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August 29, 2001

Ms. Blanca S. Bayo
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 010774-TP
Petition of The Citizens of the State of Florida to initiate rulemaking which will require telephone companies to give customers reasonable notice before customers incur higher charges or change in services, and allow them to evaluate offers for service from competing alternative providers

Dear Ms. Bayo:

As instructed in the Notice of Proposed Rule Development issued July 2, 2001, please find enclosed Verizon Florida Inc.'s responses to Commission Staff's data request in the above matter.

If you require additional information, please contact Linda Rossy at (813) 483-2525.

Sincerely,

APP	<u> 1 </u>	Michelle A. Robinson
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In re: Petition of the Citizens of the State)
of Florida to initiate rulemaking which)
will require telephone companies to give)
customers reasonable notice before)
customers incur higher charges or)
change in services, and allow them to)
evaluate offers for service from)
competing alternative providers)

Docket No. 010774-TP

**VERIZON FLORIDA INC.'S RESPONSES
TO STAFF'S DATA REQUEST**

1. What is the problem that this rule is intended to correct?

Response:

There is no problem requiring correction by rule. It is Verizon's business policy to provide its end user retail customers with notification of increases in rates and changes in service terms and conditions. Verizon typically provides notification in the form of a bill insert or a bill message. Verizon has not received customer complaints indicating that notice is a problem. Certainly, before companies are required to adhere to rigid and expensive notification procedures, there should be substantial proof that a rule is necessary.

2. Does this rule accomplish what it is intended to accomplish?

Response:

Again, the rule is not necessary and will not accomplish anything that is not already effected by Verizon's existing procedures. Instead, the proposed rule would unnecessarily dictate a particular business practice by each telecommunications provider, thereby impeding competitive response and eliminating carriers' flexibility to respond to mandated changes. Because the rule dictates a very specific method of notification (i.e., 12-point type, heading in uppercase letters and bold print, etc.), it would create unnecessary administrative burdens and expense for companies, without any showing of benefit. The mandated notice changes would be particularly burdensome for carriers operating in multiple states. The proposed rule does not take into account other methods of customer notification, such as bill inserts or bill messages, which are significantly less expensive than the proposed direct mail method. Additional costs associated with the rule will, of course, have to be passed on to customers.

3. Are there any other Commission rules that already address the problems this rule is intended to address?

Response:

There has been no showing of any problems that need to be addressed by a rule requiring advance notification of rate changes. A number of Commission rule provisions already require companies to provide specific rate and service information to customers (see, e.g., rules 25-4.107 and 25-4.110.) In addition, it is in companies' best interest to fully inform customers about their services, so Verizon will continue to do so without any external prompting.

4. Are there any other laws (i.e. federal rules, statutes, etc.) which already address the problems this rule is intended to address?

Response:

Again, there has been no showing of any problems that need to be addressed by a rule requiring advance notice of rate changes. No such advance notice is required by any federal rules or statutes. The FCC customarily considers a tariff filing to be sufficient public notice of interstate rate changes. Where there is no tariff, such as for long distance service, the FCC requires Internet posting of rates, terms and conditions.

5. What are the costs involved if this rule is adopted?

Response:

Assume Verizon has 1.785 million end user customers.

Postage expense to mail notification via first class mail:

$1,785,000 \times 0.34 = \$606,900$

Cost of notification letter and envelope: \$29,000

Total estimated cost per notification using proposed method: \$635,900

By way of contrast, cost of printing standard 2-panel bill insert: \$29,000

Incremental postage expense: \$71,400

Total estimated cost per notification using bill insert method: \$100,400

Estimated cost of bill message:

Up to 15 lines: \$53,550

16 - 40 lines: \$142,800

6. Are there other noticing mechanisms that would accomplish the same goal at less cost?

Response:

Yes, Verizon typically uses a bill message or bill insert as a means to notify its customers of rate increases and changes in service terms and conditions. This means of communication is much more efficient than the direct mail methodology in the proposed rules, and there is no proof that OPC's proposed method would be any more effective. Other noticing mechanisms include Internet website, e-mail, automated voice messages, and newspaper advertisements.

7. Are companies already providing notice to customers in regard to changes in rates? If so, how?

Response:

As stated in response to question no. 1, it is Verizon's business policy to provide its end user retail customers with notification of rate increases. This notification is typically accomplished via a bill insert or bill message.

8. Should customers be notified of a rate decrease?

Response:

As stated earlier, Verizon typically notifies its customers of rate increases and changes in terms and conditions. Notification of a rate decrease would depend upon the magnitude of the change and should be left to the discretion of the telecommunications provider.

9. How many complaints has your company received from customers when rates are changed without notice?

Response:

Verizon typically does not change rates without notice. However, it can provide a useful example of customer response to a notification made through Verizon's existing procedures. In March 2001, Verizon filed tariffs to increase its residential and business basic local service rates effective April 1, 2001. Verizon has reviewed its customer complaint database for the period April 1, 2001 through July 27, 2001, and found that there were no complaints from

customers concerning inadequate notice of rate changes. Verizon provided its customers notification of the basic service increase, using a bill message.

The lack of customer complaints about notification of the increase proves that there is no problem that needs to be addressed, particularly through OPC's rigid and expensive proposal.

10. What changes in "terms and conditions" should be subject to the noticing requirement?

Response:

There is no need for any rule, so changes in terms and conditions should not be subject to any new noticing requirement. Notices about terms and conditions should be left to the discretion of the telecommunications provider, which has a powerful market incentive to ensure that customers remain satisfied with their services and procedures. In fact, a blanket notification rule for even small changes might prove more annoying than helpful for consumers. For instance, if Verizon expands extended calling service (ECS) in Florida by one exchange, there is no reason to notify every customer in Florida that there's a new toll-free exchange when the caller will find out anyway when they make the call. Such action would likely be counter-productive, as customers do not want to be bombarded with a constant stream of notices – it's too difficult to sift through and distinguish the really important notices. Given this barrage, customers are more likely to ignore and throw out all notices without reading them, thereby thwarting the intention to ensure customer notification.

11. Does "customer" include wholesale customers?

Response:

Verizon did not draft the rule, so it cannot comment definitively on what "customer" means. Verizon believes, however, that OPC's proposal involves only retail customers.

As noted, no rule is necessary. However, if any rule is adopted, it should refer only to the retail customer. Wholesale customers are subject to wholly different procedures than retail customers, and a uniform rule would not be feasible.

12. What is meant by "cost of service" and why is that phrase used when the rest of the rule refers to a "price increase"?

Response:

Verizon did not draft the rule, so it cannot answer the question, which is more properly directed to OPC.

13. Should companies be required to provide a copy of their notices to the Commission?

Response:

There is no need for a new rule, so there is no need to provide copies of notices to the Commission. There would be no benefit to such notice. Telecommunications providers are already required under Chapter 364.051 to file tariffs on changes in service. Redundant notice of rate changes through submission of customer notices would add a significant administrative expense for both the companies and the Commission, as well as increase the time required to implement the changes.