

FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

AUGUST 15, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF COMMUNICATIONS [MCNULTY] *AK*
DIVISION OF LEGAL SERVICES [KURLIN] *AK*

RE : DOCKET NO. 910539-TI: PROPOSED TARIFF FILING WOULD
ESTABLISH AT&T CIID/891 CARD INCENTIVE PLAN AS A
PROMOTIONAL OFFERING BY AT&T COMMUNICATIONS OF THE
SOUTHERN STATES (T-91-193 FILED 4/29/91)

AGENDA: AUGUST 27, 1991 - CONTROVERSIAL - PARTIES MAY PARTICIPATE

CRITICAL DATES: COMPANY FILING SUSPENDED ON MAY 9, 1991 - COMPANY
REQUESTS AN EFFECTIVE DATE OF AUGUST 27, 1991; AN END
DATE OF DECEMBER 31, 1991 FOR ELIGIBILITY; AND AN END
DATE OF DECEMBER 31, 1992 FOR APPLYING THE PROPOSED
DISCOUNT TO CALLING CARD MTS RATES

SPECIAL INSTRUCTIONS: NONE

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve AT&T Communications of the Southern State's tariff filing to establish the AT&T CIID/891 Card Incentive Plan as a promotional offering, to become effective August 27, 1991, thereby waiving Rule 25-24.485(1)(i) restricting promotional offerings to one three month period for the purposes of this promotional offering?

RECOMMENDATION: Yes, the Commission should approve AT&T Communications of the Southern State's tariff filing to establish the AT&T CIID/891 Card Incentive Plan as a promotional offering, to become effective August 27, 1991 and to expire as of December 31, 1992, thereby waiving Rule 25-24.485(1)(i) restricting promotional offerings to one three month period for the purposes of this promotional offering.

STAFF ANALYSIS: AT&T Communications of the Southern States (ATT-C) proposes to offer to its MTS customers who use the new AT&T CIID/891 Calling Card a one-year promotional offering described in
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the attached tariff filing (Attachment A, Page 5). While this filing offers customers one year of discounts it will be effective in the tariffs for 16 months. AT&T is preparing to introduce the new AT&T CIID/891 Calling Card throughout the country, and is attempting to coordinate in each of its regions a promotional program which will entice people to use the card. The Company proposes to offer customer discounts on MTS usage rates charged to its new AT&T CIID/891 Calling Card in the form of a rebate awarded one year after the month the customer receives their new calling card.

This tariff filing was originally brought before the Commission at the May 9, 1991 Agenda. At that time, ATT-C stated that the Company wished to suspend the filing due to delays in gaining approval from the Federal Communications Commission (FCC) for the interstate version of the promotional offering. The Commission approved the Company's request for suspension of the filing (Order No. 24637).

Delays in the interstate filing resulted from a petition to the FCC by credit card companies (Joint Petitioners). The petitioners requested the FCC reject or suspend the filing based on their claim that the proposed 15% discount on MTS rates allows undue preference to AT&T CIID/841 calling card customers not given to AT&T MTS customers who bill their calls to other credit and calling cards. In reply, AT&T argued that the AT&T CIID/891 calling card is unlike other cards since it is more secure against fraud and more accurate for billing purposes. In addition, AT&T stated that the AT&T CIID/891 calling card discount could be justified on a cost basis. AT&T argued that it costs the Company less to process AT&T CIID/891 calling card calls than other credit card calls. On July 19, 1991, the FCC denied the petition to reject or suspend the interstate filing. However, ATT-C agreed to reduce the discount percentage on MTS rates from 15% to 10%.

On July 22, 1991, ATT-C resubmitted its intrastate tariff filing for the AT&T CIID/891 calling card promotional offering to reflect the adjusted reduction in MTS rates and the new effective date (September 1, 1991).

The terms are specified clearly in the intrastate filing. Customers who attain total charges of \$30 or more for three consecutive months in combined intrastate and interstate MTS billed to an AT&T CIID/891 Card account will receive a credit in the amount of 10% of total Calling Card MTS usage charges applied to that three month period. To be eligible for the credit, the customer must have received their AT&T CIID/891 Calling Card on or before December 31, 1991. The credit will apply to each successive

three calendar month period in which the customer attains a minimum of \$30 in eligible usage. This offer is good for a period of one year after the first full calendar month following the customer's receipt of the AT&T CIID/891 Card.

A third-party contracted firm will handle the credit reimbursements through either a certificate towards ATT-C services or a certificate redeemable for goods and services at participating vendors. Each CIID/891 credit card customer will be informed whether they achieved the minimum calling usage necessary to receive the discount for their previous period's call usage. They will be informed about this by the contracted firm immediately after each 3-month period.

The Company hopes to increase market penetration and acceptance of the AT&T CIID/891 Calling Card by giving customers an opportunity to purchase MTS usage initiated via the calling card at less than the current tariffed rates for calls originated through other types of calling cards. The Company believes this promotional offer is a means of encouraging customers to memorize the CIID number appearing on the card or to carry the card with them in order to be able to read or dial the CIID number. The current AT&T card has an identification number which is often the same as the customer's own telephone number, whereas the new card requires greater effort on the part of the customer since he must learn a new 14 digit number.

The Commission requires that ATT-C's MTS rates meet or exceed the access rates it pays to the LEC in the aggregate. Since charges for credit card calls include a per call service charge of \$.80 in addition to usage rates, staff does not believe that a 10% reduction in usage rates through this discount would reduce the charges for MTS calls to the point where MTS rates failed to meet or exceed access charges.

Staff believes that the intent of the Company to increase market penetration and acceptance of the AT&T CIID/891 Calling Card through the proposed calling card incentive plan is appropriate. Staff takes this position because the card offers greater security and convenience to the customer than is currently available with the AT&T Calling Card, and does so at no additional cost to the customer (Order No. 24473).

Commission Rule 25-24.485(1)(i) states that temporary rate reductions, such as the one proposed in this filing, should not result in any individual customer being able to receive temporarily reduced rates for a given service offering for more than 90 days in any twelve month period. In its letter accompanying this filing,

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ATT-C has requested waiver of this rule for the purposes of this filing only. Staff agrees that the waiver of this rule is appropriate in this case since the object of the Company is to change card loyalty and to encourage card users to memorize their 14 digit CIID number, which would probably require a test period longer than three months for many users of the card.

ATT-C claims that it cannot determine the revenue effect of this promotional filing. Predicting the revenue effect is not possible since the Company has no previous promotional data reflecting the current circumstances (introduction of a new card along with discount).

Staff believes that the AT&T CIID/891 Card Incentive Plan as it appears in the proposed tariff filing is appropriate since it encourages customers to utilize a type of calling card which offers significant security advantages over the existing AT&T Calling Card. Staff recommends that the Commission waive Rule 25-24.485(1)(i) restricting promotional offerings to one three month period for the purposes of this promotional offering, and approve ATT-C's tariff filing to establish the AT&T CIID/891 Card Incentive Plan as a promotional offering, to become effective August 27, 1991 and to expire on December 31, 1992.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed upon expiration of the protest period.

STAFF ANALYSIS: Staff recommends that this docket be closed upon expiration of the protest period, if no protest is received, since there are no other pending issues regarding the filing.

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ISSUED: April 26, 1991
BY: Mr. Don Stewart - Tariff Director

EFFECTIVE: August 27, 1991

A13. OTHER SERVICES

A13.1 PROMOTIONAL OFFERING (Cont'd)

A13.1.1 (Cont'd)

- E. AT&T CIID/891 Card Incentive Plan - Customers who attain total charges of \$30 or more for three consecutive months in combined intrastate and interstate LDMTS billed to an AT&T CIID/891 Card account will receive a credit in the amount of 10% of the total charges. (N)

Customers who receive their AT&T CIID/891 Cards on or before December 31, 1991, will be eligible for the credit. The credit will apply in each successive three calendar month period in which the Customer attains at least \$30 in eligible usage for a period of one year after the first full calendar month following the customer's receipt of the AT&T CIID/891 Card. The credit will be issued to Customers annually, and at the option of the Customer, in the form of a certificate redeemable for AT&T services or a certificate redeemable for goods and services at participating vendors.

Conference Service and Custom Network Service usage is not eligible for the credit. (N)