



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

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BWS

DATE: AUGUST 19, 1999

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

FROM: DIVISION OF TELECOMMUNICATIONS (ISLER) *Pji* *DD* *ES*
 DIVISION OF AUDITING & FINANCIAL ANALYSIS (SAAMAN)
 DIVISION OF LEGAL SERVICES (CLEMONS) *pmc* *CB* *[Signature]*

RE: DOCKET NO. 990813-TI - DETERMINATION OF APPROPRIATE METHOD FOR REFUNDING INTEREST ON OVERCHARGED INTRASTATE LONG DISTANCE CALLS PLACED FROM INMATE FACILITIES BY AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC. D/B/A CONNECT 'N SAVE AND D/B/A LUCKY DOG PHONE CO. AND D/B/A ACC BUSINESS.

AGENDA: 08/31/99 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMU\WP\990813.RCM

CASE BACKGROUND

- AT&T Communications of the Southern States, Inc. d/b/a Connect 'N Save and d/b/a Lucky Dog Phone Co. and d/b/a ACC Business (AT&T) provides service for collect calls from several penal institutions around the state.
- On May 1, 1998, AT&T revised its tariff to reflect the following service charges:
 - \$2.45 - Automated interLATA call
 - \$1.25 - Automated intraLATA call
 - \$3.95 - Operator-handled interLATA call
 - \$1.85 - Operator-handled intraLATA call

- On July 22, 1998, staff received a consumer complaint concerning increased charges for calls made on and after May 1.
- On July 31, 1998, AT&T responded to the complaint and stated that due to a system error, all calls originating from a correctional facility served by AT&T was billed the operator-handled charge instead of the automated charge.
- On August 11, 1998, staff wrote AT&T and requested additional information concerning the overcharges.
- On January 20, 1999, AT&T found and corrected the problem.
- On March 10, 1999, AT&T began direct refunds to those consumers overcharged and completed the refunds April 10, 1999. AT&T advised staff it was able to refund all except \$2,779.17, which could not be refunded due to the company's inability to locate the consumers.
- On April 23, 1999, AT&T advised it had completed its investigation and determined that the rate recording requirements implemented by its external prison vendor were not consistent with the May 1st tariff revision. AT&T advised that the total amount overcharged was \$1,076,454.61.
- On August 4, 1999, AT&T advised it would be able to refund the interest on the overcharges by December 31, 1999.
- On August 6, 1999, the Division of Auditing and Financial Analysis provided staff with its interest calculation on the overcharged amount.

Staff believes the following recommendations are appropriate.

DISCUSSION OF ISSUES

ISSUE 1: Should AT&T be required to refund the interest on the overcharges on automated calls originating from correctional facilities directly to those customers overcharged and remit the balance of the overcharged amount to the Commission to be forwarded to the Office of the Comptroller for deposit in the State of Florida General Revenue Fund?

RECOMMENDATION: Yes. Staff recommends that by December 31, 1999, interest in the amount of \$33,681.56 be refunded directly to those customers overcharged. Any interest monies that cannot be refunded should be remitted to the Commission to be forwarded to the Office of the Comptroller for deposit in the State of Florida General Revenue Fund by January 31, 2000. The balance of the amount overcharged, \$2,779.17, that cannot be refunded, should be remitted to the Commission to be forwarded to the Office of the Comptroller for deposit in the State of Florida General Revenue Fund by January 31, 2000. In addition, AT&T should be required to file a report consistent with Rule 25-4.114, Florida Administrative Code, Refunds, with the Commission by January 31, 2000, once all monies have been refunded. (Isler)

STAFF ANALYSIS: On July 22, 1998, staff received a consumer complaint concerning an increase in the cost of interLATA calls from a correctional facility in Florida. Staff asked AT&T to respond to the complaint.

On July 31, 1998, AT&T advised that due to a system error, all calls originating from a correctional facility served by AT&T were billed the operator-handled service charge instead of the automated service charge. The overcharges began May 1, 1998, when the company revised its tariff, and continued until the problem was found and corrected on January 20, 1999. The total amount overcharged was \$1,076,454.61.

AT&T immediately began the programming required to make direct refunds to consumers as soon as the problem was found and corrected. However, AT&T failed to refund the interest required by Rule 25-4.114(4), Florida Administrative Code, Refunds. Of the \$1,076,454.61 overcharged, the company was able to refund all except \$2,779.17, which does not include interest. On August 6, 1999, the Division of Auditing and Financial Analysis provided staff with its calculation of interest on the overcharged amount which totaled \$33,681.56. (ATTACHMENT A) AT&T advised staff that

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it could provide most, if not all, of the interest refunds prior to December 31, 1999.

Therefore, staff recommends that by December 31, 1999, interest in the amount of \$33,681.56 be refunded directly to those customers overcharged. Any interest monies that cannot be refunded should be remitted to the Commission to be forwarded to the Office of the Comptroller for deposit in the State of Florida General Revenue Fund by January 31, 2000. The balance of the amount overcharged, \$2,779.17, that cannot be refunded, should be remitted to the Commission to be forwarded to the Office of the Comptroller for deposit in the State of Florida General Revenue Fund by January 31, 2000. In addition, AT&T should be required to file a report consistent with Rule 25-4.114, Florida Administrative Code, Refunds, with the Commission by January 31, 2000, once all monies have been refunded.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No, if no person, whose interests are substantially affected by the proposed action files a protest within the 21 day protest period, this docket should remain open pending the completion of the refund and receipt of the final report on the refund. After completion of the refund and receipt of the final refund report, this docket may be closed administratively. (Clemons)

STAFF ANALYSIS: Whether staff's recommendation on Issue 1 is approved or denied, the result will be a proposed agency action order. If no timely protest to the proposed agency action is filed within 21 days of the date of issuance of the Order, this docket should remain open pending the completion of the refund and receipt of the final report on the refund. After completion of the refund and receipt of the final refund report, this docket may be closed administratively.



Public Service Commission

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

DATE: August 4, 1999
TO: Paula Isler, Division of Communications
FROM: Eva Samaan, Division of Auditing and Financial Analysis *APC ALM*
RE: Docket No. 990813-TI, ACC Business (AT&T Communications of the Southern States),
Interest Calculation for Refund of Overcharges

Staff has calculated the interest on the overcharges in this show cause proceeding based on a request made by the Division of Communications. Finance staff prepared two analyses for overcharges. Schedule A reflects the overcharges that occurred from May 1998 to January 1999 and computes the associated interest. Schedule B shows the interest calculations on the unrefunded balance of \$2,779.17 and \$32,482.72 in interest accrued through February 1999. The appropriate interest rate is the average 30-day commercial paper rate for each month. The last available interest rate was 5.08% for July 1999. On August 4, 1999, Ms. Rhonda Merritt, sent a letter on behalf of AT&T, stating that they will complete the refund by December 31, 1999. Based on this statement, staff prepared the analysis with the assumption that the amount due will be refunded by that date. The total refund is \$36,460.74, which consists of \$35,261.89 in overcharges and past due interest and \$1,198.84 in interest accrued through December 1999 as shown on the attached schedules.

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cc: Division of Legal Services
Division of Records and Reporting (2)

SCHEDULE A

ACC BUSINESS (AT&T COMMUNICATIONS OF THE SOUTHERN STATES)

MONTH	<u>AVERAGE MONTHLY INTEREST RATE</u>	<u>MONTHLY INTEREST FACTOR</u>	<u>MONTHLY OVER CHARGE</u>	<u>ACCUM. OVER CHARGE</u>	<u>INTEREST ON MONTHLY OVER CHARGE</u>	<u>MONTHLY OVERCHARGE PRINCIPAL & INTEREST</u>	<u>BALANCE FORWARD PLUS INTEREST</u>	<u>REFUND BALANCE</u>	<u>ACCUM INTEREST</u>
MAY 98	5.52%	0.46%	119,606.00	119,606.00	274.84	119,880.84	0.00	119,880.84	274.84
JUNE	5.55%	0.46%	121,200.00	240,806.00	280.28	121,480.28	120,435.29	241,915.57	1,109.57
JULY	5.58%	0.47%	115,300.00	356,106.00	268.07	115,568.07	243,040.48	358,608.55	2,502.55
AUG	5.54%	0.46%	122,783.00	478,889.00	283.42	123,066.42	360,264.12	483,330.55	4,441.55
SEP	5.37%	0.45%	127,800.00	606,689.00	285.95	128,085.95	485,493.45	613,579.41	6,890.41
OCT	5.16%	0.43%	116,426.00	723,115.00	250.32	116,676.32	616,217.80	732,894.11	9,779.11
NOV	5.30%	0.44%	126,725.00	849,840.00	279.85	127,004.85	736,131.06	863,135.91	13,295.91
DEC	5.20%	0.43%	136,878.00	986,718.00	296.57	137,174.57	866,876.17	1,004,050.74	17,332.74
JAN 99	4.86%	0.40%	89,737.00	1,076,455.00	181.53	89,918.53	1,008,112.96	1,098,031.49	21,576.49
FEB	4.83%	0.40%	0.00	1,076,455.00	0.00	0.00	1,102,451.07	1,102,451.07	25,996.07

MONTH	<u>PRINCIPAL</u>	<u>PAYMENT</u>	<u>INTEREST</u>	<u>BALANCE</u>		<u>OVERCHARGE INTEREST</u>	<u>TOTALS</u>
MARCH	1,073,675.83	540,081.24	4,321.55	537,916.13		1,076,455.00	1,076,455.00
APRIL	537,916.13	540,081.24	2,165.11	(0.00)		25,996.07 +	32,482.72
TOTAL			6,486.66	0.00			1,108,937.72
						OVERCHARGES REFUND BALANCE	(1,073,675.83)
						REFUNDED AMT UNPAID BALANCE INTEREST	2,779.17
							32,482.72

SCHEDULE B -

ACC BUSINESS (AT&T COMMUNICATIONS OF THE SOUTHERN STATES)

MONTH	<u>AVERAGE MONTHLY INTEREST RATE</u>	<u>MONTHLY INTEREST FACTOR</u>	<u>MONTHLY OVER CHARGE</u>	<u>ACCUM. OVER CHARGE</u>	<u>INTEREST ON MONTHLY OVER CHARGE</u>	<u>MONTHLY OVERCHARGE PRINCIPAL & INTEREST</u>	<u>BALANCE FORWARD PLUS INTEREST</u>	<u>REFUND BALANCE</u>	<u>ACCUM INTEREST</u>
MAY	4.83%	0.40%	35,261.89	35,261.89	141.78	35,403.68	0.00	35,403.68	141.78
JUNE	4.95%	0.41%	0.00	35,261.89	0.00	0.00	35,549.72	35,549.72	287.82
JULY	5.08%	0.42%	0.00	35,261.89	0.00	0.00	35,700.06	35,700.06	438.17
AUG	5.08%	0.42%	0.00	35,261.89	0.00	0.00	35,851.04	35,851.04	589.15
SEPT	5.08%	0.42%	0.00	35,261.89	0.00	0.00	36,002.66	36,002.66	740.77
OCT	5.08%	0.42%	0.00	35,261.89	0.00	0.00	36,154.93	36,154.93	893.03
NOV	5.08%	0.42%	0.00	35,261.89	0.00	0.00	36,307.83	36,307.83	1,045.94
MONTH	PRINCIPAL	PAYMENT	INTEREST	BALANCE					TOTAL
DEC	36,307.83	36,461.38	152.91	0.00	BAL. FORWARD		35,261.89		35,261.89
TOTAL			152.91	0.00	INTEREST		1,045.94 +	152.91	1,198.84
					REFUND		36,307.83		36,460.74
ACCUMULATED INTEREST		32,482.72							
UNREFUNDED BALANCE		2,779.17							
TOTAL		35,261.89							