

**FLORIDA PUBLIC SERVICE COMMISSION**

**Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0860**

**M E M O R A N D U M**

**September 12, 1991**

**TO: DIRECTOR OF RECORDS AND REPORTING (TRIBBLE)**

**FROM: DIVISION OF APPEALS (MOORE AS HEARING OFFICER) *mm***

**RE: DOCKET NO.: 900959-TP - PROPOSED REVISION TO RULES 25-4.107, F.A.C., INFORMATION TO CUSTOMERS, AND 25-4.108, F.A.C., INITIATION OF SERVICE, PERTAINING TO EXTENDED PAYMENT PLAN FOR THE PAYMENT OF SERVICE CONNECTION CHARGES**

**AGENDA: 9/10/91 - CONTROVERSIAL - PARTIES MAY NOT PARTICIPATE**

**PANEL: FULL COMMISSION**

**RULE STATUS: PROPOSAL MAY BE DEFERRED**

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**CASE BACKGROUND**

At its agenda conference May 21, 1991, the Commission voted to propose amendments Rules 25-4.107 and 25-4.108, F.A.C., to require telecommunications companies to inform customers of the availability of the company's installment plan for the payment of service connection charges. Specifically, Rule 25-4.108 would require each company to permit residential customers to pay the connection charges in at least three equal monthly installments. Rule 25-4.107 would require each company to inform all persons applying for residential service, at the time of initial customer contact, that an installment payment plan is available.

Staff initially recommended the rule amendment at the January 29, 1991, agenda conference because it would further the policy goal of making basic telecommunications services available to all residents at affordable prices. The telephone companies present at that agenda argued that the rule amendment would cause a dramatic increase in the "take rate," or percentage of customers who opt for the installment plan, and that this would cause significant cash flow problems. The Commission deferred a decision on the recommendation, and instructed staff to obtain more information on the amount of service connection charges, the income generated from those charges, and the effect of the amendments on the companies.

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The requested information was presented to the Commission at its May 21, 1991, agenda conference along with rule amendments that were revised to limit their application to connection charges for residential service and to require companies to offer payment plans of a minimum of three equal monthly installments, rather than for the longer time that is stated in most of the tariffs. The rule amendments were approved by the Commission without further change.

Following publication of the notice of rulemaking, United Telephone Company ("United") and GTE Florida ("GTE") requested a hearing. The rulemaking hearing was held July 12, 1991, before an Appeals attorney and the proposed final version of the rule was issued on August 21, 1991. Additional changes were made in response to comments on that version. (Attachment 1) The rules are now before the Commission for final adoption.

#### **DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission adopt Rule 25-4.107, requiring telecommunications companies to inform all applicants for residential service about the company's extended payment plan for connection charges?

**RECOMMENDATION:** Yes. The Commission should adopt Rule 25-4.107 as proposed, requiring telecommunications companies to inform all residential service applicants about the company's plan allowing service connection charges to be paid in installments.

**HEARING OFFICER ANALYSIS:** Standing alone, Rule 25-4.107 as proposed by the Commission does not specify the terms of a company's extended payment plan. Rather, it imposes upon companies the additional requirement to inform all applicants for residential service of the plan if the company offers one at all. All but three local exchange companies (LECs) offer such a plan. The companies participating in this rulemaking proceeding generally agree that the decision whether to notify new customers of the plan should be made by the company. Commission staff disagree, and believe that when the LEC uses its discretion in deciding whether or not customers are advised that such a plan exists, that customers in a given class of service are not being treated equally. The fact that the information is in the LECs' tariffs does not provide adequate notice according to staff.

SUMMARY OF COMMENTS BY PARTICIPANTS

GTE stated that the proposed rule will have a negative effect on its financial position. Unless the customer demonstrates a need for the extended payment plan, GTE believes there is no reason to offer it. The company also states the widespread use of this plan will cause it to reconsider its deposit policies in an effort to control bad debts.

UNITED requested that any part of the proposed rules that will increase contact time (between service representative and customer), reduce cash flows to LECs, and increase uncollectible amounts and collection expenses be either modified or eliminated. United estimated that the additional contact time that will be expended to discuss the matters required by the proposed rules will be at least two minutes per new customer, resulting in an increased cost of providing service. An increased take rate will reduce their cash flow, and increase the cost of providing service. United also states that the proposed rules will increase their uncollectible amounts and collection costs because of the "significant" number of their customers who disconnect within three months from the time their service is initiated.

Hearing

At the section 120.54 hearing held before an Appeals attorney on July 12, 1991, the participants made similar comments to those described above. GTE, United, Southern Bell, Indiantown Telephone System ("Indiantown"), Northeast Florida Telephone Company ("Northeast"), and Quincy Telephone Company ("Quincy") participated in the hearing.

UNITED stated that it expected the additional contact time will cost the company about \$125,000. In United's April 25, 1991 response to staff's data request, which was submitted by the company as an exhibit, it estimated that monthly deferred revenue balances due to installment billing will range from \$.3 million at a 25 percent take rate to \$1.2 million at a take rate of 100 percent (based on a 3 month plan with a \$15.00 first payment and the projected residential inward movement for 1991 of 285,400.)

GTE stated that permitting the company to use its discretion in selecting customers to offer the plan to is the most efficient and cost effective way to target individuals who truly need an installment option. It believes their method is adequate

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because their service representatives are trained to identify customers who truly need the plan. The company emphasized that uncollectible amounts and collection costs will increase because of the number of customers who will disconnect before their service connection charges are fully paid. GTE also estimated additional costs of \$122,000 due to increased service contact time. It estimates that in a three month period, 1,000 customers disconnect within the first two months of establishing service. Including toll charges, its average uncollectible for those disconnected accounts was \$245 each.

**INDIANTOWN, NORTHEAST, and QUINCY** are also concerned about offering the plan to all new residential customers because the large number of migrant workers and tourists in certain areas of the state results in service being disconnected within the first three months. They believe their uncollectible accounts may increase significantly.

**COMMISSION STAFF** disagreed that the take rate will increase dramatically but acknowledged that some increase in collection efforts may be necessary. Staff disputed that uncollectible accounts would increase to the extent projected by GTE, and stated that the rule does not affect the companies' ability to obtain deposits prior to extending service.

#### Post-Hearing Comments

**GTE** asserted that staff has failed to adequately consider the costs of the rule. It argues that the anticipated costs exceed the speculative benefits that will be derived from the proposed rule and that there is no sound policy basis or evidence of need for the proposed rule amendments. **United** also believes that the need for the rule amendments has not been established. It also asserts that the purpose of the amendments has not been determined, and that staff has been inconsistent in stating the purpose of the rule. **United** argues that the number of consumer complaints received does not justify the cost to companies of implementing the rule amendments.

**United** recommends that the Commission change the rule to require companies to inform applicants for residential service of the company's installment plan only if the person indicates an inability to pay or requests payment terms. It recommends also that the terms of a company's plan be set forth in its tariff, instead of the rule stating that a minimum of three monthly

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installments is required. Indiantown, Northeast, and Quincy concur in United's comments.

Only GTE and Commission staff submitted comments on the proposed final version of the rule. GTE, while remaining opposed to the rule amendments, concurs in United's substitute language to offer a payment plan only to customers who indicate an inability to pay or who request payment terms. Commission staff suggested a \$25.00 minimum initial installment payment and a \$1.00 per month service fee.

**ISSUE 2:** Should the Commission adopt Rule 25-4.108 with a change permitting companies to charge a \$1.00 per month service fee to applicants who elect the installment payment plan?

**RECOMMENDATION:** Yes. The Commission should adopt changes to Rule 25-4.108, F.A.C., to permit companies to charge a \$1.00 per month service fee to applicants who pay connection charges in monthly installments.

**HEARING OFFICER ANALYSIS:** At the hearing, GTE commented that there are customers who will elect the extended payment plan solely to take advantage of the time value of money. Additionally, the parties were in general agreement that the proposed rule will have other costs, including a negative impact on companies' cash flow, and additional customer service representative time to explain the option. The only solution proposed by the companies was not to adopt the rule, or to require that companies only notify customers of the plan if the customer indicates an inability to pay or requests payment terms (an alternative suggested by United and GTE.)

To reduce this impact, the proposed final version of the rule permitted companies to charge a reasonable service fee, with the amount to be stated in each company's tariff. Staff submitted comments recommending a \$1.00 per month fee (Communications) or a one-time fee of \$1.00 (Consumer Affairs.) The \$1.00 per month service fee included in the attached recommended rule is believed to be the amount appropriate to discourage customers from electing the payment plan solely to use the companies' money and to compensate the companies for their costs.

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**ISSUE 3:** Should the Commission adopt changes to proposed Rule 25-4.108, F.A.C., to provide that the initial monthly installment payment need not be less than \$25.00?

**RECOMMENDATION:** Yes. The Commission should adopt Rule 25-4.108, F.A.C. with a change providing for a minimum initial installment payment of \$25.00.

**HEARING OFFICER ANALYSIS:** As proposed, the rule provided that each company is required to permit residential customers to pay the service connection charges in equal payments over a three-month period. At the hearing, Indiantown, Northeast, and Quincy urged that a minimum initial payment be required. This would eliminate the requirement for an extended payment plan for companies with relatively low service connection charges. The Hearing Officer's proposed final version of the rule included a minimum initial installment payment of \$20.00, however staff submitted comments recommending that the amount be \$25.00. A \$25.00 minimum would eliminate the requirement for three companies whose charges are \$11.00, \$17.25, and \$21.20. The next highest charge by a company is \$30.25. The hearing officer believes the \$25.00 amount is a reasonable "cutoff" point. Although neither Indiantown, Northeast, nor Quincy suggested a particular dollar amount, it should be noted that each of these companies charge more than \$25.00, and would therefore not be excluded from the rule, even if the change is adopted.

**ISSUE 4:** Should the Commission file the rule for adoption with the Secretary of State and close the docket once the rules become effective?

**RECOMMENDATION:** Yes. The docket may be closed once the rules are filed for adoption and become effective.

CTM/  
Attachments

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1           **25-4.107 Information to Customers.**

2           (1) Each company shall provide such information and  
3 assistance as is reasonable to assist any customer or applicant in  
4 obtaining telephone service adequate to his communications needs.  
5 At the time of initial contact, each local exchange  
6 telecommunications company shall advise the person applying for or  
7 inquiring about residential or single line business service of the  
8 rate for the least expensive one party basic local exchange  
9 telephone service available to him unless he requests specific  
10 equipment or services. Each company shall inform all persons  
11 applying for residential service of the availability of the  
12 company's installment plan for the payment of service connection  
13 charges. The information will be provided at the time of initial  
14 contact and shall include, but not be limited to, information on  
15 rate amounts and installment time periods and procedures. Upon  
16 customer request, the person shall also be given an 800 number to  
17 call to receive information on the "No Sales Solicitation" list  
18 offered through the Department of Agriculture and Consumer  
19 Services, Division of Consumer Services. In any discussion of  
20 enhanced or optional services, each service shall be identified  
21 specifically, and the price of each service shall be given. Such  
22 person shall also be informed of the availability of and rates for  
23 local measured service, if offered in his exchange. Local exchange  
24 telecommunications companies shall submit copies of the information  
25 provided to customer service representatives to the Division of

CODING: Words underlined are additions; words in  
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1 | Communications for prior approval.

2 |       (2) At the earliest time practicable, the company shall  
3 | provide to that customer the billing cycle and approximate date he  
4 | may expect to receive his monthly billing.

5 | **Specific Authority: 350.127(2), 364.14(2), F.S.**

6 | **Law Implemented: 364.03, 364.04, F.S.**

7 | **History: New 7/6/79, Amended 11/30/86, 11/28/89, 3/31/91**

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1       **25-4.108 Initiation of Service.** Any applicant for telephone  
2 service may be required to make application in writing in  
3 accordance with standard practices and forms prescribed by the  
4 utility, provided that the policy adopted by the utility for the  
5 initiation of service shall have uniform application and shall be  
6 set forth in its filed tariff. Such application shall be  
7 considered as notice to the utility that the applicant desires  
8 service and upon compliance by the applicant with such other  
9 provisions governing utility service as may be in effect, the  
10 utility shall undertake to initiate service without unreasonable  
11 delay. Each company shall permit residential customers to pay  
12 service connection charges in equal monthly installments over a  
13 period of at least three (3) months, however, the initial monthly  
14 payment need not be less than \$25.00. A company may charge a  
15 monthly service fee of \$1.00 to applicants who elect to pay the  
16 service connection charge in installments.

17 **Specific Authority:** 350.127(2), 364.14(2), F.S.

18 **Law Implemented:** 364.03, 364.04, F.S.

19 **History:** New 12/1/68.  
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