



MCI Telecommunications Corporation
 Regulatory and Governmental Affairs
 780 Johnson Ferry Road
 Suite 700
 Atlanta, Georgia 30342

ORIGINAL
 FILE COPY

July 9, 1996

FEDERAL EXPRESS

~~960617-TI~~

Ms. Blanca S. Bayo
 Director, Records and Reporting
 Florida Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399-0850

RE: In re: Initiation of Show Cause Proceedings for Violation of Rules 25-24.620, 25-24.630, 25-24.471, 25-24.515, and 25-24.516, Florida Administrative Code, Docket No. ~~960617-TI~~

Dear Ms. Bayo:

I am enclosing for filing in the above-referenced docket the original and fifteen (15) copies of MCI's Motion to Consider and Accept Offer of Settlement.

If you should have any questions, please do not hesitate to call me at (404) 843-

6375.

Thank you for your attention to this matter.

Very truly yours,

Martha McMillin

Martha McMillin
 Senior Attorney

- CK _____
- FA _____
- APP _____
- CAF _____
- CMU Moses
- CTR _____
- EAG _____
- LEG Edmonds
- LIN _____
- OPC _____
- RCH _____
- SEC 1 cc:
- WAS _____
- OTH _____

J. Alan Taylor (w/encl.)
 Rick Moses (w/encl.)
 Richard D. Melson, Esq. (w/encl.)

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of Show Cause
Proceedings for Violation of Rules
25-24.620, 25-24.630, 25-24.471,
25-24.515, and 25-24.516, Florida
Administrative Code)
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Docket No. 960817-T1

Dated: July 9, 1996

MOTION TO CONSIDER AND ACCEPT OFFER OF SETTLEMENT

MCI Telecommunications Corporation ("MCI") respectfully moves that the Florida Public Service Commission ("Commission") consider and accept the below-described Offer of Settlement. The issues in this docket arise out of MCI's contract with the Florida Department of Corrections ("DOCs") to provide telecommunications services at the State of Florida's correctional facilities. The facts in support of this Motion are set forth below. The issues are divided into three segments, with the proposed resolution of each contained at the end of the particular section. While MCI denies any wrongdoing, in order to avoid the time and expense of any show cause proceeding against MCI, as well as to expediously resolve this matter to the mutual satisfaction of the Commission, DOCs and MCI and to set a "clean slate" for future dealings, MCI submits the following Motion and Offer of Settlement as a resolution of the concerns the Commission and DOCs have raised over MCI's charges for collect calls from state correctional facilities:

A. THE \$ 3.00 SURCHARGE

1. The telephone service MCI provides DOCs is known as "Maximum Security". It was developed specifically to help governmental corrections facilities deal with abuse of telephone service, which costs the public millions of dollars a year. Abuse arises in a

number of ways, from call forwarding schemes to credit card abuse, subscription improprieties, and harassing phone calls to victims, witnesses, judges, etc. Maximum Security alleviates these problems by offering a collect calling service based on a value-added program providing an extensive, flexible set of tools for the prison administrator, all designed on a customized, site-by-site basis.

2. The contract between MCI and DOCs is a six page document which incorporates by reference the original Invitation to Bid ("ITB") and the MCI response to the ITB ("response"). The contract is silent on the issue of the rate/surcharge which may be billed for calls. The ITB provides in Section 4.2 (Allowable Rates) that:

At all times the rates charged by the contractor to the called party shall not exceed the dominant carrier (AT&T) rates for the same call - distance, length of call, time of day and day of week. These maximum allowable rates shall reflect the AT&T interlata and interstate rates in effect at the time of the call. It shall be the responsibility of the contractor to remain current on allowable rates; the Department will not provide rates to the contractor. There shall be no add-ons, such as service charges or surcharges, which are not in the approved AT&T tariff.

MCI's response clarified which AT&T tariff provided the cap for intrastate calls, noting that AT&T's prison collect service tariffs should be the reference point:

MCI understands and will comply. If the dominant carrier has filed in its interstate tariff charges for prison collect services or charges, and has not filed corresponding tariffs for services or charges in the intrastate tariff, MCI's rates for Department of Corrections services shall not exceed the dominant carrier's interstate tariff rates for similar services.

Thus, since AT&T does not have a prison collect tariff at the intrastate level, it is MCI's position that it is entitled to apply rates and charges up to those in the AT&T interstate

prison collect tariff, including up to a \$ 3.00 surcharge, since that is contained in the AT&T tariff.

3. In order to implement the terms of the contract with DOCs, on January 29, 1996, MCI filed at the Commission proposed revisions to its intrastate tariff which reflected a \$ 3.00 surcharge for intrastate calls from prison facilities, to be effective on thirty days notice. This was a \$ 2.00 increase to the then-existing surcharge of \$ 1.00. This tariff was approved and became effective February 29, 1996. MCI thereafter billed customers receiving collect calls from Florida correctional facilities the tariffed rate of the \$ 3.00 surcharge per call.

4. The Commission Staff has advised that the AT&T rate for collect calls with an inmate control system currently includes a surcharge of \$ 1.75. This has been effective since March 16, 1996. Before that date, AT&T's surcharge was \$ 1.00 per call.

5. It is MCI's position that its tariff complied with Rules 25-24.630(1)(a) and 25-24.516 in that the rates it charges for intrastate collect calls from Florida prison facilities were approved by the Commission effective February 29, 1996, thereby meeting the rule requirement that the end-user be charged and billed "no more than the Commission-approved rate for intrastate calls."

6. MCI submits the following as a resolution of this issue:

(a) Although MCI has at all times believed its \$ 3.00 surcharge to be appropriate; has a tariff for the \$ 3.00 surcharge which was approved by the Commission after public notice; and has at all times been charging its tariffed rates, as it is required to do, MCI will refund to customers the difference between the \$ 3.00 surcharge and the AT&T rate for collect calls with an inmate control system, the latter being a rate of a \$ 1.00 surcharge per call between February 29, 1996 through March 15, 1996 and thereafter a rate of a \$ 1.75 surcharge from March 16, 1996 to date. This means the refund for February 29, 1996

through March 15, 1996 charges will be \$ 2.00 per call and that the refund from March 16, 1996 to date will be \$ 1.25 per call. This refund is contingent upon DOCs' agreement to refund its share of the increased surcharge. This agreement is set forth in the letter dated June 4, 1996, a copy of which is attached hereto as Exhibit A.

(b) The refund amounts will be made based upon each customer's call-in to an MCI toll free 800 number and provision of the bill demonstrating the calls at issue. The toll free 800 number will be advertised and noticed to the public in major newspapers in Florida.

B. 0+ INTRALATA TRAFFIC IN SMALL LOCAL EXCHANGE COMPANY ("LEC") TERRITORY

7. MCI began carrying 0+ intraLATA traffic in the territory of small, rate-base regulated LECs on the dates indicated in the letter from MCI dated May 14, 1996, a copy of which is attached hereto as Exhibit B. In the case of several small LECs, MCI did not begin to carry 0+ intraLATA traffic until after January 1, 1996; in the case of some, this was began in approximately the last two weeks of December 1995; and for one, it started on November 29, 1995.

8. MCI carried 0+ intraLATA traffic at the correctional facilities identified on Exhibit B because the Automated Call Processing ("ACP") equipment contained database discrepancies. When this problem was discovered, MCI requested the ACP manufacturer to develop software which would distinguish between local, intraLATA, and interLATA traffic. Once this was accomplished, MCI was able to correct the routing tables, which was effective May 10, 1996 in St. Joseph's territory and no later than May 31, 1996 for the remaining LECs listed on Exhibit B.

9. It is MCI's position that after January 1, 1996, under Chapter 364.052, Florida Statutes, it is permitted to carry 0+ intraLATA traffic from pay telephones in inmate

correctional facilities, as this is non-basic telephone service. The statutory prohibition on local competition in small LEC territories applies to competition in basic local telecommunications services, which this is not. Therefore, under its ALEC certificate, MCI is permitted to carry such calls after January 1, 1996.

10. MCI submits the following as a resolution of this issue:

The 0+ intraLATA traffic carried by MCI in the territory of small LECs before January 1, 1996 is offset by the 0+ intraLATA traffic which MCI has been routing to the small LECs since, in the case of St. Joseph, May 10, 1996, and in the case of the remainder, May 31, 1996. Going forward, MCI will be permitted to unblock and carry such 0+ intraLATA traffic in the territory of small LECs. This means that the 0+ intraLATA traffic MCI carried in small LEC territory before January 1, 1996, which belonged to the small LECs, is offset against the 0+ intraLATA traffic more than a corresponding amount of time in May, June, and July 1996. The difficulties of ascertaining the calls and revenue involved in these two different time periods warrant treating this situation as a "wash", since it is likely that equal amounts of traffic were involved in both periods.

C. BILLING FOR SIXTEEN MINUTE CALLS

11. MCI's contract with DOCs requires conversation to be terminated after 15 minutes. In some cases, consumers have been charged for 16 minute calls. This occurred because, although the equipment is designed to terminate calls at 15 minutes, in some instances the calls are continued beyond that point. They are billed in the usual fashion, in that calls beyond each minute mark are rounded up to the next minute (see MCI tariff, attached hereto as Exhibit C). Thus, customers are not "overbilled" for 16 minute calls; they are simply receiving additional calling beyond what is contemplated for correctional facility collect calls and are billed accordingly.

12. MCI submits the following as the resolution of this issue: MCI will work with its vendor to modify the issue of billing for calls over 15 minutes, with calls of 15 minutes, 15 seconds to be billed at 15 minutes, and calls of 15 minutes, 16 seconds and above to be billed at the rate of 16 minutes. Refunds to customers are not warranted, since they were billed in accordance with MCI's tariff (see Exhibit C).

D. CONCLUSION

13. MCI does not, by this Offer of Settlement or otherwise, admit any violation of any statute, Commission Rule or any other rule or regulation, or any facts which might form the basis of a cause of action against MCI. By making this Offer of Settlement, MCI does not waive any of its legal rights in the event the Commission does not accept this Offer of Settlement, including the right to contest any assertions of law or fact. If this Offer of Settlement is accepted by the Commission, it shall be attached to the final Order accepting the settlement and closing this matter.

Dated this 9th day of July, 1996.

MCI TELECOMMUNICATIONS CORPORATION

Martha McMillin

Martha McMillin, Senior Attorney



FLORIDA DEPARTMENT of CORRECTIONS

Governor
LAWTON CHILES
Secretary
HARRY K. SINGLETARY, JR.

An Affirmative Action/Equal Opportunity Employer

2601 Blair Stone Road • Tallahassee, FL 32399-2500

June 4, 1996

Mr. Ross Preston
National Account Marketing Manager
Southern Region
325 John Knox Road
Tallahassee, Florida 32303

Dear Mr. Preston:

Re: Refunds to Customers per the Public Service Commission Request

As we indicated, the Department of Corrections wishes to refund its share of the excess charges collected from MCI customers as a result of the tariff filed February 29, 1996. Our preferred method of refund is for MCI to deduct a portion of our commission for the next 90 days constituting the amount we must refund, with MCI paying the total refunds directly to the customers. A period of other than 90 days will be acceptable if necessary and justified. Prior to initiating the deduction from our commission, please provide us with an explanation of how the amount will be calculated and tracked with the commission payments.

Should you have any questions, please call Tom Brooks, communications engineer, at (904) 488-2810. Thank you.

Sincerely,

James N. Biddy
Deputy Director
Office of Management & Budget

INB/TGBjr/dam
cc: Lynn Griffin, Accounting Services Administrator, Bureau of Finance and Accounting
Tom Brooks, Utility Systems/Communications Engineer, Bureau of General Services



MCI Telecommunications
Corporation
Regulatory and Governmental Affairs
780 Johnson Ferry Road
Suite 700
Atlanta, Georgia 30342

May 14, 1996

VIA FAX: 904 413-6583

Rick Moses, Engineer Supervisor
Bureau of Service Evaluation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Letter dated April 18, 1996 pertaining to 0+ intraLATA traffic

Dear Mr. Moses:

I am writing in response to the above-referenced letter in which you request certain information from MCI Telecommunications ("MCI") pertaining to the carriage of 0+ intraLATA traffic from prison confinement facilities. We appreciate you bringing this matter to our attention.

Your letter points out that certain rate base regulated local exchange companies ("LECs") are not subject to competition, meaning that MCI does not have the authority to handle 0+ intraLATA traffic at this time from confinement facilities in those areas. As you requested, identified below are the confinement facilities located in local exchange territories that are precluded by law from competition as well as the date MCI began carrying intraLATA traffic at each of those facilities:

CONFINEMENT FACILITY	LEC TERRITORY	MCI START DATE
Taylor Correctional Institution	Gulf	1/22/96
Gulf Forestry Camp	St. Joseph	12/21/95
Gulf Correctional Institution	St. Joseph	1/4/96
Calhoun Correctional Institution	St. Joseph	12/12/95
Liberty Correctional Institution	St. Joseph	12/12/95
River Junction Correctional Institution	St. Joseph	12/12/95

Exhibit B



page 2

CONFINEMENT FACILITY	LEC TERRITORY	MCI START DATE
Hamilton Correctional Institution	Alltel	12/3/95
Hamilton Correctional Institution Annex	Alltel	12/26/95
North Florida RC-Main	Alltel	11/29/95
North Florida RC-West	Alltel	1/16/96
Franklin Work Camp	St. Joseph	12/18/95
Quincy Correctional Institution	Quincy	12/12/95

MCI carried intraLATA traffic at these facilities because the Automated Call Processing ("ACP") equipment contained database discrepancies. When this problem was discovered, MCI requested the ACP manufacturer to develop software which would distinguish between local, intraLATA, and interLATA traffic. This has now been accomplished. As of May 10, 1996, MCI has corrected the routing tables for the ACP equipment in St. Joseph's territory so that all intraLATA calls are now routed to St. Joseph. The ACP equipment in all other independent territories is being checked, as we are completing audits of the routing tables at each location specified above to confirm that intraLATA traffic is routed to the independent LEC. Any discrepancies found will be corrected by May 31, 1996.

Your letter requested the amount of revenue MCI received from carrying intraLATA traffic at the facilities and during the periods identified above. I am still attempting to obtain this information. The problem is that it is not readily obtainable and thus far my internal contacts have been unable to fashion a way to identify and calculate this sum. I will continue to pursue this issue.

Thank you for allowing extra time to respond to your letter. Your consideration is much appreciated.

Very truly yours,

Martha McMillin

Martha McMillin

cc: Richard D. Melson

SECTION 3 - DESCRIPTION OF SERVICE

3.5 METERED USE SERVICE OPTIONS (Cont.)

3.5.1 Option A (Execunet) 1/

Execunet Service is a one-way, dial in - dial out multipoint service allowing the customer to originate and terminate calls via customer-provided local business telephone lines. Subscribers to Execunet Service may originate calls only in the city or cities in which they maintain an active Execunet account. Customers who presubscribe to MCI may do so on a direct-dial basis, by dialing 10222, or via a 7 digit access number. All Execunet calls are rounded to the next higher full minute. At the customer's option Execunet Service is available on the basis of a Corporate Account Service arrangement and Corporate Account Service PLUS. Customers who elect Corporate Account Service and Corporate Account Service PLUS are subject to the provisions of Sections 2.6.3A and 2.6.3B preceding. At their option, business entities which are members of a Commercial Affinity Program (CAP) or Commercial Affinity Program Plus (CAP Plus) (as defined in Section 1 of this Tariff) may order Execunet Service through their group. The per minute rates set forth in Section 4.1.1 will apply to all Execunet Service calls. In addition, Volume Discounts, as described in Section 4.1.1 will be available.

Operator Assistance/Public Payphone Service:

Intrastate operator assistance is provided for calls placed from residential or business lines or public payphones which are pre-subscribed to MCI service. Usage rates which apply to these calls can be found in Section 4.1.1.3. The undiscounted surcharges are located in Section 4.1.1.3(A).

1-800-COLLECT SERVICE

1-800-COLLECT Service permits collect or third party billed calls to be placed with the assistance of a live or automated operator by dialing the 1-800-COLLECT (1-800-265-5328) access number. Pre-subscription to MCI is not necessary to complete or receive a 1-800-COLLECT call. Usage rates can be found in Section 4.1.1.3 (C).

MCI Sure Savings Option 2/

A variation of Option A (Execunet - Dial "1" only), MCI Sure Savings Option offers calling within the state of Florida. Customers may place calls 24 hours a day, seven days a week. The per minute usage rates set forth in Section 4.1.6 apply to all MCI Sure Savings calls. All calls will be rounded to the next higher full minute.

- 1/ Beginning September 9, 1993, Option A (Execunet) is available only to Residential Service customers and customers who access service by dialing an MCI carrier identification code (CIC).
- 2/ Effective July 14, 1995, the MCI Sure Savings Option will no longer be available to new subscribers.

ISSUED: November 20, 1995

by:

Sherry Schelble
Manager, Rates and Tariffs
780 Johnson Ferry Road
Suite 700
Atlanta, Georgia 30342
(800) 759-3813

EFFECTIVE: DEC 20 1995

EXHIBIT C