

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
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Tallahassee, Florida 32399-0850

M E M O R A N D U M

MAY 9, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [MCNULTY] *WBM*  
DIVISION OF LEGAL SERVICES [KURLIN] *pat* *JB* *MSB* *WJ* *R*

RE : DOCKET NO. 910539-TI: PROPOSED TARIFF FILING WOULD  
ESTABLISH AT&T CIID/891 CARD INCENTIVE PLAN AS A  
PROMOTIONAL OFFERING BY AT&T COMMUNICATIONS OF THE  
SOUTHERN STATES (T-91-193 FILED 4/29/91)

AGENDA: MAY 21, 1991 - CONTROVERSIAL - PARTIES MAY PARTICIPATE

CRITICAL DATES: COMPANY REQUESTS AN EFFECTIVE DATE OF JUNE 1, 1991;  
AN END DATE OF DECEMBER 31, 1991 FOR ELIGIBILITY; AND AN  
END DATE OF DECEMBER 31, 1992 FOR APPLYING THE PROPOSED  
DISCOUNT TO CALLING CARD MTS RATES

SPECIAL INSTRUCTIONS: NONE

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DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission approve AT&T Communications of the Southern State's tariff filing to establish the AT&T CIID/891 Card Incentive Plan as a promotional offering, to become effective June 1, 1991, thereby waiving Rule 25-24.485(1)(i) restricting promotional offerings to one three month period for the purposes of this promotional offering?

**RECOMMENDATION:** Yes, the Commission should approve AT&T Communications of the Southern State's tariff filing to establish the AT&T CIID/891 Card Incentive Plan as a promotional offering, to become effective June 1, 1991 and to expire as of December 31, 1992, thereby waiving Rule 25-24.485(1)(i) restricting promotional offerings to one three month period for the purposes of this promotional offering.

**STAFF ANALYSIS:** AT&T Communications of the Southern States (ATT-C) proposes to offer to its MTS customers who use the new AT&T CIID/891 Calling Card a one-year promotional offering described in the attached tariff filing (Attachment A, Page 5). AT&T is preparing to introduce the new AT&T CIID/891 Calling Card

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throughout the country, and is attempting to coordinate in each of its regions a promotional program which will entice people to use the card. The Company proposes to offer customer discounts on MTS usage rates charged to its new AT&T CIID/891 Calling Card in the form of a rebate awarded one year after the month the customer receives their new calling card.

The terms are specified clearly in the filing. Customers who attain total charges of \$30 or more for three consecutive months in combined intrastate and interstate MTS billed to an AT&T CIID/891 Card account will receive a credit in the amount of 15% of total Calling Card MTS usage charges applied to that three month period. To be eligible for the credit, the customer must have received their AT&T CIID/891 Calling Card on or before December 31, 1991. The credit will apply to each successive three calendar month period in which the customer attains a minimum of \$30 in eligible usage each month. This offer is good for a period of one year after the first full calendar month following the customer's receipt of the AT&T CIID/891 Card.

An example of how this discount plan operates follows. Suppose a customer orders an AT&T CIID/891 card and receives it on June 12, 1991. His first eligible 3-month period towards the discount plan begins on July 1, 1991, and extends through September 30, 1991. He must achieve \$30 or more in Calling Card MTS charges in each of the three months in order to receive the 15% discount on the usage charges accumulated during those three months. His next three month period in the incentive plan is October 1, 1991 through December 31, 1992. Two additional three-month periods follow this. The sum of the discount amounts for the four periods are then distributed to the customer by a third-party contracted firm, shortly after August 1, 1992, through either a certificate towards AT&T services or a certificate redeemable for goods and services at participating vendors, determined by the preference of the customer. The contracted firm also notifies the customer after each 3-month period of whether they achieved the minimum calling usage necessary to receive the discount for their previous period's call usage.

The Company hopes to increase market penetration and acceptance of the AT&T CIID/891 Calling Card by giving customers an opportunity to purchase MTS usage initiated via the calling card at less than the current tariffed rates for MTS. While the same rates would apply on a month to month billing basis, the Company is actually offering lower rates for regular card users through offering a rebate to them at the end of a calendar year. The Company believes this promotional offer is a means of encouraging customers to memorize the CIID number appearing on the card or to

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carry the card with them in order to be able to read or dial the CIID number. The current AT&T card has an identification number which is often the same as the customer's own telephone number, whereas the new card requires greater effort on the part of the customer since he must learn a new 14 digit number.

The Commission requires that ATT-C's MTS rates meet or exceed the access rates it pays to the LEC in the aggregate, and this filing does represent an effective temporary reduction in MTS rates. However, since charges for credit card calls include a per call service charge of \$.80 in addition to usage rates, staff does not believe that a 15% reduction in usage rates through this discount would reduce the charges for MTS calls to the point where MTS rates failed to meet or exceed access charges.

Staff believes that the intent of the Company to increase market penetration and acceptance of the AT&T CIID/891 Calling Card through the proposed calling card incentive plan is appropriate, since this card offers greater security and convenience to the customer than is currently available with the AT&T Calling Card at no additional cost to the customer (Order No. 24473). However, staff also believes that it is very important that the Company include in its promotional literature and advertisements clear representation of the time periods, discount rates, and administration of the incentive plan. Since the start and stop dates of the customers' billing cycles and start and stop dates of their CIID/891 Incentive monthly periods are not the same in most cases, customers must be told that they cannot determine whether they met the \$30 monthly minimum by analyzing a single telephone bill. Staff takes this opportunity to caution that, if clear instructions are not made available to ATT-C MTS customers who use the CIID/891 Card in order to take advantage of the proposed discount, customers will be misled into believing they are qualifying for the discount when in fact they are not.

Commission Rule 25-24.485(1)(i) states that temporary rate reductions, such as the one proposed in this filing, should not result in any individual customer being able to receive temporary reduced rates for a given service offering for more than 90 days in any twelve month period. In its letter accompanying this filing, ATT-C has requested waiver of this rule for the purposes of this filing only. Staff agrees that the waiver of this rule is appropriate in this case since the object of the Company is to change card loyalty and to encourage card users to memorize their 14 digit CIID number, which would probably require a test period longer than three months for many users of the card.

ATT-C claims that it cannot determine the revenue effect of

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this promotional filing. Predicting the revenue effect is not possible since the Company has no previous promotional data reflecting the circumstances which now exist. The Company generally expects increased calling card usage, leading to increased Company revenues, despite the revenue effect of the discount offer. This expectation assumes that the Company is able to increase demand for its MTS services, as a result of the greater convenience and security which the card represents to such customers. However, if the card is accepted and used, but does not lead to greater demand for ATT-C's MTS, it could have a negative impact on revenues.

Staff believes that the AT&T CIID/891 Card Incentive Plan as it appears in the proposed tariff filing is appropriate since it encourages customers to utilize a type of calling card which offers significant security and convenience advantages over the existing AT&T Calling Card. Staff recommends that the Company waive Rule 25-24.485(1)(i) restricting promotional offerings to one three month period for the purposes of this promotional offering, and approve AT&T Communications of the Southern State's tariff filing to establish the AT&T CIID/891 Card Incentive Plan as a promotional offering, to become effective June 1, 1991 and to expire on December 31, 1992.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes, this docket should be closed upon expiration of the protest period.

**STAFF ANALYSIS:** Staff recommends that this docket be closed upon expiration of the protest period, if no protest is received, since there are no other pending issues regarding the filing.

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FLORIDA

ISSUED: April <sup>26</sup> 7, 1991 <sup>Tariff</sup>  
BY: Mr. Don Stewart - ~~Regional~~ Director

<sup>Fourth</sup> ~~June~~  
EFFECTIVE: ~~May~~ 1, 1991

A13. OTHER SERVICES

ATTACHMENT A

A13.1 PROMOTIONAL OFFERING (Cont'd)

A13.1.1 (Cont'd)

- E. AT&T CIID/891 Card Incentive Plan - Customers who attain total charges of \$30 or more for three consecutive months in combined intrastate and interstate LDMTS billed to an AT&T CIID/891 Card account will receive a credit in the amount of 15% of the total charges. (N)

Customers who receive their AT&T CIID/891 Cards on or before December 31, 1991, will be eligible for the credit. The credit will apply in each successive three calendar month period in which the Customer attains at least \$30 in eligible usage for a period of one year after the first full calendar month following the customer's receipt of the AT&T CIID/891 Card. The credit will be issued to Customers annually, and at the option of the Customer, in the form of a certificate redeemable for AT&T services or a certificate redeemable for goods and services at participating vendors.

Conference Service and Custom Network Service usage is not eligible for the credit. (N)