



Public Service Commission

ORIGINAL

-M-E-M-O-R-A-N-D-U-M-

DATE: December 17, 1997
TO: BLANCA S. BAYÓ, DIRECTOR OF RECORDS AND REPORTING
FROM: DIANA CALDWELL, DIVISION OF APPEALS *DWC*
RE: DOCKET NO. 970882-TI

Attached are an original and five copies of the Direct Testimony of Jennifer Erdman-Bridges and J. Alan Taylor for filing in the above-referenced docket.

Copies of the foregoing testimonies are being served on the parties of record in accordance with the attached certificate of service.

DWC

Attachments

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- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN Story
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

Bridges
DOCUMENT NUMBER-DATE
12933 DEC 17 5
FPSC-RECORDS/REPORTING

Taylor
DOCUMENT NUMBER-DATE
12934 DEC 17 5
FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE

Docket No. 970882-TI

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**DOCKET NO.: 970882-TI - [Proposed Rule 25-24.845, F.A.C.,
Customer Relations; Rules Incorporated, and
Proposed Amendments to Rules 25-4.003, F.A.C., Definitions:
25-4.110, F.A.C., Customer Billing;
25-4.118, F.A.C., Interexchange Carrier Selection;
25-24.490, Customer Relations; Rules Incorporated; and
25-24.845, F.A.C., Customer Relations; Rules Incorporated]**

**Witness: Direct Testimony of Jennifer Erdman-Bridges,
Appearing on Behalf of Staff**

Date Filed: December 15, 1997

DOCUMENT NUMBER-DATE

12933 DEC 17 97

FPSC-RECORDS/REPORTING

1
2 DIRECT TESTIMONY OF JENNIFER ERDMAN-BRIDGES

3 Q. Would you please state your name and business address.

4 A. My name is Jennifer Erdman-Bridges, 2540 Shumard Oak Boulevard,
5 Tallahassee, FL 32399-0850.

6 Q. By whom are you employed and in what capacity?

7 A. I am employed by the Florida Public Service Commission as a
8 Regulatory Program Administrator for the Bureau of Complaint Resolution,
9 Division of Consumer Affairs.

10 Q. Please give a brief description of your educational background and
11 professional experience.

12 A. My educational experience includes a Bachelor of Arts degree from
13 Vanderbilt University, Nashville, Tennessee. I am currently pursuing my
14 Masters in Business Administration degree at the Florida State University,
15 Tallahassee, Florida.

16 My professional experience includes six months as an Assistant
17 Supervisor at the Division of Historic Resources. I then spent six years
18 as Executive Director of Main Street Quincy, Inc., a downtown redevelopment
19 organization in Quincy, Florida. Since April 7, 1997, I have been a
20 Regulatory Program Administrator in the Division of Consumer Affairs at the
21 Florida Public Service Commission. In this capacity, I supervise five
22 regulatory specialists, as well as handle special projects and docketed
23 matters that pertain to consumers.

24 Q. What is the purpose of your testimony?

25 A. The purpose of my testimony is to present to the Commission evidence

1 | that Rule No.25-4.118, Florida Administrative Code (FAC), has not
2 | effectively curtailed the incidence of unauthorized interexchange carrier
3 | (IXC) change (slamming) complaints in Florida.

4 | Q. On what are you basing this contention?

5 | A. The Public Service Commission adopted rules in 1992 which were
6 | intended to reduce or eliminate slamming in Florida. Rather than
7 | experience a decrease, the state experienced unprecedented growth in this
8 | category of complaints. In 1992, the Commission's Division of Consumer
9 | Affairs received 309 slamming complaints that were determined to be
10 | justified. The number grew to 870 in 1993, 1,049 in 1994, 1,613 in 1995,
11 | and 2,393 in 1996.

12 | Q. Is the problem limited to interexchange carriers?

13 | A. No. Since competition within the local telephone market was
14 | permitted in January, 1996, the Division of Consumer Affairs has begun
15 | receiving complaints concerning slamming of local service. In fact, as of
16 | December 9, 1997, the Commission has filed 167 inquiries against one
17 | Alternative Local Exchange Carrier since September 3, 1997. Most of these
18 | inquiries are concerned with slamming of local telephone service.

19 | Q. Have the complaints received by Consumer Affairs demonstrated any
20 | particular pattern?

21 | A. Yes, unauthorized primary interexchange carrier (PIC) changes
22 | resulting from sweepstakes and telemarketing represented 75% of all
23 | justified complaints in 1996. In 1996, Consumer Affairs closed 971
24 | slamming rule infraction cases that dealt with sweepstakes. Telemarketing
25 | accounted for 830 slamming rule infractions. Other types of slamming

1 | complaints included, but were not limited to, misleading letters of agency,
2 | name/ANI mismatches, and forgery.

3 | Q. Why has the Commission's rule concerning written authorization of a
4 | PIC change order not prevented slamming due to a sweepstakes entry?

5 | A. The Commission's existing rule only states what minimum information
6 | must be included in the LOA. It does not specifically limit what other
7 | information may be included nor does it address the context within which
8 | the LOA is obtained. Our experience has been that the IXC typically places
9 | boxes in locations such as convenience stores, restaurants and flea markets
10 | advertising a drawing to win a car or a trip. Any mention of the fact that
11 | the drawing is being used to obtain an LOA to change a customer's PIC is
12 | typically in small type and/or located on the side of the box where the
13 | customer is not likely to see it. Customers sign the form unaware that
14 | they have authorized a PIC change.

15 | We have seen numerous cases in which the person filling out the form
16 | is not the customer of record on the telephone account, but a relative or
17 | friend of the account holder. In these cases, the IXCs have not checked to
18 | determine if the person whose name is on the LOA is the customer of record
19 | and has authority to order a PIC change.

20 | The forms included with most of the drawings we have observed meet
21 | the requirements of Rule No.25-4.118(3)(b)FAC but, since we have received
22 | so many inquiries from customers who have signed these LOAs without
23 | realizing that what they are signing will change their PIC, it appears that
24 | the rule needs to be revised.

25 | Q. Why has the Commission's existing rule requiring third-party

1 verification of an order taken as a result of a telemarketing call not
2 controlled the number of slamming complaints?

3 A. Rule No.25-4.118(2)(c)FAC, requires that, if an IXC receives an order
4 to change a customer's PIC as a result of a telemarketing call, the order
5 must be verified by a "qualified, independent firm which is unaffiliated
6 with any IXC." Many IXCs record the verification call and, when asked by
7 Consumer Affairs to provide proof that the customer has authorized the PIC
8 change, provide us with a copy of the audio tape. In many cases the
9 customer whose conversation was recorded has told us that they had been
10 under the impression that they were speaking with their presubscribed IXC
11 and that they were only authorizing a change to a discount program with
12 that IXC. They were not aware that they were authorizing a reseller of
13 their IXC's service to switch them.

14 A review of numerous audio tapes, submitted by the IXCs to Consumer Affairs
15 as a result of customer inquiries, has shown that the person making the
16 verification call does not always clearly identify the certificated name of
17 the reseller, often referring repeatedly to the underlying carrier. In
18 other instances, the names of some of the soliciting companies tend to
19 confuse customers into thinking they are simply authorizing a discount
20 program. Some of these companies include Business Discount Plan, Minimum
21 Rate Pricing, Discount Network Services, and Network Services.

22 Q. Could you provide an example of this problem?

23 A. The following conversation is a transcript of a portion of the
24 verification call on the switch of Beacon Sprinkler, Pump and Well Inc.
25 service from AT&T to Discount Network Services:

1 Verifier: "As the office manager you are authorized to handle the long
2 distance service. is that correct?"
3 Customer: "Yes"
4 Verifier: "OK and you also have the authority to approve this discount
5 plan. is that also correct?"
6 Customer: "Yes"
7 Verifier: "OK you'll remain 100% on AT&T's lines. operators and technical
8 support while you receive your savings from Discount Network Service. an
9 independent AT&T reseller. In the next five to seven business days you
10 will be sent a welcome packet concerning the program along with an 800
11 number for customer service. Thank you for your time and enjoy your
12 savings."
13 At no time did the verifier ask the customer. the Office Manager at Beacon
14 Pump. Sprinkler. and Well. Inc. if he had the authority to make a change in
15 long distance carriers. At no time did the verifier ask the customer if he
16 authorized his long distance carrier to be switched to Discount Network
17 Services. The verifier only refers to the customer approving a "discount
18 plan". not a new long distance service. The verifier told the customer
19 that he would stay "100% on AT&T's lines. operators. and technical
20 support."
21 The purpose of the verification call is to ensure that the customer has
22 ordered a change in service to the new company. The language used in
23 verification calls such as this fails to determine if the person has the
24 authority to make a change in the long distance carrier. fails to
25 specifically ask the customer if he did indeed authorize a change in his

1 | long distance carrier, and emphasizes the name of the underlying carrier in
2 | a manner that fails to make it clear that the customer is speaking to
3 | someone other than the underlying carrier.

4 | Q. Why does the rule requiring that an information packet be mailed to
5 | the customer not alert the customer that he has authorized a PIC change?

6 | A. The current rule requires the soliciting company to send the customer
7 | an information package including a prepaid returnable postcard, that the
8 | customer may submit to the soliciting IXC if the customer does not want to
9 | have his PIC changed. However, customers unknowingly authorize a PIC
10 | change, often because they see mail from a company whose name they don't
11 | recognize and throw it away unopened as they would with other "junk mail".
12 | Since the postcard is not returned, the soliciting IXC goes ahead and
13 | processes the PIC change order.

14 | Q. The current Commission rule requires a company who has slammed a
15 | customer to rerate the customer's calls to the rate the customer would have
16 | paid had the calls been carried by the customer's preferred carrier. The
17 | company must also reimburse any PIC change charges imposed by the local
18 | exchange company (LEC). Has this rule been effective in preventing
19 | customers from suffering damages as a result of being slammed?

20 | A. No. If a customer finds that he has been slammed and calls Consumer
21 | Affairs to file a complaint, our staff will make sure that the calls are
22 | rerated and the PIC change charges are reimbursed. The problem is that the
23 | customer has had to take time from his day, typically during work hours, to
24 | contact his preferred carrier to re-establish his account, contact the LEC
25 | to expedite the switch back to the preferred carrier, and to contact the

1 Commission and/or the Federal Communications Commission to file a
2 complaint. The customer is not being reimbursed for his inconvenience.

3 The customer's preferred IXC is neither reimbursed for the revenues
4 it has lost as a result of its losing a customer, nor is the preferred IXC
5 reimbursed for the expense of re-establishing that customer's account.

6 Numerous customers who spoke at the Commission's Rulemaking Workshops
7 asked the Commission to initiate a rule that would prevent the slamming
8 company from collecting any revenues from a customer it had slammed.
9 Analysts in Consumer Affairs frequently encounter resistance on the part of
10 customers who have been slammed to paying a company for services the
11 customer did not request.

12 Q. Does this conclude your testimony?

13 A. Yes, it does.

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