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HOUSE OF REPRESENTATIVES

COUNCIL FOR READY INFRASTRUCTURE ANALYSIS

BILL #: CS/HB 1683

RELATING TO: Switched Network Access Rates

SPONSOR(S): Council for Ready Infrastructure, Committee on Utilities & Telecommunications and Representative(s) Maygarden

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

(1) COMMITTEE ON UTILITIES & TELECOMMUNICATIONS YEAS 18 NAYS 1
(2) COUNCIL FOR READY INFRASTRUCTURE YEAS 14 NAYS 1
(3)
(4)
(5)

I. SUMMARY:

Section 364.163, Florida Statutes, provides for network access services. Switched network access rates (access rates) refer to the charges for network access that are paid by providers of long distance telephone service (interexchange carriers or IXCs) to the local exchange telecommunications companies (LECs) for connection to their network and facilities. The charges are for originating a call and terminating a call for both intrastate and interstate calls. The Federal Communications Commission (FCC) has jurisdiction over interstate calls and the Florida Public Service Commission (PSC) has jurisdiction over intrastate calls.

It requires LECs with more than 1 million access lines in service to establish a revenue category that includes basic local telecommunications service and intrastate-switched network access revenues and to establish a timetable for reducing access rates to or below parity. The access rates are capped for 3 years after the rates reach “parity” as defined in the bill. Parity for BellSouth is .0098 cents per minutes, for Verizon and Sprint, it is 2 cents per minute. LECs with less than one million access lines have the option of participating in this new program.

The PSC approves the timetable if it reaches parity or below in 2-5 years and the access rates are reduced on an annual basis in equal amounts. The PSC may adjust the timetable within certain parameters.

Upon approval of the timetable, the LECs may adjust their prices and rates for the residential and single line business service and access service within the category once in any 12-month period in a revenue neutral manner to reduce the access rates. Revenue neutral means that the total revenue within the category remains the same before and after any rate adjustment.

The IXCs whose access rates are reduced are required to reduce the companies’ long distance revenues in an amount to return the benefits of the reduction to the companies’ residential and business customers. The current in-state connection fee is to be eliminated first before any reduction in long distance toll rates. The PSC still has regulatory oversight of intrastate-switched network access and long distance rates.

The bill amends several provisions of the Lifeline Assistance Plan. It provides for expanded Lifeline eligibility to 125 percent of federal poverty guidelines. Lifeline service access lines are not included in the revenue category established by the bill. Finally, the bill protects Lifeline customers from any rate increase under the bill.

The bill does not appear to have a fiscal impact on state or local governments.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [X]
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a “no” above, please explain:

B. PRESENT SITUATION:

In 1995 the Legislature enacted chapter 95-402, Laws of Florida that opened up the local monopoly telecommunications market to competition by allowing competing telephone companies, called alternative local exchange companies, to operate in Florida. Before that time the local exchange telecommunications companies were rate of return regulated companies that had a telecommunications monopoly within established service areas. Under the 1995 revisions, the rates for basic local service were capped at the rates in effect on July 1, 1995 until January 1, 2000 for all companies except BellSouth and until January 1, 2001, for BellSouth.

Section 364.163, Florida Statutes, provides for network access services. Under this section, “network access service” means “any service provided by a local exchange telecommunications company to a telecommunications company certificated under chapter 364 or licensed by the Federal Communications Commission.” It does not include local interconnection arrangements, provided in section 364.16, Florida Statutes, or the resale arrangements provided in section 364.161, Florida Statutes. Each local exchange telecommunications company subject to section 364.051, Florida Statutes, (price regulation) is required to maintain tariffs with the Public Service Commission (PSC) that contain the terms, conditions, and rates for each of its network access services.

A “local exchange telecommunications company” is defined by section 364.02(6), Florida Statutes, as “any company certificated by the [Public Service Commission] to provide local exchange telecommunications service in this state before June 30, 1995.”

A “telecommunications company” is defined by section 364.02(12), Florida Statutes, as:

> every corporation, partnership, and person and their lessees, trustees, or receivers appointed by any court whatsoever, and every political subdivision in the state, offering two-way telecommunications service to the public for hire within this state by the use of a telecommunications facility . . .

Companies that provide telecommunications facilities exclusively to certificated telecommunications companies and companies excluded from the definition of telecommunications companies are not included in this definition. Companies specifically excluded from the definition include: commercial mobile radio service providers, facsimile transmission services, private computer data networks not offering services to the public for hire, and cable television companies providing cable service as defined in 47 U.S.C. section 522.

Switched network access rates refer to the charges for network access that are paid by providers of long distance telephone service (interexchange carriers) to the local exchange companies for connection to their network and facilities. The charges are for originating a call and terminating a call for both intrastate and interstate calls. The Federal Communications Commission has jurisdiction over interstate telecommunication services and the Florida PSC has jurisdiction over intrastate telecommunication services. In Florida the intrastate charge is a per-minute charge and the interstate charge established by the Federal Communications Commission is both a per-minute charge and a per line charge.

There are currently 10 local exchange companies operating in Florida. They are: BellSouth Telecommunications, Inc., Verizon (merger of GTE and Bell Atlantic), Sprint-Florida Inc., ALLTEL Florida, Inc., GT Com (formerly St. Joseph Telephone & Telegraph Company, Florala Telephone Company, Inc., and Gulf Telephone Company), TDS/Quincy Telephone Company, Vista-United Telecommunications, Northeast Florida Telephone Company, Inc., Frontier Communications of the South, Inc., and ITS Telecommunications Systems, Inc. (formerly Indiantown Telephone System, Inc.).

The following is the number of total access lines for the Florida local exchange companies as of December 2000:

BellSouth	6,617,173	Vista-United	18,706
Verizon	2,443,575	TDS/Quincy	13,623
Sprint	1,710,409	NE Florida	9,280
ALLTEL	82,719	Frontier	4,537
GT Com	49,020	ITS	3,705

The number of residence and business basic local telecommunications access lines for the local exchange companies with more than 1 million access lines is as follows:

BellSouth	4,307,830 - residence and 90,734 – business
Sprint	1,454,103 - residence and 252,463 – business
Verizon	1,700,000 – residence and 327,000 - business

Basic local telecommunications service is defined by section 364.02(2), Florida Statutes, as:

> voice-grade, flat-rate residential, and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multifrequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange telecommunications company, such term shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

According to the PSC the rates for basic local telecommunications service in Florida are as follows:

	Lowest Rate Group	Highest Rate Group
BellSouth	$7.41	$10.81
Verizon	$9.67	$12.00
Sprint	$6.58	$10.41
ALLTEL	$9.22	$11.15
Frontier	$10.85	$10.95
GT Com	$6.30	$9.15
ITS	$8.96	$8.96
Northeast	$9.00	$9.00
Quincy	$12.90	$12.90
Vista-United	$7.20	$11.23

Basic local telecommunication service is subject to price regulation to the extent provided in section 364.051, Florida Statutes. Section 364.051(1), Florida Statutes, allows local exchange companies to choose "price regulation" instead of "rate base, rate of return" regulation. Subsection (1)(c) provides that each company subject to this section is exempt from rate base, rate of return regulation, and the requirements of several sections dealing with rates and revenues. The rates for basic local telecommunications service are capped for local exchange companies that choose price regulation under this section. The rates were capped at the rates in effect on July 1, 1995, and they could not be increased before January 1, 1999, except for BellSouth. The rates for BellSouth could not be increased before January 1, 2001. Sprint, Verizon and BellSouth raised their rates under this section.

Subsection (5) of section 364.051, Florida Statutes, allows any local exchange telecommunications company that believes circumstances have changed substantially enough to justify a rate increase to petition the commission for an increase. The commission can grant the petition only after an opportunity for a hearing and a compelling showing of changed circumstances.

Subsection (1) of section 364.163, Florida Statutes, provides that the rates for switched network access services for each local exchange company shall be capped at the rates in effect on July 1, 1999, and shall remain capped until January 1, 2001. Upon the date of filing its election under this section (for price regulation under section 364.051, Florida Statutes), the access rates are capped at the rates in effect on that date and remain capped for five years. According to the PSC, all local exchange companies except Frontier Communications of the South, Inc., have elected price regulation.

Under subsection (2), after termination of the caps imposed by subsection (1) and after the local exchange company’s intrastate switched access rates reach parity with its interstate switched access rates, a company may annually adjust any network access service rate by the cumulative change in inflation, but no more than three percent annually. The company must give 30 days’ notice of the adjustment. Also, after termination of the caps, subsection (3) of this section allows a company to petition the commission to recover the cost of governmentally mandated projects or programs or an increase in federal or state income tax incurred after that date.

Section 364.163(4), Florida Statutes, provides that a company may choose to implement all or a portion of a rate increase allowed for network access service under subsections (1), (2), or (3). It also provides that notwithstanding those subsections, a company may decrease its network services rates at any time and the new rates will become effective upon seven days' notice.

Subsection (5) of this section provides that company-proposed changes made in the terms and conditions for existing network access rates pursuant to subsections (1) – (4) are presumed valid and become effective upon 15 days' notice. Company-proposed rate decreases become effective upon seven days' notice. Rate increases made by a local exchange telecommunications company are presumed valid and become effective on the date the tariff is filed, but in no event earlier than 30 days after filing the tariff. The PSC is given

> continuing regulatory oversight of local exchange telecommunications company-provided network access services for purposes of determining the correctness of any price increase resulting from the application of the inflation index and making any necessary adjustments, establishing reasonable service quality criteria, and assuring resolution of service complaints.

No later than 30 days after the tariff is filed, the commission may determine if the price increase is correct and order the local exchange company to hold all the revenues collected under the increase to refund to its customers. The commission must make a determination, within 60 days of the order, whether to order a full or partial refund or release the revenues.

Chapter 98-277, Laws of Florida amended subsection (6) of section 364.163, Florida Statutes, to its present form and required any local exchange telecommunications company with more than 100,000, but fewer than 3 million basic local telecommunications service access lines in service on July 1, 1995, to reduce its intrastate switched access rates by 5 percent on July 1, 1998, and by 10 percent on October 1, 1998. This reduction affected Verizon (then GTE-Florida) and Sprint-Florida. Any interexchange telecommunications company whose intrastate switched access rates were reduced as a result of these rate decreases was required to reduce its intrastate long distance rates by the "amount necessary to return the benefits of such reduction to its customers …" The interexchange company could not reduce its per minute interLATA toll rates by a percentage greater than the per minute intrastate switched access rate reduction. The interexchange telecommunications company could determine the specific intrastate rates to be decreased, if residential and business customers benefited from the reductions.

Prior to the changes in 1998, subsection (6) of section 364.163, Florida Statutes, provided that any local exchange telecommunications company whose current intrastate switched access rates were higher than its interstate switched access rates in effect on December 31, 1994, shall reduce its intrastate switched access rates by 5 percent each year beginning October 1, 1996. A local exchange telecommunications company was relieved of this requirement if it reduced its rates by a greater percentage by the relevant dates or earlier. The reductions were made pursuant to the PSC Order No. PSC 94-0172-FOF-TL. This order provided, among other things, that BellSouth reduce its access rates.

Section 364.163 (7), Florida Statutes, currently provides that reductions for intrastate-switched access rates and customer long distance rates shall become effective on October 1 of each relevant year. Any rate decreases proposed in tariff revisions filed with the commission by the telecommunications companies is presumed valid and becomes effective October 1 of each relevant year.

Subsection (8) provides that no later than 30 days after the tariff is filed, the commission may determine if the rate decrease is correct and order the telecommunications company to hold all intrastate-switched access or customer long distance rate revenues collected after the decrease to refund to its customers. The commission must make a determination, within 60 days of the order, whether to order a full or partial refund or release the revenues.

Subsection (9) of section 364.163, Florida Statutes, gives the PSC continuing regulatory oversight of intrastate switched access and customer long distance rates for the purpose of "determining the correctness of any rate decrease by a telecommunications company resulting from the application of this section and making any necessary adjustments to those rates, establishing reasonable service quality criteria, and assuring resolution of service complaints."

The following is a comparison of switched access charges for intrastate and interstate rates as of the most recent filings. It includes one minute of originating and one minute of terminating switched access and assumes common transport.

	Intrastate Rate	Interstate Rate
BellSouth	$0.0455	$0.0098
Verizon	$0.0982	$0.0203
Sprint	$0.1027	$0.0140
ALLTEL	$0.1132	$0.0524
GT Com		
(Florala)	$0.1522	$0.0568
(Gulf)	$0.1214	$0.0568
(St. Joseph)	$0.1306	$0.0568
Vista-United	$0.1426	$0.0403
TDS/Quincy	$0.1287	$0.0575
NE Florida	$0.1126	$0.0607
Frontier	$0.1040	$0.0245
ITS	$0.1130	$0.0829

According to the PSC, intrastate network access service rates were set well above the incremental cost of providing the service in order to keep rates for basic local telecommunications service as low as possible and to encourage subscribership. The Federal Communications Commission has addressed the issue of access charges by reducing the per-minute charge and establishing line item flat charges on the telephone bill.

Section 364.025, Florida Statutes, provides for universal service and carrier of last resort requirements. Universal service is a concept that basic telephone service should be available to everyone that desires the service at affordable prices. Subsection (1) defines "universal service" as an "evolving level of access to telecommunications services that, taking into account advances in technologies, services, and market demand for essential services, the commission determines should be provided at just, reasonable, and affordable rates to customers, including those in rural, economically disadvantaged, and high-cost areas." The carrier of last resort provision requires the local exchange telecommunications company to "furnish basic local exchange telecommunications service within a reasonable time period to any person requesting such service within the company's service territory." This requirement expires on January 1, 2004.

Both the federal and state governments have encouraged telephone subscribership for every household. Section 364.10, Florida Statutes, requires telecommunications companies serving as the carrier of last resort to provide a Lifeline Assistance Plan to qualified residential subscribers. The Lifeline Assistance Plan provides bill credits for qualifying low-income consumers. Consumers who receive assistance through the Temporary Aid to Needy Families program, including the Temporary Cash Assistance and Supplemental Security Income programs, the Food Stamp program, the Federal Public Housing Assistance program, the Low-Income Home Energy Assistance Program, or the Medicaid program are eligible for the plan.

According to the Department of Children and Families, as of March 2001, there were 850,000 households eligible for Lifeline Assistance Plan in Florida. The Florida PSC indicates that as of that date, the total number of Lifeline subscribers was 136,824 with a participation rate of 16.0 percent. Currently BellSouth has approximately 105,000 Lifeline customers, Sprint has 9,365 and Verizon has approximately 25,000.

Lifeline subscribers may receive a credit of up to $12.00 on local monthly telephone bills as of July 1, 2001. Of that amount, the local exchange telecommunications companies contribute $3.50.

According to the PSC, BellSouth executed a settlement agreement with the Office of Public Counsel in a docket before the commission concerning quality of service issues. The agreement dealt with promoting the Lifeline Assistance Plan. The company agreed to file a tariff to establish an income eligibility test of 125 percent of the Federal poverty guidelines for Lifeline customers. The tariff will augment, not replace, the eligibility guidelines noted above.

C. EFFECT OF PROPOSED CHANGES:

The bill provides that any local exchange telecommunications company subject to the provisions of section 364.164(1)(a), Florida Statutes, and each local exchange company choosing to participate under section 364.164(1)(b), shall provide Lifeline Assistance Plan service to any potential customer who meets an income test of 125 percent of Federal poverty guidelines on March 31, 2002. Also effective on that date, each interexchange telecommunications carrier is required to file a tariff providing, at a minimum the current Lifeline Assistance Plan benefits and exemptions to Lifeline Assistance Plan customers meeting the new eligibility guidelines. The Office of Public Counsel is required to serve as the agency administering these provisions. Additionally, Lifeline service access lines are not included in the revenue category established by the bill. The bill protects Lifeline customers from any rate increase.

Section 364.163, Florida Statutes, is amended to conform to the creation of new section 364.164, Florida Statutes. The provisions of section 364.163(1), Florida Statutes, providing for caps of the switched network access service rates for local exchange telecommunications companies subject to price regulation under section 364.051, Florida Statutes are deleted. The bill amends subsection (2) and renumbers it as subsection (1) to cap the local exchange telecommunications companies intrastate switched network access rates for three years after those rates reach parity as defined in the bill. The provisions of subsection (2) relating to the adjustment of the intrastate network access service rates after the current caps provided in subsection (1) are removed and the rates reach parity with the interstate rates are also deleted to conform to the new language in the bill.

Subsections (3), (4), and (5) of section 364.163, Florida Statutes, are also deleted. Subsection (3) provides that a company may petition the commission for a rate change to recover costs of government-mandated programs or federal or state income taxes. Subsection (4) provides for implementation of rate increases. Subsection (5) provides effective dates for increases and regulatory oversight by the Florida PSC. This section is also amended to clarify that the bill's changes are not to impair the commission's oversight authority for service quality or resolution of service complaints.

Subsection (6) of section 364.163, Florida Statutes, is amended and renumbered as subsection (2). The bill deletes the provisions relating to the 1998 intrastate-switched access rate reductions. It amends the subsection to require any interexchange telecommunications carrier whose intrastate switched network access rates are reduced as a result of the rate adjustments provided in section 364.164, Florida Statutes, to reduce its intrastate long distance revenues by the amount necessary to return the benefits to both its residential and business customers. Current provisions allowing the interexchange telecommunications carrier to determine the specific intrastate rates to be decreased are maintained. The interexchange telecommunications carrier must first eliminate any in-state connection type fees first, before any long distance toll rates are decreased because of the rate adjustment in section 364.164, Florida Statutes. The reduction must be revenue neutral.

The provisions of subsection (7) are deleted. This subsection provided the effective date of October 1 of each year for prior reductions. Subsection (8) is also deleted. This subsection provided the PSC with the authority to determine the correctness of the rate decrease and to order the holding of the revenues subject to refund under existing law.

Subsection (9) is amended and renumbered as subsection (3) to conform this subsection to the changes in the bill.

The bill creates section 364.164, Florida Statutes, to provide the procedure for reduction of intrastate-switched network access rates. Intrastate-switched network access rates are those charges that long distance companies pay to the local exchange companies for access to their local telephone networks. These charges are defined in the bill as the composite of the originating and terminating network access rate for carrier common line, local channel/entrance facility, switched common transport, access tandem switching, interconnection charges, information surcharges, and local switching.

The bill provides that, notwithstanding the price regulation provisions of section 364.051(3), Florida Statutes, each local exchange telecommunications company with more than one million access lines in service shall notify the PSC that it has established a revenue category to include both basic local telecommunications service and intrastate switched network access revenues. The notification shall include a timetable for reducing the company's intrastate-switched network access rates within the category to or below parity as defined in the bill.

For a local exchange telecommunications company with more than 4 million access lines in service, "parity" is defined as the intrastate-switched network access rate equaling the interstate rate in effect on January 1, 2002. This includes BellSouth, whose interstate rate is.0098 cents per minute. If the company has less than 4 million, but more than 1 million access lines in service, "parity" is defined as 2 cents per minute. This includes Verizon and Sprint. If the company has less than 1 million access lines in service, "parity" is defined as 8 cents per minute. This includes ALLTEL, GT COM, ITS, Northeast, Quincy, Vista-United, and Frontier.

The commission shall approve the timetable within 60 days of the timetable being filed with the commission if the timetable reaches parity or below parity within 2 to 5 years and the intrastate-switched access rate reductions are equal in amounts and occur once in any 12-month period. The commission may, after consultation with the company, adjust the timetable if the commission finds it is in the public interest, the adjusted timetable is within the 2 to 5 years, and the reductions are equal in amounts and occur once in any 12-month period. The local exchange companies with less than one million-access lines may establish a revenue category and timetable for reducing switched network access rates under the same guidelines as the larger companies. The revenue category does not include the revenues that are generated from pay telephones.

The commission may adjust the timetable if it finds it is in the public interest, the adjusted timetable for reducing the rates is within the 2 to 5 year time period, and the reductions are equal in amounts and occur once in any 12-month period.

When the commission approves the timetable, the local exchange telecommunications companies shall, with 45-day notice, adjust the various prices and rates of basic telecommunications service and switched network access service once in any 12-month period on a revenue neutral basis. All annual adjustments within the revenue category must be implemented simultaneously and be revenue neutral. The commission is required to issue a final order confirming compliance with the provisions of the section and the order shall be final for all purposes.

Any rate adjustment filing must be based on the local exchange telecommunications company's most recent 12 months pricing units for any service included in the revenue category. The services included in this category are residential and single line business telephone service. Examples of pricing units are the minutes of use of long distance service for intrastate-switched network access revenues and number of residential and single business access lines for basic local telecommunications service revenue.

The commission has the authority only to verify the pricing units for the purpose of ensuring that the local exchange telecommunications company's specific adjustments make the revenue category revenue neutral. Any discovery or information requests are limited to verification of historical pricing units to ensure that the rate adjustments make the revenue category revenue neutral for each annual filing. The exemptions from rate of return regulation under section 364.051(1)(c), Florida Statutes are maintained. Also exempt from any increases of local exchange services are local pay telephone providers under section 364.3375, Florida Statutes.

Revenue neutrality means the total revenue within the revenue category remains the same before and after any of the annual rate adjustments. The calculation of revenue received before any rate adjustment is made by multiplying the current rate for each service by the most recent 12 months pricing units for each service. The calculation of revenue received after the rate adjustments is made by multiplying adjusted rate for each service by the most recent 12 months pricing units for each service. These calculations are made without any adjustments to the number of pricing units.

The bill becomes effective upon becoming a law.

D. SECTION-BY-SECTION ANALYSIS:

Please see Present Situation and Effect of Proposed Changes sections for a description of the bill.

III. <u>FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. <u>Revenues</u>:

None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

BellSouth has estimated that the total reduction in revenue to reduce the intrastate-switched network access rates to parity is approximately $159.5 million. BellSouth estimated that the adjustments would be in three increments of $1.00 per year for a total of $3.00.

Sprint estimates that the total reduction in revenue to reduce the intrastate-switched network access rates to parity is approximately $142.7 million. Sprint estimated that the adjustments would be five increments of $1.39 per year for a total of $6.95.

Verizon estimates that the total reduction in revenue to reduce the intrastate-switched network access rates to parity is approximately $96 million. Verizon estimated that the adjustments would occur over a 5-year period at $1.00 per year for a total of $5.00.

This information has been requested from the local exchange telecommunication companies with less than 1 million access lines in service.

The long distance companies are required to flow through any reductions in access rates for the benefit of both the residential and business customers. The in-state connection charge will be eliminated under the bill. AT&T has estimated that the elimination of that charge will provide a $50 million reduction statewide and affect approximately 98 percent of AT&T's customers. The amount of long distance savings that will be passed on to the customers through reduced intrastate-switched network access rates will vary according to calling volume and calling plans. The more minutes a customer uses, the greater the individual savings for each customer.

D. FISCAL COMMENTS:

Because the provisions of this bill require any adjustment in the switched network access rates to be revenue neutral, there should not be any impact on the revenues for state and local governments.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

AARP and several homeowner associations under the umbrella of the Florida Utility Watch, Inc. are opposed to the bill. Some of the concerns of Florida Utility Watch are the amounts of the rate increases, the lack of any toll reductions being permanent, and that the level of increased competition is completely unknown.

Representatives from various segments of the telecommunications industry – local exchange companies, interexchange companies, and alternative local exchange companies – support the bill and indicate that the rate adjustments will provide the competitive atmosphere necessary to spur competition in the local residential telephone market.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Council for Ready Infrastructure adopted three amendments to the bill at its February 21, 2002, meeting and reported the bill favorably as a council substitute. The three amendments made the following changes:

- Amendment 1 requires local telephone companies to provide information on the Lifeline Assistance Plan to state and federal agencies that provide low-income benefits. This amendment also protects Lifeline customers from any rate increase under the bill.
- Amendment 2 provides Lifeline service access lines are not included in the revenue category established by the bill.
- Amendment 3 ensures the bill does not impair the PSC's oversight authority for service quality or resolution of service complaints.

VII. SIGNATURES:

COUNCIL FOR READY INFRASTRUCTURE:

Prepared by:	Staff Director:
Patrick L. "Booter" Imhof	Patrick L. "Booter" Imhof

AS REVISED BY THE COUNCIL FOR READY INFRASTRUCTURE:

Prepared by:	Council Director:
Randy L. Havlicak	Thomas J. Randle