13 each and every mundane task that I need from BellSouth.
14 Earlier this year it took me months of paying for services from
15 BellSouth that I was not getting. It took months and many
16 man-hours of BellSouth because of lack of competence.

17 Almost all my friends and colleagues tell me that
18 they don't know about the Public Service Commission or they,
19 too, would have been frequent fliers like me. The Public
20 Service Commission does not entertain frivolous complaints.
21 They validate each one, and I thank you for that. And then
22 only if they deem it a valid concern do they assign it a case
23 number. There are many case numbers under my name because they
24 have all been necessary. And in my 27 years in Florida I have
25 been on many state boards and councils advocating for the

1 elderly and for those people that cannot advocate for
2 themselves. I am a typical citizen in Florida.

3 We do not reward this lack of competence with money.
4 We don't do it. That's not what we as a community does. I
5 have seen only my view, but I have seen perfect consistency in
6 BellSouth with a lack of competence. If they could reduce
7 their labor costs by actually just being competent, I would see
8 that in every interaction with me they would reduce it by at
9 least 30 times, about 3,000 percent.

10 We are all in this community together. We all serve
11 each other in our own individual ways. We are called to do our
12 best to make this community and our nation the best it can be
13 and for it to work. Yet if my colleagues and I practiced with
14 this level of demonstrated incompetence, we would not be
15 rewarded with financial increases. No. My ICU nurse
16 colleagues and I would be fired, sued and our licenses revoked.
17 We wouldn't get rewards. We would get punishment; we would get
18 deserved punishment. And, please, no double standards. Hold
19 BellSouth to the community standards that they require, no,
20 that they demand of me and my colleagues and all their fellow
21 citizens.

22 The issue is they must increase their, increase their
23 competence and productivity, not their rewards. And I believe
24 if their competence would be increased, there would be money,
25 there would be revenues to decrease charges across the board

1 for every service. That is how much incompetence I have
2 witnessed in 27 years of being a BellSouth customer.

3 What happens when a citizen uses their last chance,
4 their end of the rope, their taxpayer citizen right to public
5 service assistance when they call their Public Service
6 Commission for the assistance that they need? They receive,
7 and here is my copy, an intimidation, a threat from the bully.
8 You tell on me and I'll get you. You call the Public Service
9 Commission one more time on us and we'll turn off your phone.
10 And most of the elderly or the people that can't advocate would
11 be threatened, would be intimidated by this letter that I got
12 from BellSouth. Yep, it's right here. Bullies make our
13 schoolyards unsafe, and we have been seeing that more and more
14 in our nation. And child bullies grow up and make our nation
15 unsafe.

16 Communication is essential; it's vital to personal
17 security and national security. We cannot reward or even
18 tolerate bullies nor incompetence. I say no to rewarding
19 BellSouth. Thank you.

20 COMMISSIONER BAEZ: Ms. Algie, could you hold on just
21 one second. Thank you for your comments.

22 Mr. Twomey, you have a question?

23 MR. TWOMEY: Thank you, Mr. Chairman. First, Mr.
24 Chairman, I'd like to ask first if she's willing to supply us
25 with a copy of that letter, if we could have it entered into

1 the record since she referred to it.

2 COMMISSIONER BAEZ: Do you have copies here with you,
3 Ms. Algie?

4 MS. ALGIE: Yes, I have copies. Yes.

5 COMMISSIONER BAEZ: Okay. What I'm going to need you
6 to do is provide -- I hope you've got enough copies for every
7 one of the parties at least, but certainly most importantly one
8 for the court reporter, because she's taking exhibits.

9 MS. ALGIE: Yes, I do.

10 COMMISSIONER BAEZ: All right. Mr. Twomey, ask your
11 question.

12 MR. TWOMEY: Thank you, Mr. Chairman.

13 CROSS EXAMINATION

14 BY MR. TWOMEY:

15 Q Yes, ma'am. You spoke at length about the, the
16 quality of service issues that you're experiencing with
17 BellSouth. And I want to ask you, are you aware that if --
18 first of all, are you aware that the Public Service Commission
19 has the ability to investigate these, these complaints of yours
20 and others because they have what's called quality of service
21 jurisdiction?

22 A They have been instrumental in resolving every issue
23 I've had with BellSouth. I thank them very much.

24 Q Okay. Now I want to ask you, are you aware that if
25 the Public Service Commission grants these requested rate

1 increases, that within as little as two years BellSouth
2 unilaterally will be able to take away from the Public Service
3 Commission the ability to control and supervise quality of
4 service issues?

5 A Please don't let that happen.

6 Q Are you aware of that?

7 A No, I was not.

8 Q And are you aware that if, if the Commission denies
9 the rate increases, that quality of service jurisdiction will
10 be maintained 100 percent?

11 A I really believe that we really need the Public
12 Service Commission as an oversight. Communication is vital to
13 all the citizens of Florida, especially those in need, that
14 need to call for help.

15 Q And, lastly, would I be correct in assuming that your
16 preference to this Commission and the other three Commissioners
17 would be that they have two choices: One, to reject the rate
18 increases out of hand, give them nothing; or to increase your
19 rates by \$46.32 a year plus the additional taxes and fees that
20 go with that? Would I be right?

21 A My last statement was, please, do not allow these
22 rate increases.

23 Q Thank you very much.

24 A I don't think they're necessary. I think competence
25 will produce the revenues necessary to increase the technology

1 that Representative Domino spoke about and to give all the
2 services and to give rate decreases to everybody. I believe
3 it.

4 Q Thank you.

5 A Thank you.

6 COMMISSIONER BAEZ: Thank you, Ms. Algie. If you can
7 provide us with a copy of the letter.

8 And, Mr. Sears, do you have extra copies of your
9 paper? And I guess the question should be put to you as well,
10 what is your intention with, with the white paper as you're --

11 MR. SEARS: To educate you all.

12 COMMISSIONER BAEZ: Is it, is it your intention to
13 have it entered into the record?

14 MR. SEARS: That would be fine.

15 COMMISSIONER BAEZ: Okay. Then I'm going to need you
16 to provide me --

17 MR. SEARS: How many do you need, sir?

18 COMMISSIONER BAEZ: I think I need about four copies,
19 if you have them.

20 Ms. Banks, we're going to go ahead and mark the white
21 paper Exhibit 1 for today.

22 MS. BANKS: That actually would be Exhibit Number 2.

23 COMMISSIONER BAEZ: Commission Exhibit 2, isn't it?

24 MS. BANKS: Yes.

25 COMMISSIONER BAEZ: We took an exhibit in.

1 St. Petersburg. Thank you. Thank you. That will be the white
2 paper provided by Mr. Sears. If you could pass those down, and
3 make sure you get one for Linda. Thank you.

4 (Exhibit 2 marked for identification.)

5 And, Ms. Algie, we're going to wait -- well, you can
6 just provide us when, when you're ready.

7 MS. ALGIE: Okay.

8 COMMISSIONER BAEZ: And when Ms. Algie provides her
9 letter, Ms. Banks, we'll mark that as Exhibit 3.

10 MS. BANKS: Okay.

11 (Exhibit 3 marked for identification.)

12 MR. MANN: The next witness, Commissioner, is Bill
13 Wood.

14 BILL WOOD

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

17 DIRECT STATEMENT

18 MR. WOOD: Good afternoon, Commissioners, and to the
19 rest of the panel. My name is Bill Wood. I'm the president
20 and CEO of the Greater Delray Beach Chamber of Commerce. Just
21 a couple of comments.

22 The use of restrictive regulations, no matter the
23 industry, has always had mixed reviews depending upon whose ox
24 was being boarded.

25 The Tele-Competition, Innovation and Infrastructure

1 Enhancement Act of 2003 is a great step forward in reducing the
2 current regulations keeping home basic phone rates artificially
3 low and which have been subsidized by artificially high
4 intrastate long distance charges. Ending these mandated
5 restrictions and cross subsidies will allow the free market to
6 determine the appropriate prices, and this is really the crux
7 of the issue. Who regulates prices more efficiently, market
8 competition or the government?

9 It's no secret that deregulation of phone services
10 will actually assist small business, and I'm an advocate for
11 that. But it's also true this deregulation will result in
12 increases in basic home and small business single-line phone
13 rates. These phone rates, however, will also be partially
14 offset by decreased intrastate long-distance charges. But,
15 even better, the legislation requires enhanced market entry.
16 That means local phone companies will have a greater ability to
17 compete in the marketplace, which will surely lower home basic
18 phone rates.

19 This has all the right elements: Increased
20 competition in the local phone markets, it requires
21 long-distance companies to pass along the savings from reduced
22 access charges, improves overall service through competition.
23 In fact, the Enhancement Act of 2003 may well move us the
24 closest yet to what was originally intended when the
25 U.S. Department of Justice by agreement with AT&T broke up

1 AT&T's Bell system in 1984. So the Greater Delray Beach
2 Chamber of Commerce respectfully requests your implementation
3 of Florida's Tele-Competition, Innovation and Infrastructure
4 Enhancement Act, and I thank you.

5 COMMISSIONER BAEZ: Thank you, Mr. Wood.

6 Mr. Twomey.

7 MR. TWOMEY: Yes, sir, Mr. Chairman. Thank you.

8 CROSS EXAMINATION

9 BY MR. TWOMEY:

10 Q Good afternoon, Mr. Wood. Let me ask you first, is
11 BellSouth a member of your chamber?

12 A Yes, sir. We have almost 1,100 members. They are
13 one of those 1,100.

14 Q Okay. The -- of your 1,100 members, what percentage,
15 if you know or would take a stab at it, do you think would be
16 single-line business customers and which percentage, the
17 remainder, would be multiline business?

18 A I'd take a stab and say between the home-based
19 businesses and really small businesses, probably in the
20 vicinity of 10 percent.

21 Q And the remainder, multiline?

22 A Would probably be multiline.

23 Q And are you aware, sir, that these rate increases are
24 not intended to raise the rates of multiline business at all?

25 A Yes, sir, I am.

1 Q Okay. Do your, your members that are 90 percent that
2 are the multiline that will receive no rate increases, do you
3 suspect that they are the type that would make frequent use of
4 in-state toll calls?

5 A Absolutely, yeah.

6 Q And I would assume then -- would I be correct in
7 assuming that you have an expectation that when the in-state
8 toll rates are lowered dollar for dollar for the rate
9 increases, that your members will become beneficiaries of that?

10 A Yeah, and I said that.

11 Q The -- but notwithstanding that, I thought I heard
12 you say, and correct me if I'm wrong, that the local rate
13 increases would be offset by the reduction in-state, or did you
14 say that?

15 A I did say that basic home rates would be offset by,
16 by intrastate, lowering of intrastate calls.

17 Q Okay. Would you agree with me, Mr. Wood, that it
18 would be desirable to know how much the in-state toll rates are
19 going to go down in order to be able to calculate whether
20 you're going to save anything at all or how much you're going
21 to be able to save?

22 A I would assume that we would need to know that
23 number. Yeah.

24 Q Okay. Would, would -- are you aware that there's no
25 such data in these cases?

1 A No.

2 Q Thank you very much.

3 A Thank you.

4 COMMISSIONER BAEZ: Thank you, Mr. Wood.

5 Mr. Mann.

6 MR. MANN: The next witness is Peter Arts.

7 PETER ARTS

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

10 DIRECT STATEMENT

11 MR. ARTS: Good afternoon, Commissioners. My name is
12 Peter Arts. I'm a resident of Palm Beach County, and I
13 strongly support the proposal before you. As a champion of
14 free enterprise in the private sector itself, I personally
15 believe that less regulation and more competition fosters a
16 better environment for the consumer, which is me.

17 A good example of this is something that I just paid
18 this morning, which is my cell phone bill. It is exponentially
19 less than it was five years ago. I think that is due to
20 competition.

21 Thanks to the Legislature and the Lifeline recipient
22 programs, the truly needy are going to continue to be
23 protected. I believe that the statute has expanded the limits
24 for the Lifeline and linkup phone subsidy programs, making even
25 more economically disadvantaged customers eligible to receive

1 assistance with their phone bills. So as was said earlier, as
2 a regular working person, I urge you to support this
3 legislation and do the right thing. Thank you.

4 COMMISSIONER BAEZ: Thank you, Mr. Arts.

5 MR. TWOMEY: Mr. Chairman, a question.

6 CROSS EXAMINATION

7 BY MR. TWOMEY:

8 Q Yes, sir, Mr. Arts. You spoke in favorable terms of
9 the Lifeline expanded eligibility. And let me ask you in that
10 regard, are you aware of the fact that the expanded Lifeline
11 eligibility is, is locked in because of the passage of the law
12 without regard to whether there are any rate increases granted?

13 A You're telling me that. I don't know that to be the
14 case, sir. No.

15 Q I won't -- okay. I'm asking whether you knew that or
16 not?

17 A You're telling me that, and if --

18 Q The -- are you aware that the Lifeline recipients
19 will be exposed to and have to pay the rate increases, the same
20 rate increases that the companies are trying to impose upon the
21 rest of their customers at the end of at least two, perhaps as
22 long as four years, and that additionally there is no other
23 source of assistance earmarked to help them offset those
24 increases? Did you know that?

25 A Again, you're telling me that, too. And, no, I did

1 not know that.

2 Q Okay. The, the -- do you have a landline?

3 A Yes, I do.

4 Q Okay. Is BellSouth your, your provider?

5 A Yes, they are.

6 Q Okay. The -- and it's your testimony, as I
7 understand it, that your faith in the, the, the, the
8 competitive free enterprise system as it applies to telephone
9 companies is that you're willing to have your rates go up
10 over \$46 a year because you believe at some point they'll come
11 down more than \$46?

12 A I don't believe that those are the only two
13 alternatives. I believe that the legislation that was proposed
14 and put forward and passed by the Legislature is right. I
15 believe that as a businessperson that I will benefit also. And
16 I believe that, as Mr. Wood, I believe, said earlier, that the
17 businesspeople have been subsidizing a lot of these rates for a
18 long time.

19 Q Do you, do you individually know for a fact that
20 there's any subsidies, or do you just know that, believe it
21 because you've been told it?

22 A I believe it because I see the difference in rates
23 from garbage to power to occupational licenses that are spread
24 over businesses that allow residential opportunities to, to be
25 lower in those areas.

1 Q Thank you.

2 A Uh-huh.

3 COMMISSIONER BAEZ: Thank you, Mr. Arts.

4 Mr. Mann.

5 MR. MANN: The next witness is Gerard Schlight.

6 GERARD SCHLIGHT

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

9 DIRECT STATEMENT

10 MR. SCHLIGHT: My name is Gerard Schlight, and I'm a
11 relatively recent arrival in Florida. And like, I think,
12 thousands of other people, most of my -- in Florida, most of my
13 contacts are in the north. Any argument of reduction in my
14 intra-Florida long-distance rates to me is totally irrelevant,
15 since I know no one in any other Florida cities. I'm forced to
16 make a certain number of long-distance phone calls because my
17 friends and, most of my lifelong friends and relatives are
18 still in the north.

19 I cannot understand this argument of how increasing
20 the -- of course, I'm living on a very low income, too, as many
21 of us are. I cannot understand how an immediate reduction in
22 my net income is in my interest. I must have a telephone. If
23 telephones were really a competitive free market entry and we
24 won't have the opportunity to say, I will just not have a
25 telephone, well, that's fine. But most of this free market

1 stuff I hear is incomprehensible to me. It's not elucidated to
2 me for a moment how this competition is going to come about;
3 indeed, why I should believe in it.

4 Now in terms of other, in terms of other rates, I
5 recent -- I have had, as perhaps many others have had, a spate
6 of unwelcomed telephone calls since I moved down here. And
7 like most people, I answer the phone because I don't know, it
8 may be some, one of my aging friends who's ill or something
9 like that. So I called up BellSouth and asked for this one
10 single service, Caller ID.

11 Caller ID, if I want to buy that, costs me an
12 additional \$7.50 a month. Now I have no -- there is a rep from
13 BellSouth here. I have no idea in the world, I'm not a
14 technician, what Caller ID might cost to BellSouth. But I
15 think I -- if I believe that it costs anywhere near half of
16 that, I believe in the tooth fairy.

17 Now if this competition argument has any weight, you
18 know, it's in the near future. Well, I know Cane said, you
19 know -- yeah, I mean, it's in the long run. Cane said, "In the
20 long run we're all dead." And maybe for people my age it's not
21 such a long run.

22 So I very strongly object to any increase in my
23 hookup charge. Right? I use the phone very little, but I'm
24 old enough to get ill and have emergencies and so on. And to
25 many people, some of our speakers, I'm sure, \$46 a year is

1 absolute peanuts. Well, it's not peanuts to me. And I want
2 the Public Service Commission to take into consideration that
3 there are hundreds of thousands of people in my position in the
4 State of Florida. And thank God -- I wish I were better
5 prepared. I didn't -- I'm new to Florida, I didn't know I'd be
6 able to speak, so I only had an opportunity to make up a few
7 notes. So thank you for listening.

8 COMMISSIONER BAEZ: You did just fine, sir. Thank
9 you.

10 Mr. Twomey, do you have any questions? All right.
11 Thank you, sir.

12 MR. MANN: The next witness, pardon me, is Steven
13 Saposnik.

14 STEVEN SAPOSNIK

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

17 DIRECT STATEMENT

18 MR. SAPOSNIK: Yes. Good afternoon. My name is
19 Steve Saposnik, and I've been a resident of Palm Beach County
20 for 24 years now.

21 It has always been my impression that the Public
22 Service Commission is an organization that is looking out for
23 the residents of Florida. In the past they've always regulated
24 utilities, so they've limited the amount of profit they can
25 make so it's a reasonable amount. And I -- personally myself,

1 presently I have two phone lines in my house. I have Call
2 Waiting. I don't have any of the other fancy things. With
3 taxes and all the other fees, I'm paying approximately \$55 a
4 month right now. I do have long distance with another, with an
5 independent carrier where I pay \$30 -- I have 30 minutes a
6 month, and I pay about \$3 and a half for that. I do not make
7 any calls within the State of Florida. When I do, I use my
8 cell phone, and I do use my cell phone for the majority of my
9 long-distance calls.

10 Companies do not make changes for the benefit of the
11 public. They only make changes for their benefit. I urge you
12 to decline this proposal for the benefit of the residents of
13 the State of Florida. Thank you.

14 COMMISSIONER BAEZ: Thank you, Mr. Saposnik.

15 Any questions? Thank you, sir.

16 MR. MANN: The next witness is Casey Steinbacher.

17 CASEY STEINBACHER

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

20 DIRECT STATEMENT

21 MS. STEINBACHER: Good afternoon. My name is Casey
22 Steinbacher, and I am president and CEO of the North Palm Beach
23 County Chamber of Commerce. Our chamber represents over
24 800 businesses and their thousands of employees here in North
25 Palm Beach County, and I'm here today to testify on behalf of

1 the petition submitted to you by BellSouth.

2 With the passage of the Tele-Competition, Innovation
3 an Infrastructure Act of 2003, PSC has been placed in a very
4 unique and very important role. As experts in the field of
5 telecommunications, this recent legislation has positioned you
6 to oversee the transition of this industry into a market-driven
7 system that ultimately benefits all of us, consumers and
8 businesspeople alike.

9 The petition before you today is the first step in
10 that transition. It requests a reduction of the intrastate
11 switched access rates BellSouth charges long-distance companies
12 and offsets these, partially offsets these decreases with an
13 increase in nonrecurring charges and basic local service rates.

14 As you, of course, are all well aware, the statute
15 requires that all decreases in access charges must be passed on
16 to customers, so toll companies must reduce their in-state
17 connection charge to many Florida residents. By virtue of this
18 requirement, many of our residents will immediately see a
19 decrease in their monthly in-state connection charge. To
20 offset this decreased access charge, BellSouth has requested a
21 slight increase in the monthly basic residential service over
22 the next three years.

23 This increase, as we've talked about and heard about
24 from others testifying before me, will not affect Lifeline
25 recipients for the next couple of years whose rates would

1 continue to be protected for the increase over the next several
2 years, thereby shouldering our most needy residents. The end
3 result is the beginning of exactly what the recent legislation
4 was enacted to accomplish, a more viable marketplace for
5 increased competition.

6 The petition has the net effect of being revenue
7 neutral for BellSouth by offering new service providers the
8 opportunity to gain access to the marketplace at affordable
9 profit margins. These affordable profit margins bring more and
10 more competition into the marketplace. And in the end, the
11 customers benefit from an open free market system that brought,
12 drives pricing downward.

13 You've heard a lot about that concept here prior to
14 my testifying. But there's no better evidence of how this has
15 been accomplished than an example already in play within the
16 telecommunications market, marketplace.

17 Several years ago when the long-distance,
18 long-distance marketplace was beginning to be deregulated with
19 the breakup of AT&T, many naysayers warned that an unregulated,
20 long-distance industry would run pricing through the roof. I
21 ask you, do any of you remember what the price per minute of
22 your long-distance phone bill was actually back then? Well,
23 let me remind you. In my house it was 50 cents a minute. And
24 what do I pay today? Well, I don't know about you, but I pay
25 6 cents a minute from Adelphia, a television cable company who

1 A I have not read the petition, no, sir. I have read
2 the material that's been made available through the PSC,
3 through AARP and through BellSouth, which is their obvious
4 interpretations of the petition.

5 Q Yes. Thank you. The -- I'd asked Mr., I think it
6 was Mr. Wood, I'd like to ask you the same question. Of your
7 800 members, what percentage do you think would be single-line?

8 A Well, I'm really guessing at this, but let me tell
9 you, I will go back and try and find this out because you've
10 piqued my curiosity, but I'm going to say that our number would
11 be closer to 20 or 30 percent.

12 Q 20 single-line business --

13 A If I'm going to guess. I will tell you this: I do
14 know that 67 percent of our members are small businesses that
15 employ zero to five.

16 Q Okay.

17 A So I'm going to guess based on that that about 20 to
18 30 percent of that number would probably be single-line
19 service, home-based.

20 Q And are you, too, aware that the multiline --

21 A Yes, sir.

22 Q -- members will not get any rate increases at all?

23 A Yes, sir, I am.

24 Q Okay. And you heard me ask Mr. Wood if, if he
25 thought it would be beneficial to -- in calculating savings

1 that anybody might achieve on reduced in-state tolls, that it
2 would be useful to know what the lower rates are going to be?

3 A Yes, sir, I would agree with that.

4 Q Okay. You spoke about the, the reduction of the
5 in-state connection fee, and I think I heard you say that that
6 would be reduced immediately or eliminated immediately.

7 A No, I didn't say that. I just said that it would
8 partially offset it.

9 Q Let me ask you this first: Do you pay an in-state
10 connection fee?

11 A Yes, sir, I do.

12 Q The \$1.95 or whatever it is?

13 A Yes. I forget what the number is, but it's somewhere
14 under \$2.

15 Q Who is your long-distance carrier?

16 A BellSouth.

17 Q Are you aware that the in-state connection fee for
18 those that have it won't have to be eliminated until July of
19 2006?

20 A No, sir, I did not know that.

21 Q Okay. Now you spoke about the, the experience of
22 long-distance competition reducing rates. Let me ask you this:
23 Do you recall when competition was opened up and we began
24 having more competitors to the Bell system, AT&T, do you recall
25 those rates going up immediately 35 to 90 percent in order to

1 bring in the additional entrants, or do you recall them going
2 down immediately?

3 A I think they -- as I recall, and, you know, this is
4 strictly my recollection, and I'm under testimony, so I don't
5 really know this for a fact. I want to say that. I recall not
6 necessarily an increase. I do recall that the marketplace
7 stayed relatively stable for a while. And then as the
8 competitors came into the marketplace, the numbers started
9 coming down. But they did not go down right away, I understand
10 that, and that does take a while to take place.

11 Q But you recognize, don't you, that in this case
12 BellSouth is asking to increase its customers' rates by up to
13 51 percent on the theory that eventually they'll come back
14 down?

15 A Yes, sir. I understand that what they're saying is
16 that they would like to -- because they are reducing their
17 intrastate numbers that they're providing to other providers in
18 the telecommunications industry, that they will offset that by
19 a slight increase in residential rates until there is an entry
20 into the marketplace by other people. Yes, I do.

21 Q Lastly, have you been told at all how long you can
22 expect it to take before the rates would come back down to
23 where they are now?

24 A No, sir. I've not seen anything on that.

25 Q Okay. Thank you.

1 A You're very welcome.

2 COMMISSIONER BAEZ: Thank you, Ms. Steinbacher.

3 Mr. Mann.

4 MR. MANN: The next witness is William Andrews.

5 WILLIAM ANDREWS

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

8 DIRECT STATEMENT

9 MR. ANDREWS: Thank you for allowing me to speak
10 before you. I -- for the record, I was a former legislator who
11 was up there when this was being kicked around a little bit,
12 and so I'm a little bit familiar with it and the concepts
13 behind it. But I'm speaking today as a person who has moved
14 his business and his family from one town to another, gone
15 through the moving of four single business lines and two cell
16 phones and having to deal with infrastructure growth in one
17 town that is booming and another town that's stable, and I have
18 some concerns. And I'm glad that you're taking over a job that
19 the Legislature should have really enacted it a long time ago,
20 but I think this is a better place to do it.

21 I have two concerns. The main concern is hard wire
22 infrastructure. If a company isn't making money and making a
23 fair amount to put that infrastructure in place, you can get
24 into some real problems. And I can assure you that if you go
25 and look at the City of Delray Beach, you will find that the

1 growth in that particular city has been so great that it has
2 lagged in the infrastructure buildup that is so necessary for
3 every business and every individual resident who has to make a
4 call.

5 If you remember deregulation, and the gentleman from
6 AARP has been talking about deregulation and where rates go,
7 there's an analogy I'd like to put before you. The analogy of
8 a deregulated industry with oversight from such people like the
9 Public Service Commission and an industry such as the airline
10 industry, which really doesn't have any regulation to be quite
11 honest with you. The services afforded -- while the costs have
12 come down in the airline industry, the services have plummeted.
13 You can't have plummeting services in an infrastructure of a
14 communications society. You have to have the DSL lines in, you
15 have to have people to come out and dig the ditches and put the
16 hard wiring in. You can't live off cell phones alone. It's
17 impossible.

18 And so part of your -- I know that part of when you
19 are deciding whether there's rate increases or whether there's
20 cost shifting from one consumer to another, the important point
21 to, to recognize is that we have to have those lines in and
22 those services to work, and hard lines are very important. You
23 have to have those people on the lines, you have to have the
24 people up on the poles, you have to have that. It's important.

25 I just recently got a phone bill during the move, and

1 we were quite startled because we moved from one calling area
2 to another, and I began calling around to get lower rates on
3 long distance. And the interesting thing was that BellSouth
4 provided the long-distance service at a phenomenal rate
5 compared to what we were paying, and we were -- and then so we
6 chose to go with BellSouth. So I'm assuming under this
7 legislation that while my local service, my local base bill
8 might go up, that I'm looking for an equal amount for my
9 long-distance services to go down. That's what it seems to be
10 since they would be carrying both, both situations.

11 In addition to that, I had the opportunity to call
12 around to other phone companies to get local, to get
13 competition for local and long-distance rates, and, quite
14 honestly, it's a matter of service, the kind of service that
15 you would want and to pick and choose whether you want to pay a
16 lower rate and have poorer service. For instance, one company
17 was mentioned here that a gentleman used, and I can tell you
18 that if you call that service today, you'll wait 20 minutes on
19 the line to get a response from a live body to call and deal
20 with your problem. And I chose not to go with that company.
21 But if you want to do that, you can do that. And if you can
22 sit around all day and listen for that and wait for that 20
23 minutes, that's fine.

24 But I've had excellent opportunities to, to judge the
25 services of BellSouth, AT&T, Sprint, Verizon and a multitude of

1 the small companies, and I'm glad you're up there doing your
2 job. And I, for one, think that this is pretty much fair.

3 But at the same time, if it isn't fair in 2006,
4 there's always the Legislature. Because what they take away,
5 they can always give back, and what they give, they can also
6 take back. So I'm not concerned about what happens in 2006 and
7 2007 because, yeah, I will probably be there, I can assure you,
8 if something gets out of hand. But in the meantime, the most
9 important thing is that in Florida where growth -- and this is
10 a telecommunications society we live in. We've got to have the
11 hard lines as well as the cellulars working.

12 COMMISSIONER BAEZ: Thank you, Mr. Andrews.

13 Mr. Twomey, you have a question.

14 MR. TWOMEY: Yes, sir, Mr. Chairman. Thank you.

15 CROSS EXAMINATION

16 BY MR. TWOMEY:

17 Q Representative Andrews, I apologize for forgetting,
18 but what year did you leave the Legislature?

19 A I just got out the previous, 2000.

20 Q Okay. Did you have an opportunity to vote for a
21 previous incarnation of this bill?

22 A It never got to the floor, and I wasn't on the
23 Communications Committee.

24 Q Okay, sir. You mentioned that -- I think I heard you
25 say you had four single business lines.

1 A Four single business, that's correct, and two -- and
2 one residential.

3 Q Yes, sir. Are you aware of whether or not your
4 business line situation will be subject to, to the rate
5 increases by these petitions or not?

6 A Sure. But I also expect -- because we use
7 long-distance on all four of those lines, I expect an equal
8 amount of reduction in the long-distance rates so that it would
9 be a net wash. That's what I'm expecting.

10 Q I want to be clear because I'm confused. It's
11 probably my own fault. But you said you have four lines.

12 A Four different business lines. That's correct.

13 Q Yes, sir. And it's your understanding that with four
14 lines you'll have to pay rate increases if the PSC approves
15 these increases?

16 A The base rate, yes.

17 Q Okay. And you said that you have an expectation that
18 you will have lower in-state tolls and have the possibility for
19 offsetting savings.

20 A I expect it.

21 Q Would you agree with some of the other people I've
22 asked this same question that it would be desirable to know how
23 much the long-distance rates are going to go down before you're
24 stuck with the rate increases?

25 A Well, again, you know, I think everybody in this room

1 would be naive not to know that the marketplace takes time to
2 react to things. You can't instantaneously expect things to
3 happen.

4 I know one thing that on the long-distance rates, I
5 remember years ago paying 25 cents a minute for long-distance
6 rates just to call from Delray to West Palm. Now I'm paying
7 7 cents. And considering the fact that, you know, we put in a
8 couple of hours on each phone outside of our local calling
9 area, that's, that's important to us. And they continue to
10 drop.

11 Q Yes, sir. But the -- I don't want to prolong this
12 too much, but are you aware though that the, the, the -- while
13 the long-distance rates have to come down at least for a period
14 of years dollar for dollar to match the rate increases, are you
15 aware that how the long-distance companies apportion those
16 increases between their business plans and their residential
17 type programs is, is within their control entirely as long as
18 they give something to each group?

19 A Yes. But it's within my control to pick and choose
20 who I'm going to use.

21 Q You said that, did you not, that a company has to,
22 has to be able to make money and make a profit in order to keep
23 this infrastructure up? Did you say that?

24 A Correct. Yes.

25 Q Are you under the impression that, that BellSouth and

1 the others are asking for these rate increases because they're
2 not making sufficient money?

3 A I'm not going to judge what's sufficient money on any
4 company is at the moment. I mean, I think that's up to
5 conjecture. For instance, in fact, back when everything was a
6 regulated industry, you could buy utilities or BellSouth or
7 telecommunications companies and everything like that, and it
8 was almost like buying a bond because the PSC strongly
9 regulated prices. And there was an expectation in the
10 marketplace and revenue flows that you could judge exactly what
11 was a proper return on investment.

12 Now when you have deregulation, what is the proper
13 return on investment? I don't know. I don't judge that. What
14 I judge is what is the bottom line for me to call from Delray
15 Beach or Boca Raton to West Palm? That's my bottom line. Does
16 that affect my business? Does that affect my residential
17 rates? In all those instances the rates have dropped
18 substantially. And, in fact, I've changed long-distance
19 carriers twice in the last two years because the rate drops
20 were so substantial.

21 Q Yes, sir. But to go back to the point of my
22 question, would it, would it surprise you to find that, that
23 claimed profit levels have nothing to do with these cases?

24 A No.

25 Q Lastly, have you ever been a paid consultant to

1 anybody in the telecommunications industry?

2 A No, never.

3 Q Thank you.

4 COMMISSIONER BAEZ: Thank you, Mr. Andrews.

5 Ladies and gentlemen, we're going to take a
6 ten-minute break and reconvene at 3:10 so we can give our court
7 reporter a chance to loosen up. Thank you.

8 (Recess taken.)

9 COMMISSIONER BAEZ: We're back on the record. Mr.
10 Mann, continue with your next witness, please.

11 MR. MANN: The next witness is Mr. Barry Epstein.

12 BARRY EPSTEIN

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

15 DIRECT STATEMENT

16 MR. EPSTEIN: Thank you, members of the Commission.
17 Good afternoon. I asked Mr. Twomey to be a little gentle with
18 me today, even though I am wearing a suit.

19 Good afternoon. My name is Barry Epstein. I'm the
20 president of Barry Epstein Associates, Inc., a public relations
21 and political consulting firm in Boca Raton. I also ran the
22 campaign for Representative Irv Slosberg, even though I
23 disagree with his opinion today. I'm here today to speak in
24 support of the proposed change in telephone rates. I've had
25 nothing but excellent service from BellSouth since I've been in

1 Florida since 1971.

2 No business in a competitive marketplace should be
3 expected to have to provide products or services as permanent
4 loss leaders. In my home and business I utilize eight
5 telephone lines, including business and cellular phones. I
6 have seen the advantage of competition in my cellular and
7 long-distance services, and believe the same benefits will
8 appear with this proposal.

9 Rather than worrying about controlling telephone
10 rates, I'd rather see the Commission put their efforts into
11 reducing cable and insurance rates. Adelphia just announced
12 their third rate increase of the year at \$2.95 a month, and
13 insurance rates have been going up hundreds of dollars a year,
14 with Allstate and State Farm requesting upwards of 140 percent
15 increase in their rates. This is where I think there should be
16 concern and where you can help all of Palm Beach and Florida
17 citizens. Thank you. Go, Mr. Twomey. Be gentle.

18 CROSS EXAMINATION

19 BY MR. TWOMEY:

20 Q I'll be gentle, but I have to ask you a couple of
21 questions.

22 The -- you said that you don't think any business
23 should have to price its products so that they'd have constant
24 loss leaders; right?

25 A Correct.

1 Q And are you referring to residential rates?

2 A Yes, sir.

3 Q Okay. Now I'd ask -- let me ask you first -- I
4 apologize to everybody for being late again, but did Mr. Mann
5 have an opportunity today to say that the Office of Public
6 Counsel was going to file testimony of a witness that will
7 testify that there is no such subsidy or loss leader?

8 A I didn't hear Mr. Mann's comments.

9 Q The, the -- let me tell you, as I would have, then
10 the AARP is going to file testimony to that effect. And let me
11 ask you the next question, which is, which is, do you know for
12 a fact that residential rates are subsidized by anything else,
13 or is it just your general belief upon being told that?

14 A Well, I know for a fact my residential rates are
15 extremely less than what my business rates are as far as
16 telephones are concerned.

17 Q Yes, sir. But would you agree with me that there
18 might be reasons for that that technically -- that wouldn't
19 result in there being a subsidy?

20 A Well, I don't know what those reasons are. It's my
21 strong impression that residential rates are being subsidized
22 by businesses.

23 Q Okay. Now you do recognize, don't you, that the
24 Public Service Commission doesn't have jurisdiction over either
25 cable television companies or insurance companies; right?

1 A That's the province of the Insurance Commissioner.
2 But I'm using it as an example as to the difference in the rate
3 increases being requested by insurance companies as opposed to
4 the rate increase percentage-wise being requested by the
5 telephone companies.

6 Q Do you realize that, that BellSouth's requested rate
7 increases for residential customers are as high as 51 percent
8 in this case?

9 A I did not realize that.

10 Q Okay. Thank you.

11 COMMISSIONER BAEZ: Thank you, Mr. Epstein.

12 Mr. Mann.

13 MR. MANN: The next witness is Don Cuozzo.

14 DON CUOZZO

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

17 DIRECT STATEMENT

18 MR. CUOZZO: Good afternoon. I'll make my comments
19 brief in the length of the day. My name is Don Cuozzo. I am a
20 small business owner, and I'm here to speak in favor of this
21 request.

22 I, I believe in my representative from the government
23 and feel that they've done a good job in creating this Act. I
24 also believe that competition is a fundamental cornerstone of
25 this state and the country. I invite competition; I invite it

1 in my own business. I believe that everybody wins in
2 competition. New technologies and new ideas will be fostered
3 because of this. I don't believe in regulation that
4 artificially controls any business in any way, shape or form,
5 and I spend -- all of my friends are in Florida and they don't
6 live near me, so I'm always dialing intrastate calls. I'm
7 trying to stay brief. Thank you.

8 COMMISSIONER BAEZ: Thank you, Mr. Cuzzo. I'm
9 sorry.

10 Mr. Twomey, you do have a question?

11 MR. TWOMEY: Yes, sir, just a few.

12 CROSS EXAMINATION

13 BY MR. TWOMEY:

14 Q On the issue of calling your friends in-state, do you
15 have a cell phone?

16 A Yes, I do.

17 Q Do you currently use your cell phone to make many of
18 your in-state calls?

19 A My cell phone is my business phone, so I try to keep
20 them separate.

21 Q Well, if you're going to make -- if you have a belief
22 that you're going to have savings in your in-state toll rates
23 as a result of your residential and business rates going up,
24 would you agree with me that it'd be nice to know what those
25 rates are going to go down to in order to calculate whether you

1 can, in fact, achieve savings?

2 A I believe that this whole process is an investment in
3 the future, and that if, in fact, I have to pay some higher
4 rates in some aspects of my -- if I have to pay some higher
5 rates, that it is an investment in my, in the future and for my
6 children and for myself. And I think that the technologies and
7 the ideas that will come from that investment will be well
8 worth it.

9 Q You, you had said that you think that having
10 increased rates will bring, I think you said, new technology
11 and innovation; correct?

12 A Correct.

13 Q Can you name -- do you have any ideas of what that
14 new technology or the innovations might be that you're willing
15 to pay more money for?

16 A No. But I am confident that they'll be here.

17 Q Is that an issue of trust?

18 A Correct.

19 Q Okay. Thank you.

20 COMMISSIONER BAEZ: Thank you, Mr. Cuzzo.

21 Mr. Mann.

22 MR. MANN: The next witness is Rochelle Faltz.

23 ROCHELLE FALTZ

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

DIRECT STATEMENT

1
2 MS. FALTZ: I believe I'm number 13, but I don't
3 think that's lucky or unlucky.

4 COMMISSIONER BAEZ: That's my favorite number.

5 MS. FALTZ: I am just a citizen of Florida. I'm also
6 in business. I'm moving to Boynton, so I'll soon be a resident
7 of Palm Beach, and into, actually into an adult community. And
8 it is not a low-end adult community. This adult community has
9 people who have paid cash for their houses and are living on
10 very good incomes and pensions. So not everybody over the age
11 of 60 is a Lifeline person that would need assistance. I just
12 wanted to make that clear that there are a lot of developments
13 in Boynton Beach where the homes are quite expensive and it is
14 all adult communities that are growing up there.

15 I'm also an independent contractor, so I also work
16 out of my home. The greatest thing that happened was my DSL
17 line. It, it -- actually it saved me money because in the long
18 run I was able to take away my second line that I had for my
19 computer and now I can run everything off one line. I do have
20 all the services of BellSouth, and I am not opposed at all to
21 the small rate increase because I am all for technology. I saw
22 what DSL does for me when I have to work at home as compared to
23 working in the office. So I am a single-line user. I don't
24 think that a dollar or a dollar and a quarter a month is going
25 to do anything to my bottom line if I get more in return.

1 I do use my cell phone for a lot of the long-distance
2 calls, so probably it won't help me much because most of my
3 calls that I make for business are in my office. And, if not,
4 I, I usually do use my cell phone. But even then, that does
5 not bother me in the least. It's the technology.

6 And I have to share a couple of things which I didn't
7 hear mentioned. One is about how much money we all lost in the
8 stock market with other companies in the telecommunications
9 industry like WorldCom, MCI and Global Crossing. These
10 companies are not here anymore, and I lost a lot more with them
11 than \$46 a year, I can assure you. Also, I want a company that
12 was here yesterday, going to be here today, and I know will be
13 here in the future to come up with new technology ideas that
14 will enhance the residential user, the business user, the
15 multiline user and so forth. So I am in favor of the increase.

16 COMMISSIONER BAEZ: Thank you, Ms. Faltz.

17 Mr. Twomey, you have a question?

18 MR. TWOMEY: Yes, sir.

19 MS. FALTZ: I knew that.

20 CROSS EXAMINATION

21 BY MR. TWOMEY:

22 Q I think it was your testimony generally that you
23 viewed, you viewed the DSL line you have as, as a, as a new
24 innovative thing that allowed you to save by eliminating
25 another line; correct?

1 A Correct.

2 Q How long have you had your DSL line?

3 A About a year and a half, two years.

4 Q A year and a half.

5 You recognize, don't you, that, that Bell -- is it
6 provided by BellSouth?

7 A Yes.

8 Q Okay. You would recognize then, wouldn't you, that
9 BellSouth brought you that DSL without having to raise local
10 rates in the manner that it's seeking now; right?

11 A I'm not -- I really don't know that.

12 Q My point is this: The, the, the rate increases
13 they're seeking now to, to bring enhanced service and
14 innovations, they haven't got them yet, and the PSC may or may
15 not give them that. But what I hear you testifying is that
16 without there being any such massive rate increases, they
17 brought you new and improved technology in the form of a DSL
18 line at least a year and a half ago; correct?

19 A I'm not privy to what it costs them or if there was
20 any subsidized rate increase.

21 Q Okay. The, the \$46.32 that -- you recognize, don't
22 you, that it comes out to eventually a total increase for
23 residential customers of \$3.86 and not \$1.75?

24 A Well, like everything else -- I mean, I sell
25 promotional products, and every year we get increases from our

1 suppliers and we have to pass them along to our consumers.
2 Nothing stays the same. I go out and buy clothes. A suit I
3 bought three years ago does not cost the same this year as it
4 did three years ago. That's just the way free enterprise is.
5 And things go up. Sometimes they go down. But I can tell you
6 that I do know people and very close family that have switched
7 to Supra Telecom and within six months were back at BellSouth
8 because the service was horrible.

9 Q Lastly, do you know what a declining cost industry
10 means in terms of, for example, like technology bringing the
11 cost of large screen TVs down and computer products and that
12 type of thing?

13 A Yes.

14 Q Do you know whether or not the telecommunications
15 industry is a declining cost industry?

16 A I don't know.

17 Q Okay. Thank you.

18 A Okay. But can I say one thing about TVs? The new
19 technology in TVs, which are the plasmas, are what the 60-inch
20 screens were six years ago when I bought mine. So
21 everything -- maybe eventually the cost will come down.

22 COMMISSIONER BAEZ: Thanks you, Ms. Faltz.

23 Mr. Mann.

24 MR. MANN: Next is Neil Bronstein.

25 NEIL BRONSTEIN

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

3 DIRECT STATEMENT

4 MR. BRONSTEIN: Good afternoon. Thank you for
5 allowing me to speak with you.

6 COMMISSIONER BAEZ: Good afternoon.

7 MR. BRONSTEIN: I don't own a business. I'm just a
8 retiree, fixed income. And I have never seen a company
9 anyplace at any time that would petition to -- that was in
10 anybody's benefit except theirs, ever. I've been here in South
11 Florida 40 years, and nobody wants to give away anything. I
12 hear companies just want to take something.

13 So I said, well, what is, what is BellSouth after?
14 Well, I'm Mr. Nice Guy because I just lowered my residential
15 rates, so everybody come kiss me on the neck, but I'm going to
16 raise my in-state, or lower my in-state -- I have that
17 backwards. I'm going to raise my residential lines, but I'm
18 going to lower my in-state rate so that I can be more
19 competitive with other people, and, therefore, more Floridians
20 will come to me and my business will increase because I have a
21 lower rate. And I think that's the bottom line of what
22 BellSouth is trying to do.

23 You know, we have worked, at least in the 40 years
24 that I've been here, been in South Florida, to try and get the
25 rates down, down, down, down, and the community has been

1 successful in doing that. And now we're saying, let's raise
2 the rates so we can have competitors that maybe in the future
3 we can get the rates down to where they are now. Does that
4 make sense? No, I don't think so.

5 You know, and you people who are talking about
6 7 cents a minute, 8 cents a minute for in-state, if you use one
7 of the dial-arounds, i.e., the 10-10 numbers, 3 cents a minute,
8 folks, 3 cents a minute. You risk a 39-cent connect charge, so
9 maybe you don't want to do that. But if you try 101-6400,
10 that's 5 cents a minute. BellSouth is not going to be charging
11 5 cents a minute. It's easier for us right now just to stay
12 with the dial-around and forget BellSouth. So I don't even
13 know why we're even considering it. Right? I've already got
14 the lower rate. I already have the lower rate. Hello, I
15 already have the lower rate.

16 Okay. It doesn't seem right to me that we should --
17 you know, there was a time when we would call information and
18 we would get a live person that says, well, good afternoon.
19 Can I help you? And we would tell them where, to whom we
20 wanted to speak, and there would be a pause, and suddenly
21 there's a number and we'd do it. Now we get a machine and we
22 get a recording. Now what do you think it costs BellSouth for
23 that recording? Fifteen years ago when they developed the
24 technology, sure. Okay? Here we are 15 years later and we get
25 an answering machine, and then it was free and now it costs me

1 90 cents. I don't understand that. I just don't understand
2 it.

3 Now I have -- as I started my comments, I've never
4 seen a company that does anything for free. We talk about
5 supply and demand. No. My price is the highest price that
6 it'll be and maintain the business or a reasonable income.
7 That's what causes the prices to be where they are. And we
8 say, well, we're going to, we're going to charge the
9 corporations, but we're not going to charge the corporations,
10 or maybe we'll charge them some of the time and not other
11 times.

12 Any time there is a rate increase for a corporation,
13 it winds up in the selling price of the commodity that they
14 sell and all of us pay for it. I don't want to do that. I
15 don't want to do that. And if we're going to have a
16 competitive situation here and if it falls back to that, I
17 don't know why you and I are going to be paying to put
18 BellSouth at a competitive position. Let them do it for
19 themselves. Right? Make sense? You take my money that I've
20 given you for the past -- oh, that long, huh -- a long time,
21 and whatever you've done with it is fine. But now you're in a
22 position where you're not competitive and you say, well, now,
23 public, I want you to pay for that. I don't want to do that.
24 Either you're competitive or you're not. If you're not
25 competitive, get out of the business and let somebody else get

1 in. It happens every day, every day.

2 Anyhow, folks, respectfully, if this Commission
3 really wants to help the public, I urge you to deny the
4 increases. And in addition to that, I'd like to have you
5 reduce their existing rates. If another company wants to be
6 competitive with them, let them do it at their own expense.
7 It's not the burden of the telephone subscribers. Thank you.

8 COMMISSIONER BAEZ: Thank you.

9 Mr. Twomey, you have a question.

10 MR. BRONSTEIN: Yes, Mr. Twomey.

11 MR. TWOMEY: Yes, sir.

12 MR. BRONSTEIN: How did I know?

13 COMMISSIONER BAEZ: You're seeing a pattern now;
14 right?

15 MR. BRONSTEIN: I love that, yeah. He's on our side.

16 MR. TWOMEY: He's opposed to the rate increases.

17 CROSS EXAMINATION

18 BY MR. TWOMEY:

19 Q But I wanted to ask you, you said you're retired?

20 A Yes.

21 Q Are you on Social Security?

22 A Yes.

23 Q Okay. Are you aware that recently the federal
24 government has announced, I believe, that there would be a COLA
25 of 2.1 percent?

1 A 2.1 percent is correct.

2 Q Okay. Now I want to ask you next, are you aware of
3 the fact that, that BellSouth and the others can increase their
4 rates even, under the existing law, even if the Public Service
5 Commission denies these large rate increases, but that the
6 level they can increase their rates is only the rate of
7 inflation minus one percent? Did you know that?

8 A I didn't know that. I didn't know that.

9 Q Does that seem more fair to you in line with what
10 your Social Security COLA is as opposed to increasing your
11 rates from 37 to 51 percent?

12 A I think that the -- BellSouth can raise the rates any
13 time they want, as they can in any business, limited by what
14 the Commission says. But they will soon find that people will
15 stop dealing with BellSouth. Right?

16 I just, I wrote it down. Supra Telecom, I'm going to
17 go find out because I had not heard about it. Not ever been a
18 major concern for me.

19 But if they have a need to raise their rates to
20 maintain profitability, go in good health. But I think this
21 board would be remiss if they forced upon us and says, okay,
22 now this is what you're going to pay, folks. And, and I don't
23 have any opportunity to look at, at books and, say, well,
24 you're wasting here, you're wasting here, you're wasting here,
25 and if you stop that, then you don't need a rate increase.

1 Because there's lots of utilities that should be regulated.
2 Like I can go down to Boynton Beach and buy gas for 26 cents a
3 gallon less than I can on Okeechobee Boulevard, which is just
4 down the street here. And then people say, well, the tax
5 structure is different. It is not different. It's the same.

6 You know, you just -- people will charge whatever
7 they can to better their bottom line. That's what everybody
8 does. Some people call it greed. I just call it good business
9 because if you don't want to buy it at that price, don't buy
10 it. Nobody is forcing you. But when you have a utility that
11 everybody needs, then those prices have to be controlled.

12 MR. TWOMEY: Thank you.

13 COMMISSIONER BAEZ: Thank you, Mr. Bronstein.

14 MR. BRONSTEIN: Thank you.

15 MR. MANN: The next witness is Courtney Siebrecht.

16 COURTNEY SIEBRECHT

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

19 DIRECT STATEMENT

20 MS. SIEBRECHT: I can either say ditto for what you
21 said or I could add to it.

22 COMMISSIONER BAEZ: It's your choice, ma'am.

23 MS. SIEBRECHT: I grew up here in Florida and
24 recently moved back from the State of Washington, where a
25 similar scenario played out. The local carrier was Qwest. It

1 did not increase competition. Qwest now has a lawsuit filed
2 against it for corruptness. The Attorney General got so many
3 complaints that the Attorney General had to get involved, filed
4 a class action lawsuit for bad customer service and bad, I
5 don't know, charges that were not appropriate on people's
6 bills, of which I the first time in my life filed with the
7 Attorney General because of the frustration and bad customer
8 service that Qwest provided, and somewhat unethical. So I am
9 very skeptical as to what BellSouth, although I've not been
10 with you a long time, what's behind this because I don't buy
11 into the competition thing. I think there is an ulterior
12 motive, and it probably is profit.

13 I also did not know about Supra Telecom, so that
14 tells you about how much competition there is in this area. So
15 I will be taking out my landline if this goes through.

16 And another point I wanted to say was that on that
17 list of Verizon and BellSouth and Sprint, I have all three. So
18 not only would mine go up \$46, but God knows how much it is if
19 you all add it up together. So I'm very -- I'm not -- and I'm
20 not sure about that. You're shaking your head, so.

21 COMMISSIONER BAEZ: Well, Ms. Siebrecht, I think --
22 I'm sorry to interrupt. I just want you to be clear on what
23 the petitions mean. You may have service provided by the other
24 two companies, but it's not local service. So the only -- and,
25 again, a lot has to happen, a lot, you know, on down the road.

1 But assuming for the moment that the increases were to be
2 approved, it's only your local service that increases, and in
3 this territory Verizon and Sprint don't provide local service.
4 So you're not, you're not exposed three times. I just wanted
5 you to know that.

6 MS. SIEBRECHT: Okay. Well, that's a little bit
7 better.

8 But, anyway, I'm not for it. I don't have multiple
9 use lines. I don't have a business that has multiple use
10 lines. I rarely use my phone. I don't have -- I don't use
11 intrastate long distance. I rarely use long distance. And
12 just the pattern that I see of people that have been up here
13 was the people that used the multi, that have the multiline
14 businesses and that can afford it are the ones that are for it,
15 and the people that are on a limited budget or that are older
16 people who are going to pay for it and not get any benefit from
17 it are the ones that are going to get stuck with it. So I
18 don't see the reasoning in that either. So, again, I'm not for
19 it. And I'm very skeptical about phone companies and their
20 service.

21 COMMISSIONER BAEZ: Thank you, Ms. Siebrecht.

22 Mr. Twomey, any questions?

23 MR. TWOMEY: No questions.

24 COMMISSIONER BAEZ: Thank you, Ms. Siebrecht.

25 Mr. Mann.

1 MR. MANN: Next is Edna Stilwell.

2 EDNA STILWELL

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

5 DIRECT STATEMENT

6 MS. STILWELL: I thank you for changing and having
7 this meeting here and making it easier for, especially for
8 seniors such as me to be here.

9 My name is Edna Stilwell, and I am a permanent
10 resident of Palm Beach Gardens since 1994, and I am a retired
11 nurse on a fixed income. And I think many more Floridians in
12 my category would be here, if they could afford to be here.

13 We hear numbers thrown around as if they're very
14 insignificant, a dollar something a month, three something a
15 month, \$5 or \$6 a month. This does make a difference,
16 especially to older adults on fixed income. And this isn't
17 just older adults who are in the poverty or near poverty. We
18 have many older adults who thought they were preparing very
19 well for their old age, thinking their dividends would take
20 care of that, and we know where we are now in terms of the
21 economy. And as I said, many would be here, but they can't
22 afford those extra \$3 or \$4 for gas, for parking to spend the
23 day here, and perhaps even with disabilities.

24 I wanted to say that if you think about the money --
25 I want to relate to you an incident that happened in my own

1 family in another state, but similar. One of my sons had a
2 paper route, and on collection day one year when the rates had
3 gone up, or when the public utilities, only \$2 or \$3, which
4 didn't sound like much, when he was collecting, seven or
5 eight of his customers cancelled their newspaper. And when he
6 talked with them, they said, we just can't afford that because
7 we have to make choices between food and medication and papers,
8 and with this increase we'll have to cancel the newspapers. He
9 was very disturbed by this when we tried to explain that to
10 him, that those few dollars really did make a difference. And
11 it does make a difference.

12 Now our businesses such as BellSouth, do you have
13 problems, financial ones? Do you need more money? Are you
14 hurting? We're all hurting.

15 So I think with the Commissioners, it's a decision
16 about who's going to be hurting the most from this? Who's
17 going to gain the most from this?

18 As an individual, I don't see that I would be gaining
19 anything from this, and I think that's true for many Floridians
20 in my age group. And this is Florida and there are lots of us.
21 Right? And so I think -- you know, I see a decision that needs
22 to be made in terms of what we're gaining and what we're losing
23 and who's hurting the most. And I urge you, I really urge you
24 not to cause older adults to suffer more by adding these funds,
25 you know, extra costs.

1 I've heard people say, oh, well, you know, the cost
2 of everything is going up. If you go buy a new suit, it's
3 more. If you buy a new television, it's more. But we're not
4 talking about discretionary spending. We're talking about a
5 telephone, residential line phone that we need.

6 So I urge you not to allow this at this time or in
7 the immediate future, not to cause more suffering to older
8 adults. Thank you very much.

9 COMMISSIONER BAEZ: Thank you, Ms. Stilwell. Thank
10 you, Ms. Stilwell.

11 Mr. Mann.

12 MR. MANN: Next is Lloyd Brumfield. Brumfield. I'm
13 sorry.

14 LLOYD BRUMFIELD

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

17 DIRECT STATEMENT

18 MR. BRUMFIELD: My name is Lloyd Brumfield. I'm
19 going to change directions. They used to say I was an angry
20 young man. Now I'm a more angry old man. People say it's not
21 personal. I'm saying, I'm making it personal, just as personal
22 as I can get. What about? Payola.

23 I have circulated a letter, which some of you have,
24 addressed to the Public Service Commission, and I want to read
25 it, just a few lines. Subject, conflict of interest, probable

1 ethics violation. That burns me more at any level than
2 anything. I do not like city commissioners, county
3 commissioners, legislators, governors, presidents taking perks,
4 money, campaign contributions from people they make decisions
5 over. I'm asking those of you, staff, Commissioners, who
6 attended this big blowout several months ago paid largely by
7 communications companies, I'm asking you to disqualify yourself
8 from this item forever. You cannot -- and if you say you can,
9 I've got a word for you -- you cannot disassociate yourself
10 from a situation where you took a large weekend or two or three
11 days of entertainment at high expense. I'm insulted, I do not
12 like it, you're not treating the public fair, and I will file
13 tomorrow with the Ethics Commission. Those of you who attended
14 that event, I am asking you now to disassociate yourself from
15 this, knowing full well, at least I think I know full well the
16 majority of you did attend it down on Miami Beach. As I
17 understand it, expensive room rates, all of that. Folks, we've
18 got to get some morality in government. Payola is not right.
19 It's wrong. You cannot be an impartial judge when you're
20 taking money for lavish entertainment. Thank you.

21 COMMISSIONER BAEZ: Thank you, Mr. Brumfield. And I
22 have, I have the letter that you circulated, and we've passed
23 it on to, to the legal department for, for processing.

24 MR. BRUMFIELD: And I will carry it to whatever level
25 it needs to be.

1 COMMISSIONER BAEZ: Thank you, sir.

2 MR. BRUMFIELD: I think you did wrong.

3 COMMISSIONER BAEZ: Thank you, sir.

4 Next witness.

5 MR. MANN: The next witness is Dennis Grady.

6 DENNIS GRADY

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

9 DIRECT STATEMENT

10 MR. GRADY: Thank you, Mr. Chairman, members of the
11 Commission. Welcome to Palm Beach County. My name is Dennis
12 Grady. I'm president of the Chamber of Commerce of the Palm
13 Beaches. I'd like to thank you also for holding your hearings
14 here, especially, as some may know, my office is located a half
15 a block north of the city commission chambers, so it was a nice
16 walk this afternoon.

17 You've heard from my colleagues Casey Steinbacher,
18 Bill Wood and Mike Jones. I concur in their remarks. I would
19 also, once again, want to stress personally that I think the
20 rate request before you should be enacted. Hopefully you will
21 vote to enact it. It will create a freer marketplace, a
22 competitive marketplace. And the competition and the
23 technology improvement, I think well spoken by Representative
24 Domino, will be of benefit to all of us who utilize
25 communications daily not only in our, in our homes and our

1 personal lives, but most importantly in our workplaces.

2 I'll go right to Mr. Twomey's questions.

3 COMMISSIONER BAEZ: Let's see if Mr. Twomey has any
4 questions.

5 CROSS EXAMINATION

6 BY MR. TWOMEY:

7 Q Your fellows may be suspect of you if you didn't get
8 the same questions.

9 The -- let me ask you, you said, you said that this,
10 these, these increases, you may have said bill -- but the
11 increases are going to create competition; right? Did you say
12 that these increases are going to create competition?

13 A I'm not, I'm not sure I -- I think what I said was
14 that it will create a freer marketplace, a competitive
15 marketplace if the rate increase is granted. I think that's
16 exactly what I said.

17 Q Okay. Let me ask you this then: Are you aware that
18 competitors have been able to come in and compete in
19 BellSouth's service territory since 1995?

20 A Have been permitted to?

21 Q Yes, sir. Legally they've been allowed to compete
22 since 1995; were you aware of that?

23 A Yes, I think I was.

24 Q Okay. And is it your testimony then that you think
25 that more competition will result only if residential and

1 single-line business rates go up the levels being requested?

2 A The question as posed by you is exclusive to any
3 other option creating a more competitive marketplace. I think
4 this rate increase being granted will contribute to that.

5 Is it the only one? I wouldn't want to limit myself
6 to that because there may be something else out there that I'm
7 not aware of.

8 Q Okay. What percentage of your members --

9 A I'm also --

10 Q Yes.

11 A I wish I was armed with that number. I would lean
12 more toward Bill Wood's estimate of 10 percent. I have over
13 1,700 members.

14 Q Okay. So -- I'm sorry. I didn't mean to interrupt
15 you.

16 COMMISSIONER BAEZ: Mr. Twomey, can you just go ahead
17 and complete the question for the record? It's okay.

18 MR. TWOMEY: The -- I'm sorry. I was thinking of the
19 next question.

20 COMMISSIONER BAEZ: Sorry. I didn't mean to
21 interrupt you.

22 MR. GRADY: I think I wrote them down. Do you want
23 me to --

24 BY MR. TWOMEY:

25 Q The -- are you, too, aware that your multiline

1 business members will not experience rate increases?

2 A Yes, I am.

3 Q While your, your single-line business customers will
4 receive rate increases if the petitions are granted, but not on
5 the same level dollar-wise or percentage-wise as you will as a
6 residential customer? Did you know that?

7 A Would you repeat that?

8 Q Yes, sir. Are you, are you aware that the rate
9 increases being sought by BellSouth for its single-line
10 business customers --

11 A Single line.

12 Q -- are a lower dollar level than what they're asking
13 to raise their residential rates?

14 A Yes. I think I, I think I am aware of that.

15 Q And have you been led to believe that your, your
16 multiline business members of your chamber that aren't going to
17 get any local rate increases will be beneficiaries of the
18 proposed reductions in in-state tolls?

19 A I don't think I've, I don't think I've been told
20 that.

21 Q Okay. And lastly, would it be safe to assume that
22 BellSouth is a member of your chamber?

23 A Yes, they are.

24 Q Thank you very much.

25 COMMISSIONER BAEZ: Thank you, Mr. Grady.

1 You have a question?

2 MR. BRONSTEIN: Yes.

3 COMMISSIONER BAEZ: And, I'm sorry, I've forgotten
4 your name.

5 MR. BRONSTEIN: I'm Neil Bronstein.

6 COMMISSIONER BAEZ: Can you please step to the
7 microphone, Mr. Bronstein?

8 NEIL BRONSTEIN

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

11 DIRECT STATEMENT (Continued)

12 MR. BRONSTEIN: Yes. I'm Neil Bronstein. And
13 something that I have been hearing, and I just wanted to make
14 it -- maybe I'm not hearing it correctly because I'm
15 interpreting it as something being absurd. I have heard three,
16 maybe four chamber of commerce people who come in and defend
17 their members and say, yes, let's raise the rates, when their
18 rates aren't going to go up. It's everybody else's. So
19 that -- so if they have any benefits from it, it's being
20 subsidized by nonbusiness people. Right? You and I are going
21 to be paying so that the businesses have advantages. I think
22 they're big guys. They can take care of themselves as long as
23 they raise their prices often enough. Right? Excuse me.
24 Thank you.

25 COMMISSIONER BAEZ: Thank you, Mr. Bronstein. I

1 thought you had a question.

2 Mr. Mann.

3 MR. MANN: The next witness is Ed Fielding.

4 ED FIELDING

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

7 DIRECT STATEMENT

8 MR. FIELDING: Hi. I'm Ed Fielding from Stuart,
9 Martin County. Glad you folks are here and enjoying this
10 beautiful part of Florida.

11 I have both residential and business lines, long
12 distance and local, from, fortunately from a different
13 provider. I'm elated about that. And all these folks, maybe
14 if we want to generate some competition is let folks know who
15 other providers are because they do a good job. And I've been
16 hooked in since '96 when that's been allowed, and it's been
17 great and it works and it's cheaper. Both long distance and
18 residential local, all cheaper, all better, quicker, whatever,
19 however you measure it.

20 In listening, I'm devastatingly discouraged by the
21 perception of the basic economics of the United States. I just
22 sit back and I'm just totally, where are these folks coming
23 from? We're dealing with an oligopoly. Very few situations in
24 our economy are a free market. This isn't one that even comes
25 close. So the basic Adam Smith tenets don't apply; they're not

1 even on the same page, nor in the same book. And I don't even
2 know -- that's where we seem to go. It doesn't work. These
3 tenets don't work with an oligopoly. That's not the theory.
4 That's not how it works.

5 There have been some measured, articulate, thoughtful
6 voices who have pointed out the devastation that will be
7 imposed upon Florida families, both young and old, by this
8 increase. Not everybody is at the point where they're going
9 out every evening and spending money on luxurious meals. Some
10 folks, a lot of folks, a lot of us are at the point where we
11 measure, budget, scrimp, and an increase will be important. It
12 will eat into some other things that we have to do. As the
13 lady mentioned, it might be medicine, it might be food, it
14 might be some very important things. So while this might not
15 seem like much, there are folks, this is much, this is
16 important, this is expensive.

17 I think in my view this proposal violates the prudent
18 man rule. And in this case the prudent man would look at this
19 and say, it doesn't add up. It doesn't make sense. Why would
20 we make this trade? Why would we be willing to say, I'll give
21 you this now and maybe, maybe, at your discretion, at your
22 grace, at your -- perhaps you're drunk and fall off the bed,
23 you'll give me something in return? Why would we do that? The
24 prudent man would say, that's not logical. That's not
25 reasonable. A prudent man wouldn't do that. In fact, we've

1 got some kids around our house, and a fifth grade baseball card
2 trader wouldn't do that. He would say, no way. I want to see
3 what you want to trade with me now. Put it in my hand. I'm
4 not going to trade my favorite Joe DiMaggio for something I
5 don't even know. That's what we're asking for. We're asking
6 to put something in their hand without seeing what we get.

7 And, candidly, having some experience with various
8 ones over the past year and a half, I think on a national basis
9 we've seen that the corporate world is not one that we can put
10 our trust in. That's not one that we want to say on the
11 long-term, yes, we believe in you. I think we need to be
12 cautious about making judgments of giving something now with
13 the anticipation of maybe getting some benefit in the future.

14 I oppose the concept of let me charge you now so that
15 the market, whatever that means -- and it's an oligopoly, it's
16 not a market, it's an oligopoly -- may lower your cost in the
17 future. Thank you very much.

18 COMMISSIONER BAEZ: Thank you, Mr. Fielding.

19 Questions?

20 MR. TWOMEY: No, sir.

21 COMMISSIONER BAEZ: No questions. Thank you,
22 Mr. Fielding.

23 Mr. Mann.

24 MR. MANN: The next witness is Fred Angelo.

25 FRED ANGELO

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

3 DIRECT STATEMENT

4 MR. ANGELO: Good afternoon, members of the
5 Commission. Thank you for coming here to sunny South Florida
6 to have these meetings, as our great nation of free speech has
7 allowed us to come and speak on behalf of the residents of Palm
8 Beach County and allowed you to enjoy this sunny weather.
9 Hopefully you'll get out for a good game of golf in the next
10 day or two.

11 I happen to be a fireman/paramedic here in Palm Beach
12 County. My wife is a nurse. I'm going to speak in favor of
13 the rate increase. Being a member of a labor union, regulated,
14 regulated costs do a lot of things. One, they keep the rates
15 low and they have to be subsidized. But they also keep the
16 employees, which BellSouth and these others employ thousands of
17 employees throughout the State of Florida, they keep their
18 rates low, their 401 benefit matching programs low and their
19 insurance matching benefit low, also.

20 Without these same regulations on the insurance
21 industry, the cable industry and others, the employee is the
22 one who is suffering as the salaries are unable to increase at
23 the same rate of these benefits. I believe the insurance rate
24 here in Palm Beach County for health insurance averaged about
25 28 percent last year.

1 Having also been an avid stock market trader, looking
2 back into the history, AT&T was split from more competition.
3 Since 1995 they -- I've learned today there has been allowed to
4 be competition. So why haven't all of us people heard about
5 this competition? Is it because the rates are so low that new
6 providers aren't able to come into our state and provide these
7 same rates? Therefore, the only person who had been providing
8 the rates, which is BellSouth, is having to stay here in the
9 state and is asking for a rate increase. Also notably today
10 during the break BellSouth's stock was up 5 cents because they
11 quit their merger talks with AT&T, but notably it is down over
12 the last three months, while all the other stocks have been up.

13 I also speak with a little bit of knowledge of the
14 public safety service systems here in Palm Beach County, and
15 would like all the residents to know that a 911 call can be
16 made from any cell phone or regular phone even when it is out
17 of service, when you're offline. So if you dial 911 on your
18 phone and it's offline, that call will continue through. That
19 is something that our, our legislators have given us.

20 Imagine if through this competition that we gave this
21 same type of regulation to auto dealers. There -- we'd still
22 be driving around in cars that only got eight miles to the
23 gallon because that's all we would know about. The research
24 that is involved in this type of stuff is an investment into
25 our future. Just the other day I read about a company out of

1 Boca Raton that's going to be starting a long-distance business
2 that has Internet phoning. We have just scratched the surface
3 of what the Internet can do for us. But there's many dollars
4 that need to be spent in order to bring these rates lower, at a
5 more effective rate and cost. The DSL line can carry multiple
6 lines on it, and we're just starting to figure that out.

7 What, what happens with OPEC? They regulate the oil
8 industry. But when some country like Venezuela decides they
9 want to make about 8 billion more barrels of oil in a day or
10 two, we notice it because gas rates come down. And in the
11 future we'll notice those rates for our cell phones to go down,
12 or business phones and our local line phones to go down, also.
13 Thank you.

14 COMMISSIONER BAEZ: Thank you, Mr. Angelo.
15 Questions?

16 MR. TWOMEY: Yes. Just a couple.

17 CROSS EXAMINATION

18 BY MR. TWOMEY:

19 Q Mr. Angelo, apparently one of the reasons you've
20 given for wanting the residential rates to go up as requested
21 by BellSouth is, is that you want to see even more money
22 available for the labor union employees; is that correct?

23 A All employees, not just labor union employees.
24 "Union" is also a bad word in Florida, in case you --

25 Q I'm not suggesting that it is.

1 The -- but I want to ask you, do you know how many
2 employees BellSouth has now in Florida versus how many it had
3 ten years ago?

4 A Absolutely not.

5 Q So you wouldn't know whether it's more or less?

6 A I do not know.

7 Q Were you under the impression that, that BellSouth
8 would spend any of this increased money for increased research
9 and development?

10 A I don't believe there is a, a statement in any of the
11 literature that says they're, where they're exactly going to
12 spend the money. But in a competitive marketplace they would
13 need to spend the money to hold good employees. They'd also
14 need to spend money to increase their technology to hold their
15 consumers since it is a competitive marketplace, as you
16 described it, since 1995.

17 Q Thank you.

18 A Can I ask one question? What is your name, sir?

19 Q Me?

20 A Yes.

21 Q Mike Twomey.

22 A Mike Twomey. Mr. Twomey, I was reading your paper.
23 You're a representative of AARP. And you had in here that
24 representatives have lobbied hard for the law and spent -- I
25 think you have in here, I'm looking -- somebody had mentioned

1 or maybe you had mentioned, I just noticed it here, spent
2 thousands of dollars. Did your organization lobby, also?

3 Q I didn't work for AARP then. They lobbied against
4 it. I lobbied individually on behalf of another organization.

5 A So, in fact, your organization did lobby for the --
6 or against it but did spend money on it?

7 Q Not much. The fact is that we were greatly
8 outnumbered.

9 A Okay. Thank you.

10 COMMISSIONER BAEZ: Thank you, Mr. Angelo.

11 Mr. Mann.

12 MR. MANN: I do not have anymore names on the list.
13 Is there anyone else in the audience who wishes to speak?

14 COMMISSIONER BAEZ: Seeing no one -- thank you,
15 Mr. Mann. Seeing no one, I want to thank you all for coming
16 out and giving us your input. We greatly appreciate it, and
17 we're sure it will help all the Commissioners in their
18 considerations. Thank you for coming. We are adjourned.

19 (Service hearing adjourned at 4:03 p.m.)
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24
25

1 STATE OF FLORIDA)
 :
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing proceeding was
6 heard at the time and place herein stated.

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

12 I FURTHER CERTIFY that I am not a relative, employee,
13 attorney or counsel of any of the parties, nor am I a relative
14 or employee of any of the parties' attorneys or counsel
15 connected with the action, nor am I financially interested in
16 the action.

17 DATED THIS 12TH DAY OF NOVEMBER, 2003.

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LINDA BOLES, RPR
FPSC Official Commission Reporter
(850) 413-6734