

**FLORIDA PUBLIC SERVICE COMMISSION**

**Fletcher Building  
101 East Gaines Street  
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 APPEALS (WYROUGH)<sup>DES</sup>  
DIVISION OF COMMUNICATIONS (RUSSO)  
DIVISION OF CONSUMER AFFAIRS (HANNA)  
DIVISION OF RESEARCH (MAHONEY) *GA*

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

**AGENDA:** 5/21/91 - CONTROVERSIAL AGENDA - PARTIES MAY PARTICIPATE

**PANEL:** FULL COMMISSION

**CRITICAL DATES:** NONE

**RULE STATUS:** PROPOSAL MAY BE DEFERRED

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**BACKGROUND**

At the January 29, 1991 agenda conference, the Commission deferred on the issue of whether to propose to amend Rule 25-4.107, F.A.C., titled Information to Customers. The rule revision would add the requirement that each company inform parties applying for service, or requesting service information, of the availability of the company's extended payment plan for the payment of service connection charges.

Staff recommended the amendment because it would further the policy goal of making basic telecommunications services available to all residents at affordable prices by making all customers aware of the availability of an extended payment plan. The telephone companies present argued that the rule amendment

DOCUMENT NUMBER-DATE

04578 MAY-9 1991

FPSC-RECORDS/REPORTING

May 9, 1991

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. As a result, staff was directed to do more fact finding on the service connection charges, the income generated from those charges, and the effect the rule revision would have on the various companies. Since that time, staff has requested data from all the LECs and received responses from all but Vista-United. This data has been compiled and analyzed, and the rule amendment modified since the 1/21/91 agenda. Staff is now prepared to bring this item to the Commission for further consideration.

#### DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission propose to amend Rule 25-4.107, F.A.C., titled Information to Customers, and Rule 25-4.108, F.A.C., titled Initiation of Service, relating to extended payment plans for payment of service connection charges?

**RECOMMENDATION:** Yes, the Commission should propose to amend Rule 25-4.107, F.A.C., titled Information to Customers, and Rule 25-4.107, F.A.C., titled Initiation of Service, relating to extended payment plans for payment of service connection charges.

**STAFF ANALYSIS:** This Commission's policy, expressed through various dockets with the LECs, has been to support, and in some cases direct<sup>1</sup>, the offering of an extended payment period (installment payments) for the payment of service connection charges. The companies have complied with the orders and have offered extended payment plans which appear in the tariffs of the various LECs. (With the exception of Indiantown, Gulf, and Florida, who do not offer an extended payment plan.) However, the Companies generally do not inform customers of the availability of such plans when the customer initiates service and incurs service

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<sup>1</sup>In the Quincy Telephone case (Docket No. 760323-TP, Order No. 7566), the Commission ordered in part:

The company is directed to offer subscribers an extended payment period of up to 6 months for the payment of the higher service connection charges.

**DOCKET NO. 900959-TP**  
**May 9, 1991**

connection charges. Staff believes that customers in a given class of service are not being treated equally in this situation where the LEC uses its discretion in deciding whether or not customers are advised by service representatives that such a plan exists. Therefore, staff is bringing this item before the Commission because we believe it is extremely important that utilities who are monopoly providers of service provide service in a fair and nondiscriminatory manner.

Staff believes that the existence of the information about extended payment plans in the tariffs does not give the customers sufficient notice. Theoretically, the tariffs advise all customers equally, yet, in reality most customers do not rely on tariffs as a source of information. Staff believes that service connection charges are a part of basic service and that such services demand the highest degree of customer notice from the companies.

The benefits to the customers of these rule amendments are unquestionable. The costs of the rule requirements to the LECs are more difficult to determine. There is no question that if a given customer opts for the extended payment plan, cash flow to the company will be delayed by a proportionate amount. The problem is trying to predict how the take rate will change for each company if each customer who signs up for service is told that he has the option of paying the service connection charges in installments. Given no penalty for choosing the installment option, most people would be expected to choose the installment option because of the time value of money. However, there will always be a certain number of people who will pay the entire amount with the initial payment for convenience.

On March 14, 1991, staff sent a data request to all the LECs to determine their current practices surrounding the extended payment plan and to determine the impact of the various rule proposals on the LECs. The following attachments were compiled from information received from the LECs, in response to the data request, and from other sources.

-- Attachment A shows the service connection charges for the LECs in Florida.

-- Attachment B compares some of these rates with electric company connection charges.

DOCKET NO. 900959-TP  
May 9, 1991

-- Attachment C compares the details of the various LEC extended payment plans.

-- Attachment D compares the take rates of the various LECs under their current policy of only advising some customers who express a need and under a requirement that the representatives must advise all customers.

-- Attachment E compares the impact of the various plans on the LECs.

Note that we are amending our original proposal as follows. Originally, we proposed that all residential and one-party business customers be advised of the extended payment plan. We now recommend that the amendment to Rule 25-4.107, F.A.C., apply to residential customers only. This is because we believe that the extended payment plan should only apply to residential customers. Also, we originally proposed that the extended payment plan not be modified. However, we now recommend that companies provide an extended payment plan for a minimum of three months, with equal monthly installments. (This requires an amendment to Rule 25-4.108, F.A.C.). This way a company may offer a more gracious plan if it desires, but it is only required to do so for a three month period. Companies should file changes to their tariffs to reflect this modification.

Staff hastens to point out that in this docket it is not necessarily recommending or advocating the policy behind extended payment plans. The Commission has already embraced that public policy. This rulemaking proceeding will crystalize that policy by including it in the rules and insure that the policy applies to all customers in a fair and non-discriminatory manner. Furthermore, staff believes that if the Commission has a policy of an extended plan, that the notice of the plan must be fair and complete -- otherwise, it's as if the policy did not exist.

Attachment F is the new version of the proposed rule amendments.

**ISSUE 2:** If no comments or requests for hearing are received, and after these rule revisions have been filed with the Department of

**DOCKET NO. 900959-TP**  
**May 9, 1991**

State and become effective, should this docket be closed?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** This docket need not remain open after the rules become effective.

WEW:prl  
Attachments  
0060

**SERVICE CONNECTION CHARGES**

	ALLTEL	CENTRAL	FLORALA	GTE	GULF	INDIANTOWN	NORTHEAST	QUINCY	ST. JOE	SBT	SOUTHLAND	UNITED	VISTA-UNITED
<b><u>PRIMARY SERVICE ORDER</u></b>													
RESIDENTIAL	\$19.00	\$10.00	\$6.75	\$28.25	\$20.00	\$15.00	\$17.00	\$18.00	\$11.00	\$25.00	\$7.00	\$20.00	\$11.00
BUSINESS SIMPLE	22.00	22.00	8.25	33.00	25.00	15.00	18.00	21.00	27.00	35.00	14.15	25.00	14.00
COMPLEX	---	---	---	---	---	---	18.00	---	---	---	---	---	---
<b><u>SECONDARY SERVICE ORDER</u></b>													
RESIDENTIAL	\$11.00	\$10.00	\$6.75	\$11.00	\$15.00	\$12.00	\$8.00	\$9.00	\$5.00	\$8.00	\$7.00	\$8.00	---
BUSINESS SIMPLE	15.00	14.00	8.25	14.00	20.00	12.00	10.00	11.50	18.00	12.50	14.15	18.00	---
COMPLEX	---	---	---	---	---	---	10.00	---	---	---	---	---	---
<b><u>CENTRAL OFFICE CHARGES</u></b>													
RESIDENTIAL	\$20.00	\$32.00 <sup>a</sup>	\$5.50	\$20.00	\$20.00	\$18.00	\$20.00	\$18.00	\$15.00	\$18.00 <sup>b</sup>	\$7.35	\$30.00	---
BUSINESS SIMPLE	20.00	34.00 <sup>a</sup>	6.50	20.00	20.00	18.00	20.00	20.00	15.00	18.00 <sup>b</sup>	7.35	35.00	---

a) C. O. WORK CHARGE IS APPLICABLE FOR ALL ACCESS LINES CONNECTED.

b) IN ADDITION NEW LINE ACCESS CHARGE IS APPLICABLE FOR ALL NEW OR ADDITIONAL ACCESS LINES.

ATTACHMENT A  
(2 PG.)

**SERVICE CONNECTION CHARGES**

	ALLTEL	CENTRAL	FLORALA	GTE	GULF	INDIANTOW	NORTHEAST	QUINCY	ST. JOE	SBT	SOUTHLAND	UNITED	VISTA-UNITED
<u>PREMISES VISIT</u>													
RESIDENTIAL	\$14.00	\$21.00	\$5.00	\$8.00	\$10.00	\$8.00	---	\$8.25	\$4.25	\$16.00	\$8.25	\$10.00	---
BUSINESS SIMPLE	14.00	30.00	5.00	8.00	10.00	8.00	---	8.25	4.25	18.00	8.25	10.00	---
<u>PREMISES WORK</u>													
RESIDENTIAL	---	---	---	---	\$5.50	---	---	\$8.25 <sup>a</sup>	---	\$8.75 <sup>b</sup>	---	\$12.00 <sup>c</sup>	---
BUSINESS SIMPLE	---	---	---	---	5.50	---	---	8.25 <sup>a</sup>	---	9.00 <sup>b</sup>	---	12.00 <sup>c</sup>	---
<u>TROUBLE LOCATION</u>													
RESIDENTIAL	\$22.00	\$35.00	\$25.00	N/A	\$25.00	\$30.00	\$25.00	\$20.00	\$20.00	\$25.00	\$20.00	\$40.00	T/M <sup>e</sup>
BUSINESS SIMPLE	22.00	35.00	25.00	N/A	25.00	30.00	25.00	20.00	20.00	25.00	20.00	40.00	
BUSINESS COMPLEX	22.00	35.00	N/A	65.00	N/A	N/A	25.00	N/A	20.00	25.00	20.00	40.00	
<u>COST FOR NEW SERVICE</u>													
RESIDENTIAL	\$53.50	\$63.00	\$17.25	\$54.25	\$55.50	\$81.00	\$37.00	\$32.00	\$30.25	\$77.00	\$21.20	\$90.00 <sup>d</sup>	\$11.00
BUSINESS SIMPLE	58.50	88.00	19.75	59.50	80.50	85.50	39.00	41.00	48.25	86.00	27.75	80.00 <sup>d</sup>	14.00
BUSINESS COMPLEX	58.50	88.00					39.00	41.00		N/A		80.00 <sup>d</sup>	

a) CENTRAL OFFICE WORK CHARGES APPLICABLE TO ALL ACCESS LINES CONNECTED

b) PER 1/4 HOUR, ROUNDED TO NEAREST 1/4 HOUR

c) PER 1/4 HOUR OR FRACTION THEREOF, PLUS MATERIAL AS INDICATED

d) PLUS PREMISE VISIT OR PREMISES WORK CHARGES WHERE NECESSARY

e) AS DESCRIBED IN TARIFF (A11.A.8)

# COMPARISON OF RESIDENTIAL RATES

<b>COMPANY</b>	<b>BASIC TOTAL FOR NEW CONNECTION</b>
<b>FLORIDA POWER</b>	<b>\$15.60</b>
<b>FLORIDA POWER &amp; LIGHT</b>	<b>\$16.00</b>
<b>GULF POWER</b>	<b>\$20.00</b>
<b>TAMPA ELECTRIC</b>	<b>\$20.00</b>
<b>CENTRAL TELEPHONE</b>	<b>\$63.00</b>
<b>GTE FLORIDA, INC.</b>	<b>\$54.25</b>
<b>SOUTHERN BELL TELEPHONE</b>	<b>\$77.00</b>
<b>UNITED TELEPHONE</b>	<b>\$50.00</b>

ATTACHMENT B

LEC PAYMENT PLANS

Payment Plan	ALLTEL	Centel	GTE	Northeast	Quincy	St. Joe	SBT	United
Available to these customers	Res. B-1	A11	Res. B-1	A11	A11	A11	A11	A11
Length of plan	4 months	6 months	6 months <sup>1</sup>	3 months	6 months	6 months	6 months	6 months
Minimum 1st month payment	1/4 of total charge	\$15.00R \$25.00B	\$15.00R \$25.00B	1/3 of total charge	\$15.00R \$25.00B	\$15.00	\$15.00	\$15.00R \$25.00B
Other payment requirements	Four equal payments	equal payments not less than \$5.00	equal payments not less than \$5.00	none	equal payments not less than \$5.00	minimum monthly payment \$15.00	minimum monthly payment \$5.00	minimum monthly payment \$5.00

<sup>1</sup> Attempt first to negotiate 1/2 of service charge as a 1st payment with balance divided into two remaining payments

**Note:** Florala, Gulf, Indiantown, and Southland do not provide extended payment plans

Take Rates of Various Plans

CURRENT PLAN	ALLTEL	CENTEL	GTE	NORTHEAST	QUINCY	ST. JOE	SBT	UNITED
Number of Res and B-1 Custs who paid service conn charges in 1990.	11,668 R 1,697 B	72,252 R 11,359 B	384,549 R 41,402 B	770 R 181 B	1,883 R 480 B	3,200 R 786 B	1,076,000 R 144,000 B	271,824 R 49,699 B
Take rate of current plan.	4%	0	34,359 R 8.9% 452 B 1.1%	6% R unknown	negligible	3 R 0 B	666,519 R 61.9% 31,469 B 21.8%	2,070 R 9.8% 42 B 2%
<b>Plan 1</b>								
Expected take rate of rule to advise all res and b-1 custs of current plan.	70%	unknown	unknown	unknown	unknown	5% R 0 B	increase from 62% - 70% R increase from 22% - 30% B	100% R 100% B
<b>Plan 2 (Staff Recommended)</b>								
Expected take rate of rule to advise all res custs of 3-month plan to res-only.	unknown	unknown	unknown	unknown	unknown	unknown	increase from 62% - 70%	100% R 100% B

\* ALL BUSINESS CUSTOMERS

Impact of Various Plans on LECs

CURRENT PLAN	ALLTEL	CENTEL	GTE	NORTHEAST	QUINCY	ST. JOE	SBT	UNITED
Monthly cash flow impact of current plan	\$ 5,584	no impact no takers	unknown	\$ 93	minimal	none	\$ 1,638,525 R 103,464 B	\$ 66,961
<b>Plan 1</b>								
Expected monthly cash flow impact of rule to advise all res and b-1 custs of current plan	unknown	\$ 287,948	unknown	\$ 8,887	unknown	unknown	<u>Res.</u> \$ 661,729 1,323,458 1,985,187 2,646,916	<u>Res.</u> \$ 624,330 1,248,660 1,872,990 2,497,215
25%		575,904		17,776			<u>Bus.</u> \$ 118,651	<u>Bus.</u> \$ 110,460
50%		863,875		26,663			237,302	220,815
75%		1,151,805		35,550			355,953	331,275
100%							474,604	441,630
<b>Plan 2 (Staff Recommended)</b>								
Expected monthly cash flow impact of rule to advise all res custs of 3-month plan to res-only	unknown	894,831	unknown	\$ 6,353	unknown	unknown	\$ 661,729	\$ 312,165
25%		189,662		12,705			1,323,458	624,330
50%		284,494		19,058			1,985,187	936,495
75%		379,325		25,410			2,646,916	1,248,608
100%								

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 communication needs.  
5 At the time of initial contact, each company shall advise the  
6 person applying for or inquiring about residential or singleline  
7 business service of the rate for the least expensive one party  
8 basic local exchange telephone service available to him unless he  
9 requests specific equipment or services. Each company shall inform  
10 all persons applying for residential service of the availability of  
11 the company's installment plan for the payment of service  
12 connection charges. The information will be provided at the time  
13 of initial contact and shall include, but not be limited to,  
14 information on rate amounts and installment time periods and  
15 procedures. The person shall also be informed of the availability  
16 and rate for a "No Sales Solicitation" listing. In any discussion  
17 of enhanced or optional services, each service shall be identified  
18 specifically, and the price of each service shall be given. Such  
19 person shall also be informed of the availability of and rates for  
20 local measured service, if offered in his exchange.

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

24 Specific Authority: 350.127(2), F.S.

25 Law Implemented: 364.03, 364.04, F.S.

ATTACHMENT F

CODING: Words underlined are additions; words in  
~~struck-through~~ type are deletions from existing law.

1 History: New 7-6-79, Amended 11/30/86, Amended 11/28/89.  
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CODING: Words underlined are additions; words in  
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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.

14 Specific Authority: 364.20, F.S.

15 Law Implemented: 364.03, F.S.

16 History: New 12/1/68.  
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