

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: October 30, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Compliance (Bates, Simmons)
Office of the General Counsel (Morrow)

RE: Docket No. 080652-TL – Review of tariff filing (T-080639) by Verizon Florida LLC to establish bill credit trial.

AGENDA: 11/13/08 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\RCP\WP\080652.RCM.DOC

Case Background

On September 12, 2008, Verizon Florida LLC (Verizon or the Company) filed a tariff (T-080639) to offer a six-month trial wherein a portion of the residential customers who experience three or more “no dial tone” (NDT) conditions, or two or more repair issues within 30 days of a new, change, or move order would receive a bill credit of \$20.00. The trial period is September 15, 2008 through March 12, 2009. A copy of the pertinent tariff page is included as Attachment 1 to this recommendation.

This bill credit trial is similar to the one approved in Docket No. 080230-TL, Order No. PSC-08-0342-PAA-TL and Order No. PSC-08-0413-CO-TL. This trial differs from the earlier one in that:

- the new bill credit is \$20.00, whereas the previous bill credit was \$25.00;
- customers now may qualify based on three or more NDT conditions, as well as the previous two or more repair issues criterion;
- the percentage of qualifying customers receiving the bill credit is now 30% as compared to 50% under the previous trial; and
- the new trial is available only to non-FiOS subscribers.

Both trials were designed to test the same retention marketing strategy, albeit the particulars differ somewhat. Pursuant to Section 364.057(1), Florida Statutes, the Commission is authorized to approve rates on an experimental or transitional basis to test marketing strategies.

These bill credit trials share some similarities with Verizon's Service Performance Guarantee (SPG), which is described in a different section of the same tariff, although the trials are incremental to this existing program and differ in some important respects. Under Verizon's SPG, if a residential customer's requested installation or repair of Company-owned facilities is not completed as agreed, the customer may request a \$25.00 credit. A comparison of Verizon's existing SPG to the trials reveals the latter relates to recent order activity and provides a company-initiated bill credit, rather than a credit upon customer request. Verizon's existing SPG program was not established by petition to the Commission under Rule 25-4.085 – Service Guarantee Program, Florida Administrative Code. In this instance, as with its existing SPG program, the Company is not seeking relief from Commission service standards.

Pursuant to Section 2.07.C.5.a.(15) of the Administrative Procedures Manual (APM), staff has administrative authority to process filings that are compliant with Section 364.051, Florida Statutes. Since the bill credit will not be provided to all qualifying customers, the filing does not appear to be compliant with this section, which precludes staff from processing this filing administratively. For this reason and because this filing may qualify for approval under Section 364.057(1), Florida Statutes, staff is seeking a determination from this Commission regarding whether this tariff should be allowed to remain in effect or be canceled.

Discussion of Issues

Issue 1: What action, if any, should the Commission take with respect to Verizon's Tariff Filing (T08-0639) to establish a bill credit trial?

Recommendation: Staff recommends that Verizon's tariff filing (T-080639) to establish a bill credit trial be approved pursuant to Section 364.057(1), Florida Statutes, for the period September 15, 2008 through March 12, 2009. If the Commission finds to the contrary and determines that the tariff should be canceled, Verizon should be required to issue bill credits to 100% of the residential customers who experience three or more NDT conditions or two or more repair issues within 30 days of a new, change, or move order, over the pendency of the tariff. **(Bates, Simmons, Morrow)**

Staff Analysis: As discussed in the Case Background, Verizon's tariff filing offers a six-month trial providing bill credits to a portion of the residential customers meeting the tariff criteria. Marketing experiments often utilize a test group and a control group to gauge the effectiveness of an initiative being considered for general application.

Section 364.057(1), Florida Statutes, authorizes the Commission to approve rates on an experimental or transitional basis to test marketing strategies:

The commission is authorized to approve rates it determines to be in the public interest on an experimental or transitional basis for any telecommunications company to test marketing strategies. The application of such rates may be for limited geographic areas and shall be for a limited period of time specified at the time of approval of such rates.

This statute provides a basis for approving Verizon's tariff to test a retention marketing strategy. Since a bill credit reduces the effective rate paid by the residential customer, staff believes the statute can be applied in this instance. Further, the company plans to run the trial for six months, which meets the criterion in Section 364.057(1), Florida Statutes, that the experiment be for a "limited period of time."

If the trial is successful, this or a similar program likely will be extended to all customers with the same service issues in the future. This potential outcome leads staff to conclude the trial is in the public interest.

Therefore, staff recommends Verizon's Tariff Filing (T-080639) to establish a bill credit trial be approved pursuant to Section 364.057(1), Florida Statutes, for the period September 15, 2008 to March 12, 2009. If the Commission finds to the contrary and determines the tariff should be canceled, Verizon should be required to issue bill credits to 100% of the residential customers who experience three or more NDT conditions or two or more repair issues within 30 days of a new, change, or move order, over the pendency of the tariff.

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 the issuance of this Order. In the event of a timely protest, the tariff should remain in effect pending the outcome of further proceedings. **(Morrow)**

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 the issuance of this Order. In the event of a timely protest, the tariff should remain in effect pending the outcome of further proceedings.

VERIZON FLORIDA LLC

GENERAL SERVICES TARIFF

2nd Revised Page 26
 Canceling 1st Revised Page 26

A2. GENERAL REGULATIONS

A2.11 Trials

.1 The following trial is on file with the Florida Public Service Commission:

	Area of Trial	Service	Application	Period	
1)	Company's Service Territory	Residential Services	<p>Qualified customers are eligible residential customers who during the trial period experience two or more repair problems within 30 days of a New, Change or Move order.</p> <p>Up to 50% of qualifying customers will receive an automatic one-time proactive repair credit of \$25.00.</p> <p>Qualifying customers are limited to one during this trial period. This trial may not be combined with any other promotional offers except as authorized by Verizon.</p>	04/17/2008 – 08/25/2008	
2)	Company's Service Territory	Residential Services	<p>Qualifying customers are residential, non-FiOS customers who during the trial period experience 3 or more "no dial tone" (NDT) conditions or 2 or more repair issues within 30 days of a New, Change or Move Order.</p> <p>Up to 30% of qualifying customers who agree not to disconnect their service and satisfy the above eligibility criteria will receive an automatic one-time proactive repair credit of \$20.</p> <p>This offer is limited to one per customer and cannot be combined with any other promotional offers except as authorized by Verizon.</p>	09/15/2008 - 03/12/2009	(N)

MICHELLE ROBINSON, PRESIDENT
 TAMPA, FLORIDA

EFFECTIVE: September 15, 2008
 ISSUED: September 12, 2008