

State of Florida

Commissioners:
MICHAEL McK. WILSON, CHAIRMAN
THOMAS M. BEARD
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GERALD L. (JERRY) GUNTER
JOHN T. HERNDON



Office of the General Counsel
SUSAN F. CLARK, GENERAL COUNSEL
(904) 488-7463

Public Service Commission

May 9, 1991

ORIGINAL
FILE COPY

Ms. Lynette Brown
Small and Minority Business Advocate
107 West Gaines Street
Room G-28, Collins Building
Tallahassee, Florida 32399

Mr. Steve Mayberry
Division of Economic Development
Department of Commerce
Rm. 501-B, Collins Building
Tallahassee, Florida 32399

Ms. Carolyn Wilson-Newton
Minority Business Enterprise Assistance Office
Department of General Services
613 Larson Building
Tallahassee, Florida 32399

Re: ~~SECRET NO. 910650-TP~~ RULE 25-4.110

Dear Ms. Brown, Mr. Mayberry, and Ms. Wilson-Newton:

The Commission has determined that the above rule will affect small business. Accordingly, pursuant to section 120.54(3)(b), Florida Statutes, enclosed is a copy of the F.A.W. notice for the proposed rules, which will be published in the May 10, 1991, edition of the Florida Administrative Weekly. Also enclosed is a copy of the economic impact statement.

ACK _____ If there are any questions with respect to this rule or the
AFA _____ Commissions's rulemaking procedures, please do not hesitate to call
APP _____ on me.

CAF _____

CMU _____

CTR _____

EAG _____

LEG _____ RCB:prl

LIN _____ Enclosures

OPC _____ cc: ~~Steve Tribble~~, Director,
Division of Records & Reporting

RCH _____ 0074

SEC _____ 1

WAS _____ FLETCHER BUILDING • 101 EAST GAINES STREET • TALLAHASSEE, FL 32399-0861

OTH _____

Sincerely,

Richard C. Bellak
Richard C. Bellak
Associate General Counsel

DOCUMENT NUMBER-DATE
04652 MAY 10 1991
PSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 910060-TP

RULE TITLE:

RULE NO.:

Customer Billing

25-4.110

PURPOSE AND EFFECT: The Commission, in its February 12, 1991 Order approving initiating rulemaking in the area of 900/976 services, noted that increased notice to customers on their telephone bills was needed to inform customers as to the Commission's current policies. The proposed rules accomplish that goal.

SUMMARY: The proposed rules require that charges for 900/976 calls be listed on telephone bills separately from long distance or local charges and that they be identified as "900 or 976 nonregulated charges."

The proposed rules also notify customers on their telephone bills that service will not be discontinued because of nonpayment of 900/976 service charges and that blocking of 900/976 service can be obtained from the local exchange company identified on the telephone bill.

RULEMAKING AUTHORITY: 350.127, F.S.

LAW IMPLEMENTED: 364.17, 350.113, 364.03, 364.04, 364.05, F.S.

SUMMARY OF THE ESTIMATE OF ECONOMIC IMPACT OF THIS RULE: Adoption of this rule is not expected to cause additional expense or cost savings to the Commission. Over the long term, additional expenses incurred by regulated utilities would be passed on to information providers and their customers. Some companies indicated a necessity of six months to one year to implement the proposed billing changes. It was concluded that the need to protect

consumers from being taken advantage of and to insure that the general body of ratepayers is not economically affected by the provision of nonregulated 900-976 services outweighed the increased costs associated with implementation of the proposed rule changes.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING. IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., July 31, 1991

PLACE: Room 122, 101 East Gaines Street, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THIS RULE AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399

THE FULL TEXT OF THE RULE IS:

25-4.110 Customer Billing.

(1) Each company shall issue bills monthly. Each bill shall show the delinquent date, set forth a clear listing of all charges due and payable, and not later than December 1, 1982, contain the following statement: "Written Itemization of local billing available upon request."

(a) Charges for 900 or 976 calls shall be segregated from charges for regular long distance or local charges by appearing separately under a heading that reads as follows: "900 or 976 nonregulated charges." The following information shall be clearly and conspicuously disclosed on each page of the bill containing 900 or 976 service charges.

1. Nonpayment of 900 or 976 service charges will not result in discontinuance of service;
2. Customers can obtain blocking of 900 or 976 service from the local exchange company. (The name of the company is to be inserted).

(b) [(a)] By July 1, 1987, each local exchange company shall provide an itemized bill for local service:

1. with the first bill rendered after local exchange service to a customer is initiated or changed; and
2. to every customer at least once each twelve months.

(c) [(b)] The annual itemized bill shall be accompanied by a bill stuffer which explains the itemization and advises the customer to verify the items and charges on the itemized bill. The itemized bill provided to residential customers and to business customers with less than 10 access lines per service location shall be in easily understood language. The itemized bill provided to business customers with 10 or more access lines per service location may be stated in service order code, provided that it contains a statement that, upon request, an easily understood translation is available in written form without charge. An itemized bill shall include, but not be limited to the following information, separately stated:

1. Number and types of access lines
2. Charges for access to the system, by type of line;
3. Zone charges;
4. Equipment lease charges (tariff);
5. Maintenance charges for equipment (tariff);

6. Lease charges for inside wire (tariff);
7. Maintenance charges for inside wire (tariff);
8. Touch tone service charges;
9. Charges for custom calling features, separated by feature;
10. Unlisted number charges;
11. Local directory assistance charges; and
12. Other tariff charges contained in the bill.

(d) [(c)] By July 1, 1987, each bill rendered by a local exchange company shall:

1. Separately state the following items:
 - a. Any discount or penalty, if applicable,
 - b. Past due balance,
 - c. Non-tariff charges,
 - d. Long distance charges, if included in the bill,
 - e. Franchise fee, if applicable,
 - f. Taxes, as applicable on purchases of local and long distance service; and
2. Contain a statement that nonpayment of regulated charges may result in discontinuance of service and that the customer may contact the business office (at a stated number) to determine the amount of regulated charges in the bill.

(2) Each company shall make appropriate adjustments or refunds where the subscriber's service is interrupted by other than the subscriber's negligent or willful act, and remains out of order in excess of twenty-four (24) hours after the subscriber notifies

the company of the interruption. The refund to the subscriber shall be the pro rata part of the month's charge for the period of days and that portion of the service and facilities rendered useless or inoperative; except that the refund shall not be applicable for the time that the company stands ready to repair the service and the subscriber does not provide access to the company for such restoration work. The refund may be accomplished by a credit on a subsequent bill for telephone service.

(3)(a) Bills shall not be considered delinquent prior to the expiration of fifteen (15) days from the date of mailing or delivery by the utility. However, the company may demand immediate payment under the following circumstances:

1. Where service is terminated or abandoned.
2. Where toll service is two (2) times greater than the subscriber's average usage as reflected on the monthly bills for the three (3) months prior to the current bill or, in the case of a new customer who has been receiving service for less than four (4) months, where the toll service is twice the estimated monthly toll service.

(b) The demand for immediate payment shall be accompanied by a bill which itemizes the charges for which payment is demanded or, if the demand is made orally, an itemized bill shall be mailed or delivered to the customer within three (3) days after the demand is made.

(c) If the company cannot present an itemized bill, it may present a summarized bill which includes the customer's name and

address and the total amount due. However, a customer may refuse to make payment until an itemized bill is presented. The company shall inform the customer that he may refuse payment until an itemized bill is presented.

(4) Each telephone company shall include a bill insert advising each subscriber of the directory closing date and the subscriber's opportunity to correct any error or make such changes as the subscriber deems necessary in advance of the closing date. It shall also contain information about the residential subscriber's option to have "No Sales Solicitation Calls" printed next to their name, and the rate for such an option. It shall also state that at no additional charge and upon the request of any residential subscriber, the exchange company shall list an additional first name or initial under the same address, telephone number and surname of the subscriber. Such notice shall be included in the billing cycle closest to sixty (60) days preceding the directory closing date.

(5) Where any undercharge in billing of a customer is the result of company mistake, the company may not backbill in excess of twelve months. Nor may the company recover in a ratemaking proceeding any lost revenue which inures to the company's detriment on account of this provision.

(6) Franchise fees.

(a) When a municipality charges a company any franchise fee, the company may collect that fee only from its subscribers receiving service within that municipality. When a county charges a company any franchise fee, the company may collect that fee only

from its subscribers receiving service within that county.

(b) A company may not incorporate any franchise fee into its other rates for service.

(c) Each company shall implement the provisions of this subsection at the time of its next general rate increase or decrease, or after the expiration of two years from the effective date of this subsection, whichever occurs first.

(d) This subsection shall not be construed as granting a municipality or county the authority to charge a franchise fee. This subsection only specifies the method of collection of a franchise fee if a municipality or county, having authority to do so, charges a franchise fee.

(7)(a) When a company elects to add the Gross Receipts Tax onto the customer's bill as a separately stated component of that bill, the company must first remove from the tariffed rates any embedded provisions for the Gross Receipts tax.

(b) If the tariffed rates in effect have a provision for gross receipts tax, the rates must be reduced by an amount equal to the gross receipts tax liability imposed by Chapter 203, Florida Statutes, thereby rendering the customer's bill uneffected by the election to add the Gross Receipts Tax as a separately stated tax.

(c) This subsection shall not be construed as a mandate to elect to separately state the Gross Receipts Tax. This subsection only specifies the method of applying such an election.

(d) All services sold to another telecommunications vendor, provided that the applicable rules of the Department of Revenue are satisfied, must be reduced by an amount equal to the gross receipts

tax liability imposed by Chapter 203, Florida Statutes, unless those services have been adjusted by some other Commission action.

(e) When a nonrate base regulated telecommunications company exercises the option of adding the gross receipts tax as a separately stated component on the customer's bill then that company must file a tariff indicating such. No corresponding rate reduction is required for nonrate base regulated telephone companies.

(8) As part of its annual report required by Rule 25-4.018, each local exchange company shall submit a reconciliation of its billed and booked revenues from the prior calendar year.

Specific Authority: 350.127, F.S.

Law Implemented: 364.17, 350.113, 364.03, 364.04, 364.05, F.S.

History: New 12/1/68, Amended 3/31/78, 12/31/78, 9/8/81, 5/3/82, 11/21/82, 4/13/86, 10/30/86, 11/28/89,

NAME OF PERSON ORIGINATING PROPOSED RULE: Julia Russo, Division of Communications

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission

DATE PROPOSED RULE APPROVED: April 16, 1991

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

1 25-4.110 Customer Billing.

2 (1) Each company shall issue bills monthly. Each bill shall
3 show the delinquent date, set forth a clear listing of all charges
4 due and payable, and not later than December 1, 1982, contain the
5 following statement: "Written Itemization of local billing
6 available upon request."

7 (a) Charges for 900 or 976 calls shall be segregated from
8 charges for regular long distance or local charges by appearing
9 separately under a heading that reads as follows: "900 or 976
10 nonregulated charges." The following information shall be clearly
11 and conspicuously disclosed on each page of the bill containing 900
12 or 976 service charges.

13 1. Nonpayment of 900 or 976 service charges will not result
14 in discontinuance of service;

15 2. Customers can obtain blocking of 900 or 976 service from
16 the local exchange company. (The name of the company is
17 to be inserted).

18 (b) (a) By July 1, 1987, each local exchange company shall
19 provide an itemized bill for local service:

- 20 1. with the first bill rendered after local exchange
21 service to a customer is initiated or changed; and
22 2. to every customer at least once each twelve months.

23 (c) (b) The annual itemized bill shall be accompanied by a
24 bill stuffer which explains the itemization and advises the
25 customer to verify the items and charges on the itemized bill. The

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1 itemized bill provided to residential customers and to business
2 customers with less than 10 access lines per service location shall
3 be in easily understood language. The itemized bill provided to
4 business customers with 10 or more access lines per service
5 location may be stated in service order code, provided that it
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19 feature;
- 20 10. Unlisted number charges;
- 21 11. Local directory assistance charges; and
- 22 12. Other tariff charges contained in the bill.

23 (d) ~~(e)~~ By July 1, 1987, each bill rendered by a local
24 exchange company shall:

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- 2 b. Past due balance,
- 3 c. Non-tariff charges,
- 4 d. Long distance charges, if included in the bill,
- 5 e. Franchise fee, if applicable,
- 6 f. Taxes, as applicable on purchases of local and long
- 7 distance service; and
- 8 2. Contain a statement that nonpayment of regulated
- 9 charges may result in discontinuance of service and
- 10 that the customer may contact the business office
- 11 (at a stated number) to determine the amount of
- 12 regulated charges in the bill.

13 (2) Each company shall make appropriate adjustments or
14 refunds where the subscriber's service is interrupted by other than
15 the subscriber's negligent or willful act, and remains out of order
16 in excess of twenty-four (24) hours after the subscriber notifies
17 the company of the interruption. The refund to the subscriber
18 shall be the pro rata part of the month's charge for the period of
19 days and that portion of the service and facilities rendered
20 useless or inoperative; except that the refund shall not be
21 applicable for the time that the company stands ready to repair the
22 service and the subscriber does not provide access to the company
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3 payment under the following circumstances:

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7 monthly bills for the three (3) months prior to the
8 current bill or, in the case of a new customer who
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10 months, where the toll service is twice the
11 estimated monthly toll service.

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13 a bill which itemizes the charges for which payment is demanded or,
14 if the demand is made orally, an itemized bill shall be mailed or
15 delivered to the customer within three (3) days after the demand is
16 made.

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18 present a summarized bill which includes the customer's name and
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20 to make payment until an itemized bill is presented. The company
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25 subscriber's opportunity to correct any error or make such changes

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1 as the subscriber deems necessary in advance of the closing date.
2 It shall also contain information about the residential
3 subscriber's option to have "No Sales Solicitation Calls" printed
4 next to their name, and the rate for such an option. It shall also
5 state that at no additional charge and upon the request of any
6 residential subscriber, the exchange company shall list an
7 additional first name or initial under the same address, telephone
8 number and surname of the subscriber. Such notice shall be
9 included in the billing cycle closest to sixty (60) days preceding
10 the directory closing date.

11 (5) Where any undercharge in billing of a customer is the
12 result of company mistake, the company may not backbill in excess
13 of twelve months. Nor may the company recover in a ratemaking
14 proceeding any lost revenue which inures to the company's detriment
15 on account of this provision.

16 (6) Franchise fees.

17 (a) When a municipality charges a company any franchise fee,
18 the company may collect that fee only from its subscribers
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20 a company any franchise fee, the company may collect that fee only
21 from its subscribers receiving service within that county.

22 (b) A company may not incorporate any franchise fee into its
23 other rates for service.

24 (c) Each company shall implement the provisions of this
25 subsection at the time of its next general rate increase or

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1 decrease, or after the expiration of two years from the effective
2 date of this subsection, whichever occurs first.

3 (d) This subsection shall not be construed as granting a
4 municipality or county the authority to charge a franchise fee.
5 This subsection only specifies the method of collection of a
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7 so, charges a franchise fee.

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13 gross receipts tax, the rates must be reduced by an amount equal to
14 the gross receipts tax liability imposed by Chapter 203, Florida
15 Statutes, thereby rendering the customer's bill uneffected by the
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18 elect to separately state the Gross Receipts Tax. This subsection
19 only specifies the method of applying such an election.

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21 provided that the applicable rules of the Department of Revenue are
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23 tax liability imposed by Chapter 203, Florida Statutes, unless
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25 (e) When a nonrate base regulated telecommunications company

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1 exercises the option of adding the gross receipts tax as a
2 separately stated component on the customer's bill then that
3 company must file a tariff indicating such. No corresponding rate
4 reduction is required for nonrate base regulated telephone
5 companies.

6 (8) As part of its annual report required by Rule 25-4.018,
7 each local exchange company shall submit a reconciliation of its
8 billed and booked revenues from the prior calendar year.

9 Specific Authority: 350.127, F.S.

10 Law Implemented: 364.17, 350.113, 364.03, 364.04, 364.05, F.S.

11 History: New 12/1/68, Amended 3/31/78, 12/31/78, 9/8/81, 5/3/82,
12 11/21/82, 4/13/86, 10/30/86, 11/28/89, _____.

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M E M O R A N D U M

March 29, 1991

TO: DIVISION OF APPEALS (BELLAK) *ACB*
FROM: DIVISION OF RESEARCH (HOPPE) *gma* *UNAB*
SUBJECT: ECONOMIC IMPACT STATEMENT FOR DOCKET NO. 910060-TP, PETITION OF THE
ATTORNEY GENERAL AND PUBLIC COUNSEL TO INITIATE RULEMAKING
PROCEEDINGS GOVERNING 900/976 SERVICE, COMMISSION RULE 25-4,110,
FAC, CUSTOMER BILLING

SUMMARY OF THE RULE

Rule 25-4.110, FAC, Customer Billing, requires the local exchange companies (LECs) to provide monthly bills to their customers. An itemized bill for local service is required with the first bill rendered for local service and at least once each twelve months. The rule details the line-by-line items to be included in the monthly and itemized bills from the LEC. Further, procedures outlined in this rule include refunds for service interruptions, handling of delinquent bills and associated demands for immediate payment, notification of directory closing dates, backbilling limits, billing for franchise fees and gross receipt taxes, and reporting requirements associated with the reconciliation of billed and booked revenues.

The proposed additions to Rule 25-4.110, FAC, deal specifically with billing information related to 900 or 976 services. These proposed rule amendments would require the segregation of 900 and 976 charges under a separate heading on the customer's monthly LEC bill. In addition, each page of the bill containing a 900 or 976 service charge must contain information stating that 900 and 976 service charges will not result in discontinuance of service and that customers can obtain blocking of these services from the LEC.

DIRECT COSTS TO THE AGENCY

Discussions were held with staff from the Division of Consumer Affairs and the Division of Communications. The Division of Communications has

received an increasing number of complaints and assists the Division of Consumer Affairs on a case-by-case basis. For the calendar year 1990, the Division of Consumer Affairs received 489 protests and inquiries into 900/976 services, with 81 formal complaints resulting in \$4,182 in credits to customer bills. Through March 25, 1991, the Division of Consumer Affairs has received 177 protests and inquiries with 29 formal complaints resulting in \$13,548 in credits to customer bills. If this rate of protests and inquiries and formal complaints continues for calendar year 1991, a simple trend would result in 769 protests and inquiries and 126 formal complaints.

The proposed rule revision notifying customers of the blocking option should decrease the availability of 900 and 976 services, thereby potentially decreasing protests, inquiries, and complaints received by the Division of Consumer Affairs and the Division of Communications. However, if the statement that "nonpayment of 900 or 976 service charges will not result in discontinuance of service" creates any additional consumer abuse of the service, the potential for additional disputes exists if customers make partial bill payments.

In summary, there does not appear to be any increased cost to the Commission associated with implementation of these rule amendments. Notification to the customer of the availability of blocking 900/976 services may reverse the trend of increasing consumer complaints regarding these services. However, the Division of Consumer Affairs handled 5,588 formal complaints in calendar year 1990, 81 of which related to 900/976 services. Based on trending the current year's experience, only 126 formal complaints would be registered for calendar year 1991. Therefore the cost savings to the Commission associated with this rule amendment appear to be minimal.

COSTS AND BENEFITS TO THOSE PARTIES DIRECTLY AFFECTED BY THE RULE

Costs to Local Exchange Companies. Data responses were received from twelve of the thirteen LECs surveyed. The major areas of expected cost increases associated with implementation of these rule amendments were identified as billing, collecting, and carrying costs. In the long run, any cost increases would be recovered from the 900/976 information providers. Although some estimates of bad debt were quantified (i.e., Southern Bell estimated bad debt in the first year of rule implementation to be \$1,000,000), increased uncollectibles ultimately would be charged back to the 900/976 information providers and, except

for carrying costs, would not impact the LEC.

Expected increases in billing costs can be attributable to computer programming, processing, bill paper, postage, accounting, and administrative activities. Table 1 highlights the estimated billing costs associated with implementation of these rule amendments. Estimates range from \$400 to more than \$238,000. These estimates vary based on the number of monthly bills and the sophistication of the computer billing process. Some companies indicated it would take up to twelve months to implement the billing changes.

All the LECs indicated collection costs would increase due to implementation of this rule. Northeast Telephone, Southern Bell, and Southland provided estimated increases of \$6,000, \$512,668, and \$1,476, respectively. These estimated increases are attributable to the increased activity anticipated due to customer inquiry and a major concern with the ability to perform the required tracking of 900/976 nonpayments to ensure that local service is not terminated for perceived nonpayment. GTE estimated a potential 50 percent increase in collection center personnel due to implementation of this rule.

Northeast Telephone and Southern Bell estimated additional carrying costs associated with handling increased unpaid balances to be \$9,000 and \$4,904, respectively. Southland Telephone indicated \$6,000 in carrying costs associated with the initial set-up costs. Other companies were unaware of any additional carrying costs.

In addition, LECs may experience reduced billing and collecting revenues because of the reduced usage of 900/976 services associated with additional blocking. Initially, LEC revenues associated with billing and collection may increase if customers call more because they will not have service discontinued for nonpayment. LEC revenues associated with billing and collection services would decrease if 900/976 information providers used alternative billing options or terminated operations in the State of Florida.

The LECs also offered some other comments. They generally agreed that unrestricted removal of billed calls at the customer's request has the potential for abuse. Some LECs further indicated that blocking initiated by the telephone companies should be required in the rule to curb any habitual abuse. Other companies suggested mandatory blocking of all 900/976 services. This would mean such services would be a requested option. Additional comments addressed reducing estimated cost increases through use of bill stuffers to educate

customers on information services in lieu of billing format changes and modification of the required bill message on every page of 900/976 billings to something less than every page.

Costs to Interexchange Companies. Three interexchange companies (IXCs) provide service to 900 information providers. They are AT&T Communications, MCI Telecommunications, and Sprint Gateways. MCI did not respond to the data request. Sprint requested confidential treatment of its responses and AT&T was not responsive to most of the questions contained in the data request. Basically, the IXCs mirrored the LECs concerns and expected increases in identified costs.

Benefits. The LECs estimated over 22,000 900/976 service disputes (see Table 1) in 1990. The Division of Consumer Complaints, Department of Agriculture, estimated 126 complaints in 1990 and 50 complaints in January and February of 1991. A simple trend would imply 300 complaints for the calendar year 1991. The Florida Public Service Commission logged 81 formal complaints in 1990 and 29 formal complaints through March 25, 1991. A simple trend would imply 126 formal complaints in 1991. Both trends indicate consumer complaints are increasing.

The proposed rule amendments would potentially decrease the number of disputes associated with 900/976 services. Education of the consumer with regard to the exact charges billed for 900/976 services and the option of blocking these services would help decrease consumer inquiries, complaints, and intentional abuse. Estimates of LEC savings associated with these decreased complaints were not quantified. The responses indicated that new dispute activity would arise due to increases in uncollectibles associated with notice that service would not be disconnected for nonpayment of 900/976 charges.

INDIRECT COSTS AND BENEFITS

Twenty-nine 900/976 information providers and two information service provider associations were sent data requests. The addresses were obtained from the LECs and the IXCs but the IXCs requested confidential treatment of their 900 provider address lists. The requests for confidentiality delayed receipt by the Commission of the 900 information provider addresses, and resulted in 900 providers not receiving the data request. However, with the two national information service provider associations being surveyed and some of the larger

976 providers also providing 900 services, concerns of the 900 providers should be reflected in the data responses received. The companies surveyed consisted of identifiable larger 900/976 information providers and a random sample of the remaining companies identified by the LECs.

Nine 900/976 information service providers responded to the data request. The companies expressed little concern regarding segregation of 900/976 charges and the availability of blocking. Some companies indicated preference for these types of measures if they contributed to curbing unnecessary collection activity and any perceived abuses. The companies indicated that any additional billing, collecting, or carrying costs associated with this rule would eventually be reflected in their charges from the LEC or the IXC. The information providers did not estimate the additional billing, collecting, and carrying costs since the LECs and IXCs provide this service (see section titled "Costs and Benefits to Those Parties Directly Affected by the Rule").

The major concern of 900/976 providers regarding these rule amendments was the required notification to the customer that nonpayment of 900/976 charges would not result in discontinuance of service. The constant reminder that service would not be disconnected is perceived as an open invitation for consumer abuse. To quote AB Communications, "The proposed rule would basically require IPs to place revenue on the honor system of its customers." The 900/976 information providers indicated that current estimates of bad debt range from 10 to 30 percent of booked revenues. The companies also indicated that under current tariff provisions and agreements, the LEC/IXC has little incentive to make extra efforts to collect disputed billings. The LEC/IXC receives its billing and collection charges and any appropriate transport fee regardless of whether the billed revenues are collected or charged back to the information provider. The bad debt is ultimately borne by the 900/976 information provider. Therefore, there is no incentive for the LEC or IXC to change collection procedures if a dramatic increase in uncollectibles associated with 900/976 services occurs. If the proposed rule amendment results in such usage increases, the information providers would not only absorb any increases in bad debt, but also would pay the LEC/IXC the associated increases in billing, collection, and transport fees.

The companies estimated that bad debt could increase to 50 to 80 percent of billed revenues. AB Communications, Inc., estimated that monthly

collections would decrease from \$30,000 to less than \$5,000 per month. All of the responding 900/976 information providers indicated they would eventually have to cease operations in the State of Florida if continued patterns in such charge-backs materialized.

In efforts to limit both customer and 900/976 information provider abuse, several suggestions were made by the companies. These included free blocking, informative preambles, no LEC billings for children-related services, prominent price disclosure, and telephone company initiated blocking for nonpayment by consumers who abuse the service.

There are many benefits that consumers of 900/976 services and society receive from having access to quality information services. Any proposed regulation to curb abuse of 900/976 customers should recognize that there are satisfied customers of 900/976 services who may be adversely affected by such regulation through higher rates and possible elimination of particular services if companies remove themselves from the market due to uncontrollable cost increases. In addition, to the extent that customers use this rule amendment to avoid paying legitimate bills, the quality 900/976 service providers will be unduly penalized.

IMPACT ON SMALL BUSINESSES

Six of the nine (66 percent) information providers who responded to the data request indicated they were small businesses. Since we attempted to include all larger information providers in our survey, it would appear that even a greater percentage of the total of 100 information providers identified would be small businesses.

The six small businesses indicated that the rule amendments could potentially put them out of business within a year or less. Increases in charge-backs (uncollectibles) coupled with minimal resources to perform their own billing and collection activities were the major reasons for these companies possibly terminating business in the State of Florida.

IMPACT ON COMPETITION

The companies affected by these rule amendments would be the 900 and 976 providers who operate in the State of Florida. All of these companies should be affected equally by the rule. However, to the degree that additional

regulatory requirements associated with these rule amendments increase the cost of providing 900/976 services, substitute information services may benefit, particularly if 900/976 providers cease operation in the State of Florida.

If these potential increased costs are passed on to the information providers, LEC billing and collection services may become less economical than alternative billing services such as credit cards, direct billing by IXC's, or 900/976 information providers opting to move operations outside the State of Florida.

IMPACT ON EMPLOYMENT

All nine information providers who responded to the data request indicated that the rule amendments would either put them out of business or cause them to move their operations outside the State of Florida. If this is representative of the industry as a whole, the 100 information providers identified by the local exchange companies would cease operation in the State of Florida. These companies vary in size. Six of the nine respondents qualified as small businesses with fewer than 25 employees. Of the three larger companies responding, Video Jukebox Network, Inc., of Miami, Florida, indicated it had over 52 employees.

METHODOLOGY

A data request was sent to the local exchange companies, affected interexchange companies, selected information providers, and two information service associations. Discussions were held with the staff of both the Division of Communications, the Division of Consumer Affairs, and the Department of Agriculture. The statutes and existing rules were reviewed for compatibility. Standard microeconomic analysis was performed to determine the probable impact of the proposed revisions.

dmh:jn/e-900ser

TABLE 1
SUMMARY OF RESPONSES TO DATA REQUEST
DOCKET NO. 910060-TP

Local Exchange Company	Estimated Billing Costs	Estimated 1990 Disputes 900/976
Alltel Florida	\$5,000-\$6,000	11,180
Centel of Florida	>\$100,000	1,030
Floralta Telephone	\$400	55
GTE Florida	Unquantified increases	0 ^a
Gulf Telephone	\$400	120
Indiantown Telephone	\$2,100 + \$250/year	12-15
Northeast Florida Telephone	\$6,000/year	60
Quincy Telephone	\$38,500	0 ^b
Southern Bell	\$31,625 + \$238,000/year	9,924 ^c
Southland Telephone	\$50,000 + \$48,604/year	100
St. Joseph Telephone	\$400	20 ^d
United Telephone of Florida	\$130,000	198 ^e

- a. GTE indicated they have credited accounts and used mandatory blocking for habitual abusers; however, these were not deemed disputes.
- b. Quincy Telephone cannot provide estimates but has adjusted accounts.
- c. Southern Bell estimated 900 service only.
- d. St. Joseph Telephone has handled approximately 150 inquiries.
- e. United Telephone estimated 976 service only.