

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of show cause proceedings against Intercontinental Communications Group, Inc. d/b/a ICLD for violation of Rule 25-4.118, F.A.C., Interexchange Carrier Selection.

DOCKET NO. 971488-TI
ORDER NO. PSC-98-0930-AS-TI
ISSUED: July 8, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER APPROVING SETTLEMENT

BY THE COMMISSION:

BACKGROUND

Intercontinental Communications Group, Inc. d/b/a ICLD (ICLD), holder of certificate number 4027 granted on June 14, 1995, is a provider of interexchange telecommunications service in Florida. ICLD reported gross operating revenues of \$13,599,141.47 on its regulatory assessment fee return for the period January 1, 1997, through December 31, 1997. As an interexchange telecommunications service provider, ICLD is subject to the regulation of this Commission.

From January 1, 1996, to June 3, 1998, the Division of Consumer Affairs closed a total of 24 complaints against ICLD as unauthorized carrier change ("slamming") infractions in apparent violation of Rule 25-4.118, Florida Administrative Code. This docket was opened to investigate whether ICLD should be required to show cause why it should not be fined or have its certificate canceled, pursuant to Section 364.285, Florida Statutes, based on the number of complaints we received alleging "slamming" violations. Shortly thereafter, ICLD submitted an offer of

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REGISTRATION REPORTING

settlement, which, for the reasons set forth below, we approve. ICLD's offer is contained in Attachment A, and is incorporated herein by reference.

OFFER OF SETTLEMENT

On June 9, 1998, ICLD met with our staff to discuss the pending proceeding. ICLD explained that in October 1996, it entered into an agent's agreement with Telecommunication Marketing, Inc., (TMI). The agreement specifically provided that ICLD did not authorize the use of sweepstakes, contest entry, or similar methods of soliciting customers. Nevertheless, TMI chose to market through the use of sweepstakes solicitations. On learning of the marketing methods used by TMI, ICLD terminated the agreement. ICLD has not been the subject of slamming complaints in Florida, apart from the complaints that arose from TMI's methods. ICLD has made reasonable efforts to ensure customer satisfaction and has offered credits where appropriate.

On June 12, 1998, ICLD submitted an offer of settlement, and subsequently worked in a cooperative fashion with our staff to resolve the complaints against it and to bring this matter to a close. In its offer, ICLD agreed to the following:

1. For one year, ICLD would independently verify 100% of all Florida orders initiated by a letter of authorization (LOA). For six months thereafter, ICLD would independently verify 50% of all Florida orders authorized by LOA.
2. For one year, ICLD would mail an information package with prepaid postcards to all Florida consumers whose change orders are generated by telemarketing (and verified by independent third party verification). For six months thereafter, ICLD would mail an information package to 50% of all such Florida consumers.
3. ICLD would formally adopt its previously unwritten "Satisfaction Guarantee" policy, under which ICLD will incur the Preferred Interexchange Carrier (PIC) change fee to return any customer to his or her carrier of choice if, for any reason, the customer is not satisfied with ICLD's service. In

addition, ICLD would re-rate all calls to the returning consumer's previous carrier.

4. ICLD would make a contribution in the amount of \$50,000 to the General Revenue Fund of the State of Florida, with no admission of liability or wrongdoing.

We accept ICLD's proposed 100% verification of all Florida change orders generated by LOA for a year, followed by 50% verification for six months. This will allow ICLD to more effectively evaluate the information on the LOA in order to reduce the occurrence of forgery. We also accept ICLD's proposal to additionally mail an information package to 100% of Florida consumers for whom change orders are generated by telemarketing for a year, followed by such mailings to 50% of them for six months. This is an additional step to ensure that the consumer has authorized the change of long distance providers. Adoption of its "Satisfaction Guarantee" policy will ensure that the consumers will incur no fee for the unauthorized switching of their long distance provider. Finally, we accept ICLD's proposed voluntary contribution to the General Revenue Fund, pursuant to Section 364.285(1), Florida Statutes, in the amount of \$50,000.

We find that ICLD has satisfactorily addressed the concerns raised by the "slamming" complaints and that it has been cooperative in working with our staff. We also find that ICLD's offer of settlement is fair and reasonable. Accordingly, we approve it.

ICLD shall remit \$50,000 within five business days of the issuance of this Order and that amount shall then be forwarded to the Office of the Comptroller for deposit in the State General Revenue Fund pursuant to Section 364.285(1), Florida Statutes.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Intercontinental Communications Group, Inc., d/b/a ICLD's offer of settlement as set forth in Attachment A, incorporated herein by reference, is hereby approved. It is further

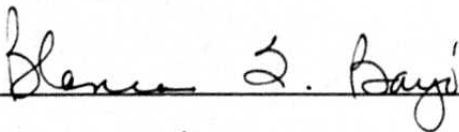
ORDERED that Intercontinental Communications Group, Inc., d/b/a ICLD shall remit \$50,000 within five business days of the issuance of this Order and that amount shall then be forwarded to

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the Office of the Comptroller for deposit in the State General Revenue, Fund, pursuant to Section 364.285(1), Florida Statutes. It is further

ORDERED that upon remittance, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 8th day of July, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

CJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 and/or

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wastewater 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.

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ATTACHMENT A



Intercontinental Communications Group, Inc.

June 12, 1998

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ADMINISTRATIVE
MAIL ROOM

VIA FACSIMILE

Ms. Kelly Biegalski
Florida Public Service Commission
2450 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED

JUN 15 1998

CMU

RE: Intercontinental Communications Group, Inc. - Docket No. 97-1488

Dear Ms. Biegalski:

Intercontinental Communications Group, Inc. (formally dba "ICLD"), by its undersigned attorney, respectfully submits its settlement offer in the above-referenced matter.

Intercontinental Communications Group, Inc. is an interexchange carrier which provides interexchange service and alternative operator service in approximately 46 states. Intercontinental Communications Group, Inc. was certified by the Florida Public Service Commission to provide intrastate interexchange service in Docket No. 950208-TI, on May 23, 1995. Intercontinental Communications Group, Inc. currently provides service to approximately 25,000 pre-subscribed customers nationwide, and approximately 1,500 customers in Florida.

As will be explained in more detail, all of the slamming complaints received by the Commission arose from the activity of one agent, Telecommunications Marketing, Inc. ("TMI") aka ("Tel-All")¹. Intercontinental Communications Group, Inc. has historically marketed with the use of agents to acquire sales without incident.

TMI and Intercontinental Communications Group, Inc. entered into a standard Agent Agreement in October 1996 ("Agent Agreement"). Among other things, the Agent Agreement specifically stated that Intercontinental Communications Group, Inc. did not authorize the use of sweepstakes, contest entry, or similarly methods in solicitation customers and made strikingly clear that under no circumstances was the agent to violate any law or regulation and "slam" customers. Despite this, TMI marketed through the use of improper contest entries on their own accord and in violation of the Agency Agreement. The conduct of TMI resulted in some customers entering sweepstakes

¹ The President of Telecommunications Marketing, Inc. is Michael Tinari, who is also engaged as President of Coral Communications, Inc. which as recently been ordered by the Florida Public Service Commission to Show Cause for violation of F.A.C. Rule 25-24-470 [Docket No. 980336-TI issued on April 23, 1998]. The basis for the Show Cause Order addresses deceptive and misleading marketing practices revolving around an unauthorized contest.

ATTACHMENT A

without being aware that they actually selected Intercontinental Communications Group, Inc. as their carrier, despite the fact that they signed an LOA. Unfortunately, TMI also sent Intercontinental Communications Group, Inc. a number of fraudulent LOA's.

Immediately upon finding out that TMI solicited customers in violation of the Agency Agreement, among other rules and regulations, Intercontinental Communications Group, Inc. placed TMI on notice of said breach and terminated the acceptance of any orders and the Agent Agreement on January 20, 1997.

Intercontinental Communications Group, Inc. has responded with its best efforts to attend to all consumer complaints and comply with F.A.C. Rule 25-4.118(5). They have made every effort to ensure that customers were satisfied, and offered credits where appropriate. Intercontinental Communications Group, Inc. respectfully submits that it has learned from this experience, has improved its procedures for verifying orders, and continues to do so. Intercontinental Communications Group, Inc. also has advised all agents that illegal marketing practices will not be tolerated and will result in immediate termination of the agency relationship. Absent the complaints as a result of a rouge agent, Intercontinental Communications Group, Inc. has had no known slamming complaints in Florida, a record few carriers can match.

Intercontinental Communications Group, Inc. proposed the following terms of settlement:

1. For a period of one year, Intercontinental Communications Group, Inc. will independently verify 100% of all Florida orders initiated by LOA. For a period of six months following that, Intercontinental Communications Group, Inc. will independently verify 50% of all Florida orders authorized by LOA. Following that period, Intercontinental Communications Group, Inc. will initiate random independent verification to ensure that the strict requirements are adhered.
2. Intercontinental Communications Group, Inc. will mail an informational package with prepaid postcards to 100% of all Florida sales generated by telemarketing (and verify by independent third party verification). [Intercontinental Communications Group, Inc. has not to date used telemarketing to solicit customers]
3. Intercontinental Communications Group, Inc. will formally adopt its previously unwritten "Satisfaction Guarantee" policy, under which Intercontinental Communications Group, Inc. will incur the PIC change fee to return any customer to his or her carrier of choice if, for any reason, the customer is not satisfied with Intercontinental Communications Group, Inc.'s service, further, Intercontinental Communications Group, Inc. agrees to re-rate all calls to match the previous carrier.

4. Intercontinental Communications Group, Inc. agrees to formally adopt a monitoring policy for its agent program and will immediately terminate, as in this case, any agent who is known to market its services in violation of any rule or regulation. Further, Intercontinental Communications Group, Inc. will forward all information regarding such violation to the Florida Public Service Commission and cooperate in the prosecution of same.
5. Intercontinental Communications Group, Inc. will make a contribution in the amount of \$50,000 to the General Revenue Fund of the State of Florida, with no admission of liability or wrongdoing.

We believe that the foregoing settlement terms and conditions fully and appropriately address the concerns in this matter and support customer needs. All of the complaints received were due to the actions of one rogue agent. Intercontinental Communications Group, Inc. has terminated the agent, credited all customers who were subject to the agent's improper marketing practices and has revised its internal operating procedures to protect this type of event from happening in the future. Intercontinental Communications Group, Inc. recognizes that the activities of its agent created problems for Florida consumers and placed demands on the time and resources of the Commission and its Staff. Intercontinental Communications Group, Inc. believes that the interests of the public, the Commission and Intercontinental Communications Group, Inc. itself can best be served at this time through settlement. The aforementioned efforts will ensure that similar problems do not arise in the future.

Respectfully submitted on behalf of
Intercontinental Communications Group,
Inc. by its counsel.



William R. Heitz, Esq.

cc: Douglas C. Brough
File