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April 24, 2008

VIA Hand Delivery

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 080065-TX - In re: Investigation of Vilaire Communications, Inc.'s eligible telecommunications carrier status and competitive local exchange company certificate status in the State of Florida.

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket, please find an original and 15 copies of the Testimony of Stanley Johnson on behalf of VCI Company d/b/a Vilaire Communications, along with **redacted** copies of Mr. Johnson's Exhibits SJ1 - A through G (pages 1 - 7), and SJ2 - A through F (pages 1 - 6). A Notice of Intent to Seek Confidential Classification for these Exhibits is being filed concurrently with this filing, and will include one highlighted copy of the confidential material, and two redacted copies.

- CMP
- COMS
- CTR
- ECR
- GCL
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- RCA
- SCR
- SGA
- SEC
- OTH

Thank you for your kind assistance with this filing. Please do not hesitate to call me if you have any questions whatsoever.

Sincerely,

Beth Keating

Beth Keating
AKERMAN SENTERFITT

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Enclosures
cc: Stacey Klinzman

DIRECT TESTIMONY OF STANLEY JOHNSON

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Q. Please state your name and business address.

A. My name is Stanley Johnson and my business address is 2228 S. 78th Street, Tacoma, Washington 98409-9050.

Q. Where are you employed, what is your position and what are your duties?

A. I am employed as President of VCI Company, hereinafter referred to as VCI, which does business in Florida as Vilaire Communications, Inc. As President, I am responsible for all aspects of the company's business, including strategic planning, marketing, finances, hiring, firing and supervision of employees.

Q. Please describe VCI's business.

A. VCI is a telecommunications company that provides local exchange telecommunications services primarily to consumers who qualify for the federal Lifeline and Link-Up programs.

Q. Is VCI authorized to provide local exchange service in Florida?

A. Yes. VCI obtained a certificate of public convenience and necessity to provide competitive local exchange service in Florida by Order No. PSC-06-0035-PAA-TX issued January 10, 2006.

Q. Has VCI been designated an Eligible Telecommunications Carrier ("ETC") in Florida?

A. Yes. The Florida Public Service Commission hereinafter referred to as the Commission, designated VCI an ETC by Order No. PSC-06-0436-PAA-TX issued May 22, 2006.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond to some of the allegations and opinions set forth in the testimonies of Robert Casey and Intesar Terkawi filed in this docket. I am not an attorney. Therefore, I will not address testimony interpreting statutes, rules or orders. Furthermore I will not respond to testimony concerning VCI's operations as an ETC because the Commission's assertion of jurisdiction in ETC matters raises federal questions to be adjudicated in federal district court. I am not waiving the company's right to address staff's interpretations of

1 law and regulation or this Commission's assertion of jurisdiction over VCI with respect to its ETC
2 operations. My attorneys will address these matters through motions and briefs, including the post-
3 hearing brief, and/or at the hearing in this proceeding.

4 Q. Are you sponsoring any Exhibits?

5 A. Yes. I am sponsoring the following exhibits:

6 SJ1-A through SJ1-G (Audit document and information requests and VCI responses
7 concerning reconciliation of data reported on VCI's RAF form)

8 SJ2-A through SJ2-F (Customer complaints received by consumer services regarding VCI's
9 late payment fee.)

10 Q. How did VCI respond during the Commission's audit process conducted during the period
11 September – November, 2006?

12 A. VCI cooperated with Commission staff during the pendency of the audit. All information
13 and documents requested by the auditor were submitted in a timely manner.

14 Q. Did VCI fail to submit documents to the auditor for reconciliation of the data reported on
15 the company's RAF form?

16 A. No. VCI cooperated fully with the auditor. VCI provided all documents and additional
17 information explaining why the auditor could not reconcile the data reported on the company's
18 RAF form with the data reported on the documents she requested. A review of the auditor's
19 requests on this topic and VCI's responses reveal the following:

20 The auditor requested the below listed documents and information, which VCI submitted:

21 Request No. 1(2): ...general ledger that supports the amounts stated in forms
22 FCC497

23 Request No. 2(1): Forms 497, 499Q and 499A filed for the period June 2006 –June
24 30, 2007.

25 The auditor requested additional information in Request No. 16:

1 Request No. 16: The RAF (Regulatory Assessment Fee) return filed with the
2 Commission for the year ended December 31, 2006, the company reported revenue
3 of \$64,448.30, less amounts paid to Other Telecommunications Companies of
4 \$47,320. In the G/L, provided to audit staff in response to Document Request No. 1,
5 the company reported an income of \$225,345 for the last six months of the year
6 2006.

7 Please reconcile the G/L provided to the RAF. Are the revenues presented in the
8 provided General Ledger included on the RAF? Include detail describing the type
9 of revenue and the amounts represented on both the RAF and the General Ledger
10 provided. Include Account numbers and dates.

11 VCI responded to Request No. 16 that the general ledger submitted by VCI contained the
12 information asked for in Request No. 1(2) -- figures supporting the amounts stated in the forms
13 FCC 497. VCI explained that the general ledger did not contain amounts representing receipts
14 from billed customers.

15 On October 25, 2007, the company further explained to the auditor that it is not possible to
16 correlate the data reported on the company's RAF and the FCC 497 forms. On Form 497, the
17 company reports the number of Florida customers to which the company has passed through the
18 Lifeline and Link-Up discounts.¹ On the RAF, the company reported revenues collected from
19 customers.

20 The Auditor then submitted Request No. 24:

21 In response to document request no. 2, the company provided the FCC forms 499-Q
22 and 499-A. Please provide detailed documentation to support the dollar amounts
23 shown on these two forms.

24 On November 5, the company responded with a detailed explanation of the types of
25

¹ VCI does not concede the Commission's authority to inquire into, review, interpret, or adjudicate any issues with respect to any documents filed with the FCC or the USAC, including but not limited to VCI's Forms 497.

1 data reported on Forms 499-Q and 499-A taken directly from the instructions on the
2 forms. In sum, on forms 499-Q and 499-A, carriers report aggregate data, i.e., total
3 revenues from all states for the quarter and the year, not revenues by state. VCI
4 could not comply with the auditors request because the auditor asked for VCI to
5 submit revenue data for every state in which it provides service. (Exhibit SJ1A –
6 SJ1-G).

7 Q. Did the auditor ask to be informed of the reason why the reimbursements from USAC are
8 higher than revenues reported to the FPSC?

9 A. No. However, VCI did inform the auditor that the company did not include reimbursement
10 from USAC in the revenues reported on the RAF and explained the reason why data reported on
11 FCC Forms 497 cannot be correlated with the revenues reported on the company's RAF. If the
12 auditor had asked that question, VCI would have responded that not all customers reported on
13 Forms 497 pay the company for service provided.

14 Q. Did the auditor ask for documents supporting VCI's Florida customer revenues?

15 A. No.

16 Q. Has VCI been informed by any Commission staff that it completed the RAF form
17 incorrectly or underreported revenues?

18 A. No.

19 Q. With respect to advertising expenses, is VCI aware of any requirement that a
20 company account for advertising costs on a state by state basis?

21 A. No. VCI is aware of no such requirement.

22 Q. Was VCI informed at any time prior to or during the January 9, 2008 teleconference that
23 staff had obtained additional information from ATT-Florida or the USAC.

24 A. No. VCI's counsel was informed on or about January 14, 2008 that staff had obtained
25 information from ATT-Florida and the USAC.

1 Q. Did Staff inform VCI of specific issues with respect to VCI's business practices at any time
2 prior to the filing of Staff's recommendation?

3 A. Only with respect to the billing of 911 surcharges and the auditor's finding of duplicate
4 Link-Up disbursements.

5 Q. Why did VCI not respond to the auditor's report or meet personally with staff during the
6 period between the auditor's report and the filing of Staff's recommendation?

7 A. VCI was informed during the November 27, 2007 meeting that the audit was complete and
8 VCI was not required, but was permitted, to respond to the auditor's report and that additional
9 information would not change the audit's findings. Furthermore, I was prevented from meeting
10 with staff in January because of other pressing business matters that could not be delayed. If I had
11 been able to meet with Staff on the dates Staff suggested, and Staff had clarified the issues to be
12 addressed, I would have attended a meeting.

13 Q. What is VCI's procedure for posting the receipt of customer payments?

14 A. VCI records the receipt of customer payments on the same day the payment is received in
15 the company's business office.

16 Q. Under what circumstances does VCI charge its customers a late payment fee?

17 A. Payments received in the company's office within fifteen (15) days of the date of mailing of
18 the bill are considered timely. Customers whose payments are received in the company's business
19 office sixteen (16) or more days after the date the bill is mailed are assessed the company's tariffed
20 late payment fee.

21 Q. Does VCI offer its customers options other than U.S. mail by which payments may be
22 made?

23 A. Yes. Customers are able to pay their telephone bills using Moneygram and may pay by
24 credit card over the telephone and such payments are posted by the company on the same day the
25 payment is made.

1 Q. Are there circumstances in which a customer whose payment is automatically deducted
2 from a checking or savings account may be assessed a late payment fee?

3 A. Yes. If insufficient funds are available in the checking or savings account to clear the
4 payment on the date the customer has authorized the company to debit the account, the payment
5 will “bounce.” If the amount due is not collectible from the account on or before the payment due
6 date, the customer is assessed a late payment fee.

7 Q. Do VCI’s customers often make late payments?

8 A. Yes. VCI assumes a great deal of risk in serving low-income consumers. As VCI stated in
9 its ETC application, its customers generally have poor credit and have had service disconnected by
10 BellSouth or another competitive local exchange carrier because of unpaid bills. Furthermore,
11 low-income consumers are highly mobile, often pay their bills after the due date and often make no
12 payment for service at all.

13 Q. Does the Commission have a record of numerous consumer complaints that VCI has
14 assessed late payment fees incorrectly?

15 A. No. In response to VCI’s public records request, the Commission provided records of
16 seven (7) consumer complaints received between November 2006 and August 2007. Among those
17 seven (7) complaints were two complaints made by the same customer regarding the late payment
18 fee. In both instances, VCI demonstrated that the payment was due 15 days after the date of
19 mailing and the payment was received in the company’s business office after the due date. After
20 the first complaint, the company gave the customer a courtesy credit in the amount of the late
21 payment fee. Consumer information records about the second complaint show that the customer
22 admitted to paying late. (Exh. SJ2A-SJ2-F)

23 Q. To date, has Staff provided VCI with information on the customers Staff contacted by
24 telephone post-audit and who Staff alleges VCI assessed incorrect late payment fees?

25 A. No. VCI is unable to review its records and investigate the allegations without customer

1 information. I believe this customer information should have been provided to VCI pursuant to the
2 company's public records request filed with the Commission in February, 2008.

3 Q. Did VCI inform staff at the January 9, 2008 meeting that the late payments staff observed
4 on VCI's bills submitted to the auditor were "coincidence"?

5 A. No. VCI explained at the January 9, 2008 meeting that VCI's customers generally pay late.
6 The word "coincidence" was never mentioned by anyone from VCI present at the teleconference.

7 Q. Did VCI overbill the 911 surcharge to its customers?

8 A. Yes. VCI inadvertently charged Florida customers \$0.75 per line instead of the correct
9 surcharge, which ranges from \$0.41 – \$0.050 per line, depending on the county in which the
10 customer resides.

11 Q. Did VCI review its billing records to determine the extent of the company's overbilling of
12 the 911 charge?

13 A. Yes. The company reviewed its billing records, determined the number of customers that
14 had paid the overcharge and their locations, calculated the amount of the overpayment by location,
15 calculated the amount that should have been paid by customers in that location, and calculated the
16 difference between the amount that had been paid by customers and the amount that should have
17 been paid. The spreadsheet, which was submitted to staff on January 16, 2008, demonstrates that
18 17,817 customers overpaid 911 surcharges by \$4,694.46.

19 Q. To the best of your knowledge, information and belief, does the spreadsheet submitted to
20 staff represent an accurate count of the customers who overpaid the 911 surcharge and who are
21 entitled to a refund or credit?

22 A. Yes, it does.

23 Q. Why does the spreadsheet report fewer lines than those reported on Forms 497?

24 A. Because the Company does not report on Form 497 the customers who paid for service,
25 while the spreadsheet reports only customers who paid the incorrect 911 surcharge.

1 Q. Did VCI submit to staff a plan for refunding or crediting customers for the overpayment of
2 911 surcharges?

3 A. Yes. VCI submitted such a plan on January 16, 2008.

4 Q. Has VCI implemented its plan for refunding or crediting customers for the overpayment of
5 911 surcharges?

6 A. Yes.

7 Q. Has VCI implemented the correct 911 surcharge on its customer bills?

8 A. Yes.

9 Q. What could give Staff the impression that business telephone numbers receive Lifeline
10 credits?

11 A. At the January 9, 2008 teleconference, Staff informed VCI that staff had dialed the
12 telephone numbers listed on VCI customer bills and had reached some businesses. VCI informed
13 Staff, first of all, that many of VCI's customers are disconnected for non-payment. Once a
14 customer is disconnected, the telephone number might be issued to a business customer. Second,
15 VCI depends on its customers to give correct addresses when ordering service. The address given
16 by the customer stands unless ATT-Florida's provisioning system rejects it as a known business
17 address. Additional reasons include that the telephone number was dialed incorrectly or that there
18 was a typographical error in the telephone number on VCI's bill.

19 Q. Does VCI provide any type of service to business customers?

20 A. No. VCI serves only residential customers.

21 Q. Has Staff informed VCI of "erroneous information contained on monthly customer
22 billing"?

23 A. No. The first time VCI heard of this was from Robert Casey's testimony. If Staff will
24 identify the nature and extent of the problem, VCI will endeavor to make necessary changes to the
25 information on its bills.

1 Q. Has VCI provided continuous, quality local exchange telephone service to Florida
2 consumers and contributed significantly to increased knowledge of and subscribership in Lifeline
3 and Link-Up programs?

4 A. Yes. The Commission has provided VCI with records demonstrating a total of seven (7)
5 consumer complaints through February 2008. Furthermore, VCI believes it is the only Universal
6 Service provider that that advertises the availability of the low-income programs using television
7 commercials. VCI's television advertisements reach the widest possible audience, resulting in
8 increased subscribership with VCI. In addition, VCI's television advertisements educate customers
9 of all carriers of the availability of discounted service to low-income consumers, leading to
10 increased subscribership for all carriers.

11 Q. Have Florida consumers been harmed by VCI's offering of local exchange service or
12 Universal Service?

13 A. No. As noted above, the Commission has provided records of seven (7) consumer
14 complaints against VCI. The company did inadvertently overbill the 911 surcharge to its
15 customers. However, VCI's customers overpaid less than \$5,000.00 in 911 surcharges over a
16 period of 17 months, VCI has rectified the situation by crediting customers' bills and is now
17 charging the correct 911 surcharge for the county in which the customer resides.

18 Q. Does this conclude your testimony?

19 A. Yes. However, I reserve the right to file supplemental testimony as additional information
20 and facts come to light with respect to the issues in this proceeding.

CONFIDENTIAL EXHIBIT SJ1-A THROUGH SJ1-G

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**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT**

**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT**

2025 RELEASE UNDER E.O. 14176

**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT**

VCI COMPANY
CONFIDENTIAL RESPONSE TO AUDIT REQUEST NO. 16
(UNDER SEAL)

VCI
Company

**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT**

Audit Request No. 24:

CONFIDENTIAL EXHIBIT SJ2-A THROUGH SJ2-F

DOCUMENT NUMBER-DATE

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VCI COMPANY

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