

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: INVESTIGATION INTO DETARIFFING )	DOCKET NO. 880464-TL
INTRASTATE BILLING AND COLLECTION SERVICE) )	
CHARGES FOR LOCAL EXCHANGE COMPANIES )	
REQUEST OF SOUTHLAND TELEPHONE COMPANY )	DOCKET NO. 880009-TL
FOR DETARIFFING OF BILLING AND COLLECTION) )	
IN THE FLORIDA STATEWIDE TARIFF. )	
_____ )	ORDER NO. 21688
	ISSUED: 8-4-89

The following Commissioners participated in the disposition of this matter:

- MICHAEL McK. WILSON, Chairman
- THOMAS M. BEARD
- BETTY EASLEY
- GERALD L. GUNTER
- JOHN T. HERNDON

Notice of Proposed Agency Action  
Order Granting Authority for Local Exchange  
Company-Specific Billing and Collection Rates and  
Providing the Terms and Conditions Upon Which It  
Shall Be Granted and Extending Southland Telephone  
Company's Current Detariffing of Its  
Billing and Collection Rates

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

In December, 1987, Southland Telephone Company (Southland) filed a tariff proposal to detariff its billing and collection service charges. That proposal prompted the establishment of Docket No. 880009-TL. Southland stated that it wished to

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have its billing and collection service charges detariffed to allow it to contract for this service on an individual basis and to maximize its opportunity to realize profits on this service. Southland did not wish to remove any billing and collection revenues or costs from its regulated accounts.

Southland further explained that it was anxious to detariff its billing and collection service because it had an opportunity to enter into a three-way contractual agreement with U.S. Intelco, a billing and collection provider, and ATT-C, resulting in Southland earning an additional \$30,000 annually. Because the service arrangement between U.S. Intelco and ATT-C is awarded through competitive bids, U.S. Intelco is reluctant to divulge the contractual rates they provide to the local exchange companies (the LECs). As a result, only LECs with detariffed rates, so as to not make them public, can enter into a three-way contractual agreement with U.S. Intelco and ATT-C.

By Order No. 18957, issued March 7, 1988, we approved the detariffing of Southland's charges for billing and collection services on an interim basis only. Due to our serious concerns regarding this new policy direction, we initiated this generic investigation, in Docket No. 880464-TL, to explore the possible ramifications of detariffing of billing and collection rates for all the LECs.

DETARIFFING OF LECs' BILLING AND COLLECTION  
RATES IS NOT APPROPRIATE AT THIS TIME,  
HOWEVER, WE FIND LEC-SPECIFIC BILLING AND  
COLLECTION RATES ARE NOW APPROPRIATE

There are various arguments in favor of detariffing billing and collection rates for the LECs at this point in time. One such argument is that billing and collection is not a monopoly service. Not only can IXCs perform their own billing and collection, but there are private businesses that are not telephone companies, such as American Express, who are offering this service. If an IXC could not negotiate an acceptable price with the LECs, it could contract with another company or perform the billing and collection service itself. Another argument in favor of detariffing is it would give the LECs an opportunity to price however they wish, while the costs and revenues remain in their rate bases so that any benefit the

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LECs can achieve will contribute to lower local rates.

However, we are very concerned about the fact that billing and collection services are not yet effectively competitive. "Effective competition" means that there are a number of competitors and no one firm has the majority of the market. In Florida, at this time, in the provision of billing and collection services, effective competition does not exist. The LECs still perform the majority of billing and collection services. The LECs are the dominant providers. Alternative providers of billing and collection services, such as American Express, are not as yet competing effectively throughout Florida.

In addition, billing and collection services are basic to the start-up of IXCs. An IXC can begin providing long distance service without having the ability to do its own billing and collection. However, it must have some way to bill and collect to stay in business. Before an IXC has geared up its business so that it can provide its own billing and collection, it must rely on the LECs or some other provider, if available. This puts the IXC just starting out in a vulnerable bargaining position. Once the IXCs are geared up and no longer must rely on the LECs they are in a more competitive position. This is why we feel it is appropriate to require each LEC to offer all IXCs the same services at the same rates, just as it would the provision of access services.

Another concern we have regarding the detariffing of billing and collection rates is that this service is not homogeneous. For a service to be effectively competitive, the service must be homogenous. As long as the LECs retain the ability to disconnect local service to an end user who has not paid his telephone bill for either local or toll service, then the LECs have a great marketing and service advantage over any competitor. It is obvious that the disconnect service is an attractive option to IXCs that only a LEC can provide. It is clear that the disconnect privilege the LECs enjoy gives them a tremendous market advantage over any other billing and collection alternative.

Although we find it premature at this time to authorize LECs to detariff their billing and collection rates, we find that LEC-specific rates are now appropriate. We heard testimony in Docket No. 860984-TP, Non-Traffic Sensitive Access

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Charges Investigation, that several of the small LECs were not covering costs on some of their services, and billing and collection was named specifically. We sent out a data request to the LECs asking them to provide their fully allocated costs for providing billing and collection service. Each company's response was different. The costs ranged from around \$.06 per message for billing and collection to almost \$.20. The current industry-wide tariffed rate is approximately \$.0872 per message. By maintaining a statewide average rate, the larger LECs, who are able to provide billing and collection at a lower company cost, are in a position to make money. Those smaller LECs, who have higher costs and need to be covering those costs, are unable to raise their rates. By authorizing these companies to propose LEC-specific rates, all the LECs will be given the opportunity at least to cover their costs.

With LEC-specific rates, those LECs who are experiencing competition for IXC billing and collection services are able to lower their rates, where costs allow. For those LECs whose billing and collection rates do not cover costs, increasing their rates would take the pressure off local rate increases. The ratepayers could benefit not only by the removal of pressure from local rate increases, but also by potentially lower IXC toll rates if the IXCs pass on to their customers the billing and collection cost reductions.

At our workshop, the parties appeared indifferent to the proposal of detariffing their billing and collection rates, with the exception of United Telephone Company. Several LECs have indicated that being authorized to adopt LEC-specific rates would provide them with sufficient regulatory flexibility. United Telephone Company (United), however, expressed a strong desire for the authority to detariff its billing and collection rates. United submitted a letter identifying the benefits of detariffing the LECs' billing and collection rates. We find that most of the following benefits can be realized with LEC-specific rates:

- (1) LECs would be able to offer uniform interstate and intrastate rates;
- (2) LECs would be able to maximize revenues by pricing at the market rate, or minimize revenue losses by pricing at cost;
- (3) LECs who are experiencing competitive pressures for billing and collection service could respond more effectively to competition; and

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- (4) LECs would be able to offer their billing and collection services packaged or unbundled to meet their customers needs.

However, LEC-specific billing and collection services will not allow LECs to:

- (1) Change their rates in less than 60 days;
- (2) Have customer (IXC) specific rates; or
- (3) Negotiate the rates.

A specific concern we have about detariffing billing and collection rates is the potential for LECs to provide billing and collection service to their affiliates in Information Services or Long Distance Services at a preferential rate. Although we expect that the IXCs would monitor what each other was paying for billing and collection services, and thus assure that no individual company was receiving any "sweetheart deals." Even so, the potential for discriminatory provisioning of billing and collection services, if detariffed, is certainly evident.

LEC-specific rates will provide not only advantages to the LECs, but the IXCs will also benefit. Instead of having differing interstate and intrastate billing and collection rates, the IXCs can now have uniform interstate and intrastate rates with each LEC. For those LECs that only serve ATT-C, this will definitely be possible. For those LECs that serve many IXCs, they can have IXC-specific interstate billing and collection rates. However, those LECs may not be able to have uniform interstate and intrastate rates. Also, if one service is packaged with another service and an IXC only wants a specific service, the individual LECs will have the freedom to offer each service piecemeal. Therefore, the IXCs will not have to pay for an unneeded service. It should be noted that there is the potential for individual LECs' billing and collection rates to be increased, where those increases are sufficiently justified to this Commission.

EXTENSION OF SOUTHLAND TELEPHONE COMPANY'S  
INTERIM AUTHORITY TO DETARIFF ITS  
BILLING AND COLLECTION RATES

Although we have found that it is not appropriate at this

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time to authorize the LECs to detariff their billing and collection rates, we make an exception to this policy for Southland because, in its situation, all the affected parties are left better off. In Southland's business arrangement with U.S. Intelco, Southland performs recording and billing and collection services for ATT-C. In turn, Southland passes on ATT-C's recording information to U.S. Intelco. U.S. Intelco collects this information from Southland, and hundreds of other LECs throughout the United States, and aggregates the data and toll revenues before passing it on to ATT-C. ATT-C compensates U.S. Intelco and U.S. Intelco compensates Southland.

In this situation everyone benefits from Southland's billing and collection rates being detariffed. Southland earns an additional \$30,000 annually. Southland's end users benefit by Southland's receipt of the \$30,000 annually which lessens pressure for potential local rate increases. ATT-C benefits by not having to expend its manpower or computer time on Southland's extremely small toll usage accounting. Finally, U.S. Intelco benefits by adding Southland as its customer.

No other IXC is affected by this action because no other IXC purchases billing and collection service from Southland. Even though we approved the detariffing of Southland's billing and collection rates on an interim basis, we required Southland to list in its tariff minimum rates which equal the LECs' current rates. We took this action as a protection for Southland and we find it still appropriate.

It is only under the specific circumstances presented here--where all parties involved benefit, where no IXC discrimination can occur because ATT-C is the only IXC doing business in Southland's territory, and where minimum rates exist--that we find the extension of Southland's authority to detariff its billing and collection rates appropriate. If any of these circumstances changes, this Commission must be notified and we may, at that time, require Southland to tariff its rates. In addition, Southland shall submit a request to this Commission once every two years, beginning January 1, 1991, to extend the detariffing of its intrastate billing and collection rates.

#### IMPLEMENTATION OF LEC-SPECIFIC BILLING AND COLLECTION RATES

Based on the foregoing, we find it appropriate to require

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all LECs who do not have their own billing and collection tariffs to file them within 90 days of the effective date of this Order. However, if a LEC currently has a tariff mirroring the existing Southern Bell tariff, it need not file a new tariff until such time as Southern Bell files revisions to its tariff.

If a LEC chooses to modify its tariff in any manner, by changing the rates, introducing new rates for disaggregated services or bundling existing services, or introducing bulk discounts, substantial justification shall be provided. Any filing for rate changes shall include at a minimum the reasons for making the change, the fully allocated costs for the service, the estimated revenues and revenue changes as a result of the proposal, and the economic impact to the LEC's billing and collection customers.

Just as we have decided to permit Southland to continue to detariff its billing and collection rates under its specific circumstances because no IXC discrimination can occur and all affected parties are better off, we will also consider detariffing any other LEC's rates under the same circumstances and conditions. We will also consider proposals by LECs that incorporate cost considerations such as excessive complaints or bulk usage levels.

In Docket No. 871394-TP, Alternative Operator Services (AOS), an issue arose as to what the LECs' options were in regard to AOS providers who generate an inordinate level of complaints. That decision was deferred to this docket.

The LECs' problem centered around customers receiving telephone bills with high charges from AOS providers. Many customers were calling to inquire about the charges or to complain. The LECs found themselves with higher than normal customer complaint levels and employee time in handling them. Within the AOS docket, the LECs proposed two methods of handling this problem.

The first method was to require the billing and collection customer who caused the complaints to assume the expense. The LECs had hoped through this method to allow the added cost to either discourage the activity causing the complaints or, at the least, to cover the full cost to the LEC of handling the inquiries. The added charges could be assessed through two

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methods. One method would be to unbundle inquiry from the billing service and to require the billing and collection customer to pay on a per complaint basis. The second method would be to require billing and collection customers with a higher ratio of complaints to messages to purchase billing and collection service from the LECs' special assembly section of the tariffs. Special assembly structures would allow LECs to charge higher rates for inquiry services and to allow the LECs to unbundle the service. By requiring the problem customers to pay higher charges it would protect the other billing and collection customers, and in turn, the general body of rate payers, from higher charges caused by the few problem customers.

This method of requiring the problem customers to pay higher inquiry charges could create problems of discrimination. Southern Bell has indicated that the LECs do not normally keep track of the inquiries or complaints by billing and collection customer. Once the LEC has purchased the billing and collection accounts and the customer has paid to have the LECs handle inquiry calls, then the LECs treat all inquiries as though they were their own. Given this arrangement, it would be difficult for a LEC to single out certain customers as problem customers without building a record of inquiries versus complaints. Also, the LEC would have to keep records on all IXC customers in order to prove no discrimination was intended. For those LECs who are experiencing an inordinate number of complaints, keeping track of the source of all complaints may be a small inconvenience in order to handle a larger problem. We do not find it appropriate to require those LECs that do not have inquiry problems to keep track of all their inquiries.

The second method, proposed in the AOS docket, to handle problem customers was to allow the LECs to deny them billing and collection service. This method is also potentially discriminatory. This type of authority should not be given to the LECs since it requires their judgement of "inordinate". It could be detrimental to certain AOS providers that were not in violation. Since the LECs do not differentiate between complaints and inquiry calls, the LEC might erroneously cancel service to a customer who had a high volume of inquiries, not complaints. Cancelling billing and collection could also be discriminatory between large and small customers. A LEC would be less likely to deny billing services to a customer which generates substantial revenues to the company as opposed to a small customer which would have very little impact on the LEC.



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An additional method of handling the problem of customer complaints is to control the problem at the source. The largest problem appears to be surprise charges on end users' bills. This Commission has approved capping the AOS providers' charges to ATT-C's current rates, although this has been temporarily stayed, subject to refunds.

We do not find it appropriate to require all the LECs to unbundle inquiry service from their bill processing service at this time. Unbundling the inquiry service on an industry-wide basis would be too broad a response to a problem only a few LECs are experiencing. By authorizing LEC-specific rates, we are providing the LECs the flexibility to address their individual needs for handling excessive numbers of complaints or inquiries caused by AOS providers.

This proposed agency action Order will become final and effective unless an appropriate petition of protest is filed by one whose substantial interests may or will be affected by this proposed agency action, as provided by Rule 25-22.029, Florida Administrative Code. If no such protest is filed, this docket shall be closed.

Based on the foregoing, it is therefore

ORDERED by the Florida Public Service Commission that the local exchange companies are hereby authorized to propose individual billing and collection service rates. It is further

ORDERED that any local exchange company that wishes to offer billing and collection service rates different from that offered by Southern Bell shall file a revised tariff reflecting its proposed rates. It is further

ORDERED that any local exchange company that wishes to modify its current tariff by changing its rates, introducing new rates for disaggregated services, by bundling existing services, or by introducing bulk discounts, shall provide thorough justification for such changes when it files its proposed revised tariff. It is further

ORDERED that local exchange companies whose existing billing and collection service tariffs mirror that of Southern Bell need not file a new tariff until such time as Southern Bell files revisions to its tariff. It is further

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ORDERED that Southland Telephone Company need not file tariffs for its billing and collection service rates for as long as the specific circumstances set out in the body of this Order continue. If any change in those circumstances occurs, Southland Telephone Company shall notify this Commission within 30 days. Southland Telephone Company shall file a request with this Commission once every two years beginning January 1, 1991, to extend this authority for detariffed intrastate billing and collection service rates. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final unless a petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director of the Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 25, 1989. It is further

ORDERED that if no timely protest to this proposed agency action Order is received, this docket shall be closed.

By ORDER of the Florida Public Service Commission,  
 this 4th day of AUGUST, 1989.

STEVE TRIBBLE, Director  
 Division of Records and Reporting

( S E A L )

SFS

by: Kay Flynn  
 Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 25, 1989. In the absence of such a petition, this order shall become effective August 26, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on August 26, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.