

State of Florida

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
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JOE GARCIA
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DIVISION OF APPEALS
DAVID E. SMITH
DIRECTOR
(904) 413-6245

Public Service Commission

June 26, 1997

Mr. Carroll Webb
Joint Administrative Procedures
Committee
120 Holland Building
Tallahassee, Florida 32399

Re: Docket No. ~~92004-01~~ - Proposed Part VXI - Rules
Governing Prepaid Calling Services; Rules 25-24.900,
F.A.C., Scope and Waiver; 25-24.905, F.A.C., Terms and
Definitions; 25-24.910, F.A.C., Certificate of Public
Convenience and Necessity Required; 25-24.915, F.A.C.,
Tariffs or Price Lists; 25-24.920, F.A.C., Standards for
Prepaid Calling Services and Consumer Disclosure; 24-
24.925, F.A.C., Refunds; 25-24.930, F.A.C., Adequacy of
Service; 25-24.935, F.A.C., Discontinuance of Service; 25-
24.940, F.A.C., Penalties

Dear Mr. Webb:

Enclosed are an original and two copies of the following
materials concerning the above referenced proposed rule:

- ACK _____ 1. A copy of the rules.
- AFA _____ 2. A copy of the F.A.W. notice.
- APP _____
- CAF _____ 3. A statement of facts and circumstances justifying the
proposed rules.
- CMU _____
- CTR _____ 4. A federal standards statement.
- EAG _____
- LEG _____ 5. A statement of estimated regulatory costs.
- LIM _____
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

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Mr. Carroll Webb
June 26, 1997
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If there are any questions with respect to these rules,
please do not hesitate to call on me.

Sincerely,

Diana W. Caldwell
Diana W. Caldwell
Associate General Counsel

ADNWXI.MRD
Enclosures
cc: Division of Records & Reporting

1 RULES OF THE FLORIDA PUBLIC SERVICE COMMISSION

2 RULES GOVERNING PREPAID CALLING SERVICES

3 Part XVI

4
5 25-24.900 Scope and Waiver

6 25-24.905 Terms and Definitions

7 25-24.910 Certificate of Public Convenience and Necessity

8 Required

9 25-24.915 Tariffs or Price Lists

10 25-24.920 Standards for Prepaid Calling Services and Consumer

11 Disclosures

12 25-24.925 Refunds

13 25-24.930 Adequacy of Service

14 25-24.935 Discontinuance of Service

15 25-24.940 Penalties

16
17 RULES GOVERNING PREPAID CALLING SERVICES

18 25-24.900 Scope and Waiver.

19 (1) This part applies to companies using their own or resold
20 telecommunications networks to provide prepaid calling services

21 (PPCS).

22 (2) A company that offers for sale PPCS may petition for a
23 waiver for any provision of this Part pursuant to Chapter 120.

24 The Commission may grant a waiver to the extent that it determines
25 that it is consistent with the public interest to do so. The

CODING: Words underlined are additions; words in
struck-through type are deletions from existing law.

1 Commission may grant the petition in whole or part, may limit the
2 waiver to certain geographic areas, or may impose reasonable
3 alternative regulatory requirements on the petitioning company.
4 In disposing of a petition, the Commission may consider:
5 (a) The factors enumerated in Section 364.337(4), Fla.
6 Statutes:
7 (b) The extent to which competitive forces may serve the same
8 function as, or obviate the necessity for, the provision sought to
9 be waived; and
10 (c) Alternative regulatory requirements for the company which
11 may serve the purposes of this Part.
12 (3) Prepaid calling services provided without compensation
13 are exempt from Part XVI.
14 Specific Authority: 359.127(2), F.S.
15 Law Implemented: 364.01, 364.19, 364.337(4), F.S.
16 History: New
17
18 25-24.905 Terms and Definitions.
19 For purposes of this part, the definitions to the following terms
20 apply:
21 (1) "Company" means any entity providing prepaid calling
22 services using its own or resold telecommunications network to
23 provide prepaid calling services.
24 (2) "Conversation time" is the time when two-way
25 telecommunications is possible.

CODING: Words underlined are additions; words in
struck-through type are deletions from existing law.

1 (3) "Prepaid Calling Services (PPCS)" means any prepaid
2 telecommunications service that allows end users to originate
3 calls through an access number and authorization code, whether
4 manually or electronically dialed.

5 (4) "Prepaid Calling Card" or "Card" means any object
6 containing an access number and authorization code that enables an
7 end user to use PPCS.

8 Specific Authority: 350.127(2), F.S.

9 Law Implemented: 364.01, 364.03, 364.051, 364.335, 364.337(4) F.S.

10 History: New

11
12 25-24.910 Certificate of Public Convenience and Necessity
13 Required.

14 A company shall not provide PPCS without first obtaining a
15 certificate of public convenience and necessity as a local
16 exchange company, alternative local exchange company, or
17 interexchange company. The name used as the provider of PPCS
18 printed on the prepaid calling card shall appear identical to the
19 name in which the certificate is issued. If "doing business as"
20 names are used, the names must be registered as fictitious names
21 with the Florida Division of Corporations and the certificate must
22 reflect the names prior to the names being used. The "doing
23 business as" names are considered to be the certificated name.

24 Specific Authority: 350.127(2), F.S.

25 Law Implemented: 364.33, 364.335, 364.337(4) F.S.

CODING: Words underlined are additions; words in
struck-through type are deletions from existing law.

1 History: New

2

3 25-24.915 Tariffs and Prices Lists.

4 (1) This section applies to all companies as defined in 25-
5 24.905(1), regardless of certificate type or other tariff or price
6 list requirements.

7 (2) Each company shall file a tariff or price list for PPCS.

8 (3) Each company shall include in its tariff or price list
9 the following information:

10 (a) Maximum amount a person will be charged per minute for
11 PPCS, and

12 (b) Applicable surcharges.

13 Specific Authority: 350.127(2), F. S.

14 Law Implemented: 364.04, 364.051, 364.057, 364.08, 364.09,

15 364.10, 364.19, 364.27, 364.317, F.S.

16 History: New

17

18 25-24.920 Standards For Prepaid Calling Services and Consumer
19 Disclosure.

20 (1) The following information shall be legibly printed on the
21 card:

22 (a) The Florida certificated name clearly identified as the
23 provider of the PPCS;

24 (b) Toll-free customer service number;

25 (c) Toll-free Network access number; and

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1 (d) Authorization code, if required to access service.

2 (2) Each company shall legibly display the following
3 information either on the card, packaging, or in a prominent area
4 at the point of sale of the PPCS in such a manner that the
5 consumer may make an informed decision prior to purchase:

6 (a) Maximum charge per minute for PPCS;

7 (b) Applicable surcharges; and

8 (c) Expiration policy, if applicable

9 (3) Each company shall provide through its customer service
10 number the following information:

11 (a) Certificate number;

12 (b) Rates and surcharges;

13 (c) Balance of use in account; and

14 (d) Expiration date or period, if any.

15 (4) Each company shall provide a live operator to answer
16 incoming calls 24 hours a day, 7 days a week or shall record end
17 user complaints. A combination of live operators or recorders may
18 be used. If a recorder is used, the company shall attempt to
19 contact each complainant no later than the next business day
20 following the date of the recording.

21 (5) The rates displayed in accord with paragraph (2) above
22 shall be reflected in the tariff or price list for PPCS.

23 (6) A company shall not reduce the value of a card by more
24 than the charges printed on the card, packaging, or visible
25 display at the point of sale. The service may, however, be

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~~struck-through~~ type are deletions from existing law.

1 recharged by the consumer at a rate higher than the rate at
2 initial purchase or last recharge. The higher rate and surcharges
3 shall be no more than the rates and surcharges in the tariff or
4 price list and the consumer shall be informed of the higher
5 charges at the time of recharge.

6 (7) The billing increment shall not exceed one minute.

7 (8) Each company shall only charge for conversation time plus
8 applicable surcharges.

9 (9) Conversation time of less than a full minute shall not be
10 rounded up beyond the next full minute.

11 (10) Cards without a specific expiration period printed on the
12 card, and with a balance of service remaining, shall be considered
13 active for a minimum of one year from the date of first use, or if
14 recharged, from the date of the last recharge.

15 (11) If PPCS are sold without a card or printed material,
16 tariffed charges and surcharges shall be disclosed at the point of
17 sale.

18 Specific Authority: 350.127(2), F.S.

19 Law Implemented: 364.01, 364.03, 364.19 F.S.

20 History: New

21

22 25-24.925 Refunds.

23 (1) Each company shall have a refund policy that meets the
24 following minimum requirements:

25 (a) For PPCS that are rendered unusable for reasons beyond

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1 the consumer's control, and have not exceeded the expiration
2 period, each company shall provide a refund equal to the value
3 remaining in the account.

4 (b) Refunds may be cash or replacement service, at the
5 company's option, but must be made to the end user within 60 days
6 of notification by the end user.

7 (2) Each company may, but shall not be required, to provide a
8 refund when a card has been lost or stolen.

9 Specific Authority: 350.127(2), F.S.

10 Law Implemented: 364.01, 364.12, F.S.

11 History: New

12

13 25-24.930 Adequacy of Service.

14 Each company shall ensure that:

15 (1) A minimum of 95 percent of all call attempts shall be
16 completed to the called party. Station busies will be counted as
17 completed calls.

18 (2) A minimum of 95 percent of all call attempts shall be
19 completed to a company's toll-free customer service number.
20 Station busies will not be counted as completed calls.

21 (3) A minimum of 97 percent (allowing for a one-second
22 variation) timing accuracy of conversation time shall be achieved.

23 Specific Authority: 350.127(2), F.S.

24 Law Implemented: 364.01, 364.12, F.S.

25 History: New

CODING: Words underlined are additions; words in
struck-through type are deletions from existing law.

1 25-24.935 Discontinuance of Service.

2 A company shall be responsible for ensuring, either through its
3 contracts with its distributors or marketing agents, or other
4 means, that end user purchased cards remain usable in accord with
5 Rule 25-24.920(10).

6 Specific Authority: 350.127(2), F.S.

7 Law Implemented: 364.01, 364.19, F.S.

8 History: New

9

10 25-24.940 Penalties.

11 The Commission shall impose penalties of not less than \$1,000
12 upon a finding that an uncertificated company has provided PPCS
13 within the state of Florida.

14 Specific Authority: 350.127 (2) F.S.

15 Law Implemented: 364.205 F.S.

16 History: New

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struck-through type are deletions from existing law.

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960254-TI

RULE TITLE:	RULE NO.:
Scope and Waiver	25-24.900
Terms and Definitions	25-24.905
Certificate of Public Convenience and Necessity Required	25-24.910
Tariffs or Price Lists	25-24.915
Standards for Prepaid Calling Services and Consumer Disclosure	25-24.920
Refunds	25-24.925
Adequacy of Service	25-24.930
Discontinuance of Service	25-24.935
Penalties	25-24.940

PURPOSE AND EFFECT: The purpose of the rule is to increase the customer's knowledge of the prepaid calling service (PPCS) he is purchasing and to protect the customer by ensuring that PPCS service contracts between the provider and distributor are honored. This protects the customer from having service discontinued due to the distributor's failure to pay the underlying carrier for service. The effect is that PPCS providers will provide a more dependable product and customers will be better informed about prepaid calling services.

SUMMARY: The rules require that no company shall provide PPCS without first obtaining a certificate from the Commission. A LEC,

ALEC, or IXC may offer PPCS. Each company is required to file a tariff or price list. The card, its packaging, or the point of sale must disclose certain information and certain information must be printed on the card. The rates displayed or advertised must be in the company's tariffs or price lists. Billing increments shall not exceed one minute and a company may only round up to the next minute. Cards shall be considered active for one year unless an expiration date or period is printed on the card. A company may not discontinue service after a card is purchased unless the card was lost or stolen. The company must have a refund policy and must provide adequate service. Finally a penalty of not less than \$1,000 shall be imposed for a company operating without a certificate.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COST: The major cost identified by the industry related to the cost of compliance with the service standards and disclosure. Some companies stated additional costs may be incurred to separate Florida traffic to comply with the service standard rule. The rule does not require that a company must separate out Florida traffic if the company meets the proposed standards throughout its calling area. Some companies stated that special packaging would be required of Florida cards, thus additional costs would be incurred. Companies estimated costs ranged from \$50,000 to \$776,000. Several companies estimated that additional costs would be associated with equipment and personnel necessary to implement the proposed

rule requirements. No direct impact on small cities or small counties was foreseen. Minimal impact on small business is expected.

Any person who wishes to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

SPECIFIC AUTHORITY: 350.127(2) FS.

LAW IMPLEMENTED: 364.04, 364.08, 364.09, 364.10, 364.19, 364.27, 364.33, 364.057, 364.285, 364.335, 364.337(4) FS.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

**HEARING: IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW:
TIME AND DATE: 9:30 A.M., August 14, 1997**

PLACE: Room 152, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

**THE PERSON TO BE CONTACTED REGARDING THESE PROPOSED RULES IS:
Director of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0862.**

THE FULL TEXT OF THESE PROPOSED RULES ARE:

**RULES OF THE FLORIDA PUBLIC SERVICE COMMISSION
RULES GOVERNING PREPAID CALLING SERVICES**

Part XVI

- 25-24.900 Scope and Waiver
- 25-24.905 Terms and Definitions
- 25-24.910 Certificate of Public Convenience and Necessity
Required
- 25-24.915 Tariffs or Price Lists
- 25-24.920 Standards for Prepaid Calling Services and Consumer
Disclosure
- 25-24.925 Refunds
- 25-24.930 Adequacy of Service
- 25-24.935 Discontinuance of Service
- 25-24.940 Penalties

RULES GOVERNING PREPAID CALLING SERVICES

25-24.900 Scope and Waiver.

(1) This part applies to companies using their own or resold telecommunications networks to provide prepaid calling services (PPCS).

(2) A company that offers for sale PPCS may petition for a waiver for any provision of this Part pursuant to Chapter 120. The Commission may grant a waiver to the extent that it determines that it is consistent with the public interest to do so. The Commission may grant the petition in whole or part, may limit the waiver to certain geographic areas, or may impose reasonable alternative regulatory requirements on the petitioning company. In disposing of a petition, the Commission may consider:

(a) The factors enumerated in Section 364.337(4), Fla.

Statutes:

(b) The extent to which competitive forces may serve the same function as, or obviate the necessity for, the provision sought to be waived; and

(c) Alternative regulatory requirements for the company which may serve the purposes of this Part.

(3) Prepaid calling services provided without compensation are exempt from Part XVI.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01, 364.19, 364.337(4), F.S.

History: New _____.

25-24.905 Terms and Definitions.

For purposes of this part, the definitions to the following terms apply:

(1) "Company" means any entity providing prepaid calling services using its own or resold telecommunications network to provide prepaid calling services.

(2) "Conversation time" is the time when two-way telecommunications is possible.

(3) "Prepaid Calling Services (PPCS)" means any prepaid telecommunications service that allows end users to originate calls through an access number and authorization code, whether manually or electronically dialed.

(4) "Prepaid Calling Card" or "Card" means any object

containing an access number and authorization code that enables an end user to use PPCS.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01, 364.03, 364.051, 364.335, 364.337(4) F.S.

History: New _____.

25-24.910 Certificate of Public Convenience and Necessity Required.

A company shall not provide PPCS without first obtaining a certificate of public convenience and necessity as a local exchange company, alternative local exchange company, or interexchange company. The name used as the provider of PPCS printed on the prepaid calling card shall appear identical to the name in which the certificate is issued. If "doing business as" names are used, the names must be registered as fictitious names with the Florida Division of Corporations and the certificate must reflect the names prior to the names being used. The "doing business as" names are considered to be the certificated name.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.33, 364.335, 364.337(4) F.S.

History: New _____.

25-24.915 Tariffs and Prices Lists.

(1) This section applies to all companies as defined in 25-24.905(1), regardless of certificate type or other tariff or price list requirements.

(2) Each company shall file a tariff or price list for PPCS.

(3) Each company shall include in its tariff or price list the following information:

(a) Maximum amount a person will be charged per minute for PPCS, and

(b) Applicable surcharges.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.04, 364.051, 364.057, 364.08, 364.09, 364.10, 364.19, 364.27, 364.337, F.S.

History: New _____.

25-24.920 Standards For Prepaid Calling Services and Consumer Disclosure.

(1) The following information shall be legibly printed on the card:

(a) The Florida certificated name clearly identified as the provider of the PPCS;

(b) Toll-free customer service number;

(c) Toll-free Network access number; and

(d) Authorization code, if required to access service.

(2) Each company shall legibly display the following information either on the card, packaging, or in a prominent area at the point of sale of the PPCS in such a manner that the consumer may make an informed decision prior to purchase:

(a) Maximum charge per minute for PPCS;

(b) Applicable surcharges; and

(c) Expiration policy, if applicable

(3) Each company shall provide through its customer service number the following information:

(a) Certificate number;

(b) Rates and surcharges;

(c) Balance of use in account; and

(d) Expiration date or period, if any.

(4) Each company shall provide a live operator to answer incoming calls 24 hours a day, 7 days a week or shall record end user complaints. A combination of live operators or recorders may be used. If a recorder is used, the company shall attempt to contact each complainant no later than the next business day following the date of the recording.

(5) The rates displayed in accord with paragraph (2) above shall be reflected in the tariff or price list for PPCS.

(6) A company shall not reduce the value of a card by more than the charges printed on the card, packaging, or visible display at the point of sale. The service may, however, be recharged by the consumer at a rate higher than the rate at initial purchase or last recharge. The higher rate and surcharges shall be no more than the rates and surcharges in the tariff or price list and the consumer shall be informed of the higher charges at the time of recharge.

(7) The billing increment shall not exceed one minute.

(8) Each company shall only charge for conversation time plus applicable surcharges.

(9) Conversation time of less than a full minute shall not be rounded up beyond the next full minute.

(10) Cards without a specific expiration period printed on the card, and with a balance of service remaining, shall be considered active for a minimum of one year from the date of first use, or if recharged, from the date of the last recharge.

(11) If PPCS are sold without a card or printed material, tariffed charges and surcharges shall be disclosed at the point of sale.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01, 364.03, 364.19 F.S.

History: New _____.

25-24.925 Refunds.

(1) Each company shall have a refund policy that meets the following minimum requirements:

(a) For PPCS that are rendered unusable for reasons beyond the consumer's control, and have not exceeded the expiration period, each company shall provide a refund equal to the value remaining in the account.

(b) Refunds may be cash or replacement service, at the company's option, but must be made to the end user within 60 days of notification by the end user.

(2) Each company may, but shall not be required, to provide a refund when a card has been lost or stolen.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01, 364.19, F.S.

History: New _____.

25-24.930 Adequacy of Service.

Each company shall ensure that:

(1) A minimum of 95 percent of all call attempts shall be completed to the called party. Station busies will be counted as completed calls.

(2) A minimum of 95 percent of all call attempts shall be completed to a company's toll-free customer service number. Station busies will not be counted as completed calls.

(3) A minimum of 97 percent (allowing for a one-second variation) timing accuracy of conversation time shall be achieved.

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01, 364.19, F.S.

History: New _____.

25-24.935 Discontinuance of Service.

A company shall be responsible for ensuring, either through its contracts with its distributors or marketing agents, or other means, that end user purchased cards remain usable in accord with Rule 25-24.920(10).

Specific Authority: 350.127(2), F.S.

Law Implemented: 364.01, 364.19, F.S.

History: New _____.

25-24.940 Penalties.

The Commission shall impose penalties of not less than \$1,000

upon a finding that an uncertificated company has provided PPCS within the state of Florida.

Specific Authority: 350.127 (2) F.S.

Law Implemented: 364.285 F.S.

History: New

NAME OF PERSON ORIGINATING PROPOSED RULES: Rick Moses

NAME OF SUPERVISOR OR PERSONS WHO APPROVED THE PROPOSED RULES:

Florida Public Service Commission.

DATE PROPOSED RULES APPROVED: JUNE 10, 1997

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW:

JANUARY 3, 1997

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

MEMORANDUM

May 16, 1997

TO: DIVISION OF APPEALS (MOORE)

FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (LEWIS) *KW* *CS* *PHD*

SUBJECT: STATEMENT OF ESTIMATED REGULATORY COST FOR DOCKET NO. 960254-TL, PROPOSED RULES 25-24.900, 25-24.905, 25-24.910, 25-24.915, 95-24.920, 25-24.925, 25-24.930, 25-24.935, and 25-24.940, FAC, PREPAID CALLING SERVICES

SUMMARY OF THE RULE

The proposed new rules would establish regulations for providers of prepaid calling services (PPCS). The proposed rules define prepaid calling services and provide requirements for certification, tariffs and price lists, service standards and customer disclosure, refunds, adequacy of service, discontinuance of service, and penalties for uncertificated companies.

ESTIMATED NUMBER AND DESCRIPTION OF INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY

All companies that provide prepaid calling services using their own or resold telecommunications networks will be required to comply. Companies certified as Local Exchange Companies (LECs), Alternative Local Exchange Companies (ALECs) or Interexchange Companies (IXCs) may provide prepaid calling services according to the proposed rule. A data request regarding the regulatory costs of the proposed rules was sent to the 124 IXCs known to be providing prepaid calling services, the 12 LECs, 24 randomly selected ALECs, the Florida Department of Revenue, and all parties that had attended any of the rule development workshops or otherwise expressed an interest in the proposed rules. At the time staff's data request was prepared 124 IXCs provided PPCS according to their tariff filings. However, there are likely many more IXCs operating nationwide whose prepaid calling cards could be used to place Florida intrastate calls and the proposed rules would require such companies to obtain certification in Florida. Although LECs and ALECs may provide PPCS, none of those responding indicated they are presently doing so.

**DIRECT COSTS TO THE AGENCY
AND OTHER STATE OR LOCAL GOVERNMENT ENTITIES**

The Commission would experience costs associated with staff time spent on the following: processing requests for certification; processing and filing tariffs and price lists; evaluation and enforcement of service and disclosure standards; and processing consumer complaints. However, in the absence of rules on prepaid calling services, staff has spent considerable time fielding questions from the industry regarding regulatory treatment, dealing with complaints from consumers, and participating in formal proceedings in an effort to resolve regulatory issues. Therefore, should the proposed rules become effective, the staff time spent on prepaid calling services may simply shift away from those issues associated with an unregulated industry and be spent instead on carrying out the provisions of the rules. Agency procedures and sufficient staff already exist for accomplishing the regulatory tasks associated with the proposed rules and there should be no further increased costs to the Commission. The Commission will receive annual regulatory assessment fees from each certificated company based upon their gross operating revenues.

The Florida Department of Revenues (DOR) has determined that the retail sale of prepaid calling services is not taxable. Rather, prepaid calling services are subject to taxation when used. DOR believes the carrier providing the service is responsible for the collection and remittance of state tax for PFCs since it should be able to determine the calling area and duration of each call. Consequently, DOR believes that the proposed rules will be beneficial to the agency by aiding its collection efforts and allowing it to more effectively administer and enforce state tax laws on companies providing PFCs. DOR did not identify any costs resulting from the proposed rules. There should be no direct costs to other state or local government entities.

**ESTIMATED TRANSACTIONAL COSTS
TO INDIVIDUALS AND ENTITIES REQUIRED TO COMPLY**

The majority of respondents stated they were either already substantially in compliance with the proposed rules or expected they would experience very little costs to comply. The Telecommunications Resellers Association (a national trade association) also concluded no new regulatory costs were apparent in the proposed rules. Other respondents identified costs in several

areas including: certification; preparation and filing of tariffs and price lists; service standards and disclosure; and equipment and personnel.

Certification

Two DXCs estimated certification costs between \$250 and \$2,000 (cost of Commission's application fee plus costs of legal fees and corporate filings). The Commission presently requires payment of a \$250 application fee with all applications for DXC certification. All of the responding DXCs have already obtained a certificate.

Tariffs and Price Lists

Two companies estimated the costs of preparing and filing tariffs or price lists to be between \$500 and \$4,000 each time new rates must be filed with the Commission.

Service Standards and Disclosure

Five DXCs (American Telecom, Cable & Wireless, Inc., AT&T, MCI, and TresCom, USA, Inc.) mentioned that being required to provide Florida-specific information would impose costs. American Telecom believes that additional costs of \$7,500 to \$10,000 per year would be generated as a result of the need to separate out Florida intrastate traffic to comply with proposed Rule 25-24.930, FAC, Adequacy of Service. The proposed rule would require certain service standards to be met, such as 95 percent of all call attempts to the called party must be completed. Commission staff generally places intrastate test calls to check that the service standards are being met. It does not appear that the rule necessitates that a company separate out Florida traffic if the company meets the proposed standards throughout its calling area.

American Telecom was also concerned that significant costs (not quantified) would be incurred if proposed Rule 25-24.920, FAC, Standards For Prepaid Calling Services and Consumer Disclosure, required it to disclose all rates in addition to its rates for Florida intrastate calls. Information provided during rule development workshops indicated that most companies use a uniform rate for both interstate and intrastate calls. If American Telecom chose to display only the rate for Florida intrastate calls on its cards or packaging, it would appear to comply with the proposed rule.

AT&T and Cable & Wireless, Inc. also had concerns about Florida-specific disclosure requirements. AT&T stated that changing its point-of-sale materials to include maximum charges per minute, Florida certificate name, refund policy and other required items would cost

approximately \$776,000, based upon its present 4,300 retail locations. Cable & Wireless, Inc. estimated a \$600,000 annual increase in packaging costs.

The costs associated with providing Florida-specific information would be passed on to Florida consumers according to Cable & Wireless, Inc. and MCI. MCI has designed its cards for use in every state and said that it would cost the company between \$50,000 and \$100,000 to alter its cards and/or packaging for Florida-specific rate disclosure.

TreCom USA, Inc. stated the requirement to phase rate information on cards and/or packaging each time its rates change would add costs of from \$.05 to \$.32 per card and printing costs would increase approximately \$.02 per card due to the need for separate orders for various rate tables. TreCom USA, Inc. also stated the costs of storage and inventory would increase in order to maintain a separate inventory for each rate table though it did not quantify these costs.

Equipment and Personnel

Though the majority of respondents believed existing equipment and personnel would be sufficient to comply with the proposed rules, four companies expected to incur costs in these areas. Atlas Audiotex, Inc. estimated annual training costs for live operators to be \$49,920. The company also included costs for monitoring, licensing, legal fees, and per call expenses in its recurring costs which were estimated to be \$70,596 per year. The company estimated it would incur fixed cost of \$35,540 for equipment and programming enhancements. REL COM USA, Inc. stated it would experience costs of \$2,000 for programming. In addition, REL COM USA, Inc. estimated an annual salary cost for one additional staff person to be \$31,250 and equipment costs of \$4,000. MCI said it would cost \$10,000 to revise its data system and train employees to provide MCI's Florida certificate number. Cable & Wireless, also said it would incur training costs though the costs could not be quantified at this time.

Other

One company (Veritas Telecom, Inc.) mentioned that passage of the proposed rules might cause it to incur costs associated with service evaluations performed by Commission staff. Related costs would depend upon the number and duration of calls and how often such evaluations are conducted.

Both AT&T and MCI stated that the interpretation of the proposed rules would determine whether costs would occur in certain areas. For example, AT&T estimated annual compliance costs

of \$156,000 if it were held liable for complying with refund requirements when it acts only as the network provider for a certified company. MCI's concern is whether the Commission intends for the proposed rules to regulate dual-use cards and single-number termination cards in the same manner as other PFCs. If so, MCI stated its costs to comply with the proposed rule would increase.

In summary, while the majority of respondents estimated insignificant or no costs to comply with the proposed rules, others described the costs of complying with rate disclosure and other Florida-specific information as significant and urged the Commission to adopt rules that would allow prepaid calling service offerings to remain consistent nationwide.

IMPACT ON SMALL BUSINESS, SMALL CITIES, OR SMALL COUNTIES

Of the fourteen DCCs responding to staff's data request, only one (Cellular World, Inc.) stated that it qualified as a small business as defined in Section 288.703(1), Florida Statutes. Cellular World, Inc. indicated that its only cost would be \$2,500 to \$4,000 for preparing and filing a tariff. However, the company also stated it may realize benefits from the proposed rules since the number of disqualifiable companies in the business may be reduced. No direct impact on small cities or small counties is foreseen.

REASONABLE ALTERNATIVE METHODS

Five interexchange carriers (AT&T, Cable & Wireless, Inc., LDDS WorldCom, MCI, and TritelCom USA, Inc.) suggested alternative methods of accomplishing some of the requirements of the proposed rules. Though not presently certified to provide telecommunications services in Florida, Cox Communications, Inc. also provided alternative methods.

Rule 25-24.915, FAC, Tariffs and Price Lists

AT&T believes the rule should specify that "each company's tariff or price list, as applicable, shall set forth the rates and charges for prepaid calling services" to clarify that a separate tariff for prepaid services is not required if the company already lists prepaid services in its current tariffs. Requiring a separate tariff would impose an additional unquantified regulatory cost, according to AT&T. Making this clarification would avoid additional costs for those companies that already have tariffs on file and would not appear to compensate the intent of the proposed rule, which is to require all companies offering PFCs to disclose their rates in tariffs or price lists.

Rule 25-24.920, FAC, Standards for Prepaid Calling Services and Consumer Disclosure

AT&T believes the rule should be amended to allow use of registered d/b/a names on prepaid cards and point-of-sale material. The purpose of requiring the "Florida certificated name" to be displayed is so that Commission staff can easily identify the provider for complaint resolution and enforcement purposes. As AT&T points out, another section of the proposed rules (25-24.910) requires the name on the card to be identical to the name in which the certificate is issued and states that if a d/b/a is used it must be registered with the Florida Division of Corporations and appear on the company's Florida certificate. If proposed Rule 25-24.920(1)(a), FAC, is clarified to either reference 25-24.910, FAC, or specify that either the Florida certificated name or d/b/a name be listed on the card, the purpose of the rule would still be met.

The remainder of suggested alternatives deal with the disclosure. AT&T recommends that the maximum charge per minute not be required on cards, packaging, or point-of-sale material when the card is marked with the number of minutes provided. Cox Communications (Cox) also believes that since the company may charge rates in its tariff or price list on short notice, requiring the company to place the maximum charge per minute on the card or packaging may ultimately be of little value to the consumer. Cox suggests that notification regarding maximum prices be limited to cards that are sold on a "retailer value" basis. TracCom USA, Inc. suggested printing the value of the card only and requiring customers to call a toll free number to obtain rates.

LDDS WorldCom suggests eliminating the requirement proposed in 25-24.920(7), FAC, that "the billing increment shall not exceed one minute." As reflected in its Florida tariff, LDDS WorldCom currently charges 2 units (minutes) for directory assistance from any state and opposes rules that would require it to customize its PFC3 offerings specifically for Florida.

MCI suggests that service and disclosure requirements be standardized and consistent nationwide in order to lower costs. MCI and Cable & Wireless, Inc. both suggested that making disclosure information available through customer service or via an automated response menu would be a less burdensome and more economical way of informing consumers. AT&T also cited the possibility of varying state requirements and suggested that it was unnecessary to require the refund policy to be printed on cards or packaging so long as the provider's policy complied with the proposed rule.

The companies' suggestions regarding disclosure all require the consumer to take another step (i.e. calling a toll free number) beyond simply reading what is available on the card, within the package, or at the point of sale. The alternative methods suggested would not accomplish the objective of informing the consumer as quickly and completely as the proposed rules.

Finally, *Cable & Wireless* wanted another option for advising customers of the expiration date on a card. *Cable & Wireless* believes announcing the expiration date of the card on the voice prompt, after the consumer enters their PIN number, should be an additional option. The company states having this option would allow it to change the expiration date upon customer request or cancel cards a customer reports lost or stolen. *Cable & Wireless* suggests the following alternative language be substituted for Proposed Rule 25-24.92N(10), FAC:

Cards without a specific expiration period printed on the card, and with a balance of service remaining, shall be considered active for a minimum of one year from the first use, or if recharged, from the date of the last recharge; or as announced via a voice prompt. Company may de-activate the cards prior to originally programmed expiration date at any time, upon request by the Customer, or if the company suspects fraud, or upon Order by a court, or a government agency.

The purpose of having the proposed rule require that cards remain active for one year from date of first use or last recharge is to provide standardization within the industry and make it easier for consumers to make informed purchases. Allowing the expiration date to be based only upon what is announced via a voice prompt would not achieve the purpose of the proposed rule. Also, deactivation of cards based upon a company suspicion of fraud is vague, difficult to verify, and may encourage abuse since FCCs are generally paid for in advance.

25-24.92S, FAC, Rulewide

AT&T would like the proposed rule to clarify that the obligation of a network provider is limited to its customers and does not extend to end user customers of providers that purchase network time from AT&T for provision of FCCB. AT&T said making this clarification would reduce its annual compliance cost by \$156,000. The intent of the proposed rule is to protect the consumer from financial loss resulting from events outside his control, such as a card that no longer works because a retailer has failed to pay for services it has purchased from an underlying network provider. A second intent is to identify the conditions under which a consumer is entitled to a refund. Whether a company offers FCCB as a network provider or a retailer, its refund policy must

comply with proposed Rule 25-24.925, FAC. Clarification does not appear to be needed to fulfill the intentions of the proposed rule.

25-24.935, FAC, Discontinuance of Service

Both AT&T and LDDS WorldCom strongly suggest that the rule specify that network providers are not liable for failure or default of a carrier purchasing network time and access for resale. Underlying carriers may at times have to disconnect a reseller, according to LDDS WorldCom. The proposed rule holds a PFCB company responsible for ensuring, either through its contracts with its distributors or marketing agents, or other means, that cards remain usable for one year if unused service remains on the card and no expiration date is printed on the card. The purpose of proposed Rule 25-24.935, FAC, is to establish a uniform product that can be counted on to work for a given period of time, regardless of how the product is distributed or marketed. Since the Commission may not have regulatory authority over the entity that is distributing or marketing the card, the proposed rule makes PFCB companies responsible for providing a working card through their contracts with distributors or marketing agents or other means. Removing this responsibility from facilities-based providers would not achieve the purpose of the proposed rule.

KDL:tfe-ppca

Rules 25-24.900, 25-24.905,
25-24.910, 25-24.915, 25-
24.920, 24-24.925, 25-
24.930, 25-24.935, 25-24.940
Docket No. 960254-TI

**STATEMENT OF FACTS AND CIRCUMSTANCES
JUSTIFYING RULE**

Services to 30,000 cards from one provider of PPCS was deactivated resulting in thousands of dollars of losses to Florida consumers. Other instances have also occurred. Consumer complaints prompted a Commission investigation workshops were held to define the issues and determine resolutions. Commission Order PSC-96-1224-FOF-TI was issued that established the Commission policy. That order became the foundation of the rules.

STATEMENT ON FEDERAL STANDARDS

There is no federal standard on the same subject.