

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

M E M O R A N D U M

FEBRUARY 6, 1997

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

FROM: DIVISION OF LEGAL SERVICES (CULPEPPER) *SC MCB*
DIVISION OF COMMUNICATIONS (ISLER) *Pji*
DIVISION OF CONSUMER AFFAIRS (PRUITT) *MP* *MS* *MSD*

RE: DOCKET NO. ~~961551~~-TI - DISCOUNT NETWORK SERVICES, INC. -
INITIATION OF SHOW CAUSE PROCEEDINGS FOR VIOLATION OF
RULE 25-4.118, FLORIDA ADMINISTRATIVE CODE, INTEREXCHANGE
CARRIER SELECTION

AGENDA: FEBRUARY 18, 1997 - REGULAR AGENDA - PROPOSED AGENCY
ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\961551TI.RCM

CASE BACKGROUND

Discount Network Services, Inc., (DNS) is a provider of interexchange telecommunications service and was certificated on October 12, 1995. The company holds Certificate No. 4077.

In a previous case, the Commission issued Order No. PSC-96-0721-FOF-TI on May 29, 1996, requiring DNS to pay a \$250 fine for failing to inform the Commission of its new address, telephone number, and contact person within 10 days of the change. The company paid the \$250 fine and the docket was closed.

Between January 1 and November 30, 1996, the Division of Consumer Affairs received a total of 72 complaints against DNS concerning unauthorized carrier changes (slamming).

Prior to staff filing a recommendation in this case, the company's attorney contacted staff. DNS advised staff that it intended to file a settlement proposal and asked staff to delay filing its recommendation to initiate show cause proceedings.

On January 28, 1997, staff received a letter from DNS (Attachment A) proposing a settlement. On January 29, staff

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contacted the company to discuss the settlement and suggested modifications to its proposed settlement offer.

On January 31, staff received DNS's corrected proposed settlement offer (Attachment B). Staff's recommendation deals with DNS's January 31, 1997 settlement offer.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept Discount Network Services, Inc.'s proposed settlement offer in lieu of requiring the company to show cause why it should not be fined or have its interexchange certificate number 4077 cancelled for violation of Rule 25-4.118, Florida Administrative Code, Interexchange Carrier Selection?

RECOMMENDATION: Yes. The Commission should accept Discount Network Services, Inc.'s proposed settlement offer and forego a show cause proceeding.

STAFF ANALYSIS: Discount Network Services, Inc. proposes the following:

- 1) Pay the Commission all collected Florida revenues in the amount of \$10,200 for the 72 customers.
- 2) Credit customer billings with the outstanding receivables in the amount of \$6,700 for slammed customers.
- 3) Effective February 1, 1997, remove all references to AT&T in its telemarketing scripts and implement an employee training program.
- 4) Promise to comply with all Commission rules and orders.

Concerning the second condition listed above, the company has verbally advised staff that the credits to customer billings were issued January 30, 1997. The company advised that the credits were not processed in time for DNS's February 3 billing cycle; however, the credits will appear on the March 3, 1997, billing cycle. Since the credits have not yet appeared on customer billings, staff believes it is appropriate that a status report be issued to staff by March 31, 1997.

Staff believes the proposed settlement offer adequately addresses Discount Network Services, Inc.'s slamming complaints. If the Commission staff fails to see an improvement in the number of slamming infractions, a separate docket should be opened to address them. Therefore, staff believes the \$10,200 payment DNS has agreed to submit to the Commission should be accepted and forwarded to the Office of Comptroller for deposit in the State General Revenue Fund pursuant to Section 364.285 (1), Florida Statutes.

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DATE: FEBRUARY 6, 1997

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed when staff has verified that credits to customer billings have been completed and the \$10,200 settlement amount has been forwarded to the Office of the Comptroller for deposit in the State General Revenue Fund pursuant to Section 364.285 (1), Florida Statutes.

STAFF ANALYSIS: When staff has verified that Discount Network Services, Inc. has completed the credits to customer billings and submitted the \$10,200 settlement, this docket should be closed. The \$10,200 settlement should be forwarded to the Office of the Comptroller for deposit in the State General Revenue Fund pursuant to Section 364.285 (1), Florida Statutes.

Lance J.M. Steinhart
Attorney At Law
500 Northpark Town Center - Suite 1112
1100 Abernathy Road
Atlanta, Georgia 30328

Also Admitted in New York
and Maryland

Telephone: (770) 698-9200
Facsimile: (770) 698-9202

January 28, 1997

VIA FACSIMILE AND
OVERNIGHT DELIVERY

Beth Culpepper, Esq.
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Discount Network Services, Inc.
Docket No. 961551-TI

Dear Ms. Culpepper:

Pursuant to my discussions with Paula Isler of your office, on behalf of Discount Network Services, Inc. ("DNS"), I am hereby making an offer of settlement in the above-referenced matter.

In regard to the 72 customers which filed complaints with the Commission, DNS has collected approximately \$10,200 in total revenues (intrastate and interstate), and DNS currently is carrying receivables of approximately \$6,700 for such customers. In light of the foregoing, DNS proposes the following:

1. Return all collected revenues in the amount of \$10,200 as a fine to the Commission;
2. Write off the receivables in the amount of \$6,700;
3. Remove all references to AT&T in its telemarketing scripts to insure that all customers are affirmatively selecting DNS as its long distance carrier; and
4. Cooperate with any other recommendations made by the Commission.

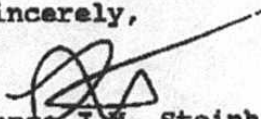
Beth Culpepper, Esq.
Florida Public Service Commission
January 28, 1997
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This offer is made for settlement purposes and is not to be used against DNS in any pending or future proceeding. DNS neither admits nor denies any wrongdoing.

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions or if I may provide you with any additional information, please do not hesitate to call me.

Sincerely,



Lance J.M. Steinhart, Esq.
Attorney for Discount
Network Services, Inc.

Enclosures
cc: Mr. Pat Corrigan
LJS/as

-6-

Lance J.M. Steinhart
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January 31, 1997

VIA FACSIMILE AND
OVERNIGHT DELIVERY

Beth Culpepper, Esq.
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Discount Network Services, Inc.
Docket No. 961551-TI

Dear Ms. Culpepper:

Pursuant to my discussions with Paula Isler of your office, on behalf of Discount Network Services, Inc. ("DNS"), I am hereby making an offer of settlement in the above-referenced matter.

In regard to the 72 customers which filed complaints with the Commission, DNS has collected approximately \$10,200 in total revenues (intrastate and interstate), and DNS currently is carrying receivables of approximately \$6,700 for such customers. In light of the foregoing, DNS proposes the following:

1. Return all collected revenues in the amount of \$10,200 to the Commission;
2. Credit customer billings in the amount of \$6,700;
3. Remove all references to AT&T in its telemarketing scripts to insure that all customers are affirmatively selecting DNS as its long distance carrier. DNS will cease using AT&T's name in its telemarketing as of February 1, 1997 and DNS promises to immediately institute an employee training program. Please see the attachments to this letter which include a letter from Patrick Corrigan, President of DNS, a revised tape verification script without reference to AT&T, and new sales and verification procedures; and
4. DNS promises to comply with all Commission rules and orders.

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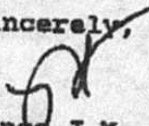
Beth Culpepper, Esq.
Florida Public Service Commission
January 31, 1997
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This offer is made for settlement purposes and is not to be used against DNS in any pending or future proceeding. DNS neither admits nor denies any wrongdoing.

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions or if I may provide you with any additional information, please do not hesitate to call me.

Sincerely,



Lance J.M. Steinhart, Esq.
Attorney for Discount
Network Services, Inc.

Enclosures
cc: Mr. Pat Corrigan
LJS/as

DNS

DISCOUNT NETWORK SERVICES INC.

20217 Ann Arbor Trail - Ste 101
Dearborn Hts, MI 48127
313-882-3001
Fax 313-882-3014

January 30, 1997

Lance Steinhart
500 Northpark Town Center
1100 Abernathy Road
Suite 112
Atlanta, GA 30328

Re: Florida PSC

Dear Lance,

Following up and confirming our previous conversations, effective February 1, 1997 we will be making numerous changes to our selling and verification procedures for all orders sold in the state of Florida.

Attached please find an overview for the new procedures and our new verification script. As I stated before we have dropped all references to "AT&T" during the verification process. Apparently there was too much confusion created this past year when our staff tried to explain to the customer how a reseller of a major carrier operates.

Although we are instituting these new procedures immediately, we may still have some customers in the "pipe-line" at AT&T that have not yet received an invoice. Hopefully there will be few, if any, customer inquires between now and when these customer receive their first invoice.

We feel very confident that these new procedures will eliminate virtually all customer complaints in the future.

Thanks for your assistance.

Sincerely,


Patrick Corrigan

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Business Long Distance Service Utilizing the AT&T Network

TAPE VERIFICATION SCRIPT

HELLO, MR/MRS. _____, THIS IS _____ FROM NETWORK VERIFICATION, I AM FOLLOWING UP ON YOUR PREVIOUS CONVERSATION WITH: _____ ABOUT THE LONG DISTANCE SAVINGS PROGRAM THROUGH **DISCOUNT NETWORK SERVICES** IN ORDER TO PROCESS THIS DISCOUNT PLAN WE ARE REQUIRED BY THE FCC TO RECORD YOUR AUTHORIZATION.

THIS WILL ONLY TAKE A COUPLE OF MINUTES, AND WITH YOUR PERMISSION I WOULD LIKE TO START THE RECORDED PORTION NOW.

1. DID YOU RECEIVE AND REVIEW THE INFORMATION SHEET SENT TO YOU BY *(SALES REPRESENTATIVE NAME)*
2. COULD YOU PLEASE CONFIRM YOUR COMPANIES NAME AND PHYSICAL ADDRESS ?
3. IS THAT ALSO THE BILLING ADDRESS ?
4. YOUR COMPANY WISHES TO CHANGE YOUR LONG DISTANCE SERVICE TO **DISCOUNT NETWORK SERVICES** ?
5. THE TELEPHONE LINES THAT WILL PLACED ON THIS PROGRAM ARE:

LIST BTN AND WTN'S
6. YOUR COMPANY'S AVERAGE LONG DISTANCE BILL PER MONTH IS?
7. YOUR POSITION WITH YOUR COMPANY IS _____. AND YOU ARE AUTHORIZED TO CHANGE YOUR COMPANY'S LONG DISTANCE CARRIER.
8. THE SAVINGS PROGRAM WILL BE BILLED THROUGH DISCOUNT NETWORK SERVICES. YOUR LOCAL PHONE COMPANY MAY CHARGE YOU \$5.00 FOR THE PIC CHANGE, WHICH DNS WILL REIMBURSE.
9. THERE WILL BE A WELCOME PACKAGE SENT OUT WITHIN A WEEK IF YOU HAVE ANY QUESTIONS AT THAT TIME, PLEASE CALL THE 800 # INCLUDED IN THE PACKAGE.

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SALES AND VERIFICATION PROCEDURES

1. Initial Sale

- A. Sales representatives are responsible for explaining the long distance program to prospective customers.
- B. Sales representatives must either fax or mail information sheet to all prospects that wish to change long distance service to Discount Network Services.
- C. Orders can only be submitted to the verification center after confirmation that the perspective customer has reviewed the information sheet.

2. Verification Center Procedure

A. Verifiers

- 1. Orders submitted by sales agent must be verified within a 24 hour period from the time delivered by the sales agent.
- 2. The verification script must be followed.
- 3. If the customer has questions regarding service DO NOT STOP TAPE, answer the question, and if the customer still wishes to change service continue with the verification.

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4. Please keep a detailed log sheet of the orders that are verified. This log sheet will be used to locate the tape if there is a PIC dispute.
5. Clearly mark orders that do not verify, with a detailed explanation of why the customer did not want the service. This will aid the sales agents in the future.

B. Supervisors

1. Supervisors will be responsible for 5 verifiers.
2. Please make sure that verifiers follow the script, and are completing the log sheets correctly.
3. Review the orders that do not pass verification for weekly meetings with VP of Sales at Discount Network Service .
4. Report any major discrepancies with manager so that problems can be handled immediately with Discount Network Services.

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