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Public Service Commission

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COMMISSION
CLERK

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

DATE: September 8, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Competitive Markets & Enforcement (Curry, Davis) *KLC*
Division of Economic Regulation (Lester) *PL*
Office of the General Counsel (Susac) *31C* *100* *BALM* *[Signature]*

RE: Docket No. 050532-TL – Investigation and determination of appropriate method for refunding overcharges assessed on directory assistance calls by Verizon Florida Inc.

AGENDA: 09/20/05 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED:

PREHEARING OFFICER:

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\050532.RCM.DOC

Case Background

Between February 21, 2005, and March 18, 2005, as part of a routine service quality evaluation, staff conducted tests to evaluate Verizon Florida Inc.'s (Verizon) Directory Assistance (DA). After completing the evaluation, staff determined that Verizon was overcharging for Local Directory Assistance calls. The company billed in compliance with its General Service tariff for directory assistance calls. However, Local Directory Assistance (LDA) calls were improperly classified and billed at the higher National Directory Assistance (NDA) rates. According to Verizon, the overcharges occurred between February 23, 2005, and

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June 15, 2005, and were the result of errors in workstation software updates that took place on February 23, 2005.

The Commission is vested with jurisdiction over this matter pursuant to Sections 364.285 and 364.604.

Discussion of Issues

Issue 1: Should the Commission accept Verizon Florida Inc.'s proposal to issue a refund, plus interest, to all affected customers for overcharges on directory assistance calls from February 23, 2005, to June 15, 2005?

Recommendation: Yes. (Curry, Davis, Lester, Susac)

Staff Analysis: As part of a service quality evaluation, staff determined that Verizon was overcharging for LDA calls. LDA requests were billed at the NDA rate of \$1.25 instead of the correct LDA rate of \$.70. Verizon determined that the overcharges were the result of errors in workstation software updates. According to the company, the software updates were missing a safeguard that would have ensured that the Directory Assistance calls were billed at the correct rates. The problem was corrected as of June 17, 2005.

To resolve the overbilling issue, the company has agreed to do the following:

- Issue a refund plus interest to all customers affected by the directory assistance overcharges that occurred between February 23, 2005 and June 15, 2005.
- Provide staff within 30 days after the issuance of the Proposed Agency Action Order a report indicating the total number of customers that were affected by the overcharges and the amount of revenue that the company received from the overcharges.
- Once the refunds are processed, submit to staff a final report within 90 days after the issuance of the Proposed Agency Action Order. The report will include the following information:
 1. The number of customers refunded;
 2. The amount of money that was refunded including interest; and
 3. The amount of any unclaimed refunds including interest.

At this time, Verizon is unable to determine or estimate the total number of customers that were overcharged for DA calls. However, the company will provide that information to staff in the report that it will submit 30 days after the issuance of the Proposed Agency Action Order. Verizon estimates the overbilled revenue to range anywhere from \$187,000 to \$400,000 depending on the number of customers entitled to unlimited directory assistance. This estimate was based on the comparison of the number of LDA and NDA calls that occurred between February 2005 and June 2005 to the previous six months.

Refunds to customers who are entitled to the refund and are still with Verizon will be issued in the form of a credit to the customers' bill. For customers entitled to a refund but are no longer with the company, Verizon will mail a refund check to the last known billing address except that no refund for less than \$1.00 will be made to these customers. Verizon expects the

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credit and interest to appear on its customers' bills beginning with the first billing cycle in October, which begins October 3, 2005. The credits will be computed on a per customer basis and issued to all affected customers. Customers will receive credit for the difference between the NDA rate of \$1.25 that was billed and the correct LDA rate of \$.70. Customers who subscribe to a local package, which entitles them to unlimited LDA will receive the full \$1.25 credit per call. Interest will be calculated based on the highest 30 day commercial paper rate for the period of February 2005 through August 2005, and will be applied for each month of the overbilling period and each month between the overbilling and the period that refunds are issued (February 2005 to September 2005). Where the interest amount is less than one cent, Verizon will round up to the nearest penny.

Section 364.285(2), Florida Statutes, Penalties; states in pertinent part that

The Commission may, at its discretion, . . . compel the accounting and refund of any moneys collected in violation of this chapter or commission rule.

Section 364.604(2), Florida Statutes, Billing Practices states:

A customer shall not be liable for any charges for telecommunications or information services that the customer did not order or that were not provided to the customer.

Rule 25-4.114, Florida Administrative Code, Refunds, requires that all refunds ordered by the Commission be made in accordance with the provisions of the rule unless otherwise ordered by the Commission. As stated above, Verizon acknowledges that the company did overcharge its customers for directory assistance calls between February 23, 2005, and June 15, 2005, by billing LDA requests at NDA rates. Verizon has therefore agreed to issue a refund plus interest to all customers affected by the overcharges. Based upon the aforementioned, staff recommends that the Commission accept Verizon's proposal to issue a refund plus interest to all affected customers for overcharges on directory assistance calls from February 23, 2005, to June 15, 2005.

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Issue 2: Should this docket be closed?

Recommendation: The Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. As provided by Section 120.(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If the Commission approves Issue 1, Verizon must submit to staff within 30 days after the issuance of the Proposed Agency Action Order a report indicating the total number of customers that were affected by the overcharges and the amount of revenue that the company received from the overcharges. If the Commission's Order is not protested, the company will also submit a final report to staff within 90 days after the issuance of the Proposed Agency Action Order identifying the total number of customers that were refunded, the amount that was refunded including interest, and the amount of any unclaimed refunds including interest. The company will also remit payment of any unrefunded monies to the Commission for deposit in the state of Florida General Revenue Fund. If staff determines that Verizon has complied with the provisions of the Commission's Order, then this docket will be closed administratively. If Verizon fails to demonstrate that it has complied with the provisions of the Commission's Order, then this docket should remain open pending further action. **(Susac)**

Staff Analysis: Staff recommends that the Commission take action as set forth in the above staff recommendation.