

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

MEMORANDUM

SEPTEMBER 30, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF LEGAL SERVICES (BROWN) MCB  
DIVISION OF COMMUNICATIONS (MOSES) RNT

RE: DOCKET NO. 960617-TI - MCI TELECOMMUNICATIONS, CORP. -  
INITIATION OF SHOW CAUSE PROCEEDINGS FOR VIOLATION OF  
RULE 25-24.630, FLORIDA ADMINISTRATIVE CODE

AGENDA: 10/08/96 - REGULAR AGENDA - ISSUE 1 PROPOSED AGENCY  
ACTION - ISSUE 2 SHOW CAUSE - INTERESTED PERSONS MAY  
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\LEG\WP\960617TI.RCM

CASE BACKGROUND

This docket was opened because the Commission received several complaints from inmate families concerning a \$2 surcharge that MCI Telecommunications, Corp. (MCI) assessed on each inmate collect call beginning February 29, 1996. MCI is the new Department of Corrections (DOC) contract carrier, and recipients of inmate collect calls are complaining to both DOC and the Commission. The surcharge exceeds AT&T's intrastate rates for operator assisted calls, and thus, staff believes, exceeds the rate cap required by Rule 25-24.630, Florida Administrative Code, and established by Commission Order No. 24101.

At the time MCI filed its tariff, and at the time it was approved by staff without further action by the Commission, staff did not realize that the tariff did not conform with the rate cap the Commission had established for operator-assisted intrastate collect calls from payphones. The rates incorporated in the tariff were tied to AT&T's interstate rates, not its intrastate rates. ATT's interstate rates provide for a surcharge on collect calls made from prison facilities, while its intrastate rates do not.

DOCUMENT NUMBER-DATE

10454 SEP 30 96

FPSC-RECORDS/REPORTING

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When staff became aware of this discrepancy, staff asked MCI to withdraw its tariff, refile it to conform with applicable rules, and refund all charges in excess of the rate cap. MCI responded that its tariff was valid because it was approved by the Commission.

On May 30, 1996, staff filed a recommendation to require MCI to show cause why it should not be fined or have its certificate cancelled for overcharging and for various other rule violations. Thereafter, staff requested that the recommendation be deferred when MCI indicated it would propose a settlement. Since that time, staff and MCI have successfully resolved several issues identified in the May 30, 1996, recommendation. On June 15, 1996, MCI filed a revised tariff with rates in accord with the established rate cap, corrected other rule violations identified in the first recommendation, and, while not conceding that it had violated Commission rules and policy, offered to refund the overcharges from February to June.

Staff and MCI disagree on the manner in which the refund should be implemented. Initially, MCI proposed to refund the overcharges to the customers who had paid the surcharge, if those customers affirmatively contacted MCI and requested the refund. See MCI's July 9, 1996, Motion to Consider and Accept Offer of Settlement (Attachment A). MCI's motion included a letter from DOC in which it agreed to refund its share of the overcharges that it had received in commissions from MCI through deductions to future commissions. Staff objected to MCI's refund method because it placed the burden on the customers first to determine if they were entitled to a refund and then to affirmatively request the refund. Thereafter, on September 12, 1996, MCI filed a Motion to File Substitute Offer of Settlement (Attachment F), in which it no longer proposes to refund any of the overcharges in any fashion to the customers who paid the charges. Instead, MCI proposes to distribute the refund amount directly to DOC's Inmate Welfare Trust Fund. MCI asserts that its proposal ". . . ensures that the refund will be issued immediately and will benefit the inmates who made the collect calls, which in turn is a benefit to the relatives and friends who accepted the calls." Substitute Offer at p. 7. In its latest settlement offer MCI does not indicate whether or not DOC agrees to this disposition of the overcharges. We have received some informal indication that it does not. Staff believes that MCI should refund the overcharges directly to the consumers that were overcharged.

Issue 1 of this recommendation addresses the appropriate method to refund the overcharges. Because MCI and staff have not resolved their disagreement regarding refunds, the question of

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whether MCI should show cause why it should not be fined or have its certificate cancelled for violation of Commission rules and policy remains outstanding. Issue 2 addresses that question, and briefly describes and responds to MCI's position that it did not violate Commission rules and policy because it charged rates consistent with the tariff that was approved by staff in February, 1996.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept MCI's proposed refund method?

RECOMMENDATION: No. MCI should be ordered to implement direct refunds to those overcharged, with interest, in accordance with Rule 25-4.114, Florida Administrative Code.

STAFF ANALYSIS: In its Substitute Offer of Settlement, MCI states that:

the bad debt on prison collect calls presents an insurmountable problem with regard to issuing refunds directly to individuals in this situation, whether by an 800 call-in number, as MCI previously proposed, or by a credit on customer bills, as suggested by Staff. . . [T]he bad debt on inmate collect calls averages 11.4% per month in Florida and is on an upward trend, running as high as 14%. This is drastically higher than the normal long distance calling bad debt of 3%. The bad debt comes directly out of MCI's share of the surcharge, which is 47%.

Substitute Offer, p. 5.

MCI also asserts that many customers who paid the surcharge may have moved, and in many cases customers may have already received refunds from their local exchange company (LEC), " which the LEC issues liberally." MCI claims that it has no way to determine who has received a refund, which "creates a double credit or double refund problem." Substitute Offer, p.6.

This is the third incident of overcharges necessitating refunds involving MCI's operator assisted rates in less than two years. In Docket No. 950788-TI, the Commission accepted MCI's proposal to implement a refund for billing in excess of conversation time with a temporary prospective rate reduction. In another case, not docketed before this Commission, MCI voluntarily sent coupons in the amount of \$2.50 to every person that used the operator assisted collect system in an attempt to refund overcharges in excess of conversation time to customers that may have made calls during a specific time frame. Attachment B is a news article explaining the circumstances of this refund. Individual callers were not necessarily made whole in either of these cases. In this case, unlike the previous two cases, MCI

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knows the telephone number, date, and amount overcharged for each incident.

Although MCI has rolled back its rates and has agreed to correct all other rule infractions identified in this proceeding, staff does not believe that the company's refund proposal, or the justifications for it, are satisfactory. In staff's opinion, MCI has not identified any insurmountable hurdle that would prevent it from refunding the overcharges to those who paid them. MCI is the seventh company to appear before the Commission relating to overcharges for inmate calling. Attachment C is a list of the docket and amounts involved, along with penalties imposed. The Commission has ordered direct refunds in the past, and staff sees no reason to treat MCI differently. Certainly, MCI may not be able to reach each customer who overpaid, but that is not a reason to deny a refund to those who can be reached. MCI has access to sufficient information to make accurate refunds. Furthermore, the FCC has ordered that LECs make available non-discriminatory access to the billing names and addresses of LEC subscribers who authorize collect calls for a carrier's services. Therefore, staff recommends that MCI should be ordered to implement direct refunds to those overcharged, with interest, in accordance with Rule 25-4.114, Florida Administrative Code.

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**ISSUE 2:** Should MCI Telecommunications, Corp. be ordered to show cause in writing why it should not be fined up to \$25,000 per day in accordance with Chapter 364.285, Florida Statutes for each day it is found in violation, or have its certificate cancelled, for violation of Rule 25-24.630(1)(a), Florida Administrative Code?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** This show cause proceeding involves MCI's imposition of a surcharge for collect calls initiated from confinement facilities that exceeded the rate cap required by Rule 25-24.630, Florida Administrative Code. By Order No. 22243, issued November 29, 1988, the Commission ordered alternative operator services providers to file tariff revisions reflecting rates at or below AT&T's rates for operator-assisted intrastate calls. In Order No. 24101, issued February 14, 1991, the Commission changed the rate cap from AT&T's day-time rate to AT&T's time-of-day rate for 0+ dialed calls. The order retained AT&T's tariff as the established rate cap. On September 9, 1993, the Commission adopted rules to govern the provision of operator services. Specifically, Rule 25-24.630(1)(a), Florida Administrative Code, requires that operator services providers charge no more than the Commission-approved rate for intrastate calls. The Commission-approved rate at the time the rules were adopted was, and still is, the AT&T intrastate tariffed rate.

MCI filed a tariff effective February 29, 1996, listing a \$3.00 surcharge for all collect calls placed from confinement facilities served by MCI. The tariff tracked AT&T's rates for interstate collect calls from prison facilities. The tariff was approved by staff on February 29, 1996. MCI contends that because its \$3.00 surcharge was approved in its tariff, it is in compliance with Rule 25-24.630(1)(a), Florida Administrative Code, because the surcharge was a "Commission-approved" rate as the rule requires.

MCI was a party in Docket No. 871394-TP, where the Commission first established that the rate cap for operator services would mirror the AT&T rate for a comparable call. Moreover, MCI was provided an opportunity to provide Economic Impact Statement information in Docket No. 920749-TP which codified

<sup>1</sup> MCI has stated that this increased surcharge is necessary because of the expense of providing the security features necessary to prevent fraud and to protect persons such as witnesses from harassing calls. Staff notes that other carriers offer similar if not identical fraud control features as MCI, yet remain within the intrastate rate cap.

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the rate cap. MCI has also been reminded of the rate cap in earlier proceedings involving overcharges.

The rate cap was further noticed in the contract between MCI and the Department of Corrections. The contract specifies in part:

#### 4.2 Allowable Rates

At all times the rates charged by the contractor to the called party shall not exceed the dominant carrier (AT&T) rates for the same call - distance, length of call, time of day and day of week. ---There shall be no add-ons, such as service charges or surcharges-charges, which are not in the approved AT&T tariff. (emphasis supplied).

In the invitation to bid for the contract, in question 20 (attachment D), the Department of Corrections clearly identified the maximum rates it would accept for bid purposes as AT&T's rates. In a response from MCI (attachment E), MCI claims it is charging in accordance with AT&T's tariff for a comparable call since AT&T has the \$3.00 surcharge for prison collect calls in its interstate tariff. AT&T, however, does not have such a tariff on file with this Commission for intrastate service. Staff finds it very difficult to believe that MCI would consider the interstate tariff to be the governing tariff. MCI recognizes the fact that when it files intrastate tariffs for all of its other services, these rates apply only to intrastate services.

Additional information available to MCI placing the company on notice that a rate cap exists is the statutory requirement that the Commission must cap the rates and require refunds to those persons overcharged.

Section 364.3376, Florida Statutes, states in part:

- (3) For operator services, the commission shall establish maximum rates and charges for all providers of such services within the state.
- (4) Operator Service providers shall:
  - (b) not intentionally charge for incompleated calls and provide full refund or credit for any misbilled or incomplete calls (emphasis added).
  - (c) Bill for services approved in their tariff and only at the tariff or otherwise approved rate, and disclose

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their names on bills which include charges for services rendered (emphasis added).

Staff acknowledges its error in administratively approving a tariff with rates exceeding the Commission's rate cap. We believe that MCI is nonetheless responsible for complying with the rate cap. The Commission cannot delegate its substantive authority to change rates to its staff through the tariff approval process.<sup>2</sup> It is the responsibility of the utilities regulated by this Commission to ensure that their tariffs comply with Commission rules and policy. An oversight by staff cannot relieve the utilities of that responsibility. Accordingly, MCI should be held accountable for the overcharges, and should have the burden of completing refunds to those individuals who have been overcharged. If a utility is uncertain about what rates it may lawfully file in its tariffs, the reasonable thing to do is, simply, to ask. Staff believes the company has the obligation to comply with Order No. 22243 and not file a tariff which exceeds the rates as set forth in AT&T's tariff which is recognized as the rate cap. Furthermore, MCI should be aware that the rate cap exists, since it is a statutory requirement that the Commission establish a rate cap pursuant to Section 364.3376, Florida Statutes.

Therefore, MCI should be required to show cause why it should not be fined in accordance with Chapter 364.285, Florida Statutes, or have its certificate cancelled, for violation of Rule 25-24.630(1)(a), Florida Administrative Code.

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<sup>2</sup> Attachment G, Section 2.07 of the Commission's Administrative Procedures Manual describes the limited circumstances in which staff is authorized to administratively dispose of matters before the Commission.



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ISSUE 3: Should this docket be closed?

RECOMMENDATION: If the Commission approves Issue 2, this docket should remain open to complete the show cause process. If the Commission denies Issue 2, the docket should be closed if no person whose substantial interests are affected files a protest to the Commission's decision in Issue 1 within 21 days from the issuance of the Order from this recommendation.

STAFF ANALYSIS: If the Commission issues a show cause order, this docket should remain open pending the resolution of the show cause or, if protested, the resolution of the hearing.



MCI Telecommunications  
Corporation  
Regulatory and Governmental Affairs  
780 Johnson Ferry Road  
Suite 700  
Atlanta, Georgia 30342

*cmulmoses*  
Attachment A

July 9, 1996



FEDERAL EXPRESS

Ms. Blanca S. Bayo  
Director, Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: In re: Initiation of Show Cause Proceedings for Violation of Rules 25-24.620, 25-24.630, 25-24.471, 25-24.515, and 25-24.516, Florida Administrative Code, Docket No. 960617-TI

Dear Ms. Bayo:

I am enclosing for filing in the above-referenced docket the original and fifteen (15) copies of MCI's Motion to Consider and Accept Offer of Settlement.

If you should have any questions, please do not hesitate to call me at (404) 843-6375.

Thank you for your attention to this matter.

Very truly yours,

*Martha McMillin*

Martha McMillin  
Senior Attorney

cc: J. Alan Taylor (w/encl.)  
Rick Moses (w/encl.)  
Richard D. Melson, Esq. (w/encl.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of Show Cause )  
Proceedings for Violation of Rules )  
25-24.620, 25-24.630, 25-24.471, )  
25-24.515, and 25-24.516, Florida )  
Administrative Code )

Docket No. 960617-TI

Dated: July 9, 1996

MOTION TO CONSIDER AND ACCEPT OFFER OF SETTLEMENT

MCI Telecommunications Corporation ("MCI") respectfully moves that the Florida Public Service Commission ("Commission") consider and accept the below-described Offer of Settlement. The issues in this docket arise out of MCI's contract with the Florida Department of Corrections ("DOCs") to provide telecommunications services at the State of Florida's correctional facilities. The facts in support of this Motion are set forth below. The issues are divided into three segments, with the proposed resolution of each contained at the end of the particular section. While MCI denies any wrongdoing, in order to avoid the time and expense of any show cause proceeding against MCI, as well as to expeditiously resolve this matter to the mutual satisfaction of the Commission, DOCs and MCI and to set a "clean slate" for future dealings, MCI submits the following Motion and Offer of Settlement as a resolution of the concerns the Commission and DOCs have raised over MCI's charges for collect calls from state correctional facilities:

A. THE \$ 3.00 SURCHARGE

1. The telephone service MCI provides DOCs is known as "Maximum Security". It was developed specifically to help governmental corrections facilities deal with abuse of telephone service, which costs the public millions of dollars a year. Abuse arises in a

number of ways, from call forwarding schemes to credit card abuse, subscription improprieties, and harassing phone calls to victims, witnesses, judges, etc. Maximum Security alleviates these problems by offering a collect calling service based on a value-added program providing an extensive, flexible set of tools for the prison administrator, all designed on a customized, site-by-site basis.

2. The contract between MCI and DOCs is a six page document which incorporates by reference the original Invitation to Bid ("ITB") and the MCI response to the ITB ("response"). The contract is silent on the issue of the rate/surcharge which may be billed for calls. The ITB provides in Section 4.2 (Allowable Rates) that:

At all times the rates charged by the contractor to the called party shall not exceed the dominant carrier (AT&T) rates for the same call - distance, length of call, time of day and day of week. These maximum allowable rates shall reflect the AT&T interstate and intrastate rates in effect at the time of the call. It shall be the responsibility of the contractor to remain current on allowable rates; the Department will not provide rates to the contractor. There shall be no add-ons, such as service charges or surcharges, which are not in the approved AT&T tariff.

MCI's response clarified which AT&T tariff provided the cap for intrastate calls, noting that AT&T's prison collect service tariffs should be the reference point:

MCI understands and will comply. If the dominant carrier has filed in its interstate tariff charges for prison collect services or charges, and has not filed corresponding tariffs for services or charges in the intrastate tariff, MCI's rates for Department of Corrections services shall not exceed the dominant carrier's interstate tariff rates for similar services.

Thus, since AT&T does not have a prison collect tariff at the intrastate level, it is MCI's position that it is entitled to apply rates and charges up to those in the AT&T interstate

prison collect tariff, including up to a \$ 3.00 surcharge, since that is contained in the AT&T tariff.

3. In order to implement the terms of the contract with DOCs, on January 29, 1996, MCI filed at the Commission proposed revisions to its intrastate tariff which reflected a \$ 3.00 surcharge for intrastate calls from prison facilities, to be effective on thirty days notice. This was a \$ 2.00 increase to the then-existing surcharge of \$ 1.00. This tariff was approved and became effective February 29, 1996. MCI thereafter billed customers receiving collect calls from Florida correctional facilities the tariffed rate of the \$ 3.00 surcharge per call.

4. The Commission Staff has advised that the AT&T rate for collect calls with an inmate control system currently includes a surcharge of \$ 1.75. This has been effective since March 16, 1996. Before that date, AT&T's surcharge was \$ 1.00 per call.

5. It is MCI's position that its tariff complied with Rules 25-24.630(1)(a) and 25-24.516 in that the rates it charges for intrastate collect calls from Florida prison facilities were approved by the Commission effective February 29, 1996, thereby meeting the rule requirement that the end-user be charged and billed "no more than the Commission-approved rate for intrastate calls."

6. MCI submits the following as a resolution of this issue:

(a) Although MCI has at all times believed its \$ 3.00 surcharge to be appropriate; has a tariff for the \$ 3.00 surcharge which was approved by the Commission after public notice; and has at all times been charging its tariffed rates, as it is required to do, MCI will refund to customers the difference between the \$ 3.00 surcharge and the AT&T rate for collect calls with an inmate control system, the latter being a rate of a \$ 1.00 surcharge per call between February 29, 1996 through March 15, 1996 and thereafter a rate of a \$ 1.75 surcharge from March 16, 1996 to date. This means the refund for February 29, 1996

through March 15, 1996 charges will be \$ 2.00 per call and that the refund from March 16, 1996 to date will be \$ 1.25 per call. This refund is contingent upon DOCs' agreement to refund its share of the increased surcharge. This agreement is set forth in the letter dated June 4, 1996, a copy of which is attached hereto as Exhibit A.

(b) The refund amounts will be made based upon each customer's call-in to an MCI toll free 800 number and provision of the bill demonstrating the calls at issue. The toll free 800 number will be advertised and noticed to the public in major newspapers in Florida.

**B. 0+ INTRALATA TRAFFIC IN SMALL LOCAL EXCHANGE COMPANY ("LEC") TERRITORY**

7. MCI began carrying 0+ intraLATA traffic in the territory of small, rate-base regulated LECs on the dates indicated in the letter from MCI dated May 14, 1996, a copy of which is attached hereto as Exhibit B. In the case of several small LECs, MCI did not begin to carry 0+ intraLATA traffic until after January 1, 1996; in the case of some, this was began in approximately the last two weeks of December 1995; and for one, it started on November 29, 1995.

8. MCI carried 0+ intraLATA traffic at the correctional facilities identified on Exhibit B because the Automated Call Processing ("ACP") equipment contained database discrepancies. When this problem was discovered, MCI requested the ACP manufacturer to develop software which would distinguish between local, intraLATA, and interLATA traffic. Once this was accomplished, MCI was able to correct the routing tables, which was effective May 10, 1996 in St. Joseph's territory and no later than May 31, 1996 for the remaining LECs listed on Exhibit B.

9. It is MCI's position that after January 1, 1996, under Chapter 364.052, Florida Statutes, it is permitted to carry 0+ intraLATA traffic from pay telephones in inmate

correctional facilities, as this is non-basic telephone service. The statutory prohibition on local competition in small LEC territories applies to competition in basic local telecommunications services, which this is not. Therefore, under its ALEC certificate, MCI is permitted to carry such calls after January 1, 1996.

10. MCI submits the following as a resolution of this issue:

The 0+ intraLATA traffic carried by MCI in the territory of small LECs before January 1, 1996 is offset by the 0+ intraLATA traffic which MCI has been routing to the small LECs since, in the case of St. Joseph, May 10, 1996, and in the case of the remainder, May 31, 1996. Going forward, MCI will be permitted to unblock and carry such 0+ intraLATA traffic in the territory of small LECs. This means that the 0+ intraLATA traffic MCI carried in small LEC territory before January 1, 1996, which belonged to the small LECs, is offset against the 0+ intraLATA traffic belonging to MCI which has been blocked in small LEC territory for more than a corresponding amount of time in May, June, and July 1996. The difficulties of ascertaining the calls and revenue involved in these two different time periods warrant treating this situation as a "wash", since it is likely that equal amounts of traffic were involved in both periods.

C. BILLING FOR SIXTEEN MINUTE CALLS

11. MCI's contract with DOCs requires conversation to be terminated after 15 minutes. In some cases, consumers have been charged for 16 minute calls. This occurred because, although the equipment is designed to terminate calls at 15 minutes, in some instances the calls are continued beyond that point. They are billed in the usual fashion, in that calls beyond each minute mark are rounded up to the next minute (see MCI tariff, attached hereto as Exhibit C). Thus, customers are not "overbilled" for 16 minute calls; they are simply receiving additional calling beyond what is contemplated for correctional facility collect calls and are billed accordingly.

12. MCI submits the following as the resolution of this issue: MCI will work with its vendor to modify the issue of billing for calls over 15 minutes, with calls of 15 minutes, 15 seconds to be billed at 15 minutes, and calls of 15 minutes, 16 seconds and above to be billed at the rate of 16 minutes. Refunds to customers are not warranted, since they were billed in accordance with MCI's tariff (see Exhibit C).

D. CONCLUSION

13. MCI does not, by this Offer of Settlement or otherwise, admit any violation of any statute, Commission Rule or any other rule or regulation, or any facts which might form the basis of a cause of action against MCI. By making this Offer of Settlement, MCI does not waive any of its legal rights in the event the Commission does not accept this Offer of Settlement, including the right to contest any assertions of law or fact. If this Offer of Settlement is accepted by the Commission, it shall be attached to the final Order accepting the settlement and closing this matter.

Dated this 9th day of July, 1996.

MCI TELECOMMUNICATIONS CORPORATION

Martha McMillin  
Martha McMillin, Senior Attorney





FLORIDA  
DEPARTMENT of  
CORRECTIONS

An Affirmative Action/Equal Opportunity Employer

Governor  
LAWTON CHILES

Secretary  
HARRY K. SINGLETARY, JR.

2601 Blair Stone Road • Tallahassee, FL 32399-2500

June 4, 1996

Mr. Ross Preston  
National Account Marketing Manager  
Southern Region  
325 John Knox Road  
Tallahassee, Florida 32303

Dear Mr. Preston:

Re: Refunds to Customers per the Public Service Commission Request

As we indicated, the Department of Corrections wishes to refund its share of the excess charges collected from MCI customers as a result of the tariff filed February 29, 1996. Our preferred method of refund is for MCI to deduct a portion of our commission for the next 90 days constituting the amount we must refund, with MCI paying the total refunds directly to the customers. A period of other than 90 days will be acceptable if necessary and justified. Prior to initiating the deduction from our commission, please provide us with an explanation of how the amount will be calculated and tracked with the commission payments.

Should you have any questions, please call Tom Brooks, communications engineer, at (904) 488-2810. Thank you.

Sincerely,

James N. Bidy  
Deputy Director  
Office of Management & Budget

JNB/TGBJr/dam

cc: Lynn Griffin, Accounting Services Administrator, Bureau of Finance and Accounting  
Tom Brooks, Utility Systems/Communications Engineer, Bureau of General Services



MCI Telecommunications Corporation  
 Regulatory and Governmental Affairs  
 780 Johnson Ferry Road  
 Suite 700  
 Atlanta, Georgia 30342

May 14, 1996

VIA FAX: 904 413-6583

Rick Moses, Engineer Supervisor  
 Bureau of Service Evaluation  
 Florida Public Service Commission  
 2540 Shumard Oak Boulevard  
 Tallahassee, Florida 32399-0850

Re: Letter dated April 18, 1996 pertaining to 0+ intraLATA traffic

Dear Mr. Moses:

I am writing in response to the above-referenced letter in which you request certain information from MCI Telecommunications ("MCI") pertaining to the carriage of 0+ intraLATA traffic from prison confinement facilities. We appreciate you bringing this matter to our attention.

Your letter points out that certain rate base regulated local exchange companies ("LECs") are not subject to competition, meaning that MCI does not have the authority to handle 0+ intraLATA traffic at this time from confinement facilities in those areas. As you requested, identified below are the confinement facilities located in local exchange territories that are precluded by law from competition as well as the date MCI began carrying intraLATA traffic at each of those facilities:

CONFINEMENT FACILITY	LEC TERRITORY	MCI START DATE
Taylor Correctional Institution	Gulf	1/22/96
Gulf Forestry Camp	St. Joseph	12/21/95
Gulf Correctional Institution	St. Joseph	1/4/96
Calhoun Correctional Institution	St. Joseph	12/12/95
Liberty Correctional Institution	St. Joseph	12/12/95
River Junction Correctional Institution	St. Joseph	12/12/95

Exhibit B



CONFINEMENT FACILITY	LEC TERRITORY	MCI START DATE
Hamilton Correctional Institution	Alltel	12/3/95
Hamilton Correctional Institution Annex	Alltel	12/26/95
North Florida RC-Main	Alltel	11/29/95
North Florida RC-West	Alltel	1/16/96
Franklin Work Camp	St. Joseph	12/18/95
Quincy Correctional Institution	Quincy	12/12/95

MCI carried intraLATA traffic at these facilities because the Automated Call Processing ("ACP") equipment contained database discrepancies. When this problem was discovered, MCI requested the ACP manufacturer to develop software which would distinguish between local, intraLATA, and interLATA traffic. This has now been accomplished. As of May 10, 1996, MCI has corrected the routing tables for the ACP equipment in St. Joseph's territory so that all intraLATA calls are now routed to St. Joseph. The ACP equipment in all other independent territories is being checked, as we are completing audits of the routing tables at each location specified above to confirm that intraLATA traffic is routed to the independent LEC. Any discrepancies found will be corrected by May 31, 1996.

Your letter requested the amount of revenue MCI received from carrying intraLATA traffic at the facilities and during the periods identified above. I am still attempting to obtain this information. The problem is that it is not readily obtainable and thus far my internal contacts have been unable to fashion a way to identify and calculate this sum. I will continue to pursue this issue.

Thank you for allowing extra time to respond to your letter. Your consideration is much appreciated.

Very truly yours,  
*Martha McMillin*  
 Martha McMillin

cc: Richard D. Melson

SECTION 3 - DESCRIPTION OF SERVICE

3.5 METERED USE SERVICE OPTIONS (Cont.)

3.5.1 Option A (Execunet) 1/

Execunet Service is a one-way, dial in - dial out multipoint service allowing the customer to originate and terminate calls via customer-provided local business telephone lines. Subscribers to Execunet Service may originate calls only in the city or cities in which they maintain an active Execunet account. Customers who presubscribe to MCI may do so on a direct-dial basis, by dialing 10222, or via a 7 digit access number. All Execunet calls are rounded to the next higher full minute. At the customer's option Execunet Service is available on the basis of a Corporate Account Service arrangement and Corporate Account Service PLUS. Customers who elect Corporate Account Service and Corporate Account Service PLUS are subject to the provisions of Sections 2.6.3A and 2.6.3B preceding. At their option, business entities which are members of a Commercial Affinity Program (CAP) or Commercial Affinity Program Plus (CAP Plus) (as defined in Section 1 of this Tariff) may order Execunet Service through their group. The per minute rates set forth in Section 4.1.1 will apply to all Execunet Service calls. In addition, Volume Discounts, as described in Section 4.1.1 will be available.

Operator Assistance/Public Payphone Service:

Intrastate operator assistance is provided for calls placed from residential or business lines or public payphones which are pre-subscribed to MCI service. Usage rates which apply to these calls can be found in Section 4.1.1.3. The undiscounted surcharges are located in Section 4.1.1.3(A).

1-800-COLLECT SERVICE

1-800-COLLECT Service permits collect or third party billed calls to be placed with the assistance of a live or automated operator by dialing the 1-800-COLLECT (1-800-265-5328) access number. Pre-subscription to MCI is not necessary to complete or receive a 1-800-COLLECT call. Usage rates can be found in Section 4.1.1.3 (C).

MCI Sure Savings Option 2/

A variation of Option A (Execunet - Dial "1" only), MCI Sure Savings Option offers calling within the state of Florida. Customers may place calls 24 hours a day, seven days a week. The per minute usage rates set forth in Section 4.1.6 apply to all MCI Sure Savings calls. All calls will be rounded to the next higher full minute.

- 1/ Beginning September 9, 1993, Option A (Execunet) is available only to Residential Service customers and customers who access service by dialing an MCI carrier identification code (CIC).
- 2/ Effective July 14, 1995, the MCI Sure Savings Option will no longer be available to new subscribers.

ISSUED: November 20, 1995

EFFECTIVE: DEC 20 1995

by:

Sherry Schelble  
Manager, Rates and Tariffs  
780 Johnson Ferry Road  
Suite 700  
Atlanta, Georgia 30342  
(800) 759-3813

EXHIBIT C 20

Rick,

Below I set forth suggested language to substitute on page four of MCI's proposal in lieu of the sentence at the top of the page referring to "[t]his refund is contingent upon DOCs' agreement...."

The following sentences would be substituted for that sentence to constitute the end of that Paragraph A.6.(a):

"This refund will be carried out in a manner in which MCI and DOCs will contribute their respective shares under the contract, that being 47% for MCI and 53% for DOCs. DOCs has agreed to refund its share of the increased surcharge. This agreement is set forth in the letter dated June 4, 1996, a copy of which is attached as Exhibit A. As set forth in Exhibit A, MCI will pay the total refunds directly to customers and deduct DOCs' share of the refund amount from its future commissions, leaving MCI responsible for the difference."

Let me know if you have any questions.

Martha McMillin

Post-It® Fax Note	7671	Date	7/18	# of pages	2
To	Rick Moses	From	Martha		
Co./Dept		Co.	MCI		
Phone #		Phone #	404-843-6375		
Fax #		Fax #			

*Rich, Don,  
maybe we need to be  
testing 1-800-Collect &  
1-800-CALCATT too!  
4-1-96*

ATLANTA CONSTITUTION

MAR 30 1996

# Billing mistake prompts MCI to issue refunds

ASSOCIATED PRESS

Arlington, Va. — MCI Communications Corp. said Friday it will provide coupons that may be redeemed for \$2.50 in long-distance service to repay customers who were overcharged for collect calls.

MCI said it learned in January that some customers placing collect calls were billed for an extra minute because of a computer software problem. Since mid-1993, the billing error has cost customers an estimated \$44 million, an average of 18 cents a call, MCI spokesman Michael Tierney said.

"As soon as we learned of the problem, it was corrected," Tierney said. The coupon plan for repayment took several weeks to develop.

The problem affected some callers placed on hold while an operator connected collect calls. In some cases, customers' bills reflected the entire time the caller spent on the line instead

of just that portion of the bill after the recipient accepted charges, Tierney said.

MCI doesn't know how many customers were affected, but will offer the coupons to everyone who used the operator-assisted collect system, Tierney said.

MCI also plans to advertise to explain the overcharges and compensation plan.

"We are erring on the side of overcompensating. We could well mail coupons to people whose calls were all billed correctly," Tierney said from his office in suburban Arlington.

Marian Boucher, an analyst at the securities firm Bear, Stearns & Co. in New York, said the telecommunications industry is sensitive to billing issues. "It's an image question. They don't want to be the target of some consumer group."

A television reporter at WRIC in Richmond discovered the problem.

UTILITY NEWS

01

**OVERCHARGES FROM CONFINEMENT FACILITIES**

<b>DOCKET #</b>	<b>COMPANY</b>	<b>FINE AMOUNT</b>	<b>OTHER ACTION</b>
910666	Peoples Telephone	\$100,000	Refund \$653,000
910666	International Telecharge	\$250,000	Refund \$750,000
910875	Equal Access Corp.	\$200,000	Cert. Cancelled
910888	Integretel, Inc.		Changed Procedures
920687	Own Your Own Phone	\$500	Refund \$7,063
930416	North American Intelcom	\$25,000	Refund \$414,000
950149	North American Intelcom		
960617	MCI Telecommunications Corp.	Pending	Pending

ADDENDUM TWO (2)  
INVITATION TO BID #94-CO-6355

- A. period of time?  
No. With rate changes subject to regulatory approval we don't foresee a problem - has not been a problem.
20. Q. Will Department accept MCI tariff instead of AT&T rates?  
A. Department has identified AT&T as "dominant carrier" and rates cannot exceed dominant carrier rates. Such acceptance of the MCI tariff would include disclaimer "as long as it does not exceed dominant carrier" rates.
21. Q. Can Department include language for problem resolution in contract cancellation provisions which give contractor opportunity to resolve "contract threatening" issues prior to cancellation?  
A. Yes
22. Q. Will Department consider language which allows bilateral cancellation subject to major changes to regulations such as Billed Party Preference?  
A. Yes
23. Q. Are current interlata providers providing telephone instruments?  
A. Yes
24. Q. Will contractor be responsible for acquiring lines form LEC?  
A. Yes
25. Q. Will contractor be responsible for routing intralata calls to the LEC?  
A. Yes
26. Q. Would it be acceptable to provide one TDD to major facilities & shared TDDs to smaller facilities?  
A. Yes. The Department currently has no TDDs at any of the facilities covered by this bid.
27. Q. Please verify that rate cap is for station-to-station collect not person-to-person?  
A. That is correct - station/station
28. Q. Does inventory listed in Attachment I represent current status?  
A. Yes
29. Q. Will Department consider options which allow inmates to pay for calls directly?  
A. No
30. Q. Please confirm that commissions are to be offered in the form of a percentage of gross revenues and no advance payments or signing bonuses or other incentives are allowable?  
A. Correct



May 15, 1996

4:27PM

CARRIER & REGULATORY

Attachment E

MCI Telecommunications  
Corporation

Regulatory and Governmental Affairs  
780 Johnson Ferry Road  
Suite 700  
Atlanta, Georgia 30342

**MCI**

May 15, 1996

SENT VIA FACSIMILE AND U.S. MAIL

J. Alan Taylor, Chief  
Bureau of Service Evaluation  
Division of Communications  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Letter dated May 1, 1996 pertaining to MCI charges for calls from Florida inmate facilities

Dear Mr. Taylor:

I am writing in response to the above-referenced letter in which you raise certain questions pertaining to MCI charges for calls from Florida inmate facilities. As you note in your letter, MCI's intrastate tariff provision containing a \$3 surcharge for intrastate calls from prison facilities became effective on February 29, 1996. Your letter further notes that this "raised the rates for collect calls from inmate facilities by \$ 2.00...."

The first issue posed in your letter references Rule 25-24.630(1)(a), which caps the rates operator service providers may charge, and requests that MCI explain why it is not in violation of this rule. The specific language of the rule states that "(1) [a]n operator services provider shall (a) charge and bill end-users no more than the Commission-approved rate for intrastate calls..." MCI is in compliance with this rule, in that the rates it charges for intrastate collect calls from Florida prison facilities were approved by the Commission in the tariff which became effective February 29, 1996, thereby meeting the requirement that the end-user be charged and billed "no more than the Commission-approved rate for intrastate calls."

In addition, your letter states that the cap under Rule 25-24.630(1)(a) is understood to be "the current AT&T rate for a comparable call." The rates MCI charges meet this standard. The rates AT&T charges for a comparable call, that being a prison collect tariff, are set forth in its interstate tariff and include up to a \$3 surcharge.

The second issue in your letter pertains to Rule 25-24.485(1)(a), which provides for special contract rates. You ask MCI to "explain why the commission should authorize a special or contract arrangement with a party that does not pay the bill, but imposes the special higher charges on a third-party." In response, MCI would note that in the past, the Commission has allowed special contract rates for contracts with governmental agencies issued as a result of the governmental bidding process and documents. To our knowledge, there has been no distinction as to who pays the charges, and there is no reason to apply a different standard in the case of the MCI contract with the Department of Corrections ("DOCs").

⊛

page two

The third issue pertains to Staff's contacts with DOCs, in which you note that DOCs officials "believe the DOC contract with MCI provides for rates to the called party not to exceed AT&T's rates." This appears to be a correct understanding. As explained previously, MCI's surcharge for collect calls from prisons does not exceed AT&T's rates, since AT&T has an interstate prison collect tariff allowing up to a \$3 surcharge.

A review of the DOCs contract documents may be useful. The contract is a six page document which incorporates by reference the original Invitation to Bid ("ITB") and the MCI response to the ITB ("response"). The contract is silent on the issue of the rate/surcharge. The ITB provides in Section 4.2 (Allowable Rates) that:

At all times the rates charged by the contractor to the called party shall not exceed the dominant carrier (AT&T) rates for the same call - distance, length of call, time of day and day of week. These maximum allowable rates shall reflect the AT&T interlata and interstate rates in effect at the time of the call. It shall be the responsibility of the contractor to remain current on allowable rates; the Department will not provide rates to the contractor. There shall be no add-ons, such as service charges or surcharges, which are not in the approved AT&T tariff.

MCI's response clarified which AT&T tariff provided the cap for intrastate calls, noting that AT&T's prison collect service tariffs should be the reference point:

MCI understands and will comply. If the dominant carrier has filed in its interstate tariff charges for prison collect services or charges, and has not filed corresponding tariffs for services or charges in the intrastate tariff, MCI's rates for Department of Corrections services shall not exceed the dominant carrier's interstate tariff rates for similar services.

Thus, since AT&T does not have a prison collect tariff at the intrastate level, MCI is entitled to apply rates and charges up to those in the AT&T interstate prison collect tariff, including up to a \$3 surcharge.

The final inquiry in your letter asks MCI to explain why MCI should not withdraw its tariff and refund each of the additional \$2.00 surcharges imposed since February 29, 1996. With regard to the latter, no refund should be directed since these charges were assessed pursuant to an approved and effective tariff. MCI should not be required to withdraw the tariff because, as discussed above, it complies with the orders and rules of the Commission. In addition, the tariffed

May. 15. 1996

4:28PM

CARRIER & REGULATORY

No. 2010 P. 4/4

page three

surcharge serves important purposes. It is part of a prison calling program which allows DOCs to give prisoners the ability to make telephone calls while at the same time protecting people such as victims, witnesses, judges and prosecutors from harassing phone calls from inmates, as well as decreasing fraudulent use of prison phones, which ends up being paid by all users of long distance service. Furthermore, DOCs's commissions from the surcharge are placed into the Inmate Welfare Fund, which is applied to beneficial services for inmates, such as educational purposes and libraries.

MCI would appreciate the opportunity to discuss these issues with you in person. If you are available on the afternoons of next Tuesday or Wednesday, May 21 and 22, other MCI representatives and I would like to meet with you and your Staff. We are, of course, available to meet with you at another time if these dates are inconvenient for you. Thank you for your consideration of this request.

Very truly yours,

*Martha McMillin*

Martha McMillin  
Senior attorney

cc: Rick Moses  
Tom Brooks  
Sally Simmons  
Laura King  
Richard D. Melson



MCI Telecommunications  
Corporation  
Regulatory and Governmental Affairs  
780 Johnson Ferry Road  
Suite 700  
Atlanta, Georgia 30342

ATTACHMENT F

September 12, 1996

Ms. Blanca S. Bayó  
Director, Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: In re: Initiation of Show Cause Proceedings for Violation  
of Rules 25-24.620, 25-24.630, 25-24.471, 24-24.515, and  
25-24.516, Florida Administrative Code  
Docket 960617-TI

Dear Ms. Bayó:

I am enclosing for filing in the above-referenced docket the  
original and 15 copies of MCI's Motion to File Substitute Offer of  
Settlement.

If you should have any questions, please do not hesitate to  
call me at (404) 843-6375.

Thank you for your attention to this matter.

Very truly yours,

*MM* Martha McMillin  
Senior Attorney

MM/cc  
Enclosures  
cc: Alan Taylor  
Rick Moses



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of Show Cause )  
Proceedings for Violation of Rules )  
25-24.620, 25-24.630, 25-24.471, )  
25-24.515, and 25-24.516, Florida )

---

Docket No. 960617-TI

Filed: September 12, 1996

MOTION TO FILE SUBSTITUTE OFFER OF SETTLEMENT

MCI Telecommunications Corporation ("MCI") hereby files a substitute Offer of Settlement in place of the Offer of Settlement filed in this docket on July 9, 1996, and moves that the Florida Public Service Commission ("Commission") consider and accept the below-described Offer of Settlement. The issues in this docket arise out of MCI's contract with the Florida Department of Corrections ("DOCs") to provide telecommunications services at the State of Florida's correctional facilities. The facts in support of this Motion are set forth below. The issues are divided into three segments, with the proposed resolution of each contained within the particular section. While MCI denies any wrongdoing, in order to avoid the time and expense of any show cause proceeding against MCI, as well as to expeditiously resolve this matter to the mutual satisfaction of the Commission, DOCs and MCI and to set a "clean slate" for future dealings, MCI submits the following Motion to File Substitute Offer of Settlement as a resolution of the concerns the Commission and DOCs have raised over MCI's charges for collect calls from state correctional facilities.

A. THE \$ 3.00 SURCHARGE

1. The telephone service MCI provides DOCs is known as "Maximum Security." It was developed specifically to help governmental corrections facilities deal with abuse of telephone service, which costs the public millions of dollars a year. Abuse arises in a number of ways, from call forwarding schemes to credit card abuse, subscription improprieties, and harassing phone calls to victims, witnesses, judges, etc. Maximum Security alleviates these problems by offering a collect calling service based on a value-added program providing an extensive, flexible set of tools for the prison administrator, all designed on a customized, site-by-site basis.

2. The contract between MCI and DOCs is a six page document which incorporates by reference the original Invitation to Bid ("ITB") and the MCI response to the ITB ("response"). The contract is silent on the issue of the rate/surcharge which may be billed for calls. The ITB provides in Section 4.2 (Allowable Rates) that:

At all times the rates charged by the contractor to the called party shall not exceed the dominant carrier (AT&T) rates for the same call - distance, length of call, time of day, and day of week. These maximum allowable rates shall reflect the AT&T interlata and interstate rates in effect at the time of the call. It shall be the responsibility of the contractor to remain current on allowable rates; the Department will not provide rates to the contractor. There shall be no add-ons, such as service charges or surcharges, which are not in the approved AT&T tariff.

MCI's response clarified which AT&T tariff provided the cap for intrastate calls, noting that AT&T's prison collect service tariffs should be the reference point:

MCI understands and will comply. If the dominant carrier has filed in its interstate tariff charges for prison collect services or charges, and has not filed corresponding tariffs for services or charges in the intrastate tariff, MCI's rates for Department of Corrections services shall not exceed the dominant carrier's interstate tariff rates for similar services.

Thus, since AT&T does not have a prison collect tariff at the intrastate level, it is MCI's position that it is entitled to apply rates and charges up to those in the AT&T interstate prison collect tariff, including up to a \$ 3.00 surcharge, since that is contained in the AT&T tariff.

3. In order to implement the terms of the contract with DOCs, on January 29, 1996, MCI filed at the Commission proposed revisions to its intrastate tariff which reflected a \$ 3.00 surcharge for intrastate calls from prison facilities, to be effective on thirty days notice. This was a \$ 2.00 increase to the then-existing surcharge of \$ 1.00. This tariff was approved and became effective February 29, 1996. MCI thereafter billed customers receiving collect calls from Florida correctional facilities the tariffed rate of the \$ 3.00 surcharge per call.

4. The Commission Staff believes that the AT&T operator services tariff would apply to intrastate collect calls with an inmate control system. That tariff currently contains a surcharge of \$ 1.75. This has been effective since March 16,

1996. Before that date, AT&T's surcharge in this tariff was \$ 1.00 per call.

5. It is MCI's position that its tariff complied with Rules 25-24.630(1)(a) and 25-24.516 in that the rates it charges for intrastate collect calls from Florida prison facilities were approved by the Commission effective February 29, 1996, thereby meeting the rule requirement that the end-user be charged and billed "no more than the Commission-approved rate for intrastate calls."

6. MCI submits the following as a resolution of this issue:

(a) Although MCI has at all times believed its \$ 3.00 surcharge to be appropriate; had a tariff for the \$ 3.00 surcharge which was approved by the Commission after public notice; and has at all times been charging its tarified rates, as it is required to do, MCI will refund the difference between the \$ 3.00 surcharge and the AT&T rate for collect calls with an inmate control system, the latter being a rate of a \$ 1.00 surcharge per call between February 29, 1996 through March 15, 1996 and thereafter a rate of a \$ 1.75 surcharge from March 16, 1996 through July 10, 1996. Indicative of its good faith, in support of a good, practical solution to this controversy, MCI filed a revision to its tariff which lowered the \$ 3.00 surcharge to \$ 1.75 effective July 11, 1996. Thus, the refund for February 29, 1996 through March 15, 1996 charges will be \$ 2.00 per call and the refund from March 16, 1996 to July 10, 1996 will be \$ 1.25 per call. This refund is contingent upon DOCs's agreement to refund its share of the increased surcharge. This agreement is set forth in the letter dated June 4, 1996, a copy of which is attached hereto as Exhibit A.

(b) The refund will be distributed as follows: MCI will write a check directly to the Inmate Welfare Trust Fund in an amount equal to 47% of the refund amount, minus the amount of the bad debt on prison collect calls (calculated as 11.4% of the total billing) plus interest as required by, and calculated pursuant to, the Commission's rules. Because DOCs has agreed that its 53% share may be withheld from future commission checks, MCI will send monthly checks for the



DOCs share directly to the Inmate Welfare Trust Fund. The chart attached hereto as Exhibit B details the refund calculated pursuant to this method.

7. The settlement proposal set forth in paragraph 6 is a substitution for the Motion to Consider and Accept Offer of Settlement dated July 9, 1996. The difference between the two is in the method proposed for distribution of the refund.

8. New information arising after the July 9, 1996 Motion to Consider and Accept Offer of Settlement requires a fresh look at this issue, necessitating that a practical solution be fashioned. MCI's regulatory organization has learned from the technical billing staff that the bad debt on prison collect calls presents an insurmountable problem with regard to issuing refunds directly to individuals in this situation, whether by an 800 call-in number, as MCI previously proposed, or by a credit on customer bills, as suggested by Staff. As discussed in more detail in Paragraph 11, the bad debt on inmate collect calls averages 11.4% per month in Florida and is on an upward trend, running as high as 14%. This is drastically higher than the normal long distance calling bad debt of 3%. The bad debt comes directly out of MCI's share of the surcharge, which is 47%.

9. Another problem with issuing refunds directly to individuals is that many of these people may not be living at the same address they were located when they paid the collect call charges; thus, it would now be impossible to get refunds to them even if it were determined that they at one time paid for collect calls.

10. An additional problem inherent in issuing refunds is that in many cases, customers have already called their local exchange company ("LEC") to receive refunds, which the LEC issues liberally. MCI has no way to track the amount of such refunds, as they are lumped into a generic category when reported to MCI. This creates a potential double credit or double refund payment problem, in that the customer could have already received credit from the LEC but then get it again by receiving a refund for the same amount from MCI.

11. MCI cannot refund money which was billed but not paid. Determining the amount of bad debt involves a significant delay. Most of the LECs which bill casual traffic, including prison collect calls, send MCI an electronic file on a monthly basis indicating which accounts have been uncollectible and the amount of write-off. BellSouth and GTE provide electronic write-off. 85% of the prison revenue generated out of Florida terminates in LEC regions where electronic write-off reporting is available. These write-off results typically lag anywhere from two to twelve months following the month in which the revenue was generated. Under the electronic write-off reporting available to MCI for Florida, the most recent revenue month reported is July 1995, which reflected a bad debt rate of 14.2%. The average of the bad debt rate for Florida prison calls from July 1994 through July 1995 is 11.4%, with the trend toward a higher bad debt rate. Thus, the determination of whether the amount billed was actually paid in the case of the prison collect calls at issue is one

which likely cannot be finalized until July 1997 at the earliest.

12. For all of these reasons, it has become apparent that MCI's initial settlement proposal is not practical and needs to be revised. The substitute proposal set forth in paragraph 6 above ensures that the refund will be issued immediately and will benefit the inmates who made the collect calls, which in turn is a benefit to the relatives and friends who accepted the calls. The legislature's establishment of the Inmate Welfare Trust Fund indicates its intention for DOCs to establish user fees for the purpose of providing needed DOCs services without having to appropriate funds from the State's General Fund. By submitting the refund to the Inmate Welfare Trust Fund, these funds will be deposited into the fund where the surcharges already are applied, one which benefits the inmates by supporting services essential to their well-being.

B. 0+ INTRALATA TRAFFIC IN SMALL LOCAL EXCHANGE COMPANY ("LEC") TERRITORY

13. MCI began carrying 0+ intraLATA traffic in the territory of small, rate-base regulated LECs on the dates indicated in the letter from MCI dated May 14, 1996, a copy of which is attached hereto as Exhibit C. In the case of several small LECs, MCI did not begin to carry 0+ intraLATA traffic until after January 1, 1996; in the case of some, this was begun in approximately the last two weeks of December 1995; and for one, it started on November 29, 1995.

14. MCI carried 0+ intraLATA traffic at the correctional facilities identified on Exhibit C because the Automated Call Processing ("ACP") equipment contained database discrepancies. When this problem was discovered, MCI requested the ACP manufacturer to develop software which would distinguish between local, intraLATA, and interLATA traffic. Once this was accomplished, MCI was able to correct the routing tables, which was effective May 10, 1996, in St. Joseph's territory and no later than May 31, 1996, for the remaining LECs listed on Exhibit C.

15. It is MCI's position that after January 1, 1996, under Chapter 364.052, Florida Statutes, it is permitted to carry 0+ intraLATA traffic from pay telephones in inmate correctional facilities, as this is non-basic telephone service. The statutory prohibition on local competition in small LEC territories applies to competition in basic local telecommunications services, which this is not. Therefore, under its ALEC certificate, MCI is permitted to carry such calls after January 1, 1996.

16. MCI submits the following as a resolution of this issue:

The 0+ intraLATA traffic carried by MCI in the territory of small LECs before January 1, 1996 is offset by the 0+ intraLATA traffic which MCI has been routing to the small LECs since, in the case of St. Joseph, May 10, 1996, and in the case of the remainder, May 31, 1996. Going forward, MCI will be permitted to unblock and carry such 0+ intraLATA traffic in the territory of small LECs. This means that the 0+ intraLATA traffic MCI carried in the small LEC territory before January 1, 1996, which belonged to the

small LECs, is offset against the 0+ intraLATA traffic belonging to MCI which has been blocked in small LEC territory for more than a corresponding amount of time in May, June, and July 1996. The difficulties of ascertaining the calls and revenue involved in these two different time periods warrant treating this situation as a "wash," since it is likely that equal amounts of traffic were involved in both periods.

C. BILLING FOR SIXTEEN MINUTE CALLS

17. MCI's contract with DOCs requires conversation to be terminated after 15 minutes. In some cases, consumers have been charged for 16 minute calls. This occurred because, although the equipment is designed to terminate calls at 15 minutes, in some instances the calls are continued beyond that point. They are billed in the usual fashion, in that calls beyond each minute mark are rounded up to the next minute (see MCI tariff, attached hereto as Exhibit D.) Thus, customers are not "overbilled" for 16 minute calls; they are simply receiving additional calling beyond what is contemplated for correctional facility collect calls and are billed accordingly.

18. MCI submits the following as the resolution of this issue: MCI will work with its vendor to modify the issue of billing for calls over 15 minutes, with calls of 15 minutes, 15 seconds to be billed at 15 minutes, and calls of 15 minutes, 16 seconds and above to be billed at the rate of 16 minutes. Refunds to customers are not warranted, since they were billed in accordance with MCI's tariff (see Exhibit D).

D. CONCLUSION

19. MCI does not, by this Offer of Settlement or otherwise, admit any violation of any statute, Commission Rule or any other rule or regulation, or any facts which might form the basis of a cause of action against MCI. By making this Offer of Settlement, MCI does not waive any of its legal rights in the event the Commission does not accept this Offer of Settlement, including the right to contest any assertions of law or fact. If this Offer of Settlement is accepted by the Commission, it shall be attached to the final Order accepting the settlement and closing this matter.

Dated this 12th day of September, 1996.

MCI TELECOMMUNICATIONS CORPORATION

*Per* Richard D. Meiser  
Martha McMillin, Senior Counsel



**FLORIDA  
DEPARTMENT of  
CORRECTIONS**

Governor  
**LAWTON CHILES**

Secretary  
**HARRY K. SNOLETARY, JR.**

An Affirmative Action/Equal Opportunity Employer

2601 Blair Stone Road • Tallahassee, FL 32399-2500

June 4, 1996

Mr. Ross Preston  
National Account Marketing Manager  
Southern Region  
325 John Knox Road  
Tallahassee, Florida 32303

Dear Mr. Preston:

Re: Refunds to Customers per the Public Service Commission Request

As we indicated, the Department of Corrections wishes to refund its share of the excess charges collected from MCI customers as a result of the tariff filed February 29, 1996. Our preferred method of refund is for MCI to deduct a portion of our commission for the next 90 days constituting the amount we must refund, with MCI paying the total refunds directly to the customers. A period of other than 90 days will be acceptable if necessary and justified. Prior to initiating the deduction from our commission, please provide us with an explanation of how the amount will be calculated and tracked with the commission payments.

Should you have any questions, please call Tom Brooks, communications engineer, at (904) 488-2810. Thank you.

Sincerely,

James N. Biddy  
Deputy Director  
Office of Management & Budget

JNB/TGBJr/dam

cc: Lynn Griffin, Accounting Services Administrator, Bureau of Finance and Accounting  
Tom Brooks, Utility Systems/Communications Engineer, Bureau of General Services

Quality Is Contagious

EXHIBIT A

# FL DOCS Financial Summary

Prepared 9/10/96

	Calls <small>(Per Mega Billing)</small>	Previously Approved Surcharges @ \$3.00 Per Call <small>(Per Mega Billing)</small>	Rate Per Call	Proposed Surcharges <small>(Call x Rate Per Call)</small>	Combined Refund Amount <small>(Billed Surcharges Less Proposed Surcharges)</small>	MCI Portion of Combined Refund Amount <small>(%)</small>	DOCS Portion of Combined Refund Amount <small>(%)</small>
<b>2/29 - 3/15/96:</b>							
Intrastate/interstate	157,045 \$	471,135 \$	1.00 \$	157,045 \$	314,090 \$	147,622 \$	166,468
Intrastate	18,661 \$	55,983 \$	1.00 \$	18,661 \$	37,322 \$	17,541 \$	19,781
Total	175,706 \$	527,118	\$	175,706 \$	351,412 \$	165,164 \$	186,248
<b>3/16 - 7/10/96:</b>							
Intrastate/interstate	943,030 \$	2,829,090 \$	1.75 \$	1,650,303 \$	1,178,788 \$	554,030 \$	624,757
Intrastate	124,260 \$	372,780 \$	1.75 \$	217,455 \$	155,325 \$	73,003 \$	82,322
Total	1,067,290 \$	3,201,870	\$	1,867,758 \$	1,334,113 \$	627,033 \$	707,080
Grand Total	1,242,996	3,728,988	\$	2,043,464 \$	1,685,525 \$	792,197 \$	893,328

Less: Bad Debt of 11.4% x refund amount

\$ (192,150)

Plus: Interest to be determined

Total refund amount

\$ 600,047 \$ 893,328

This document is prepared for use in conjunction with MCI's Offer of Settlement, by which MCI does not, by the Offer of Settlement or otherwise, admit any violation of any statute, Commission Rule, or any other rule or regulation, or any facts which might form the basis of a cause of action against MCI.





MCI Telecommunications Corporation  
 Regulatory and Governmental Affairs  
 780 Johnson Ferry Road  
 Suite 700  
 Atlanta, Georgia 30342

May 14, 1996

VIA FAX: 904 413-6583

Rick Moses, Engineer Supervisor  
 Bureau of Service Evaluation  
 Florida Public Service Commission  
 2540 Shumard Oak Boulevard  
 Tallahassee, Florida 32399-0850

Re: Letter dated April 18, 1996 pertaining to 0+ intraLATA traffic

Dear Mr. Moses:

I am writing in response to the above-referenced letter in which you request certain information from MCI Telecommunications ("MCI") pertaining to the carriage of 0+ intraLATA traffic from prison confinement facilities. We appreciate you bringing this matter to our attention.

Your letter points out that certain rate base regulated local exchange companies ("LECs") are not subject to competition, meaning that MCI does not have the authority to handle 0+ intraLATA traffic at this time from confinement facilities in those areas. As you requested, identified below are the confinement facilities located in local exchange territories that are precluded by law from competition as well as the date MCI began carrying intraLATA traffic at each of those facilities:

CONFINEMENT FACILITY	LEC TERRITORY	MCI START DATE
	Gulf	1/22/96
Taylor Correctional Institution	St. Joseph	12/21/95
Gulf Forestry Camp	St. Joseph	1/4/96
Gulf Correctional Institution	St. Joseph	12/12/95
Calhoun Correctional Institution	St. Joseph	12/12/95
Liberty Correctional Institution	St. Joseph	12/12/95
River Junction Correctional Institution	St. Joseph	12/12/95

MAILED 12/15/95  
 TELETYPE UNIT

EXHIBIT C



CONFINEMENT FACILITY	LEC TERRITORY	MCI START DATE
Hamilton Correctional Institution	Altel	12/3/95
Hamilton Correctional Institution Annex	Altel	12/26/95
North Florida RC-Main	Altel	11/29/95
North Florida RC-West	Altel	1/16/96
Franklin Work Camp	St. Joseph	12/18/95
Quincy Correctional Institution	Quincy	12/12/95

MCI carried intraLATA traffic at these facilities because the Automated Call Processing ("ACP") equipment contained database discrepancies. When this problem was discovered, MCI requested the ACP manufacturer to develop software which would distinguish between local, intraLATA, and interLATA traffic. This has now been accomplished. As of May 10, 1996, MCI has corrected the routing tables for the ACP equipment in St. Joseph's territory so that all intraLATA calls are now routed to St. Joseph. The ACP equipment in all other independent territories is being checked, as we are completing audits of the routing tables at each location specified above to confirm that intraLATA traffic is routed to the independent LEC. Any discrepancies found will be corrected by May 31, 1996.

Your letter requested the amount of revenue MCI received from carrying intraLATA traffic at the facilities and during the periods identified above. I am still attempting to obtain this information. The problem is that it is not readily obtainable and thus far my internal contacts have been unable to fashion a way to identify and calculate this sum. I will continue to pursue this issue.

Thank you for allowing extra time to respond to your letter. Your consideration is much appreciated.

Very truly yours,

*Martha McMillin*

Martha McMillin

cc: Richard D. Melson

**SECTION 3 - DESCRIPTION OF SERVICE**

3.5

**METERED USE SERVICE OPTIONS (Cont.)**

**3.5.1 Option A (Execunet) 1/**

Execunet Service is a one-way, dial in - dial out multipoint service allowing the customer to originate and terminate calls via customer-provided local business telephone lines. Subscribers to Execunet Service may originate calls only in the city or cities in which they maintain an active Execunet account. Customers who presubscribe to MCI may do so on a direct-dial basis, by dialing 10222, or via a 7 digit access number. All Execunet calls are rounded to the next higher full minute. At the customer's option Execunet Service is available on the basis of a Corporate Account Service arrangement and Corporate Account Service PLUS. Customers who elect Corporate Account Service and Corporate Account Service PLUS are subject to the provisions of Sections 2.6.3A and 2.6.3B preceding. At their option, business entities which are members of a Commercial Affinity Program (CAP) or Commercial Affinity Program Plus (CAP Plus) (as defined in Section 1 of this Tariff) may order Execunet Service through their group. The per minute rates set forth in Section 4.1.1 will apply to all Execunet Service calls. In addition, Volume Discounts, as described in Section 4.1.1 will be available.

**Operator Assistance/Public Payphone Service:**

Intrastate operator assistance is provided for calls placed from residential or business lines or public payphones which are pre-subscribed to MCI service. Usage rates which apply to these calls can be found in Section 4.1.1.3. The undiscounted surcharges are located in Section 4.1.1.3(A).

**1-800-COLLECT SERVICE**

1-800-COLLECT Service permits collect or third party billed calls to be placed with the assistance of a live or automated operator by dialing the 1-800-COLLECT (1-800-265-5328) access number. Pre-subscription to MCI is not necessary to complete or receive a 1-800-COLLECT call. Usage rates can be found in Section 4.1.1.3 (C).

**MCI Sure Savings Option 2/**

A variation of Option A (Execunet - Dial "1" only), MCI Sure Savings Option offers calling within the state of Florida. Customers may place calls 24 hours a day, seven days a week. The per minute usage rates set forth in Section 4.1.6 apply to all MCI Sure Savings calls. All calls will be rounded to the next higher full minute.

- 1/ Beginning September 9, 1993, Option A (Execunet) is available only to Residential Service customers and customers who access service by dialing an MCI carrier identification code (CIC).
- 2/ Effective July 14, 1995, the MCI Sure Savings Option will no longer be available to new subscribers.

EFFECTIVE: DEC 20 1995

ISSUED: November 20, 1995

by:

Sherry Schelble  
 Manager, Rates and Tariffs  
 780 Johnson Ferry Road  
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 (800) 759-3813

2.07-1

## 2.07 ADMINISTRATIVE DISPOSITION OF CERTAIN MATTERS (OPR: RAR)

## A. PURPOSE

To list those matters which the Commission has authorized to be disposed of administratively by the staff.

## B. POLICIES

1. Except as otherwise stated, the director of the division which is designated Office of Primary Responsibility (OPR) is responsible for processing and disposing of the matters listed below. Such actions by the OPR are to be taken in coordination with the Offices of Collateral Responsibility (OCRs) and, in particular, with the Director of the Division of Legal Services or his/her designee. The Director of the Division of Legal Services, where responsible for actions hereunder, is to coordinate them with the appropriate other divisions.
2. Any party to matters processed under this section may, upon written request, have the matter considered by the Commission.

## C. MATTERS FOR ADMINISTRATIVE DISPOSITION

Legal Matters

1. The General Counsel may admit Class "B" Practitioners to practice before the Commission. Denials are to be ruled on by the Commission.
2. The Director of the Division of Legal Services may grant motions or Petitions for Intervention. Recommendations to deny motions or Petitions for Intervention are to be forwarded by the Director of the Division of Legal Services to the Commissioner assigned to rule on motions and procedural matters for the case.

Administrative Matters

3. Changes of names and corporate reorganizations of regulated utilities, where no change of ownership or control or transfer of assets is involved, may be approved by the Director of the Division of Records and Reporting in coordination with the appropriate industry division and the Division of Legal Services. Cases involving changes in ownership or control, or asset transfer, or other reason to withhold acknowledgement, are to be referred to the Commission.
4. The Director of the Division of Records and Reporting, with concurrence of the OPR and the attorney assigned, may grant written requests for withdrawal of pay telephone certificate applications filed by a utility or company.

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5. The Director of the Division of Records and Reporting may close a staff-assisted rate case docket thirty days after the utility is notified of the denial by the Chairman unless a written protest is filed.
6. The Division of Records and Reporting may administratively close dockets as described below upon the joint recommendation of the OPR division and the Division of Legal Services or Appeals. By the fifteenth of the following month, the Division of Records and Reporting will submit a monthly report of such actions to the Chairman, with copies to the Executive Director and General Counsel.
  - a. Dockets which were erroneously opened.
  - b. Dockets which were opened to resolve objections relating to notices or applications for certificates, amendments, or transfers in which the objection was subsequently withdrawn.
  - c. Dockets opened to address requests for confidential classification when the subject request is withdrawn prior to a ruling on the confidentiality of the information or when staff determines that it does not need the information and directs that it be returned to its source prior to a ruling on confidentiality.
  - d. Other dockets initiated by the filing of a petition, application, notice, complaint or other request in which the applicant, petitioner or complainant seeks to withdraw its initial pleading. The staff has determined that there are no pending issues that need to be addressed by the Commission regarding the filing, no request for refund of filing fee has been made, and no agency action has been taken.
7. The Director of the Division of Water and Wastewater may grant written requests for withdrawal of pass-through or price index rate adjustment applications.
8. Requests may be granted for increases in bonds, letters of credit and corporate underwritings, which are submitted due to an order by the Commission or pursuant to appropriate statutes, when the originals are deemed inadequate to fulfill the purpose for which they were filed.

#### Accounting Records

9. The Division of Auditing and Financial Analysis and the relevant industry division with the concurrence of the Executive Director or designee may provide comments to federal agencies concerning audit reports or findings proposed by the staff of federal agencies. The Division of Appeals shall be copied with the draft comments prior to their transmittal to the federal agencies.

### Jurisdictional Water and Wastewater Systems

10. Requests may be granted for the keeping of records and record books outside of the office or place of business of companies within this state (private homes, independent accounting offices or other record keeping offices) if the Commission will have free access to such records and books of record.
11. Requests may be granted for the keeping of records and record books outside of the state if the company agrees to reimburse the Commission for the reasonable travel expenses of the Commission's representative during any out-of-state audits or investigations.
12. Requests by water and wastewater systems for determination of exempt status pursuant to Section 367.022, F.S., or non-jurisdictional status pursuant to Section 367.021(12), F.S., that are clear-cut and without controversy may be granted and an administrative order issued. Any unique or particularly complex request will be placed before the Commission.
13. Applications for the sale or transfer of water and wastewater utilities from private to governmental agencies, and for amendments to or cancellation of water and wastewater certificates, may be granted when they are filed and processed in accordance with Chapter 367, and no protests have been filed.

### Refunds

14. Requests by water and wastewater utilities to refund excess service availability charges (CIAC) collected pursuant to Order No. 16971 issued in Docket No. 860184-PU, may be granted and an administrative order issued. Any unusual request will be placed before the Commission.

### Miscellaneous

15. Requests for reimbursement of defaulted energy conservation loans from utility companies participating in the Commission's Energy Loan Guarantee Program (Public Service Commission Rules, Chapter 25-17.11) may be approved when filed and processed in accordance with the Section 9.13, APM.
16. Investor-owned utility tariff filings, when they propose to do the following things, may be approved administratively. Proposals to obsolete or eliminate non-obsolete tariff offerings shall be presented to the Commission. In addition, any proposal falling in the following categories shall be brought to the Commission for consideration if it appears to the staff to be controversial or unique in nature.
  - a. To approve tariffs filed in response to a Commission rule, order or vote unless the Commission has requested to see the

tariffs filed before approval. These tariffs may go into effect upon staff approval.

- b. To correct typographical errors.
- c. To clarify text or to reorganize or modify the tariff as long as such changes simplify or clarify use of the tariff and do not alter the application of charges or services offered or the original Commission intent or understanding.
- d. To remove obsolete tariff offerings once all customers have discontinued service.
- e. To offer new services or equipment which are not presently available to existing customers as long as that proposal does not contain new pricing concepts and does not limit service or affect rates to existing customers. These tariffs may go into effect after sixty days' notice.
- f. To approve tariffs modifying telephone exchange, zone or base rate area boundaries as long as no customers' charges are increased nor service reduced. These tariffs may go into effect after sixty days' notice.
- g. To make any change in the existing tariffs of telephone companies which solely provide resold interexchange services (i.e. not local exchange companies). These tariffs may go into effect after thirty days' notice.
- h. Local exchange tariff filings which change rates for new directories may be administratively approved by staff. Such staff approval may be granted fifteen days after filing, or at a later date if requested by the company.
- i. Interexchange company tariff filings not in compliance with tariff minimum filing requirements may be administratively returned to the petitioner together with a statement advising of the deficiency. The thirty-day time period will not begin until such time as the filing is resubmitted and meets the tariff filing requirements.
- j. To change municipally owned electric and rural electric cooperative rates and charges as long as (1) there is no change in the rate structure previously approved for that utility, (2) the change results in the rate relationships moving closer to those approved for the investor-owned electric utilities or, (3) the proposal does not contain new pricing concepts. These tariffs may go into effect after thirty days' notice.
- k. To approve miscellaneous service charges (including initial connection, normal and violation reconnection and premises

visit charges) for a water and/or wastewater utility as long as the amounts and conditions are the same as recent Commission decisions.

- l. Pass-through rate adjustments for water and wastewater utilities may be allowed to go into effect forty-five days after filing, except that a pass-through application from any utility which reports unaccounted-for water exceeding ten percent is to be placed before the Commission.
- m. Price index rate adjustments for water and wastewater utilities may be allowed to go into effect sixty days after filing except that, when material staff adjustments are made and/or possible overearnings are evident, these two exceptions are to be placed before the Commission.
- n. Requests by telephone companies to waive recurring and nonrecurring charges associated with special promotions may be granted when the Commission has previously approved requests of the same type and for the same service for any telephone company. Such staff approval is granted fifteen days after filing or at a later date requested by the company. For example, if the Commission has previously approved a Southern Bell proposal to waive the nonrecurring service charge for call forwarding for a period of ninety days, a similar proposal from GTEFL for a waiver up to ninety days could be approved by staff.
- o. Tariff filings made by a local exchange telecommunications company which has elected to be price-regulated pursuant to 364.051, F.S., may be administratively processed<sup>1</sup> as follows:
  - (1) Basic Service filings which are in compliance with 364.051(2) and 364.051(4), F.S., may go into effect after thirty days' notice.
  - (2) Non-Basic Service filings which are in compliance with 364.051(6), F.S., may go into effect after fifteen days' notice.
  - (3) Network Access Service filings which are in compliance with 364.163(4), F.S., and reduce rates shall go into effect after seven days' notice, except that the annual intrastate switched access and customer long distance rate reductions required by 364.163(6) shall go into effect on October 1 of each relevant year.

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<sup>1</sup>In the event that staff's review of the tariff filing uncovers a potential substantive conflict with Florida Statutes, Commission rules or orders, staff will process the tariff administratively and concurrently open an investigation docket.



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- (4) Network Access Service filings which are in compliance with 364.163(5), F.S., and increase rates may go into effect after thirty days' notice.
  - (5) Network Access Service filings which are in compliance with 364.163(5), F.S., and change terms and conditions shall go into effect after fifteen days' notice.
- p. Price list filings made by an alternative local exchange telecommunications company may be administratively processed and may go into effect after one day's notice.

[History: Revised IA 11/15/82; IA 3/16/83; IA 3/29/83; IA 8/1/83; IA 8/30/83; IA 4/17/84; IA 4/1/85; IA 4/30/85; IA 10/15/85; IA 10/6/86; IA 9/29/87; IA 11/22/88; 2/7/89; Agenda 4/4/89; IA 8/1/89; ED 4/13/90; Agenda 2/91; IA 4/30/91; ED 5/3/91; 2/11/92; APM Reformatted and Reissued 7/1/94; IA 2/6/96; ED 2/22/96; ED 2/27/96 (originally approved at IA 12/4/95)]