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DECEMBER 23, 1997

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

FROM: DIVISION OF COMMUNICATIONS (ISLER) *OK [initials]*
DIVISION OF AUDITING & FINANCIAL ANALYSIS (LESTER; D. DRAPER) *DS*
DIVISION OF LEGAL SERVICES (COX) *OK [initials]* *AL*

RE: DOCKET NO. 971567-TI - WORLD COM TECHNOLOGIES, INC. -
DETERMINATION OF APPROPRIATE METHOD FOR REFUNDING
OVERCHARGES ON INTRASTATE LONG DISTANCE SERVICE FOR
CALLS PLACED FROM PAY TELEPHONES

AGENDA: JANUARY 6, 1998 - REGULAR AGENDA - PROPOSED AGENCY
ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\971567TI.RCM

CASE BACKGROUND

WorldCom Technologies, Inc. (WorldCom or the company) is an interexchange carrier and provides long distance services under Certificate No. 1528.

In January, 1997, a staff engineer evaluated pay telephones in the Daytona Beach area. Calls were placed to the Commission's test number in Tallahassee and billed to a calling card account established for testing purposes. Staff's review of the resulting bill revealed that a call was billed rates different than those listed in the company's tariff. Staff was overbilled by \$0.50 on a two-minute call.

Staff contacted WorldCom in February for an explanation of the apparent overbilling. WorldCom advised that the call was classified as a call that was handled by a live operator. Therefore, a higher operator assisted charge applied. The company insisted an equipment failure did not occur.

Staff evaluated pay telephones in the Crystal River area in April, 1997. A review of the resulting bill revealed that a 2-

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minute call was billed \$3.71 instead of \$1.77, according to the tariff on file. The company was contacted in June for an explanation. WorldCom advised that additional tests were conducted and it was found that fully automated calling card cards were being recorded and billed as if a live operator handled the call. The company agreed to correct the problem causing the overbilling and refund those consumers who were overbilled. This is staff's recommendation to accept WorldCom Technologies, Inc.'s refund calculation.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept WorldCom Operator Services, Inc.'s refund calculation of \$47,500.00, adding staff's interest calculations of \$3,373.61, for a total of \$50,873.61, and proposal to credit customer bills between February 1 and April 30, 1998, for overbilling end users on intrastate calling card calls placed between August, 1996 and June, 1997?

RECOMMENDATION: Yes. The Commission should accept WorldCom's refund calculation of \$47,500.00, adding staff's interest calculations of \$3,373.61, for a total of \$50,873.61, and proposal to credit customer bills between February 1 and April 30, 1998. Any remaining monies, including interest due unidentified consumers, should be remitted to the Commission within 30 days following the refund period, and deposited in the General Revenue Fund, pursuant to Chapter 364.285(1), Florida Statutes. (Isler)

STAFF ANALYSIS: Staff engineers routinely evaluate pay telephones for call timing and billing accuracy. On January 21, 1997, staff made a calling card test call from Daytona Beach that lasted one minute. The subsequent billing for that call revealed the Commission was billed \$2.01 for a call that should have been billed at \$1.51.

Staff notified WorldCom of the discrepancy on February 27, 1997, and asked for an explanation. WorldCom responded on March 26, 1997, that the call was classified as a call that was handled by a live operator. Therefore, a higher operator assisted charge applied. The company insisted an equipment failure did not occur.

On April 17, 1997, staff evaluated pay telephones in the Crystal River area. The subsequent billing for that call revealed the Commission was billed \$3.71 for a call that should have been billed at \$1.77. On June 2, 1997, WorldCom was notified of the discrepancy and was requested to provide an explanation.

WorldCom responded on July 18 and advised that recent network rearrangements inadvertently resulted in billing errors on certain 0+ calls. WorldCom conducted test calls and found that fully automated calling card calls were recorded and billed as though a live operator handled the call. WorldCom advised that the error was the result of "decommissioning two WorldCom switches, in Tampa and Ft. Lauderdale, and rehomeing WorldCom traffic to a different originating switch in Florida."

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On June 16, 1997, WorldCom repaired the problem on a temporary basis by lowering the surcharge for all intrastate station-to-station calls. The permanent solution, which should be implemented during the first quarter of 1998, is to "bong" operator service calls at the switch.

WorldCom estimated the overcharges for the two switches by analyzing its May 1997 traffic, a high traffic month. The company estimated overcharges occurred \$2,500 per month for August and September 1996, \$5,000 each month from October 1996 to May 1997, and \$2,500 in June 1997, when the temporary correction was made. The total estimated overcharges amount to \$47,500.

The company should be required to make refunds pursuant to Rule 25-4.114, Florida Administrative Code. The amount of the refunds should be \$50,873.61 consisting of \$47,500.00 in overcharges and \$3,373.61 in interest (Attachment A). The company has agreed to credit end users' bills for the overbilling plus interest. The credit will appear on customer billings between February 1 through April 30, 1998. Any remaining monies, including interest due unidentified consumers, should be remitted to the Florida Public Service Commission within 30 days following the refund period, and deposited in the General Revenue Fund, pursuant to Chapter 364.285(1), Florida Statutes. Therefore, staff recommends accepting WorldCom's offer.

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ISSUE 2: Should WorldCom Operator Services, Inc. be required to show cause why it should not pay a fine for overbilling of intrastate long distance calls from pay telephones?

RECOMMENDATION: No. (Cox)

STAFF ANALYSIS: By Section 364.285, Florida Statutes, the Commission is authorized to impose upon any entity subject to its jurisdiction a penalty of not more than \$25,000, if such entity is found to have refused to comply with or to have willfully violated any lawful rule or order of the Commission, or any provision of Chapter 364. Utilities are charged with knowledge of the Commission's rules and statutes. Additionally, "[i]t is a common maxim, familiar to all minds, that 'ignorance of the law' will not excuse any person, either civilly or criminally." Barlow v. United States, 32 U.S. 404, 411 (1833). Thus, any intentional act, such as WorldCom's conduct in billing Florida accounts the incorrect operator charge has been "willful" in the sense intended by Section 364.285, Florida Statutes.

Staff, however, does not believe that WorldCom's conduct rises to a level warranting that a show cause order be issued. WorldCom corrected the problem and cooperated fully with staff during the investigation. Moreover, WorldCom has agreed to refund those customers who were overbilled the amount overcharged plus interest.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose interests are substantially affected by the proposed action files a protest within the 21 day protest period, this docket should be closed upon completion of the refund. (Cox)

STAFF ANALYSIS: If no protest is filed at the conclusion of the protest period, this docket should be closed upon completion of the refund.



Public Service Commission

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

DATE: December 11, 1997
TO: Paula Isler, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL* *QD*
David Draper, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 971567-TI, WorldCom Technologies, Inc., Interest Calculation of Refund *YMS*

The total refund amount of \$50,873.61 consists of \$47,500 in overcharges and \$3,373.61 in interest. In estimating the interest that will accompany the refund, we have assumed that the overcharges occurred in the following manner: \$2,500 per month for August and September 1996, \$5,000 each month from October 1996 to May 1997, and \$2,500 in June 1997. Since the order is scheduled to be issued by January 26, 1998, we have assumed the refund will occur evenly from February 1998 to April 1998. This is consistent with Commission Rules that require refunds to be completed within 90 days of the Commission's order. We used the applicable commercial paper rates and, for the future period from December 1997 through April 1998, we used the November 1997 rate of 5.565% as it was the last available average rate. Attached is a schedule that shows the calculations.

cc: Division of Legal Services

Docket No. 960971-TI
 Quest Communications Corporation
 d/b/a QCC Incorporated
 Interest Calculations of Refund

MONTH	AVERAGE MONTHLY INTEREST RATE	MONTHLY INTEREST FACTOR	MONTHLY OVERCHARGES	MONTHLY OVERCHG INTEREST	MONTHLY OVERCHARGE PRINCIPAL AND INTEREST	BALANCE BROUGHT FORWARD PLUS INTEREST	REFUND BALANCE	MONTHLY REFUND
AUG 96	5.4250%	0.45%	\$2,500.00	\$11.30	\$2,511.30	\$0.00	\$2,511.30	
SEP	5.4200%	0.45%	\$2,500.00	\$11.29	\$2,511.29	\$2,522.64	\$5,033.94	
OCT	5.4100%	0.45%	\$5,000.00	\$22.51	\$5,022.54	\$5,056.63	\$10,079.17	
NOV	5.4150%	0.45%	\$5,000.00	\$22.56	\$5,022.56	\$10,124.66	\$15,147.22	
DEC	5.7000%	0.48%	\$5,000.00	\$23.75	\$5,023.75	\$15,219.17	\$20,242.92	
JAN 97	5.7000%	0.48%	\$5,000.00	\$23.75	\$5,023.75	\$20,339.07	\$25,362.82	
FEB	5.4400%	0.45%	\$5,000.00	\$22.67	\$5,022.67	\$25,477.80	\$30,500.47	
MAR	5.5850%	0.47%	\$5,000.00	\$23.27	\$5,023.27	\$30,642.42	\$35,665.69	
APR	5.6800%	0.47%	\$5,000.00	\$23.67	\$5,023.67	\$35,834.51	\$40,858.17	
MAY	5.6100%	0.47%	\$5,000.00	\$23.38	\$5,023.38	\$41,049.19	\$46,072.56	
JUN	5.6100%	0.47%	\$2,500.00	\$11.69	\$2,511.69	\$46,287.95	\$48,799.64	
JUL	5.6000%	0.47%		\$0.00	\$0.00	\$49,027.37	\$49,027.37	
AUG	5.5700%	0.46%		\$0.00	\$0.00	\$49,254.94	\$49,254.94	
SEP	5.5450%	0.46%		\$0.00	\$0.00	\$49,482.54	\$49,482.54	
OCT	5.5300%	0.46%		\$0.00	\$0.00	\$49,710.57	\$49,710.57	
NOV	5.5650%	0.46%		\$0.00	\$0.00	\$49,941.10	\$49,941.10	
DEC	5.5650%	0.46%		\$0.00	\$0.00	\$50,172.70	\$50,172.70	
JAN 98	5.5650%	0.46%		\$0.00	\$0.00	\$50,405.38	\$50,405.38	
FEB	5.5650%	0.46%		\$0.00	\$0.00	\$50,639.14	\$33,681.26	\$16,957.87
MAR	5.5650%	0.46%		\$0.00	\$0.00	\$33,837.46	\$16,879.59	\$16,957.87
APR	5.5650%	0.46%		\$0.00	\$0.00	\$16,957.87	\$0.00	\$16,957.87

TOTAL OVERCHARGES \$47,500.00

TOTAL INTEREST \$3,373.61
 TOTAL OVERCHARGE \$47,500.00

TOTAL REFUND \$50,873.61

ATTACHMENT A
 DOCKET NO. 97156
 DECEMBER 23, 1997