

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of show cause proceedings against US SPRINT COMMUNICATIONS COMPANY for violation of rules in regard to operation of Network 2000 and complaints by consumers of unauthorized connections) DOCKET NO. 891306-TI
) ORDER NO. 24037
) ISSUED: 1/28/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH
 MICHAEL MCK. WILSON

FINAL ORDER RESOLVING INITIATION OF SHOW CAUSE PROCEEDING

This docket was initiated in response to the number of complaints received by our Division of Consumer Affairs (Consumer Affairs) against US Sprint Communications Company Limited Partnership (Sprint or the Company) regarding unauthorized orders and marketing practices. Between January 1989, and May 1989, Consumer Affairs received a total of 129 complaints against Sprint. Sixty-two, or approximately one-half, of the total complaints during this period involved unauthorized orders, that is, changing a customer's presubscribed interexchange carrier (IXC) without proper authorization from the responsible party, and questionable marketing practices. Such unauthorized changing of a customer's IXC is commonly referred to as "slamming" in the industry. The number of "slamming" complaints lodged against Sprint was three times the number of complaints of this nature filed against any other IXC during the same time period.

A large number of the complaints involved Network 2000 Communications Corporation (Network 2000), a marketing company engaged by Sprint to promote its residential and small business services. Network 2000 has entered into a contractual agreement with Sprint to sell Sprint services in return for compensation. Network 2000 promotes Sprint services through what is commonly known as multi-level marketing. Network 2000 hires Independent Marketing Representatives (IMRs) to sell Sprint services as well as sign up additional IMRs. The IMR can receive commissions from the usage of customers he signs up in addition to the usage of any IMRs he has brought into the network and the usage of the customers that his IMR has signed up. The Network 2000 IMRs can receive up to 3.5% of a single customer's bill.

DOCUMENT NUMBER-DATE

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PSC-RECORDS/REPORTING

ORDER NO. 24037
DOCKET NO. 891306-TI
PAGE 2

This matter first came before us at the December 4, 1990, Agenda Conference. However, Chairman Beard was not present at the Agenda, and in order for him to participate in this proceeding we voted, on our own motion, to reconsider our decision. At the January 2, 1991, Agenda Conference, we elected to amend the potential fine in this proceeding to \$40,000. Sprint agreed to this amount at the Agenda Conference, as a settlement of the issues in and the closing of this particular docket. Upon consideration of the facts and circumstances of this particular case, we find it in the public interest to accept this offer and direct the Company to remit \$40,000 to the Public Service Commission within 10 days of the issuance date of this Order. The amount due is in settlement of the issues in this docket, particularly those "slamming" activities. We must reiterate that such activities shall not be tolerated in the future.

Our motion for reconsideration only goes to the amount of the fine. We are not amending our vote of December 4, 1990, on the other issues in this docket. Those decisions are as follows. First, we decline to order the Company to continue the specific measures it instituted to assure the continued reduction of unauthorized orders and marketing practices of Network 2000. Rather, we hereby put Sprint on notice that "slamming" will not be permitted and it should take whatever actions necessary to prevent it from happening. We recognize that the Company may need to institute other measures in addition to the ones already in use. We also direct that customers affected by "slamming" activities shall not incur any financial losses. The Company shall make appropriate adjustments so that the customer is reimbursed for unauthorized service switching.

We believe that the problems of "slamming" in particular, and multi-level marketing in general, in the telecommunications industry are serious enough to require closer scrutiny by this Commission. In order to adequately address these issues, and ultimately for the protection of the ratepayers, we believe that a generic proceeding is necessary. Therefore, this Commission shall order a full investigation into multi-level marketing and the problems associated with it.

Based on the foregoing, it is

ORDER NO. 24037
DOCKET NO. 891306-TI
PAGE 3

ORDERED that US Sprint Communications Company Limited Partnership agrees to remit \$40,000 to the Florida Public Service Commission in settlement of all issues in this docket. It is further

ORDERED by the Florida Public Service Commission that US Sprint Communications Company Limited Partnership shall take whatever actions are necessary to prevent unauthorized orders and the questionable marketing practices of its marketing company. It is further

ORDERED that this Commission shall open a generic investigation into unauthorized signing of customers, and multi-level marketing practices of the interexchange carriers. It is further

ORDERED that this docket be closed upon receipt of the \$40,000 settlement from US Sprint Communications Company Limited Partnership. That amount shall be remitted within 10 days of the issuance of this Order.

By ORDER of the Florida Public Service Commission, this
28th day of JANUARY, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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Chairman Beard dissented from the Commission's vote on the agreed upon amount of the settlement.

ORDER NO. 24037
DOCKET NO. 891306-TI
PAGE 4

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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or 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 after the issuance 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.