

40

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

April 24, 1997

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

FROM: DIVISION OF COMMUNICATIONS (TAYLOR, MOSES) *TC*
DIVISION OF LEGAL SERVICES (CULPEPPER) *MSB/PC*

RE: DOCKET NO. 970166-TI - MCI TELECOMMUNICATIONS - PETITION
FOR EXEMPTION FROM RULES 25-4.113, 25-24.471 AND 25-
24.515 AND FOR AUTHORIZATION TO DISCONTINUE SERVICE
WITHOUT NOTICE AND TO REQUIRE ADVANCE PAYMENT FOR SERVICE
FROM CERTAIN CUSTOMERS

AGENDA: 05/06/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: MAY 8, 1997 - STATUTORY DEADLINE FOR DECISION

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\970166TL.RCM

CASE BACKGROUND

MCI provides telecommunications services to inmates pursuant to contracts with the Florida Department of Corrections (DOC) and other inmate facility administrators. MCI typically bills recipients of collect calls from inmates on a casual calling basis through local exchange companies (LECs). MCI initially filed tariff revisions to implement its high toll monitoring program on December 9, 1996. Through customer complaints (3 examples of MCI blocking service to subscribers in good standing, pages 33-39), staff became aware that MCI was using this tariff filing as its authority to block calls to subscribers without notice. Staff raised concerns with MCI that its tariff did not supersede applicable rules with respect to notice of discontinuance of service and carrying all calls authorized by the confinement facility. MCI thereafter discontinued its blocking policy on inmate calls pending its request for an exemption. MCI subsequently withdrew the tariff and revised and refiled new high toll monitoring program tariffs T-97-0109 and T-97-0110 (Attachments A and B, pages 13 & 20). The difference between its first tariff and this filing is that MCI modified language regarding security deposit requirements for residential customers,

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. 970166-TI
DATE: April 24, 1997

instead requiring advance payments. The tariffs are effective and authorize MCI to block inbound collect calls to subscribers it identifies as high risk until prebilling prepayments are made by those subscribers in amounts determined by MCI. However, MCI has verbally agreed not to block additional inmate calls pending the Commission's decision on its Petition.

On February 6, 1997, MCI filed its petition (Attachment C, page 25) for exemption from applicable rules so that MCI may implement the tariff revisions authorizing MCI to block collect calls to certain subscribers if MCI believes them to be a credit risk, even if the subscriber is in good standing with the LEC. Blocked subscribers would be required to make advance payments to the LEC prior to MCI completing additional collect calls.

Pursuant to Section 120.542(6), Florida Statutes, notice of MCI's request for exemption was submitted to the Secretary of State for publication in the Florida Administrative Weekly on February 28, 1997. No comments were submitted during the comment period, which ended March 30, 1997. The Commission must rule on the petition by May 8, 1997, pursuant to Section 120.542(7), Florida Statutes.

Because the policies MCI wishes to implement are new, duplicate fraud control procedures used by LECs, affect consumers in a "monopoly" environment controlled by MCI, and may violate certain Commission rules, staff carefully reviewed MCI's proposal and believes the following recommendations are appropriate.

DOCKET NO. 970166-TI
DATE: April 24, 1997

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant MCI's request for an exemption from Rules 25-4.113, 25-24.471, and 25-24.515, Florida Administrative Code, to permit MCI to block collect calls to local exchange company subscribers MCI believes to be a credit risk and to require advance payments from those subscribers before completing additional collect calls, as set forth in its tariffs T-97-0109 and T-97-0110?

RECOMMENDATION: No. MCI's Petition for Exemption does not meet the requirements of Section 120.542, Florida Statutes. The petition fails to demonstrate how the exemption will serve the purpose of the underlying statutes or how the purpose will be achieved by other means. Furthermore, staff believes the procedure, if implemented, would subject recipients of collect calls from correctional facility inmates to undue prejudice or disadvantage in violation of Section 364.10, Florida Statutes. MCI should not be allowed to implement its fraud control measures, without notice, in a "monopoly" environment controlled by MCI. The "monopoly" environment of the prison facility should remain subject to effective regulation in order to protect the public welfare, pursuant to Section 364.01(4)(c), Florida Statutes. MCI should also be ordered to withdraw or refile tariffs T-97-0109 and T-97-0110 accordingly.

ALTERNATIVE RECOMMENDATION: MCI's Petition should be granted, in part. Although it does not meet the specific requirements of Chapter 120, Florida Statutes, MCI's Petition for Exemption substantially complies with the intent and purpose of that section. MCI's Petition for Exemption should be granted, as it pertains to tariff T-97-0109, as long as the term "certain facilities," found in Section 2.2.2.2 of the tariff, does not include correctional or hospital confinement facilities. As it pertains to tariff T-97-0110, however, the petition should be denied. Staff believes that MCI should not be allowed to block calls from confinement facilities unless inmates are allowed to call the personal 800 numbers of their families and friends, or to use competitive services of other carriers. Furthermore, MCI should be directed to submit a supplemental report to the Commission outlining how it will address any billing and advance payment problems that may arise, as well as how quickly a block will be lifted once payment has been made. MCI should also be ordered to withdraw or refile tariffs T-97-0109 and T-97-0110 accordingly.

PRIMARY STAFF ANALYSIS: Section 120.542, Florida Statutes, authorizes agencies to grant variances and waivers to the requirements of their rules, if petitions for such variances and waivers are consistent with the requirements of the statute.

DOCKET NO. 970166-TI
DATE: April 24, 1997

Section 120.542, Florida Statutes, requires the agency to grant the variance or waiver if the person subject to the rule demonstrates that "the purpose of the underlying statute will be or has been achieved by other means by the person" and if "the application of the rule would create a substantial hardship or would violate principles of fairness." Section 120.542(2), Florida Statutes. The statute goes on to define "substantial hardship" as a demonstrated economic, technological, legal, or other type of hardship to the person requesting the variance or waiver. According to the statute, "principles of fairness" are violated when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule.

Section 120.542(7), Florida Statutes, requires the Commission to issue an order in writing granting or denying the petition and stating the relevant facts and reasons for the Commission's decision. The Commission's decision must be supported by competent substantial evidence.

Section 364.10(1), Florida Statutes, prohibits telecommunications companies from giving any undue or unreasonable preference or advantage to any person or locality or to subject any particular person or locality to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

Section 364.01(4)(c), Florida Statutes, requires the Commission to exercise its exclusive jurisdiction to protect the public health, safety, and welfare by ensuring that "monopoly" services provided by telecommunications companies continue to be subject to effective price, rate, and service regulation. (Emphasis added.)

MCI's Petition

In its petition, MCI states that fraud is an increasing and troubling problem, and MCI is attempting to limit its exposure to fraud through a high toll monitoring process. MCI explains how the procedure works and claims that its proposed practices comply with Commission rules. Specifically, MCI claims that its procedure complies with Rule 25-4.113, Florida Administrative Code, requiring notice of discontinuance of service; Rule 25-24.471(4)(c), Florida Administrative Code, requiring carriers to complete all calls authorized by an inmate facility; and Rule 25-24.515(17), Florida Administrative Code, requiring pay telephone providers to complete all calls authorized by the inmate facility.

MCI asserts that its blocking practices conform with Rule 25-4.113, Florida Administrative Code, Refusal or Discontinuance of

DOCKET NO. 970166-TI
DATE: April 24, 1997

Service by Company, because subparagraph (j) of that rule authorizes a company to discontinue service without notice in the event of unauthorized or fraudulent use of service. As applied to correctional facilities, staff disagrees. Each number an inmate is allowed to call is pre-authorized by DOC. Unauthorized calls are already blocked. The calls that MCI seeks to block are authorized, not unauthorized. Thus, the calls, on their face, would not appear to be fraudulent. In this regard, DOC opposes MCI's proposal to block authorized calls (Attachment E, page 32). Staff further notes that none of the exceptions to the notice requirement found in subparagraphs (h), (i), and (j) appear applicable to confinement facilities.

MCI believes its proposed blocking practices comply with Rules 25-24.471(4)(c) and 25-24.515(17), Florida Administrative Code, which require completion of all inmate calls allowed by the applicable confinement facility. MCI asserts that inmates can still make the calls; the called party just cannot receive them. MCI believes that this practice is identical to what happens when local service is denied for nonpayment. Staff disagrees. Local service cannot be discontinued without notice, pursuant to Rule 25-4.113, Florida Administrative Code, except in specific instances set forth in subparagraphs (h), (i), and (j) of that rule. The exceptions to the notice requirement do not appear to apply to confinement facilities. Furthermore, since MCI's "monopoly" on the correctional facility traffic would prevent the inmate from making an authorized call through another carrier, staff believes that Rules 25-24.471(4)(c) and 25-24.515(17), Florida Administrative Code, prohibit authorized calls from being blocked, at any point, by MCI.

MCI states that it filed its Petition in response to staff concerns that the no notice blocking authorized by its earlier tariff was contrary to Commission rules. MCI claims that approval of its Petition is consistent with the legislative mandate to avoid "unnecessary regulatory constraints" and to eliminate rules that "delay or impair the transition to competition." Sections 364.01(4)(e) and 364.01(4)(f), Florida Statutes (1995).

Staff is particularly concerned that MCI's proposal duplicates fraud control measures that LECs are authorized by MCI in their billing contracts to undertake, and that the application of these fraud control measures in the "monopoly" environment of a confinement facility controlled by MCI can harm consumers and the public interest. In a worst case scenario, collect calls may be blocked to a subscriber fully willing and able to pay. The subscriber must visit a local exchange company business office and make an advance payment determined by MCI. Thus, the latter

DOCKET NO. 970166-TI
DATE: April 24, 1997

portion of staff's analysis in Issue 1, focuses on MCI's request as it relates to the "monopoly" environment of a confinement facility.

Analysis

I. The Petition does not meet the requirements of the new Administrative Procedures Act

In its petition, MCI states that granting its request for exemption is consistent with the Legislature's mandate to avoid "unnecessary regulatory constraints and eliminate rules that "delay or impair the transition to competition." Section 364.01(4)(e) and 364.01(4)(f), Florida Statutes. MCI does not, however, demonstrate how granting the exemption will achieve this purpose.

Furthermore, Sections 364.01(4)(e) and (f) are the only statutory provisions cited by MCI. These provisions are not, however, the provisions indicated by the subject rules as the law implemented. The statutory provisions cited by the rules are: Sections 364.03, 364.035, 364.063, 364.19, 364.32, 364.33, 364.337, 364.345, 427.704, Florida Statutes. MCI has not stated the reason why the exemption requested will serve the purposes of these underlying statutes, or even whether the exemption would affect the purpose of the underlying statutes. As such, MCI has failed to meet the criterion for its petition set forth in Section 120.542(5)(d), Florida Statutes.

Also, MCI indicates that fraud is a "pernicious problem" from which it seeks to limit its exposure. Staff agrees that fraud is a real problem, particularly Subscription Fraud. It is, however, a problem faced by all telecommunications companies. As such, the fact that application of the rules to MCI may not protect MCI from potential Subscription Fraud to the extent that it feels necessary does not mean that application of the rules would result in a substantial hardship for MCI. In addition, since all telecommunications companies must deal with this same problem, staff does not believe that application of the rules to MCI would result in violations of principles of fairness since MCI would be treated no differently than other companies. MCI has not, therefore, established a basis, in accordance with Section 120.542(2), Florida Statutes, upon which its petition could be granted.

Based on the foregoing, staff recommends that MCI's Petition for Exemption for both of its toll tariffs be denied. MCI's Petition for Exemption does not meet the requirements of Section 120.542, Florida Statutes.

II. Implementation in a "Monopoly" Environment creates undue disadvantage

DOCKET NO. 970166-TI
DATE: April 24, 1997

In addition to the fact the MCI's petition does not comply with the new APA, staff believes that the petition should be denied in view of the procedures to be implemented under tariff T-97-0110 and the effects of those procedures on recipients of collect calls from correctional facility inmates. The procedures MCI seeks to implement would hold particularly onerous consequences for recipients of collect calls from correctional facility inmates.

MCI claims that its request for an exemption from Commission rules is designed to enable MCI to protect itself from fraud. Fraud is said to have cost telecommunications carriers \$3.7 billion in 1996, a 12% percent increase over 1995. Petition, page 26. Staff notes that the type of fraud MCI proposes to combat is Subscription Fraud, where new subscribers choose a long distance carrier, run up a high bill, and never pay the bill. Subscription fraud amounts to approximately 12% of total fraud and is estimated to be roughly \$500 million for all carriers nationwide. (See Attachment D, page 31). Staff notes, however, that the losses attributable to collect calls from prisoners are controlled by MCI, because MCI prescreens and can block the numbers an inmate can call¹. Inmates are allowed to place calls only to certain authorized numbers. MCI's Petition for Exemption does not focus on inmate fraud that often results when inmates have full access to the telephone network without the instrument-implemented fraud control devices used in Florida.

MCI further states the Commission's approval of its exemption request is consistent with the legislative mandates to avoid "unnecessary regulatory constraints" and to eliminate rules that "delay or impair the transition to competition." Sections 364.01(4)(e) and 364.01(4)(f), Florida Statutes.

Staff, however, considers inmate facilities as the last true "monopoly" environment. The rates paid by callers are higher than rates charged to anyone else for station-to-station calling. Thus, MCI's reliance on the Legislature's mandate to eliminate rules that

¹ The DOC received a \$893,328 commission from MCI just for the overcharge portion of MCI's prison revenue from February 29 to July 10, 1996. Staff estimates that MCI's annual payment to DOC is about \$6 million. Staff notes that MCI seeks out the confinement facility business in Florida, and in the case of its contract with the DOC, is paying a commission payment of 53% in exchange for its monopoly position. Staff, therefore, believes that MCI's exposure to fraud related to its inmate calling contracts is minimal. Staff further notes that while MCI has bid lower in response to a subsequent DOC proposal for another group of facilities, staff notes the winner, Sprint, bid 57.5%, and second place, BellSouth, bid 57.2%, which suggests that such traffic remains very lucrative, even if the market is laced with subscription fraud, as MCI suggests.

DOCKET NO. 970156-TI
DATE: April 24, 1997

delay or impair the transition to competition is misplaced. If the calling or called party had a choice of carriers, staff would not be as concerned with MCI's proposal to block calls. It is precisely because there is no competition for inmate facility traffic that staff is concerned with MCI's proposals.

Furthermore, staff believes that implementation of MCI's fraud control measures in a "monopoly" environment would violate Section 364.10, Florida Statutes. Staff believes that MCI's plan to block inmate calls when there are no alternate means of contacting the called party, other than by mail, is unduly and unreasonably prejudicial to consumers, most often the inmates' families, receiving such collect calls.

Staff notes, as previously stated, that unauthorized calls are already blocked. The calls that MCI seeks to block are authorized, not unauthorized. If, however, MCI were able to come to some arrangement with DOC whereby DOC would remove certain phone numbers from the authorized list upon a showing of fraud by MCI, this request for approval to block calls from correctional facilities would be unnecessary.

In view of the foregoing, staff recommends that the Commission deny MCI's Petition for Exemption, as it applies to tariff T-97-0110, and to MCI's proposal to implement fraud control measures, without notice, in a "monopoly" environment controlled by MCI. The "monopoly" environment of the prison facility should remain subject to effective regulation in order to protect the public welfare. See Section 364.01(4)(c), Florida Statutes. Staff also recommends denial of the Petition as it applies to tariff T-97-0109 because the petition does not comply with Section 120.542, Florida Statutes.

ALTERNATIVE STAFF ANALYSIS: Although MCI's petition does not appear to comply with each specific requirement set forth in Section 120.542, Florida Statutes, staff believes that the Petition for Exemption substantially complies with the intent and purpose of that section.

MCI states that fraud is an increasing and costly problem for the company, which results in higher prices for consumers. MCI explains that not only is fraud costly, but it can take an extended amount of time to stop the offender. Petition, page 26. In addition, collection efforts are not always successful, which results in a loss to the company. MCI asserts that if it is allowed to institute its call blocking procedures, it will be able to protect itself and its customers from fraud while still providing quality service. Petition, page 26.

DOCKET NO. 970166-TI
DATE: April 24, 1997

In addition, MCI states that the requested exemptions would be consistent with the legislative mandates in Section 364.01, Florida Statutes, to eliminate any unnecessary constraints or rules that may impair competition.

Staff believes that MCI's assertions of fraud adequately establish that application of the rules at issue would work a substantial hardship on MCI and its customers. Also, the statutory provision cited by MCI, Section 364.01, Florida Statutes, is the section titled "Powers of the Commission, legislative intent." This section sets forth the legislature's mandates to the Commission and delineates the areas of Commission jurisdiction and power. Thus, staff believes that MCI has shown that the exemption will serve the purposes of the underlying statute. As such, staff believes MCI has substantially complied with Section 120.542, Florida Statutes.

At it pertains, however, to tariff T-97-0110, MCI and DOC are able to control the numbers an inmate may call. With instrument implemented fraud control devices, inmates' outside calls are restricted. The authorized list of phone numbers an inmate may call is generally limited to fewer than 15. To make calls, inmates must input their personal identification number (PIN), and the call they wish to make must be on the authorized list for that PIN number. With such controls in place, staff does not see the need for continuing to limit competition in this market.

At one time, having one carrier responsible for all calls was a practical means of ensuring that inmates did not abuse the telephone network or use the telephone network to defraud businesses. This is no longer of great concern, due to instrument implemented fraud control systems. Staff, therefore, recommends that MCI not be allowed to implement its blocking proposal as it applies to confinement facilities. Staff would, however, agree with MCI's call blocking procedures if there were at least one alternative calling arrangement available to inmates.

As an example, staff notes that MCI offers personal 800 numbers. The rates for 800 calls are much more competitive than the rates charged by MCI for collect calls from inmates. If inmates' families had the option of obtaining personal 800 number services, with deposits where appropriate, and inmates were allowed to dial the personal 800 numbers as one of their authorized numbers, staff would view MCI's request more favorably.

Staff notes that MCI cites statutes applicable to competition. Staff believes that allowing access to personal 800 numbers would be consistent with the Commission's comments on July 17, 1996, to the FCC in CC Docket No. 92-77 in which the FCC requested comment on how to make inmate calling more competitive. This would also be

DOCKET NO. 970166-TI
DATE: April 24, 1997

consistent with Section 364.01(e) and (f), Florida Statutes. While the FCC has not yet acted in its own proceeding, staff believes that the Commission is free to implement a Florida solution. Staff suggests that perhaps MCI should refile tariff T-97-0110 to include this calling alternative. Accordingly, staff recommends denial of MCI's Petition as it applies to tariff T-97-0110.

As it addresses tariff T-97-0109, staff notes that MCI's Petition focuses on subscription fraud. MCI believes that if the Commission grants its request for exemption, it will be better able to detect fraud at an early stage, instead of waiting to go through the cycle of sending a bill and waiting for payment. MCI asserts that customers will also benefit by being alerted to fraud on their account or by receiving early warning that they may need to better manage their telecommunications expenses.

MCI explains that new accounts typically receive 60 to 90 days of unrestricted usage before they are cancelled for non-payment. If they are cancelled for non-payment, MCI must pursue collection efforts for the unpaid debt. If those collection efforts are unsuccessful, MCI must write off the debt. MCI asserts that the key to avoiding such protracted fraud is to stop it early, before it gets to the point of cancelling the account and implementing collection efforts. Therefore, MCI monitors the usage of customers, before bills are sent, to look for indications of a fraud problem. MCI states that if fraud is detected at an early stage, instead of waiting to go through the cycle of sending a bill and waiting for payment, customers benefit by being alerted to fraud or by learning to better manage telecommunications expenses. Petition, pages 26 and 27.

Staff used the fraud summary chart included with MCI's Petition, attached to this recommendation as Attachment D, for its estimates provided in this recommendation. Based on MCI's market share, staff estimates that MCI's subscription fraud loss nationwide is approximately \$10 million and approximately \$500,000 in Florida².

With respect to the subscription fraud MCI describes, staff has a different understanding of the way such debt is processed between MCI and LECs. It is staff's understanding that LECs typically purchase casual calling accounts receivable from MCI at a discount, which represents the LEC's billing fee and an estimate of the amount that will be uncollectible. The LECs subsequently bill their own customers for these MCI charges. See Order Approving

² These amounts include indirect costs, such as attorney fees and management/staff time.

DOCKET NO. 970166-TI
DATE: April 24, 1997

Stipulation, Order No. 13429, issued June 18, 1984, in Docket 820537-TP, where the Commission approved a billing/collection stipulation submitted by the LECs and ordered the LECs to draft a uniform tariff with uniform rates for billing/collection consistent with the approved stipulation. If a call is disputed by the LEC subscriber, the LEC routinely charges that amount back to the IXC. If the calls are not disputed, or if MCI determines that the charge is correct, the LEC is authorized to disconnect the subscriber's local service for non-payment. Then the LEC is also authorized to pursue collection of the entire unpaid balance through collection agencies or other legal means if appropriate. In this regard, the debt is to the LEC and not MCI. As such, staff is concerned that both the LEC and MCI may be contacting the subscriber over the same charges, with both MCI and the LEC insisting on advance payments and/or a deposit. Moreover, staff is also concerned that it is unclear to whom subscribers will make advance payments and how quickly thereafter the block will be lifted. Staff also believes that it is possible, due to bill cycles, that there will be cases where advance payments made to MCI will not be deducted prior to the LEC billing and attempting to collect the same charges. Staff notes that in BellSouth's case, BellSouth collects deposits (for local & toll) from 11% of its new subscribers, potentially the same subscribers toward whom MCI's tariff is directed.

While staff is concerned that MCI's proposal duplicates fraud control measures that LECs are authorized by MCI in their billing contracts to undertake, staff acknowledges that customers have calling options. Thus, if customers are unhappy with MCI's ability to block calls, the customers may use a competing carrier.

As for staff's concern that MCI's blocking procedures may result in both the LEC and MCI contacting the subscriber over the same charges, staff believes that the benefits of early fraud detection outweigh the potential billing problems. As such, staff recommends that MCI's request for exemption be approved, but that MCI be directed to submit a supplemental report to the Commission outlining how it will address billing and advance payment problems, as well as how quickly a block will be lifted once payment has been made.

Furthermore, staff notes the similarity in the wording used in both tariffs T-97-0109 and T-97-0110. Staff is concerned that even if the Commission approves staff's primary recommendation in Issue 1, MCI may still be able to block calls from confinement facilities if it interprets the phrase "certain facilities," found in Section 2.2.2.2 of tariff T-97-0109 to include confinement facilities. Thus, staff recommends that MCI should not be allowed to interpret the phrase "certain facilities" to include confinement facilities.

DOCKET NO. 970166-TI
DATE: April 24, 1997

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action, files a protest within twenty-one days, this docket should be closed.

STAFF ANALYSIS: If no person whose substantial interests are affected, files a timely request for a Section 120.57, Florida Statutes hearing, no further action will be required and this docket should be closed.



MCI Telecommunications Corporation
 Law & Public Policy
 780 Johnson Ferry Road
 Suite 700
 Atlanta, GA 30342
 404 843 6383
 FAX 404 250 5992

T-97-0109 ATTACHMENT A

February 5, 1997

Mr. Vonnie Wiggins
 Analyst, Division of Communications
 FLORIDA PUBLIC SERVICE COMMISSION
 2540 Shumard Oak Blvd.
 Gunter Building
 Capitol Circle Office Center
 Tallahassee, Florida 32399-0850

Dear Mr. Wiggins:

MCI Telecommunications Corporation (MCI) hereby files with your office its F.P.S.C. Tariff No. 2 the following pages of which are attached hereto:

<u>Page No.</u>	<u>Revision No.</u>
1.1	147
9	2
9.1	ORIGINAL
12.3	3
13	7
13.1	1

Per discussions between MCI and Staff, MCI wishes to formally withdraw tariff filing T-96107J issued on December 9, 1996. The withdrawal of this filing does not effect the revision numbers of any subsequent filings.

Per Staff's request, MCI is filing the attached tariff which propose revisions to Rules and Regulations regarding limitations for discontinuing service with or without notice. In addition, this filing revises Rules and Regulations regarding payment arrangements. Specifically, deposit language is being clarified and updated to include prepayment regulations and toll usage limits.

I have enclosed the original and requisite amount of copies for filing. Please stamp, date and return the attached duplicate of this letter and address any inquiries or further correspondence to me at (800) 759-3813.

Sincerely,

 Julie L. Davis
 Tariff Manager

PAGE 13-A

Enclosures

INTERCITY TELECOMMUNICATION SERVICES TARIFF

CHECK SHEET

Sheets 1-33 inclusive of this tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original tariff in effect on the date indicated.

<u>SHEET</u>	<u>REVISION</u>
1	42
1.1	147*
1.2	93
1.3	94
1.4	20
1.5	2
2	11
2.1	16
2.2	1
3	1
3.1	2
4	2
4.1	ORIGINAL
5	5
5.1	5
6	5
6.1	1
6.2	ORIGINAL
7	6
7.1	ORIGINAL
7.2	ORIGINAL
7.3	7
7.4	ORIGINAL
8	10
8.1	4
8.1.1	1
8.1.2	1
8.2	2
8.3	4
9	2*
9.1	ORIGINAL*
10	1
10.1	ORIGINAL
11	3
11.1	ORIGINAL
12	8
12.1	5
12.1.1	ORIGINAL
12.1.2	9
12.2	1
12.3	3*
13	7*
13.1	1*
13.2	ORIGINAL

Issued*

ISSUED: February 6, 1997

EFFECTIVE: February 8, 1997

by:

Julie L. Davis
 Manager, Rates and Tariffs
 780 Johnson Ferry Road
 Suite 700
 Atlanta, Georgia 30342
 (800) 759-3813

PAGE 14

SECTION 2 - RULES AND REGULATIONS**2.1 DESCRIPTION OF SERVICE**

- 2.1.1 Intercity Telecommunication Services is the furnishing of MCI services for communications between specified locations under the terms of this tariff. Channels will be those of MCI alone, or MCI's in conjunction with those of other participating, concurring or connecting carriers.
- 2.1.2 Intercity Telecommunication Services consists of the furnishing for the use of customers, of channels for the direct transmission and reception of communications between the MCI Metropolitan Area Terminal City Locations or MCI terminals and all service offerings contained herein which anticipate the provision of such channels as part of the offering are included in this category. Such service has the capability of being extended beyond the respective MCI Terminal Locations.
- 2.1.3 MCI, when acting at the customer's request and as his authorized agent, will make reasonable efforts to arrange for service requirements which may include terminal equipment and circuit conditioning.

CERTAIN MATERIAL PREVIOUSLY FOUND ON THIS SHEET CAN NOW BE FOUND ON SHEET 9.1. T

ISSUED: February 6, 1997

EFFECTIVE: February 8, 1997
PAGE 15

by:

Julie L. Davis
Manager, Rates and Tariffs
780 Johnson Ferry Road, Suite 700
Atlanta, Georgia 30342
(800) 759-3813

SECTION 2 - RULES AND REGULATIONS2.2 LIMITATIONS

2.2.1 Service is offered subject to the availability of facilities and the provisions of this tariff.

2.2.2 Discontinuance of Service - The following applies to discontinuing and/or blocking service with or without notice:

2.2.2.1 With Notice: MCI reserves the right to discontinue furnishing service, upon verbal and/or written notice, when necessitated by conditions beyond its control or when the customer is using the service in violation of the provisions of this tariff, or in violation of the law.

2.2.2.2 Without Notice: MCI reserves the right to block traffic, without notice, to or from certain facilities, cities, city codes, NXX exchanges, individual telephone stations, or calls using certain customer authorization codes, when MCI deems it necessary to take such action to prevent unlawful use of, or nonpayment for, its service or to prevent the use of its services in a manner that MCI determines to be in violation of this tariff or when the customer's call volume or calling pattern results, or may result, in the blockage of MCI's network or in the degradation of MCI's service. MCI will unblock service as soon as it can without undue risk and will, upon request by the customer affected, assign a new authorization code to replace the one that was deactivated. In addition, MCI may, at the request of the customer institute blocking of traffic to the customer's 500 or 800 telephone number(s) from certain facilities, cities, NXX exchanges, or individual telephone stations in order to prevent telephone calls made to annoy, abuse, threaten, or harass any person at the called number or as tailored to satisfy a customer's request. MCI will, upon written request, remove customer requested blocks. MCI reserves the right to limit the number of requests for blocking per customer. In order to control fraud, MCI may refuse to accept Calling Card, Collect Calling and/or Third Number Calls which it determines to be invalid and/or may limit the use of these billing options to or from certain facilities, cities, or areas, including all or part of the state.

2.3 TERMS AND CONDITIONS

2.3.1 Service is provided and billed on the basis of a minimum period of at least one month, beginning on the date that billing becomes effective, and continues to be provided until canceled, by the customer, in writing, on not less than 30 day's notice from the date of postmark on this letter.

2.3.2 Service is offered on a monthly basis, 24 hours per day. It is also offered on a Metered Use basis, as described in Section 3 following.

CERTAIN MATERIAL FOUND ON THIS SHEET WAS PREVIOUSLY LOCATED ON SHEET 9.

ISSUED: February 5, 1997

EFFECTIVE: February 8, 1997

PAGE 16

by:

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Manager, Rates and Tariffs
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SECTION 2 - RULES AND REGULATIONS**2.6 USE OF SERVICE (Cont.)**

- 2.6.9 A customer for 900 Service shall reasonably disclose to potential callers in promotional materials, which shall include but not be limited to all written or broadcast advertising, the charges to be billed to callers using the service.
- 2.6.10 MCI may discontinue or modify 900 Service if service volume threatens the integrity of the network.
- 2.6.11 MCI will use reasonable efforts to block 900 Service call origination from the following types of locations: public payphones, prisons; hospitals; educational institutions; and hotels and motels. Notwithstanding this undertaking, a customer shall remain responsible for charges for use of the MCI network arising from calls placed to a Customer's 900 number(s) from such locations.
- 2.6.12 MCI reserves the right to change a customer's 900 Service number and may do so upon providing the customer with at least seven (7) days' notice of the change.

2.7 PAYMENT ARRANGEMENTS

- 2.7.1 The customer is responsible for payment of all charges for service furnished to the customer. Charges for installation, physical or administrative changes, expedites, or for cancellation of orders are payable upon completion. If, because of any such activity a non-MCI carrier or supplier levies additional charges, these charges shall be passed on to the customer. Recurring charges are billed in advance.
- 2.7.2 Billing will be payable upon receipt. Interest at the rate of 1.50% per month (unless proscribed by law, in which event at the highest rate allowed by law) will accrue upon any unpaid amount (commencing 35 days after date of billing. MCI offers pre-payment credits which are considered to be financial transactions and are the subject of separate letter agreement.

CERTAIN MATERIAL LOCATED ON THIS SHEET WAS PREVIOUSLY LOCATED ON SHEET 13.

ISSUED: February 6, 1997

EFFECTIVE: February 8, 1997

by:

Julie L. Davis
Manager, Rates and Tariffs
780 Johnson Ferry Road
Suite 700
Atlanta, Georgia 30342
(800) 759-3813

PAGE 17

SECTION 2 - RULES AND REGULATIONS2.7 PAYMENT ARRANGEMENTS (Cont.)2.7.3 Deposits, Prepayments, and Toll Usage Limits 1/

2.7.3.1 Applicants for service or existing customers whose financial condition is not acceptable to MCI, or is not a matter of general knowledge, may be required at any time to provide MCI a security deposit. The deposit will be in cash or the equivalent of cash, up to an amount equal to the applicable installation charges, if any, and/or up to one month's estimated charges based upon MCI's experience with residential customers whose service has been discontinued for non-payment of their first MCI invoice. MCI may refuse to furnish service(s) under this tariff if the customer owes any MCI affiliate for tariffed service(s) provided to the customer by an affiliate. In case of a cash deposit, simple interest at the rate of six percent (6%) annually will be paid for the period during which the deposit is held by MCI, unless a different rate has been established by the appropriate legal authority in the jurisdiction in which the MCI service in question is provided. Such deposit may be refunded to the customer's account at any time.

Also, MCI reserves the right to cease accepting and processing service orders after it has requested a security deposit and prior to the customer's compliance with this request.

CERTAIN MATERIAL PREVIOUSLY LOCATED ON THIS SHEET CAN NOW BE FOUND ON SHEET 12.3.

1/ Except in situation where MCI directly seeks a deposit from the customer pursuant to this SECTION, in which case the security deposit provisions of this Tariff control, when billing and collection for Metered Use Service Option A (Execunet) and Option C (Credit Card) is performed on MCI's behalf by a local exchange carrier, the security deposit requirements and late payment provisions set forth in the local tariff of the local exchange carrier will apply to the customer's MCI service, the former in lieu of the provisions contained in this tariff. In addition, where a Local Exchange Carrier purchases MCI's customer receivables, late payment provisions imposed by the Local Exchange Carrier as set forth in the local tariff of the Local Exchange Carrier will apply to the customer's MCI service, as represented by the purchased receivables.

ISSUED: February 6, 1997

EFFECTIVE: February 8, 1997

PAGE 18

by:

Julie L. Davis
Manager, Rates and Tariffs
780 Johnson Ferry Road, Suite 700
Atlanta, Georgia 30342
(800) 759-3813

SECTION 2 - RULES AND REGULATIONS**2.7 PAYMENT ARRANGEMENTS (Cont.)****2.7.3 Deposits, Prepayments, and Toll Usage Limits (Cont.)**

- 2.7.3.2 Any applicant or existing customer may be required, at any time, whether before or after the commencement of service, to provide assurances of, or security for, the payment of MCI's charges for its services as MCI may deem necessary, including, without limitation, advance payments for services already rendered (subject to the provisions of section 2.2.2.2), third party guarantees of payment, pledges or other grants of security interests in the customers' assets, and similar arrangements. Any advance payments received will be credited to the customer's account.
- 2.7.3.3 MCI may establish toll usage limits for applicants for service or existing customers whose financial condition cannot be verified or is otherwise unacceptable to MCI.
- 2.7.3.4 MCI shall be entitled to require any applicant for service or existing customers, requiring deposits, prepayments, or other assurances, to pay all its bills within a specified period of time, and to make such payments in cash or the equivalent of cash. Any required deposit or toll usage limit may be increased or decrease by MCI as it deems appropriate in the light of changing conditions.
- 2.7.4 The charges set forth in this tariff for channel terminations contemplate installations made in normal locations and under normal working conditions. Any installations to be made under other circumstances are subject to additional charges.
- 2.7.5 If notice of a dispute as to charges is not received, in writing, by MCI within two years after an invoice is rendered, such invoice shall be deemed to be correct and binding upon the customer.
- 2.7.6 Any assessments, franchise fees, privilege, license, occupation, excise, or other similar taxes or fees, whether in a lump sum or at a flat rate, or based on receipts or imposed upon the Company by any governmental, authority shall be added pro rata, insofar as practical, to the rates and charges stated in the Company's standard schedules, in amounts which in the aggregate for the Company's customers of any political entity shall be equal to the amount of any such tax upon the Company. Company shall, so long as any such tax or fee is in effect, add to the bills of the customers in such political entity pro rata on the basis of revenue derived by Company from each such customer, an amount sufficient to recover any such tax or fee.
- 2.7.6.1 The Florida Gross Receipts tax assessed pursuant to F.S. 203.01 is currently shown as a separate charge in addition to the applicable rates contained herein.
- 2.7.7 In the event the Company incurs fees or expenses, including attorney's fees, in collecting, or attempting to collect, any charges owed the Company, the customer will be liable to the Company for the payment of all such fees and expenses reasonably incurred.

ISSUED: February 6, 1997

EFFECTIVE: February 8, 1997
PAGE 19

by:

Julie L. Davis
Manager, Rates and Tariffs
780 Johnson Ferry Road, Suite 700
Atlanta, Georgia 30342
(800) 759-3813



MCI Telecommunications Corporation
 Law & Public Policy
 780 Johnson Ferry Road
 Suite 700
 Atlanta, GA 30342
 404 843 6383
 FAX 404 250 5992

T-97-0110-ATTACHMENT B

February 5, 1997

Mr. Vonnie Wiggins
 Analyst, Division of Communications
 FLORIDA PUBLIC SERVICE COMMISSION
 2540 Shumard Oak Blvd.
 Gunter Building
 Capitol Circle Office Center
 Tallahassee, Florida 32399-0850

Dear Mr. Wiggins:

MCI Telecommunications Corporation (MCI) hereby files with your office its F.P.S.C. Tariff No. 2 the following pages of which are attached hereto:

<u>Page No.</u>	<u>Revision No.</u>
1.1	148
9.1	1
9.2	ORIGINAL

With this filing MCI proposes to revise Rules and Regulations regarding discontinuance of service for customers who receive calls from confinement facilities.

I have enclosed the original and requisite amount of copies for filing. Please stamp, date and return the attached duplicate of this letter and address any inquiries or further correspondence to me at (800) 759-3813.

Sincerely,

 Julie L. Davis
 Tariff Manager

Enclosures

Florida Public Service Commission


INTERCITY TELECOMMUNICATION SERVICES TARIFF

CHECK SHEET

Sheets 1-33 inclusive of this tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original tariff in effect on the date indicated.

<u>SHEET</u>	<u>REVISION</u>
1	42
1.1	148*
1.2	93
1.3	94
1.4	20
1.5	2
2	11
2.1	16
2.2	1
3	1
3.1	2
4	2
4.1	ORIGINAL
5	5
5.1	5
6	5
6.1	1
6.2	ORIGINAL
7	6
7.1	ORIGINAL
7.2	ORIGINAL
7.3	7
7.4	ORIGINAL
8	10
8.1	4
8.1.1	1
8.1.2	1
8.2	2
8.3	4
9	2
9.1	1*
9.2	ORIGINAL*
10	1
10.1	ORIGINAL
11	3
11.1	ORIGINAL
12	8
12.1	5
12.1.1	ORIGINAL
12.1.2	9
12.2	1
12.3	3
13	7
13.1	1
13.2	ORIGINAL

Issued*

ISSUED: February 6, 1997

EFFECTIVE: February 8, 1997

by:

Julie L. Davis
Manager, Rates and Tariffs
780 Johnson Ferry Road
Suite 700
Atlanta, Georgia 30342
(800) 759-3813

PAGE 21

SECTION 2 - RULES AND REGULATIONS2.2 LIMITATIONS

2.2.1 Service is offered subject to the availability of facilities and the provisions of this tariff.

2.2.2 Discontinuance of Service - The following applies to discontinuing and/or blocking service with or without notice:

2.2.2.1 With Notice: MCI reserves the right to discontinue furnishing service, upon verbal and/or written notice, when necessitated by conditions beyond its control or when the customer is using the service in violation of the provisions of this tariff, or in violation of the law.

2.2.2.2 Without Notice:

- (A) MCI reserves the right to block a customer from receiving traffic from certain confinement facilities when MCI deems it necessary to take such action to prevent unlawful use of, or nonpayment for, its service or to prevent the use of its services in a manner that MCI determines to be in violation of this tariff. MCI will unblock service as soon as it can without undue risk. In addition, MCI may, at the request of the customer institute blocking of traffic to the customer's 500 or 800 telephone number(s) from certain confinement facilities in order to prevent telephone calls made to annoy, abuse, threaten, or harass any person at the called number. MCI will, upon written request, remove customer requested blocks. MCI reserves the right to limit the number of requests for blocking per customer. In order to control fraud, MCI may limit the use of collect call billing options from certain confinement facilities.

CERTAIN MATERIAL PREVIOUSLY LOCATED ON THIS SHEET CAN NOW BE FOUND ON SHEET 9.2.

ISSUED: February 5, 1997

EFFECTIVE: February 8, 1997
PAGE 22

by:

Julie L. Davis
Manager, Rates and Tariffs
780 Johnson Ferry Road, Suite 700
Atlanta, Georgia 30342
(800) 759-3813

SECTION 2 - RULES AND REGULATIONS2.2 LIMITATIONS (Cont.)2.2.2 Discontinuance of Service (Cont.)2.2.2.2 Without Notice (Cont.)

- (B) MCI reserves the right to block traffic, without notice, to or from certain facilities, cities, city codes, NXX exchanges, individual telephone stations, or calls using certain customer authorization codes, when MCI deems it necessary to take such action to prevent unlawful use of, or nonpayment for, its service or to prevent the use of its services in a manner that MCI determines to be in violation of this tariff or when the customer's call volume or calling pattern results, or may result, in the blockage of MCI's network or in the degradation of MCI's service. MCI will unblock service as soon as it can without undue risk and will, upon request by the customer affected, assign a new authorization code to replace the one that was deactivated. In addition, MCI may, at the request of the customer institute blocking of traffic to the customer's 500 or 800 telephone number(s) from certain facilities, cities, NXX exchanges, or individual telephone stations in order to prevent telephone calls made to annoy, abuse, threaten, or harass any person at the called number or as tailored to satisfy a customer's request. MCI will, upon written request, remove customer requested blocks. MCI reserves the right to limit the number of requests for blocking per customer. In order to control fraud, MCI may refuse to accept Calling Card, Collect Calling and/or Third Number Calls which it determines to be invalid and/or may limit the use of these billing options to or from certain facilities, cities, or areas, including all or part of the state.

2.3 TERMS AND CONDITIONS

- 2.3.1 Service is provided and billed on the basis of a minimum period of at least one month, beginning on the date that billing becomes effective, and continues to be provided until canceled, by the customer, in writing, on not less than 30 day's notice from the date of postmark on this letter.
- 2.3.2 Service is offered on a monthly basis, 24 hours per day. It is also offered on a Metered Use basis, as described in Section 3 following.

CERTAIN MATERIAL FOUND ON THIS SHEET WAS PREVIOUSLY LOCATED ON SHEET 9.1.

ISSUED: February 5, 1997

EFFECTIVE: February 5, 1997
PAGE 23

by:

Julie L. Davis
Manager, Rates and Tariffs
780 Johnson Ferry Road, Suite 700
Atlanta, Georgia 30342
(800) 759-3813

T/M

M

N

HOPING GREEN SAMS & SMITH
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS

123 SOUTH CALHOUN STREET
 POST OFFICE BOX 6826
 TALLAHASSEE, FLORIDA 32314

(904) 222-7800
 FAX (904) 224-8881
 FAX (904) 428-3415

Writer's Direct Dial No.
 (904) 425-2313

February 6, 1997

JAMES B. ALVES
 BRIAN N. BIBEAU
 KATHLEEN BLIZZARD
 ELIZABETH C. BOWMAN
 RICHARD S. BRIGHTMAN
 PETER C. CUNNINGHAM
 RALPH A. DEMEO
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 GARY P. SANS
 ROBERT P. SMITH
 CHERYL S. STUART

GARY E. HUNTER, JR.
 JONATHAN T. JOHNSON
 ROBERT A. MANNING
 ANGELA R. MORRISON
 GARY V. PERKO
 KAREN M. PETERSON
 R. SCOTT RUTH
 W. STEVE BYRES
 T. RENT WETHERELL, II
 ———
 OF COUNSEL
 W. ROBERT FOXES

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

970166-7C

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Telecommunications Corporation in the above docket are the original and 15 copies of MCI's Petition for Exemption.

By copy of this letter this document has been provided to the persons on the attached service list.

Very truly yours,



Richard D. Melson

RDM/cc
 Enclosures
 cc: Service List

PAGE 24

In re: Petition for exemption from Rules
 25-4.113, 25-24.471, and 25-24.515 and for
 authorization to discontinue service without
 notice and to require advance payment for service
 from certain customers, and for such other
 relief as may be appropriate, by MCI
 Telecommunications Corporation

Docket No.

Filed: February 6, 1997

PETITION FOR EXEMPTION

Pursuant to Commission Rule 25-24.505 (3), Florida Administrative Code, MCI Telecommunications Corporation ("MCI") petitions the Florida Public Service Commission ("Commission") for an exemption from Rules 25-4.113, 25-24.471, and 25-24.515 to the extent necessary to enable MCI to require customers to provide advance payment for service and to block calls without notice when it is necessary to prevent nonpayment for its service. In support of its petition, MCI states:

INTRODUCTION

1. Petitioner's complete name and address is:

MCI Telecommunications Corporation
 780 Johnson Ferry Road
 Suite 700
 Atlanta, Georgia 30342

2. All notices, pleadings, orders, and other materials in this docket should be directed to the following on behalf of MCI:

Martha McMillin
 Senior Attorney, MCI
 780 Johnson Ferry Road
 Suite 700
 Atlanta, Georgia 30342

Richard D. Melson
 Hopping, Green, Sams & Smith
 P.O. Box 6526
 Tallahassee, Florida 32301

3. MCI is certificated by the Commission as an interexchange carrier.

RELIEF REQUESTED

4. Pursuant to Rule 25-24.505 (3), Florida Administrative Code, MCI is seeking an exemption from Rule 25-4.113, Refusal or Discontinuance of Service by Company; Rule 25-24.471, Application for Certificate; and Rule 25-24.515, Pay Telephone Service. Specifically, MCI seeks authority to require advance payment for service from customers and to block calls, without notice, to prevent nonpayment for service. These measures would apply to the use of all MCI service, whether outgoing or incoming collect or third-party billed calls, including collect calls from prison facilities. This will enable MCI to better control toll fraud by consumers who use MCI's telephone service and then do not pay for it.

BACKGROUND

5. In providing telecommunications services to consumers, it is MCI's goal to provide quality service while protecting both MCI and its customers from fraud. The latter is an increasing and troubling problem for the telecommunications industry as well. In 1996, fraud losses for United States telecommunications carriers was estimated at \$ 3.7 billion, a 12% increase over 1995. Fraud drives the cost of service higher for all consumers.

6. To combat this pernicious problem, MCI has implemented high toll monitoring efforts to identify and control this risk by limiting exposure to fraud, which occurs when a customer uses MCI service and then does not pay for it. A significant amount of this write-off is generated by new accounts that never make a payment. New accounts typically receive 60 - 90 days of unrestricted usage before they are cancelled for non-payment, which results in MCI pursuing collection efforts for the unpaid debt. If the collection efforts are unsuccessful, MCI must write-off the debt. The key to avoiding such protracted fraud is to stop it before it gets to the point of cancelling the account and implementing collection efforts. Thus, MCI monitors the usage of customers, before bills are sent, to look for indicators of a fraud problem, for toll fraud falls into patterns and bears certain characteristics. If fraud is detected at an early stage, instead of waiting to go through the cycle of sending a bill and waiting for payment, customers benefit by being

alerted to fraud of which they were not aware or by learning to better manage telecommunications expenses, and MCI and its shareholders benefit by halting a fraudulent situation before its magnitude is increased.

7. MCI's high toll monitoring works as follows: high dollar usage is tracked at intervals to gauge the amount of usage and the total balance due. If that tracking generates an alarm on a particular customer, MCI analyzes whether the customer: (1) has a previous history of the identified calling patterns; (2) has a history of usage at the level which generated the alarm; and (3) is current on charges with the local exchange company and/or MCI. Based on MCI's experience, if the customer's status indicates concern in one or more of these areas, it is likely that the customer is intentionally running up charges for telecommunications service without intending to pay for it. For example, if a customer's account suddenly shows a large number of calls in a short period of time to a telephone number in a country never before called by that customer, and the customer also happens to be past due on charges to his local telephone company, past experience shows that it is likely that the customer is engaging in toll fraud. MCI then contacts the local exchange company to ascertain the date the customer's account was installed, since new customers are problematic; the payment history; and the services used and spending patterns. If the factors continue to indicate concern is warranted, MCI then attempts to contact the customer to ascertain his explanation for the calls.

8. In these circumstances, where it appears that a customer is using a high volume of MCI's services without paying for them, MCI has two effective avenues of managing the risk of high bad debt: (1) block toll calls to the customer's number, so that they cannot continue to run up high bills, and (2) require payment for charges incurred to date, in advance of the billed invoice. While the full service denial available from local exchange companies is an effective way of combating high toll fraud, it does not cover all situations. The steps described are the only ones MCI can take on its own to stanch such bad debt. Neither measure is unduly burdensome on the honest customer. Requiring advance payment is simply asking the customer to immediately pay that which he already owes, instead of waiting for the monthly bill

containing the charges to be sent. When a customer makes an advance payment, that is reflected on the customer's monthly bill as a credit or payment received, with only any additional charges listed as the balance due. The toll call blocking is in effect until payment is received, so by having control over when payment is sent, the customer can time when the block is removed.

9. MCI believes that these practices comply with Rule 25-4.113, Refusal or Discontinuance of Service by Company. Subparagraph (f) of that Rule authorizes a company to discontinue service without notice in the event of unauthorized or fraudulent use of service. MCI's policy is fashioned to protect against all customers who engage in toll fraud, but especially those who have no payment history with MCI but run up large bills during the first month or two of service, before any bill has been paid. This category of customers typically engage in fraudulent use of service by using MCI's toll service in high volume and never rendering payment. It is considered to be fraud because the customer intentionally uses the service without paying, which is a form of constructive fraud.

10. MCI believes that these practices comply with Rules 25-24.471 (4) (c) and 25-24.515 (18), which require completion of all inmate calls allowed by the applicable confinement facility. Inmates are able to make their calls; any blocking occurs only on the recipient end. This is identical to the situation which occurs when a customer's local telephone service is discontinued for nonpayment. Such customers would not be able to receive calls made by inmates, for their telephone service would be discontinued. Under any circumstance of discontinuance of service, customers cannot receive calls, whether they are placed by inmates at a confinement facility or by a business or by a college student, for the callers have no control over the conduct of the recipient of use calls.

11. The Commission Staff has advised that it does not believe that subscription fraud falls within Rule 25-4.113 (f) and that MCI's practices, which have been in effect at the interstate level via FCC Tariff No. 1, Revised Page 9.1 and Revised Page 12.3.3.2, do not comply with that Rule. Staff has further suggested that to the extent these practices affect customers who receive calls from inmates at confinement facilities, they do not comply with Rules 25-24.471 (4) (c) and Rule 25-24.515 (18). MCI accordingly requests that

the Commission grant an exemption from those Rules to allow MCI to require advance payment and place toll blocks without notice in circumstances which suggest toll fraud. The Commission's approval of this exemption request is consistent with the legislative mandates to avoid "unnecessary regulatory constraints" and to eliminate rules that "delay or impair the transition to competition." Sections 364.01 (4) (e) and 364.01 (4) (f), Florida Statutes (1995).

WHEREFORE, MCI respectfully requests that it be granted an exemption from the applicable rules to the extent the Commission interprets them to prohibit a company from placing toll blocks upon, and requiring advance payment from, customers in circumstances suggesting toll fraud, and for the Commission to take such other relief as is consistent with this petition and the competitive policies embodied in revised Chapter 364.

Respectfully submitted, this 6th day of February, 1997.

HOPPING, GREEN, SAMS & SMITH

By: 

Richard D. Melson
Post Office Box 6526
Tallahassee, Florida 32301
(904) 222-7500

Martha McMillin, Esq.
MCI Telecommunications Corporation
780 Johnson Ferry Road
Suite 700
Atlanta, Georgia 30342

Attorneys for MCI Telecommunications Corp.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following parties by U.S. Mail this 6th day of February, 1997.

Martha Carter Brown
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Richard D. Mc

Attorney



FLORIDA
DEPARTMENT of
CORRECTIONS

An Affirmative Action/Equal Opportunity Employer

ATTACHMENT E

Governor
LAWTON CHILES

Secretary
HARRY K. SINGLETARY, JR.

February 20, 1997 2601 Blair Stone Road • Tallahassee, FL 32399-2500

Mr. J. Alan Taylor, Chief
Bureau of Service Evaluation
Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32300-0850

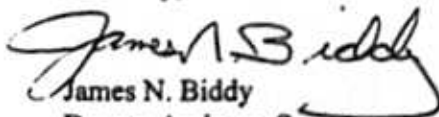
Dear Mr. Taylor:

Thank you for the opportunity to respond to the MCI's proposal to institute high toll monitoring in Florida. The Department of Corrections is already fairly restrictive in allowing inmates to call outside parties. You may be familiar with our process of initiating authorized call lists to limit outside calls. Our restrictions are based on the need of the inmate to contact the desired party and the acceptance of the outside party to receive the call.

Because of our current policy, we would prefer not to have any additional call blocking imposed by the telephone company. As you have described high toll monitoring, calls originating from confinement facilities may be blocked merely on the suspicion that, due to high volume, the billed party may become a credit risk; even though they are current in their payments. The department would be especially opposed to implementing such a program. Inmates whose calls are blocked will naturally turn to the department for explanation and I certainly would not want to try to defend such an arbitrary policy.

The department would strongly support PSC's opposition to this request. If additional input from us is needed, please advise.

Sincerely,


James N. Bidy
Deputy Assistant Secretary

JNB/mt

cc: Nancy K. Wittenberg, Assistant Secretary for Administration
Rhonda Vause, Chief of Finance and Accounting
Karin Morris, Chief of General Services

PAGE 32



Name LOWE-BELL, BETTIE

Company MCI TELECOMMUNICATIONS CORPORATION

Address 1505 32 AVENUE

Attn. SUSAN DELAFIELD 122129

City/Zip TAMPA 33610 County HILL

Consumer's Telephone # (813)-247-2681

Account Number _____

Can Be Reached _____

Company Contact _____

Note _____

Limited Reponse N

Request No. 122129I

By SCA Time 4:20 PM Date 04/16/96

To CO Time FAX Date 04/16/96

Type S Form Phone

Category GI-08

Infraction _____

Closed by KMT Date 05/17

Reply Received T

FOR IMMEDIATE ATTENTION:

Mrs. Lowe-Bell states a block has been put on her phone without reason by MCI. Her bills are up to date and it is imperative that she has complete access to her line A.S.A.P. Please expedite this inquiry and provide us with a detailed report as to why this situation is such.

4/30/96 Report received. Kenya to close.

05/17 - Received Report.kmt.

CONSUMER REQUEST

**FLORIDA PUBLIC
SERVICE
COMMISSION**

2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL. 32399-0850
904-413-6100

PLEASE RETURN THIS FORM
WITH REPORT OF ACTION TO:

Stella Allen

DUE: 05/01/96



MCI Telecommunications
Corporation

Consumer Markets Division
323 Third Street SE
Cedar Rapids, IA 52401

April 30, 1996

MS BETTIE LOWE-BELL
1505 32 AVENUE
TAMPA FL 33610

Dear Ms. Lowe-Bell:

This letter comes in response to the claim you filed with the Florida Public Service Commission, in regard to your telephone number, 813-247-2681.

You stated in your claim a collect call block was placed on your line without reason. You explained you pay your bills in a timely manner and that it is imperative you have complete access. It is requested the block be removed.

MCI records show a Collect Call Block was placed on the phone number of 813-247-2681, on March 27, 1996, and the block was removed on April 15, 1996. MCI's High Toll Analysis department reported collect calls being placed from a Correctional Facility to your phone number of 813-247-2681, resulting in a collect call block.

MCI's High Toll Analysis department is responsible for analyzing prebilled traffic in order to identify whether traffic is a high risk to MCI or the customer. The prebilled screening allows to reduce fraud and bad debt. The accounts are reviewed for possible fraud, ability to pay and to ensure that the high traffic volume is valid traffic for customer's account. MCI will attempt to contact the customer by call or mail. In some cases, a block may be placed after one phone attempt to the customer depending on the nature/sensitivity of the traffic. (enclosure Tariff B-2.03)

In this case, the High Toll Analysis department identified traffic (collect calls) being placed over MCI's Network from a correctional facility to your phone number resulting in placing a collect call block on her line. Collect calls from Correctional Facilities are considered high risk.

I spoke with the High Toll Analysis department to confirm the block was removed. They indicated the block was removed on April 15, 1996. MCI regrets any inconvenience you may have experienced. If I can be of further assistance in this matter, please contact me at 1-800-661-2849

Sincerely,


Mary Kennedy
MCI Commission Specialist

cc: Ms. Stella Allen, Florida Public Service Commission

Name RUSSELL, RAYDELL
Address 719 22ND STREET

City/Zip ORLANDO 32805 County ORN
Account Number
Company Contact MR ENG SUPERVISOR HIGH TOLL ACC.

Company MCI TELECOMMUNICATIONS CORPORATION
Attn. SUSAN DELAFIELD 123431
Consumer's Telephone # (407)-422-1558
Can Be Reached
Note
Limited Response Y

Request No. 1234311
By DBM Time 11:52 AM Date 04/26/96
To CO. Time FAX Date 04/26/96
Type S form Phone
Category PR-06
Infraction
Closed by DBM Date 05/09/96
Reply Received T

Customer's husband is an inmate at the Orange County Jail and MCI has charge of the phone service. Due to high usage, MCI asked for a High Toll Accessory of \$322.50. Customer paid this on Thursday April 18th. MCI has put a block on the customer's phone so she cannot receive calls from the jail. They now say it may take three weeks in order to remove the block. Please contact the customer and respond.

05-06-96- report recieved.
05-09-96- File closed.

CONSUMER REQUEST

FLORIDA PUBLIC SERVICE COMMISSION

2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL. 32399-0850
904-413-6100

PLEASE RETURN THIS FORM WITH REPORT OF ACTION TO:

Doug Martin

DUE: 05/13/96

MCI Telecommunications
Corporation
Consumer Markets Division
323 Third Street SE
Cedar Rapids, IA 52401

MCI

May 6, 1996

**MR. RAYDELL RUSSELL
719 22ND ST
ORLANDO FL 32805**

Dear Mr. Russell,

This letter comes in response to the complaint you filed with the Florida Public Service Commission regarding a concern for your telephone number, 407-422-1558.

Mr. Raydell, you stated in your complaint a collect call block was placed on your line due to high usage and was informed it could take three weeks to remove the block. It was requested MCI investigate and remove the block.

MCI records show a Collect Call Block was placed on the phone number of 407-422-1558, on April 16, 1996, and a request to have the block removed was made on April 18, 1996. MCI's High Toll Analysis department reported collect calls being placed from a Correctional Facility to your phone number of 407-422-1558.

MCI's High Toll Analysis department is responsible for analyzing prebilled traffic in order to identify whether traffic is a high risk to MCI or the customer. The prebilled screening allows to reduce fraud and bad debt. The accounts are reviewed for possible fraud, ability to pay and to ensure that the high traffic volume is valid traffic for customer's account. MCI will attempt to contact the customer by call or mail. In some cases, a block may be placed after one phone attempt to the customer depending on the nature/sensitivity of the traffic.

In this case, the High Toll Analysis department identified traffic (collect calls) being placed over MCI's Network from a correctional facility to your phone number resulting in placing a collect call block on your line. Collect calls from Correctional Facilities are considered high risk.

I spoke with the High Toll Analysis department to confirm the block was removed. They indicated you contacted MCI on April 18, 1996, and requested the block be removed, this request was submitted at that time. Additionally, the request was again submitted on April 23, 1996. MCI records show the block has been removed.

MCI apologizes for the delay in removing the block placed on your line. At this time, MCI is having system difficulty resulting in the delay of collect call blocks being removed in the 72 hour time frame. MCI is working to resolve the problem so we may return to meeting the 72 hour time frame. We appreciate your patience while this matter is resolved.

Name WOODS, THERESA

Company MCI TELECOMMUNICATIONS CORPORATION

Request No. 1212661

Address 208 & HALF EARL STREET

Attn. SUSAN DELAFIELD 121266

By KES Time 1:51 PM Date 04/10/96

Consumer's Telephone # (904)-248-0748

To CO Time FAX Date 04/10/96

City/Zip DAYTONA BEACH 32118 County VOL

Can Be Reached (800)-320-9565

Type S Form Phone

Account Number _____

Note jfp

Category GI-08

Company Contact _____

Limited Reponse N

Infraction _____

Closed by KES Date 05/21

Reply Received T

The customer said a collect call block was placed on her line. She said she has paid her bills in a timely manner, and there was no reason to place the block on her line. Additionally, she said the company did not contact her before placing the block on her line. She said that the company said the block would be removed on 04-01, but the customer said she was told by MCI the system crashed. The customer said the block has not been removed yet. Please follow up by the date below.

4/24/96 - Final report received. Block removed, customer satisfied.
5/21/96 - File closed.

CONSUMER REQUEST

FLORIDA PUBLIC SERVICE COMMISSION

2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL. 32399-0850
904-413-6100

PLEASE RETURN THIS FORM WITH REPORT OF ACTION TO:

Kate Smith

DUE: 04/25/96



MCI Telecommunications
Corporation

Consumer Markets Division
323 Third Street SE
Cedar Rapids, IA 52401

April 24, 1996

ATTN MS KATE SMITH
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE FL 32399 0850

RE: Request Number 1212661
Ms. Theresa Woods

Dear Ms. Smith:

This letter comes in response to Request Number 1212661 filed by Ms. Theresa Woods regarding a concern for her telephone number, 904-248-0748.

ISSUE:

Ms. Woods stated in her claim a collect call block was placed on her line without her knowledge. She explained she has paid her bills in a timely manner and there was no reason for the block to be placed on her line. It is requested the block be removed.

INVESTIGATION AND ACTION TAKEN:

MCI records show a Collect Call Block was placed on the phone number of 904-248-0748, on February 16, 1996, and a request to have the block removed was made on April 1, 1996. MCI's High Toll Analysis department reported collect calls being placed from a Correctional Facility to Ms. Woods phone number of 904-248-0748.

MCI's High Toll Analysis department is responsible for analyzing prebilled traffic in order to identify whether traffic is a high risk to MCI or the customer. The prebilled screening allows to reduce fraud and bad debt. The accounts are reviewed for possible fraud, ability to pay and to ensure that the high traffic volume is valid traffic for customer's account. MCI will attempt to contact the customer by call or mail. In some cases, a block may be placed after one phone attempt to the customer depending on the nature/sensitivity of the traffic. (enclosure Tariff B-2.03)

In this case, the High Toll Analysis department identified traffic (collect calls) being placed over MCI's Network from a correctional facility to Ms. Woods phone number resulting in placing a collect call block on her line. Collect calls from Correctional Facilities are considered high risk.

I spoke with the High Toll Analysis department to confirm the block was removed. They indicated Ms. Woods contacted MCI on April 1, 1996, and requested the block be removed, this request was submitted at that time. Also, Ms. Woods was informed the removal of the block could take up to two weeks. I requested the

Ms. Kate Smith
Page 2
April 24, 1996

removal of the block be submitted again, as Ms. Woods had indicated in her claim it was still not removed as of April 10, 1996.

I contacted Ms. Woods and spoke with her regarding the collect call block and she informed me that the block has been removed as of April 15, 1996. Ms. Woods was very pleasant and seemed to be satisfied with MCI's response. Attached is the letter I sent to Ms. Woods regarding her concern. If I can be of further assistance in this matter, please contact me at 1-800-861-2849

Sincerely,


Mary Kennedy
MCI Commission Specialist

Enclosure
cc:file