

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: January 6, 2005

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

FROM: Division of Competitive Markets & Enforcement (Watts)
Office of the General Counsel (Rockette-Gray)

RE: Docket No. 041362-TI – Investigation and determination of appropriate method for refunding Universal Service Fund overcharges by Supra Telecommunications and Information Systems, Inc.

AGENDA: 01/18/05 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\041362.RCM.DOC

Discussion of Issues

Issue 1: Should the Commission accept Supra Telecommunications and Information Systems, Inc.'s proposal to issue refunds in the amount of \$221,535.31, plus interest of \$3,604.71, for a total of \$225,140.02, to the affected customers for apparent overcharges for Universal Service Fund contributions for the period April 2003 to August 2004?

Recommendation: Yes. (Watts, Rockette-Gray)

Staff Analysis: On July 28, 2004, the Florida Public Service Commission (Commission) received a consumer complaint against Supra Telecommunications and Information Systems, Inc. (Supra) regarding the amount of the Universal Service Fund (USF) charge on his bill. Interexchange telecommunications companies (IXCs) are required by the Federal Communications Commission (FCC) to contribute to the federal USF. The amount of the contribution is based on the revenues collected for interstate telecommunications services.

Upon investigation of the complaint, Supra found that it had been improperly calculating its USF contribution since April 1, 2003. Prior to that date, Supra billed its long distance

customers according to per-minute charges for each long distance telephone call. Supra's systems for both billing (the billing system) and calculating the USF charge (the USF system) accessed a module that tracked the minutes of use (MOU) for each customer (the MOU module). Each system calculated the revenue from the MOU information independently for its respective purpose.

In April 2003, Supra began offering what it referred to as an "unlimited" long distance calling plan for a flat fee. The customer could call anywhere within the United States and Canada for a flat fee, up to a maximum of 5,000 minutes. If a customer exceeded 5,000 MOU in a billing period, all minutes over 5,000 would be billed at a per-minute rate. Thus, Supra modified its billing system to conform to the new parameters. The 5,000-minute ceiling on the flat rate package required Supra to retain its MOU module so the billing system could accurately identify and bill for the additional minutes used.

The USF system, however, no longer needed to access the MOU module since the USF contribution is based on interstate revenue rather than on MOU. The USF system should have been modified to access the billing system to determine the appropriate USF contribution. Instead, it continued to access the MOU module and calculate the revenues on a per-minute basis. Thus, if the customer's usage for a given billing period would have resulted in higher charges under the old system than the current flat rate, the customer was overcharged for the USF fee. Likewise, if the customer's usage would have resulted in lower charges under the old system than the current flat rate, the customer was undercharged for the USF fee. Supra will issue refunds for those customers that were overcharged, as described in this recommendation. Supra will not bill those customers that it undercharged for the USF fee.

The FCC requires that all money collected from customers for the USF be remitted to the Universal Service Administrative Company (USAC). Supra stated that it complied with this requirement.

Supra audited its records to determine the amount of overcharges and undercharges on a per-customer basis for the period April 2003 to August 2004. Supra found that, in aggregate, it overcharged its customers in the amount of \$221,535.31. Staff calculated the interest on these overcharges to be \$3,604.71. Therefore, the Commission should accept Supra Telecommunications and Information Systems, Inc.'s proposal to issue refunds in the amount of \$221,535.31, plus interest of \$3,604.71, for a total of \$225,140.02, to the affected customers for apparent overcharges for Universal Service Fund contributions for the period April 2003 to August 2004. The Commission has jurisdiction over this matter pursuant to Section 364.604, Florida Statutes.

Issue 2: Should this docket be closed?

Recommendation: The Order issued from this recommendation will be a proposed agency action. Thus, the Order will become final and effective upon issuance of the Consummating Order if no person whose substantial interests are affected timely files a protest within 21 days of issuance of the Order. The company should submit a report within 30 days of the issuance of the Consummating Order to the Commission stating, (1) how much money was refunded to its customers, (2) the number of customers, and (3) the amount of money due to those customers that cannot be located; and remit any amounts due to customers that cannot be located to the Commission for deposit in the State of Florida General Revenue Fund. Upon receipt of Supra's report and staff's review, this docket should be closed administratively. **(Rockette-Gray)**

Staff Analysis: The Order issued from this recommendation will be a proposed agency action. Thus, the Order will become final and effective upon issuance of the Consummating Order if no person whose substantial interests are affected timely files a protest within 21 days of issuance of the Order. The company should submit a report within 30 days of the issuance of the Consummating Order to the Commission stating, (1) how much money was refunded to its customers, (2) the number of customers, and (3) the amount of money due to those customers that cannot be located; and remit any amounts due to customers that cannot be located to the Commission for deposit in the State of Florida General Revenue Fund. Upon receipt of Supra's report and staff's review, this docket should be closed administratively.