

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

MEMORANDUM

January 17, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF APPEALS (WYROUGH) *WEW*  
DIVISION OF CONSUMER AFFAIRS (HANNA) *GA*  
DIVISION OF COMMUNICATIONS (RUSSO) *GA*  
DIVISION OF RESEARCH (MAHONEY) *GA*

RE : ~~DOCKET NO.:~~ 900959-TP - PROPOSED AMENDMENTS TO RULE 25-4.107, F.A.C., INFORMATION TO CUSTOMERS, PERTAINING TO EXTENDED PAYMENT PLAN FOR THE PAYMENT OF SERVICE CONNECTION CHARGES

AGENDA: 1/29/91 - CONTROVERSIAL AGENDA - PARTIES MAY PARTICIPATE

PANEL : FULL COMMISSION

CRITICAL DATES: NONE

RULE STATUS: PROPOSAL MAY BE DEFERRED

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**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission propose to amend Rule 25-4.107, F.A.C., titled Information to Customers?

**RECOMMENDATION:** Yes, the Commission should propose to amend Rule 25-4.107, F.A.C., titled Information to Customers.

**STAFF ANALYSIS:** Rule 25-4.107, F.A.C., Information to Customers, promulgates the Commission's requirements of telecommunications companies regarding the substance of information that must be provided to customers at the time of initial contact with the company. The proposed rule revision adds the requirement that each company inform parties applying for service, or requesting service information, of the availability of the company's extended payment plan for the payment of service connection charges. The new language specifies that the information provided shall include, but not be limited to, information on rate amounts and installment time

DOCUMENT NUMBER-DATE

00601 JAN 17 1991

FPSC-RECORDS/REPORTING

**DOCKET NO. 900959-TP**  
**January 17, 1991**

periods and procedures.

The purpose of this rule revision is to insure that all customers who wish to have telephone service, but have financial barriers to doing so, are adequately informed of the company's plan for extended payment of service connection charges. The availability of such a plan enhances the public policy goal of making basic telecommunications services available to all residents at reasonable and affordable prices.

The Division of Consumer Affairs has received requests for assistance from customers who have a perceived inability to pay the initial installation charges. Some of these customers have been unaware the company offers extended payment plans.

The responses of companies to the Division of Research indicate that the mechanical costs of meeting the additional requirements of the rule revision would be minimal. (See Table 1 of the attached EIS for estimated total costs). However, the companies have expressed concerns about the cash flow problems that would result if more customers opt for the extended payment plans. There are also concerns of an increase in uncollectibles resulting from new customers who cannot or will not pay their bills.

Staff recognizes that the extended payment option can result in additional costs to the companies. However, the Commission has expressed a policy that such a plan is in the public interest and should be offered as an option to customers. This policy has little effect if all customers are not made aware of it. It would be especially undesirable for companies to pick and choose who gets this information and who does not. This type of discrimination would be meritless and unacceptable. Therefore, staff recommends the rule revision be adopted.

Attachment A is the Economic Impact Statement and Attachment B is the revised rule.

**ISSUE 2:** After this rule revision has been filed with the Department of State and becomes effective, should this docket be closed?

**RECOMMENDATION:** Yes.

**DOCKET NO. 900959-TP**  
**January 17, 1991**

**STAFF ANALYSIS:** This docket need not remain open after the rule becomes effective.

**WEW:prl**  
**Attachments**  
**REC90959.WEW**

### DIRECT COSTS TO THE AGENCY

There should be no direct agency costs occasioned by adoption of the proposed rule revision. In fact, staff time spent addressing inquiries should decrease with implementation of the rule revision. Over the past few months, the Consumer Affairs Division has received several requests from customers for financial assistance with initial installation of service. These requests have occurred due to customers' perceived inability to pay the initial costs required for installation of telephone service. Although companies assert they do work with potential subscribers who might have problems paying initial service charge costs, some of these customers either have not received this information, or have not understood it. Subsequently they have turned to the Commission for assistance. Implementation of the proposed revision would eliminate or reduce these requests for assistance.

### COSTS AND BENEFITS TO THOSE PARTIES DIRECTLY AFFECTED BY THE RULE

Twelve of the thirteen local exchange companies (LECs) responded to a data request for information on costs and benefits. Vista-United did not submit a response.

Four of the twelve companies responding provided cost information. (Table 1). One of the four responding companies, Southland, estimated an annual additional cost of \$3,000 should the rule revision be adopted, but provided no supporting data upon which to base this estimate. The remaining three companies (General, Southern Bell, and United) submitted cost information based on the number of contacts for 1989 and the additional estimated cost per contact. The companies indicated costs ranging from 24.8 cents per contact to 75.62 cents per contact. Total maximum estimated costs based on 1989 figures are: United,

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\$206,600; Gentel, \$122,648; and Southern Bell, \$253,952. Table 1 illustrates the full scope of the data provided. These three companies account for approximately 95 percent of the local exchange business and residential service within the state. These companies would provide an adequate representative base of cost estimates for implementation of this rule change.

None of the companies indicated severe concern with the costs involved in providing the information to customers. In fact, nearly all responding companies indicated the mechanical cost of meeting the rule revision requirement would be minimal.

The major concern of those utilities was the peripheral effects the revision could have on cash flow. These concerns appear best expressed by Southern Bell as outlined below:

Offering the extended payment plan to all applicants for service would result in the following additional costs and effects, which can only be quantified in part at this time:

- o A reduction in cash flow for the company would result as more customers accept the extended payment option.
- o Higher costs for additional short-term borrowing resulting from reduced cash flow.
- o An increase in uncollectibles may result. If customers are disconnected for nonpayment, and the extended payment plan charges have not yet been paid, there will be an increase in uncollectible levels.
- o An increase in charges to other customers could be needed if installation changes for extended payment plan customers are not recovered.

All responding LECs stated they could foresee no cost savings or benefits as a result of the rule revision. In summary, the companies do not appear unduly concerned with the estimated cost of actually implementing the rule

but do have very real concerns about the ancillary costs which could occur. It can logically be assumed that some additional customers will opt for extended payment when notified of its availability. Depending upon the percentage of customers opting for the extended payment plan, some cash flow problems may occur, possibly to the point where additional short-term borrowing will be required creating additional expense. In addition, there will be some unquantified number of those additional customers opting for extended payment which will become bad debts. This will result in an increase in uncollectible amounts. Any negative economic impact caused by either additional debt service or increased uncollectibles will result in expenses which will be borne by the general body of ratepayers of the affected company.

#### INDIRECT COSTS AND BENEFITS OR SOCIETAL COSTS AND BENEFITS

It is possible some indirect costs would accrue to the subscriber body in the event circumstances evolved as outlined above by Southern Bell.

A particular segment of the public body would benefit by increased accessibility to telephone service. As is evidenced by those members of the public who have contacted the Division of Consumer Affairs, there are persons desiring telephone service who can afford this service on a time payment plan but cannot pay all installation charges up front. These same contacts provide evidence that not all companies in all cases are providing time payment assistance to those wanting or needing time payments. The rule revision would be of benefit to these persons.

#### IMPACT ON SMALL BUSINESSES

There would be no impact on small businesses as defined in Section

120.54, Florida Statutes, Florida Small and Minority Business Assistance Act of 1985, as none of the local exchange companies are small businesses.

#### IMPACT ON COMPETITION

There would be no impact on competition as all affected companies are LECs who are certificated as the only entity allowed to provide local exchange service within their certificated service area.

#### IMPACT ON EMPLOYMENT

There should be no increase or decrease in employment. The slight decrease in complaints to the Commission that is anticipated, and the minimal amount of time estimated by the utilities to provide the additional required information on initial contacts, indicate no measurable impact on either group.

#### METHODOLOGY

Discussions were held with the Division of Legal Services, Division of Communications, and Division of Consumer Affairs. Data requests were distributed to the LECs, and follow-up telephone conversations were held. Standard microeconomic analysis was applied to the data.

PEM:jn/e-infocu



TABLE 1

Company	Number of Contacts in 1989	Additional Cost per Contact	Additional Time per Contact	Estimated Additional Total Cost
Southland	?	?	?	\$ 3,000
United	217,854	0.7562¢	02-03 min	137,700-206,600
Gentel	411,971	0.2977¢	45-60 sec	122,648
Southern Bell	1,024,000	0.2480¢	22.50 sec	253,952

1           25-4.107 Information to Customers.

2           (1) Each company shall provide such information and  
3 assistance as is reasonable to assist any customer or applicant  
4 in obtaining telephone service adequate to his communications  
5 needs. At the time of initial contact, each company shall advise  
6 the person applying for or inquiring about residential or single  
7 line business service of the rate and the connection charge for  
8 the least expensive one party basic local exchange telephone  
9 service available to him unless he requests specific equipment or  
10 services. Each company shall inform the person applying for  
11 service or making the request for information of the availability  
12 of the company's extended payment plan for the payment of service  
13 connection charges. The information provided shall include, but  
14 not be limited to, information on rate amounts and installment  
15 time periods and procedures. The person shall also be informed  
16 of the availability and rate for a "No Sales Solicitation"  
17 listing. In any discussion of enhanced or optional services,  
18 each service shall be identified specifically, and the price of  
19 each service shall be given. Such person shall also be informed  
20 of the availability of and rates for local measured service, if  
21 offered in his exchange.

22           (2) At the earliest time practicable, the company shall  
23 provide to that customer the billing cycle and approximate date  
24 he may expect to receive his monthly billing.

25 Specific Authority: 350.127(2), F.S.

CODING: Words underlined are additions; words in  
~~struck-through~~ type are deletions from existing law.

1 | **Law Implemented: 364.03, 364.04, F.S.**

2 | **History: New 7/6/89, Amended 11/30/86, 11/28/89**

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