

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government-The bill provides that except as specifically delineated in ch. 364, F.S. or specifically authorized by federal law non-basic telephone services, broadband services, VoIP, and wireless telecommunications services are exempt from PSC jurisdiction.

Ensure Lower Taxes-The bill increases the maximum fee the PSC can charge for applications for certificates and allows the PSC to increase its minimum RAF fee.

Empower Families-The bill increases the income threshold for Lifeline service to 135 percent of the federal poverty guidelines, potentially allowing more residents to keep their telephone service.

B. EFFECT OF PROPOSED CHANGES:

Background

Chapter 364, F.S., delineates the scope and degree of the jurisdiction of the PSC relating to the regulatory oversight of telecommunication services in the state. Among other things, the chapter addresses the powers of the commission, the types of providers subject to PSC jurisdiction, and the nature and extent of that jurisdiction.

Prior to 1995, the PSC utilized rate base regulation or rate of return regulation as the method for regulating telephone utilities. This method of regulation established the revenue requirement that a telephone company needed to operate. Once the revenue requirement was determined, the PSC would then approve a rate structure and rates. The rates that the PSC established were designed to afford an opportunity for the telephone company to earn a reasonable rate of return.

In 1995, the Legislature rewrote ch. 364, F.S., in order to open the local telecommunications market to competition.¹ This legislation primarily did two things. First, it found competition for the provision of local exchange service to be in the public interest. Through the legislative findings outlined in s. 364.01, F.S., the local exchange market was opened to competition effective January 1, 1996. To achieve those ends, the PSC was required to certificate new local exchange service providers and impose the necessary standards to ensure consumer protection without impeding competition. Additionally, it allowed existing incumbent local exchange telecommunications companies (LECs) to elect price regulation, rather than rate of return regulation, effective January 1, 1996, or when an alternative local exchange telecommunications company (ALEC)² was certificated to provide service in a LEC's territory, whichever was later³.

In 2003, the Legislature passed the Tele-Competition Innovation and Infrastructure Act⁴ (2003 Act) in order to reach full competitive market enhancement. The 2003 Act allowed the large LECs, upon PSC approval to simultaneously raise basic service prices, dollar for dollar, to offset the decrease in revenue they would experience from reductions in intrastate access fees.⁵ The 2003 Act also removed intrastate interexchange telecommunications companies from the definition of "telecommunications company" in ch. 364.02(13), F.S.

¹ Ch. 95-403, L.O.F.

² Alternative Local Exchange Companies (ALECs) were changed to Competitive Local Exchange Companies (CLECs) in 2003. See ch. 2003-32, L.O.F.

³ S. 364.051, F.S.

⁴ Ch. 2003-32, L.O.F.

⁵ The PSC has allowed BellSouth, Sprint, and Verizon to do this, but rates changes are stayed pending appeal to the Florida Supreme Court.

Below is a comparison of what the PSC currently has authority over, and what it will have authority over under this proposed legislation.

Current PSC Authority	PSC Authority Under Proposed Legislation
Certification or Registration of Carriers	Certification or Registration of Carriers
Tariff/Price List Review	Tariff/Price List Review-Depending on the bill's intent, the PSC may lose tariff oversight over non-basic services
Numbering Issues (Area Codes, Code Denials, reclamation of unused codes)	Numbering Issues (Area Codes, Code Denials, reclamation of unused codes)
Wholesale Pricing (Unbundled Network Elements, Resale)	Wholesale Pricing (Unbundled Network Elements, Resale)
Arbitration of Interconnection Agreements between LECs and CLECs	Arbitration of Interconnection Agreements between LECs and CLECs
Complaint Resolution	Complaint Resolution-The bill may cause the PSC to lose any authority to resolve consumer complaints about non-basic services such as call waiting.
Service Evaluations	Service Evaluations
Enforcement Actions	Enforcement Actions
Review of Wholesale LEC performance measures	Review of Wholesale LEC performance measures
Oversight over Basic Local Telecommunications Service	The PSC may lose oversight over Basic Local Telecommunications Service if the bill's intent is to exempt non-basic telephone service from the PSC's jurisdiction
Oversight over Non-Basic Service	Depending on the bill's intent, it may eliminate the PSC's oversight over non-basic service including rate oversight, tariffs, and quality of service, regulations relating to small LECs, cross subsidization, and some billing practices.
Oversight over emerging markets and anti-competitive behavior.	Due to emerging services being free from regulation, PSC will lose oversight over the practices of the firms engaging in these markets; however, these firms will be subject to the state's general consumer protection laws.
Video Programming offered by local exchange companies	Lose Jurisdiction Over Video Programming offered by local exchange companies

Section 1.

Powers of the Commission-Legislative Intent

Section 364.01, F.S., relates to legislative intent regarding the powers of the Commission relating to telecommunications service.

Section 364.01(2), F.S., is revised to give the PSC exclusive jurisdiction in all matters set forth in this chapter to regulate telecommunications companies, and such preemption shall supersede any local or special act or municipal charter where any conflict to authority may exist. However, provisions of this chapter shall not affect the authority and powers granted in s. 166.231(9), F.S.,⁶ or s. 337.401, F.S.⁷

⁶ This section provides that a government body that is exempt from the municipal public service tax is not required to provide a certificate of exemption, and a seller is not required to collect the tax from an exempt governmental body.

⁷ This section relates to the use of right of way for utilities.

The bill completely rewrites the legislative findings in s. 364.01(3), F.S. Currently, this section contains the legislative finding that competition in the provision of local exchange telecommunications services is in the public interest. The Legislature further finds that changes in regulations allowing increased competition in telecommunications markets could provide improved economic conditions including more highly skilled employment opportunities. Finally, the Legislature finds that the provision of voice-over-Internet protocol (VoIP) free of unnecessary regulation is in the public interest.

The new language in s. 364.01(3), F.S. provides that those activities subject to ch. 364, F.S., are subject to consumer protection responsibilities of the PSC. Further, it provides that communications activities not regulated by the PSC, including but not limited to VoIP, wireless, and broadband, are not subject to PSC jurisdiction, but are subject to generally applicable business regulation and deceptive trade practices and consumer protection laws otherwise covered by state law. The subsection does not limit any party from seeking remedy under state and federal antitrust law.

Currently, s. 364.01(4), F.S., enumerates the objectives of the PSC exercising its exclusive jurisdiction. Subsection (4)(a) charges the PSC with the protection of the public health, safety and welfare by ensuring that basic local telecommunications services are available to all consumers in the state at reasonable prices. This section is amended to specifically identify dial-tone service, access to 911, local calling, and access to long-distance networks, as services considered as basic local telecommunications services necessary in the protection of public health, safety, and welfare.

Subsection 364.01(4)(d), F.S., currently provides that the PSC shall promote competition by encouraging new entrants into telecommunications markets and by allowing a transitional period in which new entrants are subject to a lesser level of regulatory oversight than incumbent local exchange companies. This section is amended to encourage innovation and investment as a means by which the PSC may promote competition, and allows for a transitional period in which new and emerging technologies are subject to a reduced level of regulatory oversight. Additionally, references to new entrants have been deleted from this section.

Section 2

Exemptions from Commission Jurisdiction

The bill creates s. 364.011, F.S., specifying that non-basic telephone services, broadband service, regardless of provider or platform, VoIP, and wireless telecommunications services are exempt from PSC jurisdiction, except to the extent delineated in ch. 364, F.S., or specifically authorized by federal law. Currently, the PSC has oversight, consumer protection, and assistance authority for non-basic services including: rate oversight, tariffs, and quality of service authority⁸, relating to small local exchange companies⁹, cross subsidization¹⁰, and some billing practices¹¹.

Non-basic service, as defined in s. 364.02(9), F.S., includes any telecommunications service provided by a local exchange telecommunications company other than flat-rate residential and flat-rate single-line business local exchange service, interconnection arrangements as described in s. 364.16, F.S., or network switched access service as described in s. 364.163, F.S. Examples of non-basic services are call waiting, call forwarding, and toll blocking. For LECs, under s. 364.051(5), F.S. those services are subject to a rate cap of 6 percent within a 12-month period until there is another provider providing local telecommunications service in an exchange area or a rate cap of 20 percent, within a 12 month period if there is a another provider in an exchange area. According to the PSC, it is unclear if the proposed provision is intended to eliminate the caps on rates for such services.

⁸ s. 364.051(5), F.S.

⁹ s. 364.052, F.S.

¹⁰ s. 364.3381, F.S.

¹¹ s. 364.604, F.S.

According to the PSC, if the bill intends to exempt non-basic service from commission jurisdiction and oversight, the local exchange companies would be free to raise rates for any non-basic services at will and by whatever amount the market would bear. In addition, the commission would no longer be able to assist consumers with quality of service or most billing problems related to non-basic services. Further, under the provisions of s. 364.051(6), F.S., once a local exchange company has reduced its switched network access charges to parity it may elect to have its basic service subject to the "same regulatory treatment as its non-basic services." Therefore, not only would this language eliminate non-basic services from jurisdiction at this time, but basic service would also be removed from PSC jurisdiction without any further action from the Legislature at the point in time when the LEC has reduced its switched network access charges to parity.

Section 3

Consistency with Federal Law

The bill creates s. 364.012, F.S., relating to consistency with federal law. The section states that the PSC shall promote and maintain consistency with federal law and policies. It further provides that the PSC shall maintain continuous liaisons with appropriate federal agencies whose policy decisions and rulemaking authority affect those telecommunication companies over which the PSC has jurisdiction.

The section further provides that the chapter does not limit or modify the duties of the local exchange carriers to provide unbundled access to network elements or the PSC's authority to arbitrate and enforce interconnection agreements to the extent that those elements are required under federal law or FCC rules.

This provision formalizes duties and responsibilities already performed by the PSC. The PSC regularly arbitrates interconnection agreements between CLECs and LECs as required by federal law, and has held generic proceedings concerning the pricing of wholesale services. The PSC has also been involved in various proceedings at the federal level relating to telecommunications services.

Section 4

Emerging and Advanced Services

The bill creates s. 364.013, F.S., relating to emerging and advanced services. The section provides that broadband service, regardless of provider (whom you receive the service from) or platform (how the service is provided), including but not limited to cable modem service, digital subscriber line (DSL), wireless, and satellite shall remain free of state and local regulation. It also provides that VoIP shall be free of regulation, except as delineated in the chapter or as specifically authorized by federal law, regardless of platform or provider.

However, networks of incumbent local exchange telecommunication companies currently combine elements of traditional wireline technology with VoIP technology in the public switched network to provide voice services. Thus, a particular voice transmission on the public switched network may, in part, be transmitted in a fashion identical to that used in the provision of VoIP services. As network technology evolves, the public switched network may well transition to a primarily VoIP-based network providing VoIP service. When that occurs, a local exchange company providing VoIP service using components of the public switched network may no longer be subject to the provisions of ch. 364, F.S., depending on the definition of VoIP services.

Section 5

Definitions

Section 364.02, F.S. provides the definitions for ch. 364, F.S. The bill amends this section in order to provide definitions for "broadband service" and "VoIP." At this time the definition of "service" contained

in s. 364.02(12), F.S., states that the definition does not include VoIP for purposes of regulation by the PSC but preserves the rights of other entities related to the payment of switched network access charges or other forms of intercarrier compensation, if any, related to VoIP service.

The bills definition of "VoIP" states that it means voice-over-Internet protocol as defined by federal law. At this time, it does not appear that a standard definition of VoIP currently exists in federal law.

Currently, broadband service is not defined in chapter 364, F.S., and services such as cable modem service, digital subscriber line (DSL), or wireless and satellite broadband service are not referenced in chapter 364, F.S., except as noted in s. 364.0361, F.S. While the PSC has not asserted jurisdiction over broadband services, it has required BellSouth to provide retail DSL service to customers who have chosen a different voice provider. The FCC recently determined "that a state commission may not require an incumbent local exchange carrier (LEC) to provide digital subscriber line (DSL) service to an end user customer over the same unbundled network element (UNE) loop facility that a competitive LEC uses to provide voice service to that end user."¹²

The bill adds a definition of broadband service to s. 346.02, F.S. Broadband service is defined as any service that consists of or includes a capability to transmit or receive information at a rate of no fewer than 200 kilobits per second and is used to provide access to the Internet or to computer processing, information storage, information content, or protocol conversion.

Additionally, the definition of "service" is amended to say that the term "service" does not include broadband service or VoIP service for purposes of regulation by the PSC.

Section 6

Local Government Authority-Nondiscriminatory Exercise

Section 364.0361, F.S., relates to nondiscriminatory exercise of local government authority over telecommunications services. The section provides that a local government shall treat telecommunications companies in a nondiscriminatory manner in granting franchises or in otherwise establishing conditions or compensation for use of rights-of-way or other public property by a telecommunications company. It also prohibits a local government from regulating terms and conditions, including but not limited to, services, service quality, service territory or price in connection with the provision of broadband or information services.

The bill amends s. 364.0361, F.S., prohibiting regulation by local governments of VoIP, broadband or other advanced telecommunications service, regardless of platform or provider. The prohibition extends to operating systems, qualifications, services, service quality, service territory, and price. Based on the bill, there is not a definition of "other advanced telecommunications service" so it is not clear what is meant by this term. However, there is a definition for "advanced telecommunication services" in Part II of ch. 364, F.S. That section defines "advanced telecommunications services" as network-based or wireless services that provide additional communications capabilities enabling the use of applications such as distance learning, video conferencing, data communications, and access to the Internet.¹³

Section 7

Price Regulation

Section 364.051, F.S. relates to the price regulation of local exchange telecommunications companies. For companies electing price regulation, effective January 1, 1996, rates for basic local telecommunications services were capped at July 1, 1995, levels and could not be increased until

¹² FCC Order No. FCC 05-78

¹³ S. 364.508(5), F.S.

January 1, 2003. For LECs with greater than three million basic local telecommunications service access lines, rates were capped until January 1, 2001. Once it is determined that that the level of competition justifies the elimination of prices caps by a LEC with less than three million access lines, or at the end of five years, the LEC may then, on 30 days notice, adjust its basic service revenues once in an 12-month period in an amount not to exceed the rate of inflation less one percent.

Section 364.051(4), F.S., allows LECs to petition for an increase in rates for basic service based on a compelling showing of changed circumstances. The PSC may only grant the petition only after an opportunity for a hearing and a compelling showing of changes circumstances. The costs and expenses of any government program or project in part II¹⁴ shall not be recovered under this subsection unless such costs and expenses are incurred in the absence of a bid and subject to the carrier-of-last-resort obligation as provided in part II. The PSC must act upon any petition with 120 days.

The bill adds additional language to s. 364.051(4), F.S. by finding that damage to the “lines, plant, and facilities” of a LEC with carrier-of-last-resort¹⁵ obligations due to natural disasters such as storms would constitute a compelling showing of a changed circumstance. While the bill uses a hurricane as an example of a natural disaster, it does not specifically define “natural disaster.”

In the event of a natural disaster, the LEC would be permitted to seek recovery of costs related to “repairing, restoring, and replacing” damaged equipment. The PSC would be responsible for verifying such costs. It is not clear what steps the PSC could take in verifying these costs. Traditionally, for rate-base regulated industries, the Commission would apply a “prudent and reasonable” test to ensure, for example, that costs are not double recovered, are booked to the appropriate costs accounts, and are necessary for the restoration process. No standard is prescribed in this section.

After verifying the restoration costs and expenses, the Commission shall grant the petition and authorize the company to add a separate line item to the bills of basic retail customers, nonbasic retail customers, and wholesale loop unbundled network element customers. This charge and the class of customers to be charged would be determined by the company, except such a line item charge could not exceed \$.50 per month per subscriber line and cannot be levied longer than twelve months. The bill provides complete discretion to the company as to which class of customers will be allocated restoration costs and how much (up to the \$.50/month cap) would be allocated to each class. There are approximately 11 million subscriber lines in Florida. For illustration, a \$.50 per month charge over twelve months would produce between \$60 - \$70 million per year depending on the extent of customer migration to alternative providers.

In addition, all local exchange telecommunications companies provide both interstate and intrastate services, but none of the natural disaster recovery expenses are recovered from interstate ratepayers. As currently proposed, the bill does not allow for any interstate recovery.

Finally, the bill does not indicate if its application is only to prospective natural disasters. Thus, it is not clear if network repair expenses attributable to the hurricanes of 2004 would be eligible. Moreover, the language also seems to permit multiple submissions for restoration costs within a twelve month period. For example, if a natural disaster results in network restoration expenses in June and a twelve month recovery begins, then a similar petition possibly could be filed for a separate event in October of the same year. It appears the proposal permits multiple petitions for a changed circumstance and therefore multiple recovery charges could be assessed on subscriber lines within the twelve month period.

Section 8

Lifeline Service

¹⁴ Part II of ch. 364, F.S. relates to Educational Facilities Infrastructure Improvement.

¹⁵ A carrier-of-last-resort has the requirement to provide basic local service, including B1 service, at reasonable rates in a reasonable time period to any customer in its territory requesting service.

Section 364.10(3), F.S., addresses the provision of Lifeline service and subsection (3)(a) specifies that effective September 1, 2003, each telecommunications company authorized by the PSC to reduce switched network access charges pursuant to s. 364.164, F.S., shall offer Lifeline service to any otherwise eligible customer that meets an income eligibility criteria of 125 percent of the federal poverty guideline.

Section 364.10(3)(a), F.S., is amended to revise the Lifeline income eligibility threshold from 125 percent to 135 percent of the federal poverty guidelines. This is consistent with a 2004 Federal Communications Commission (FCC) order that added an income eligibility criterion for Lifeline of 135 percent of the federal poverty guideline.¹⁶ This change will increase the number of households eligible for Lifeline benefits under the income criteria.

Since the bill changes the income level for Lifeline eligibility, but does not change the effective date, this section could be construed to imply that the 135 percent guideline would be retroactive to September 1, 2003.

Sections 9 and 10

PSC Fees

Section 350.113, F.S., creates the “Florida Public Service Regulatory Trust Fund”, and requires all fees, licenses, and other charges collected by the Commission to be deposited into this fund; however, penalties and interest collected by the Commission shall be deposited in the General Revenue Fund. This trust fund is subject to the service charge imposed by ch. 215, F.S. Section 364.113(3), F.S., requires each regulated company under the jurisdiction of the Commission to pay a fee based upon its gross operating revenues. To the extent practicable, the fees shall be related to the cost of regulating such type of regulated company. According to the PSC, both internal and external factors have contributed to there being a short-fall in the fees from telecommunications companies not covering the cost of regulation, primarily: 1) statutory factors, 2) decreased RAF collections, and 3) increased regulatory costs assigned to telecommunications.

Statutory Factors

First changes in Florida Statutes in 1995 and federal law in 1996 made in order to open the local telecommunications market to competition, changed the structure of the telecommunications industry and dramatically changed the PSC’s workload. Based on the statutory changes, the PSC eliminated all of its rules and regulations dealing with earnings regulation for the price-capped companies and no longer required earnings surveillance, depreciation studies, or other rate of return reports. However, with the new statutory requirements came new responsibilities related to facilitating the development of competition in the local exchange market.

While continuing its traditional retail regulatory responsibilities such as tariff reviews, consumer complaints, and quality of service, the PSC has been charged with wholesale responsibilities as well. On the wholesale side, it is responsible for interconnection agreements; petitions requesting arbitrations; adoption of agreements; and complaints about rates, terms, and conditions in current agreements. As market participants become more sophisticated and proficient, issues are becoming more complex, technical and specific, and thus more time consuming. It also deals with the complex issues involved with setting unbundled network rates, collocation terms and conditions, and barriers to competition. Numbering issues also arise as area code relief and number portability are needed due to increased demand for telephone numbers and to enhance competition.

Over the next several years, the PSC envisions the continued evolution of the telecommunications market and the exertion of continued pressures on wireline carriers from other technologies such as

¹⁶ FCC Order No. FCC 04-87.

wireless, VoIP, and cable. The PSC will still have responsibility for areas such as arbitrations, area code/numbering relief, consumer education, resolving customer complaints, setting wholesale rates and terms, and preventing anticompetitive pricing. However, it anticipates that in the future (3-5 years), it could experience a reduction in telecommunications workload. State law establishing a timetable for intrastate access charge reductions also includes triggers for certain reductions in regulatory requirements relating to tariffs and service quality.

RAF Collection

According to the PSC, during the 5-year period from Fiscal Year 2000-2001 through 2005-2006, telecommunications RAF revenue is expected to decline by over \$2.5 million. This decline has two primary causes. First, in February 2002, the Florida Supreme Court ruled that directory advertising revenue billed and collected by the local exchange companies, but booked by the companies' directory affiliates, could not be imputed to the LECs for RAF purposes.¹⁷ This decision resulted in a loss of \$1.5 million in annual RAF revenues--revenues that prior to that decision allowed this Commission to cover the cost of continuing regulatory functions and workload associated with the transition to a competitive market. Second, the revenues of the companies have declined due to changes in the telecommunications industry, including a loss of business to other providers such as cellular companies that do not currently pay RAFs. Annual RAF revenues have declined by over \$1 million due to this decline in the companies' revenues.

In addition, in recent years, legislation has resulted in the liquidation of the PSC's trust fund reserves and loss of interest earned on the trust fund balance have made it more difficult, if not impossible, for the PSC to absorb fluctuations in RAF collections. In the past, the PSC was able to delay increases in the RAF because of the trust fund reserve.

Calculation of Regulatory Costs

The PSC also changed its cost allocations beginning July 1, 2003, to more accurately reflect the amount of time being spent by PSC employees in the regulation of each industry. This change was in response to a finding by the Auditor General.¹⁸ The report noted that the Division of Consumer Affairs was significantly under-allocating its time to telecommunications. The PSC has made changes to time reporting by consumer affairs to more accurately capture time worked. As a result, the total amount of time and PSC costs being allocated to telecommunications increased from 39.9 percent in Fiscal Year 2002-2003 to a projected 43.11 percent in Fiscal Year 2005-2005.

According to the PSC, it expends a minimum level of costs related to each certificated company including updating contact and other information for Commission data bases, postage and handling for mailings related to generic dockets and rulemaking dockets, postage and handling for mailings related to the annual RAF, and the handling of customer complaints.

Section 9

Application for Certificate

Section 364.335, F.S. addresses application process to obtain a certificate to provide telecommunications service in Florida. The PSC, by rule, has established the application procedure for each type of certificate.

Chapter 90-220, L.O.F. amended ch. 364.335, F.S. to authorize the PSC to assess an application fee of up to \$250 for companies seeking certification. Pursuant to PSC rules, the current application fees are \$100 for pay telephone service¹⁹ and shared tenant service²⁰ and \$250 for competitive local

¹⁷ Verizon Florida, Inc. v. Jacobs, 810 So. 2d 906 (Fla. 2002).

¹⁸ Auditor General Report No. 2004-031: Public Service Commission Regulatory Assessment Fee and Other Matters – Operational Audit, August 2003.

¹⁹ 25-24.511(2), F.A.C.

exchange service²¹ and alternative access vendors.²² The PSC does not require interexchange companies to pay a registration fee, since it does not have express statutory authority to do so. Pursuant to s. 350.113, F.S., these fees are deposited into the Florida Public Service Regulatory Trust Fund. Below is a table showing the work and estimated cost of processing applications for each company type:

Company Type	Application	Registration	Tariff	Price List	Work Time (Hrs) Note 1	Current Fee	Estimated Cost	Agenda
Competitive Local Exchange Company (CLEC)	√			√	18	\$250	\$389.15	√
Interexchange Company (IXC)		√	√		17	\$0	\$348.64	Note 2
Alternative Access Vendor (AAV)	√				9	\$250	\$216.57	√
Shared Tenant Services Provider (STS)	√				9	\$100	\$216.57	√
Pay Telephone Company (PATS)	√				9	\$100	\$216.57	√

Note 1: Work time is distributed among several PSC staff members including clerical, technical, and legal staff.

Note 2: IXV registrations go to Agenda only if staff is recommending denial of registration.

The bill modifies s. 364.335, F. S., to authorize the Commission to assess an application fee up to \$500 for companies seeking certification as telecommunication providers in Florida. According to the PSC, this change would allow the Commission to increase the fee charged for issuing a certificate to more closely reflect the costs associated with the certification process.

Section 10

Regulatory Assessment Fees

Chapter 90-244, L.O.F., created s. 364.336, F.S., which authorizes the PSC to assess each telecommunications company licensed or operating under ch. 364, F.S, regulatory assessment fees of up to 0.25 percent of its gross operating revenues derived from intrastate business. This section was subsequently amended to allow companies to deduct any amount paid to another telecommunications company for use of any telecommunications network for the purposes of calculating the fee.²³ Pursuant to s. 350.113, F.S., these fees are deposited into the Florida Public Service Regulatory Trust Fund.

The PSC recently amended rule 25-24.0461, F.A.C., relating to RAF. Effective with revenues received by the telecommunications companies on January 1, 2005, the RAF will be 0.20 percent of gross operating revenues derived from intrastate business. Prior to January 1, 2005, the fee was 0.15 percent of gross operating revenues derived from intrastate business.²⁴ Based on the PSC's Notice of

²⁰ 25-24.567(1), F.A.C.

²¹ 25-24.810(1), F.A.C.

²² 25-24.720(1), F.A.C.

²³ Ch. 95-403, L.O.F.

²⁴ PSC-04-1175-FOF-TP, Notice of Rule Adoption for 25-4.0161, F.A.C.

Adoption of Rule, this change in fees is expected to increase the amount of RAF collected from telecommunications companies from \$8.8 million to \$11.7 million.²⁵

The bill modifies s. 364.336, F.S., to authorize the Commission to assess minimum regulatory assessment fees up to \$1,000. The minimum fees may be different depending on the type of service provided and shall, to the extent practicable, be related to the cost of regulating such type company. For example, for CLECs the PSC must arbitrate and/or approve interconnection agreements between the CLEC and LEC and process CLEC price lists, the minimum CLEC fee may be higher than that of a pay telephone provider where the PSC does not have those responsibilities.

Section 11

Video Programming

The bill repeals s. 364.502, F.S. relating to video programming and the capacity for public use. This section was created in 1995²⁶, following a 1991 FCC decision that determined that LECs providing video dialtone service would not be required to obtain cable franchises in order to offer the service.²⁷ The statute provides that each local exchange company or competitive local exchange company that provides video programming shall, prior to providing such programming, file with the PSC a designation of reserve capacity for public, educational, or governmental use. The PSC is required to review the designation to determine whether it adequately ensures that public education and public information programming (i.e. government access channels) are available to the customers of such a telecommunications company. Capacity pursuant to the section must not be sold, resold or otherwise transferred for money, and capacity shall be of the best quality available of the telecommunications company which provides the video programming.

This statute was originally enacted in 1995, and the PSC has never received or reviewed a video programming designation of public capacity from a telecommunications or competitive telecommunications company.

Sections 12-18

Cross-references

The following sections of Florida Statutes are amended to conform cross-references:

- S. 196.012(6), F.S.
- S. 199.183(1)(b), F.S.
- S. 212.08, (6), F.S.
- S. 290.007(8), F.S.
- S. 360.0605(3), F.S.
- S. 364.602(4), F.S.
- S. 489.103(5), F.S.

Section 19

Effective Date

This act shall take effect July 1, 2005.

C. SECTION DIRECTORY:

²⁵PSC Order No. PSC-04-1175-FOF-TP

²⁶ Ch, 95-403, L.O.F.

²⁷ 7 FCC Rcd, 300

Section 1. Amends s. 364.01, F.S., relating to the powers of the PSC and legislative intent.

Section 2. Creates s. 364.011, F.S., to exempt certain telecommunications services from the oversight of the PSC.

Section 3. Creates s. 364.012, F.S., regarding consistency with federal law.

Section 4. Creates s. 364.013, F.S., relating to emerging and advanced services.

Section 5. Amends s. 364.02, F.S., to add definitions

Section 6. Amends s. 364.0361, F.S., relating to nondiscriminatory exercise of local government authority over telecommunications service.

Section 7. Amends s. 364.051(4), F.S., relating to changed circumstances under price regulation.

Section 8. Amends s. 365.10(3), F.S., to increase the income eligibility threshold for Lifeline service to 135 percent of the federal poverty guideline.

Section 9. Amends s. 364.335, F.S. to increase the maximum application fee for a certificate to \$500.

Section 10. Amends s. 364.336, F.S., to allow PSC to raise minimum RAF fee up to \$1,000 and to have different minimum fees depending on the service provided.

Section 11. Repeals s. 364.502, F.S., relating to video programming.

Sections 12 through 18 amend ss. 196.012(6), 199.183(1)(b), 212.08(6), 290.007(8), 350.0605(3), 364.02(14), and 489.103(5), F.S., to conform cross-references.

Section 19. This act shall take effect on July 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

While the exact revenue impact cannot be determined at this time, the PSC has estimated that the change in s. 364.335, F.S., to allow the PSC to charge an application fee of up to \$500, instead of the current maximum of \$250, could result in an additional \$5,000 to \$10,000 in annual revenues. Since the PSC probably will not have the new rules in place prior to January 1, 2006, the estimated revenues for fiscal year 2005-2006 will probably be between \$2,500 and \$5,000.

The PSC has estimated that the change to s. 364.336, F.S., to allow the PSC to increase its minimum regulatory assessment fees to up to \$1,000 and have different minimum fees for different types of service, could result in an additional \$850,000 in annual revenues. This estimate is based on increasing the minimum fee to \$100 for pay telephone, shared tenant, and alternative access vendor certificates and to \$1,000 for CLECs and IXCs. The exact fiscal impact is indeterminate at this time, since the exact minimum fees for the various service types has yet to be decided. Since the PSC probably will not have the new rules in place prior to January 1, 2006, this change will probably be only for revenues received as of that date. Therefore, there should not be a fiscal impact until fiscal year 2006-2007.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

With the increase in the application fees for certificates from the PSC and the minimum regulatory assessment fees, telecommunications companies may have to pay more to receive a certificate to provide telecommunications services and more to retain those certificates.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. The bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

While the bill does not give the PSC any additional rule making authority, the PSC will have to revise its rules to increase the fees required for an application for a certificate and to raise the minimum Regulatory Assessment Fees.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Drafting Issues

On line 61, it discusses activities regulated under laws administered by the PSC are exempt from chapter 501, while on Line 63 it discusses communications activities. Line 61 may need to be amended to clarify that the bill is discussing communications activities.

Comments

Lines 321 through 339 address damage due to a natural disaster being considered changed circumstances under s. 364.051(4), F.S. It should be noted that in 1994, BellSouth and the Office of Public Council entered into a stipulation as a means to resolve a pending rate case. The stipulation was the resolution of the last rate case filed by BellSouth prior to electing price cap regulation in 1997. The stipulation was approved by the PSC in Order No. PSC-94-0172-FOF-TL. In addition to setting rates for BellSouth, the stipulation required that the company accrue \$10 million per year, beginning in January 1994, to establish a reserve for catastrophic losses from hurricanes and similar occurrences. The company has had \$10 million per year in its rates to cover storm damage since 1994.

In 1995, the Legislature enacted law that permitted LECs such as BellSouth, to elect price cap regulation. In 1997, BellSouth elected price cap regulation. Since that time, the PSC has not had jurisdiction for earnings oversight over the company and the company is no longer required to record revenues according to past regulatory convention. The company has not reduced its rates since that time and therefore continues to collect revenues that in 1994 were designated for storm damage recovery. Arguably, circumstances have changed dramatically since 1994 in many areas of the telecommunications environment and it is not unreasonable to conclude that revenues tagged for storm damage protection in 1994 through 1997 are no longer available for that purpose.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES