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April 27, 1998

FEDERAL EXPRESS

Blanca S. Bayo  
Director, Division of Records & Reporting  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumark Oak Blvd.  
Tallahassee, FL 32399-0850

Re: MCI Telecommunications Corporation  
Docket No. 971486-TI

Dear Ms. Bayo:

Enclosed please find an original and 15 copies of an Offer of Settlement submitted by MCI Telecommunications Corporation.

Thank you for your attention to this matter. If you have any questions or comments, please do not hesitate to contact me.

Very truly yours,

*Charles P. Scheeler*

Charles P. Scheeler

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- APP \_\_\_\_\_
- CAF 1 \_\_\_\_\_
- CMU \_\_\_\_\_
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CPS/lt  
Enclosure

cc: Martha Carter Brown, Esquire  
Adam H. Charnes, Esquire  
Paul M. Eskildsen, Esquire  
Richard D. Melson, Esquire

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## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of Show Cause Proceeding	)	
against MCI Telecommunications	)	Docket No. 971486-TI
Corporation for Violation of Rule 25-4.118,	)	
Florida Administrative Code, Interexchange	)	Filed:
Carrier Selection	)	

## OFFER OF SETTLEMENT

MCI Telecommunications Corporation ("MCI" or the "Company" ) agrees fully with the Florida Public Service Commission ("Commission") that changing a customer's Primary Interexchange Carrier ("PIC") without his or her authorization is not appropriate. Indeed, MCI has historically led the telecommunications industry in the development of anti-slammng measures. As early as 1991, MCI pioneered the use of third-party verification ("TPV"): TPV involves the confirmation of carrier switches by an independent company. Since August 1996, MCI has used TPV to verify virtually all residential and small business sales.

MCI's experience in Florida and nationally has demonstrated the effectiveness of responsibly-operated TPV. During 1996 and 1997, MCI installed long distance service to over 1.4 million new residential customers in Florida. This is by far the largest gross number of long distance carrier switches of any carrier doing business in Florida. MCI's total number of new installations (residential and business) in Florida over this period was in excess of 2 million.

From April 1, 1996 through January 13, 1998, the Commission's Division of Consumer Affairs received 134 consumer complaints against MCI (excluding duplicates) relating to alleged unauthorized PIC changes. Of these complaints, MCI believes that only four involved cases where MCI arguably did not have a good faith basis to change the customer's service. Thus, the total number of complaints represented only approximately one complaint per 20,000 installations, and the total number of customer long distance service PIC changes for which MCI

believes that it did not have a good faith basis represents approximately one change per 500,000 installations.

MCI's national track record is equally compelling. The FCC publishes the Common Carrier Scoreboard Report, which tracks slamming complaints on a nationwide basis. The Report states that in 1996, MCI had less than one complaint per \$10 million in revenue. This places MCI among the industry leaders.

Nevertheless, recognizing that there is always room for improvement in this important area, the Company remains committed to continuing to improve its procedures, as well as continuing to rigorously enforce its existing procedures in order to minimize unauthorized PIC changes, whether caused by inadvertent error or otherwise. Accordingly, and in order to resolve the issues which are the subject of Docket 971486-TI, MCI makes the following offer of settlement and statement:

- 1) A thorough review of the material facts revealed that a substantial number of the complaints regarding unauthorized PIC changes during the period under review involved situations where MCI had received TPV that the customer had authorized the PIC change and had provided his or her date of birth or social security number confirming the TPV call occurred. The customer nevertheless later contended that he or she had not authorized the PIC change. In order to: a) eliminate any doubt as to the substance of the conversations between the TPV representative and the customer, and b) confirm that TPV is conducted according to the procedures established by MCI and the Florida rules and regulations, MCI will agree for a period of three (3) years to record all TPV telephone calls, and MCI assumes the obligation to retain all such audio tapes for a period of one year from the date of the call.

This undertaking will require a substantial capital investment for equipment and software. Moreover, MCI will also incur substantial ongoing costs of taping and

maintenance. MCI will be ready to commence this audio taping system no later than June 1, 1998.

- 2) The Staff noted that a number of MCI's letters in response to customer complaints did not provide adequate information so that the Staff could accurately determine whether an unauthorized PIC change had occurred. MCI agrees to state in its complaint response letters whether or not the Company considers the incident an unauthorized PIC change, and the basis of its conclusion. MCI will also, as part of its response, provide a copy of the audio tape of the TPV call, if applicable. No provision of this Offer of Settlement shall preclude MCI or the Commission and its Staff from presenting additional evidence (beyond that described in the complaint response letters) in any legal, administrative or other proceeding relating to unauthorized PIC change allegations.
- 3) MCI shall establish a toll-free number dedicated to receiving and resolving unauthorized PIC change complaints. MCI shall, in its reasonable discretion, provide notice of this number and its purpose to the public. MCI will cooperate with the Commission in establishing a system whereby customers calling the Commission with complaints of unauthorized PIC changes may be transferred directly to MCI's toll-free line.
- 4) MCI shall invite the Commission management auditors (the "auditors") to conduct a focused review of MCI's PIC Change Process. This review shall include, but not be limited to, a visit to an MCI call center and a TPV facility utilized by MCI at a mutually acceptable time. During this time the auditors will be permitted to interview both MCI and TPV personnel and review the Company's quality control practices and procedures that are designed to minimize unauthorized PIC changes. The review will include an assessment of the Company's long-distance marketing processes from the point the customer is contacted on behalf of MCI, or from the

point the customer contacts MCI to the point that the PIC change is transmitted to the Local Exchange Carrier. The auditors will also be afforded an opportunity to discuss these marketing practices and procedures with appropriate personnel. Upon the conclusion of the auditor's review, MCI will, in good faith, discuss and consider the Commission's suggestions for enhancing practices and procedures used by MCI to protect consumers from unauthorized PIC changes. As with all Commission audits, any information of competitive concern will be handled in a confidential manner.

- 5) MCI commits to engaging in ongoing dialogue and monthly reviews, conducted by conference call if appropriate, with the Commission Staff of complaints lodged against it with the Commission. This review will include, among other things, a discussion of the slamming complaints identified in the Commission's monthly Consumer Activity Report.
- 6) Subject to the conditions stated in Paragraph 8, MCI will offer a voluntary contribution to the State of Florida General Revenue Fund of \$240,000 in settlement of any and all complaints arising from or relating to alleged unauthorized PIC changes that occurred from March 8, 1996 through January 13, 1998.
- 7) Subsequent to the entry of any Order by the Commission approving this offer of settlement, if MCI either admits engaging in, or after the initiation of a Show Cause Proceeding is adjudged to have engaged in, an ongoing pattern of improper conduct involving PIC changes with willful disregard for the requirements of Commission rules or the commitments set forth in this Offer of Settlement or Prior Consent Orders (hereinafter "willful improper conduct"), the Company recognizes that additional enforcement proceedings will be appropriate. MCI firmly believes, however, that many of the complaints which are the subject of this proceeding involved PIC changes caused by inadvertent data entry errors (e.g., transposing numbers in a telephone number provided by a customer requesting a PIC change) or

other situations in which MCI followed both its own policies and the applicable verification requirements of Florida law and therefore did not engage in willful improper conduct deserving of enforcement action. MCI will continue its efforts to minimize the number of unauthorized PIC changes caused by inadvertent error. MCI contends, however, that no future enforcement proceedings should be initiated against it absent a demonstration that it has engaged in willful improper conduct as described above.

- 8) MCI does not, by this Offer of Settlement or otherwise, admit any violation of any statute, Commission Rule, or other rule or regulation, or any facts which might form the basis of a cause of action against the Company. By making this offer of settlement, MCI does not waive any of its legal rights in the event the Commission does not accept this Offer of Settlement, including the right to contest any and all assertions of fact or law set forth in the staff recommendation. If this offer of settlement is accepted by the Commission, it shall be attached to the final order accepting the settlement and closing the docket.

Dated this 26<sup>th</sup> date of April, 1998

MCI Telecommunications Corporation

By 

Thomas F. O'Neil III  
Chief Litigation Counsel