



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

RECORDS AND REPORTING

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**DATE:** JUNE 18, 1998

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF LEGAL SERVICES (PELLEGRINI) *MB*  
 DIVISION OF CONSUMER AFFAIRS (STOKES) *MB*  
 DIVISION OF COMMUNICATIONS (BIEGALSKI) *KB*

**RE:** DOCKET NO. 971488-TI - INITIATION OF SHOW CAUSE PROCEEDINGS AGAINST INTERCONTINENTAL COMMUNICATIONS GROUP, INC. D/B/A ICLD FOR VIOLATION OF RULE 25-4.118, FLORIDA ADMINISTRATIVE CODE, INTEREXCHANGE CARRIER SELECTION.

**AGENDA:** 06/30/98 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\CMU\WP\971488.RCM

### CASE BACKGROUND

Intercontinental Communications Group, Inc. d/b/a ICLD (ICLD), certificate number 4027, is a provider of interexchange telecommunications service and was certificated on June 14, 1995. ICLD reported gross operating revenues of \$13,599,141.47 on its Regulatory Assessment Fee Return for the period January 1, 1997, through December 31, 1997. As a provider of interexchange telecommunications service in Florida, ICLD is subject to the rules and regulations of this Commission.

From January 1, 1996, until June 3, 1998, the Division of Consumer Affairs has closed a total of 24 complaints against ICLD as unauthorized carrier change (slamming) infractions in apparent violation of Rule 25-4.118, Florida Administrative Code. Based on the number of complaints received by the Division of Consumer Affairs as apparent slamming violations, staff opened this docket to investigate whether ICLD should be required to show cause why it should not be fined or have its certificate canceled, pursuant to

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FPSC-RECORDS/REPORTING

Section 364.285, Florida Statutes. However, prior to the initiation of show cause proceedings, ICLD submitted an offer to settle the case. (Attachment A, Pages 5-7)

#### DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission accept the settlement offer proposed by ICLD to resolve the apparent violations of Rule 25-4.118, Florida Administrative Code, Interexchange Carrier Selection?

**RECOMMENDATION:** Yes. (Biegalski)

**STAFF ANALYSIS:** On June 9, 1998, ICLD met with staff to discuss the pending show cause case. The company explained that in October 1996, ICLD entered into an agent's agreement with Telecommunication Marketing, Inc. (TMI) The contract specifically stated that it did not authorize the use of sweepstakes, contest entry, or similar methods of soliciting customers. Despite this clause in the agreement, TMI marketed through the use of sweepstakes. ICLD states that upon learning of the marketing procedure used by TMI, it terminated the contract. Absent the complaints caused by this one agent, ICLD has had no known slamming complaints in Florida. ICLD has made every effort to ensure customer satisfaction and has offered credits where appropriate.

On June 12, 1998, ICLD submitted its offer to settle. Thereafter, ICLD made itself available to staff to answer any questions regarding the complaints and the settlement offer. In its settlement offer ICLD agreed to do the following:

- For a period of one year, ICLD will independently verify 100% of all Florida orders initiated by an LOA. For a six month period following that, ICLD will independently verify 50% of all Florida orders authorized by LOA.
- For a period of one year, ICLD will mail an information package with prepaid postcards to 100% of all Florida sales generated by telemarketing (and verified by independent third party verification). For a period of six months following that, ICLD will mail an information package to 50% of all Florida orders generated by

telemarketing (and verified by independent third party verification).

- ICLD will formally adopt its previously unwritten "Satisfaction Guarantee" policy, under which ICLD will incur the PIC change fee to return any customer to his or her carrier of choice if, for any reason, the customer is not satisfied with ICLD's service. In addition, ICLD will re-rate all calls to consumer's previous carrier.
- ICLD will make a contribution in the amount of \$50,000 to the General Revenue Fund of the State of Florida, with no admission of liability or wrongdoing.

Staff supports ICLD's proposal to verify 100% of all Florida orders generated by LOA for a one year period followed by 50% for a six month period. Staff believes this will allow ICLD to better evaluate the information on the LOA to reduce the occurrence of forgery. Staff also supports ICLD's proposal to mail an information package to 100% of all Florida sales generated by telemarketing in addition to third party verification for a period of one year followed by 50% for a six month period. Staff believes this is an additional step to ensure the customer authorized the change of long distance providers. In addition, formally adopting its "Satisfaction Guarantee" policy will ensure that the consumer will incur no fee for the unauthorized switching of their long distance provider.

The company has satisfactorily addressed each of staff's concerns. Moreover, the company has been very cooperative in resolving all issues. Therefore, staff believes the terms of the settlement agreement as summarized in this recommendation are fair and reasonable, and we support the voluntary contribution to the General Revenue Fund pursuant to Section 364.285(1), Florida Statutes, in the amount of \$50,000.

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**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** No. With the approval of Issue 1, this docket should remain open pending the remittance of the \$50,000 voluntary contribution within five business days after the order approving the settlement becomes final. Upon remittance of the \$50,000 settlement, this docket should be closed. The \$50,000 settlement should be forwarded to the Office of the Comptroller for deposit in the State General Revenue Fund pursuant to Section 364.285(1), Florida Statutes. (Pellegrini)

**STAFF ANALYSIS:** If the Commission approves the staff recommendation in Issue 1, this docket should remain open pending the remittance of the \$50,000 voluntary contribution. The voluntary contribution should be submitted within five business days after the order accepting the settlement becomes final. Upon remittance of the \$50,000 settlement, this docket should be closed.



Intercontinental Communications Group, Inc.

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June 12, 1998

ADMINISTRATIVE  
MAIL ROOM

**VIA FACSIMILE**

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JUN 15 1998

Ms. Kelly Biegalski  
Florida Public Service Commission  
2450 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

CMU

**RE: Intercontinental Communications Group, Inc. - Docket No. 97-1488**

Dear Ms. Biegalski:

Intercontinental Communications Group, Inc. (formally dba "ICLD"), by its undersigned attorney, respectfully submits its settlement offer in the above-referenced matter.

Intercontinental Communications Group, Inc. is an interexchange carrier which provides interexchange service and alternative operator service in approximately 46 states. Intercontinental Communications Group, Inc. was certified by the Florida Public Service Commission to provide intrastate interexchange service in Docket No. 950208-TI, on May 23, 1995. Intercontinental Communications Group, Inc. currently provides service to approximately 25,000 pre-subscribed customers nationwide, and approximately 1,500 customers in Florida.

As will be explained in more detail, all of the slamming complaints received by the Commission arose from the activity of one agent, Telecommunications Marketing, Inc. ("TMI") aka ("Tel-All")<sup>1</sup>. Intercontinental Communications Group, Inc. has historically marketed with the use of agents to acquire sales without incident.

TMI and Intercontinental Communications Group, Inc. entered into a standard Agent Agreement in October 1996 ("Agent Agreement"). Among other things, the Agent Agreement specifically stated that Intercontinental Communications Group, Inc. did not authorize the use of sweepstakes, contest entry, or similarly methods in solicitation customers and made strikingly clear that under no circumstances was the agent to violate any law or regulation and "slam" customers. Despite this, TMI marketed through the use of improper contest entries on their own accord and in violation of the Agency Agreement. The conduct of TMI resulted in some customers entering sweepstakes

<sup>1</sup> The President of Telecommunications Marketing, Inc. is Michael Tinari, who is also engaged as President of Coastal Communications, Inc. which has recently been ordered by the Florida Public Service Commission to Show Cause for violation of F.A.C. Rule 25-24-470 [Docket No. 980336-TI issued on April 23, 1998]. The basis for the Show Cause Order addresses deceptive and misleading marketing practices revolving around an unauthorized contest.

without being aware that they actually selected Intercontinental Communications Group, Inc. as their carrier, despite the fact that they signed an LOA. Unfortunately, TMI also sent Intercontinental Communications Group, Inc. a number of fraudulent LOA's.

Immediately upon finding out that TMI solicited customers in violation of the Agency Agreement, among other rules and regulations, Intercontinental Communications Group, Inc. placed TMI on notice of said breach and terminated the acceptance of any orders and the Agent Agreement on January 20, 1997.

Intercontinental Communications Group, Inc. has responded with its best efforts to attend to all consumer complaints and comply with F.A.C. Rule 25-4.118(5). They have made every effort to ensure that customers were satisfied, and offered credits where appropriate. Intercontinental Communications Group, Inc. respectfully submits that it has learned from this experience, has improved its procedures for verifying orders, and continues to do so. Intercontinental Communications Group, Inc. also has advised all agents that illegal marketing practices will not be tolerated and will result in immediate termination of the agency relationship. Absent the complaints as a result of a rogue agent, Intercontinental Communications Group, Inc. has had no known slamming complaints in Florida, a record few carriers can match.

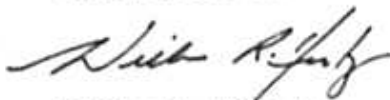
Intercontinental Communications Group, Inc. proposed the following terms of settlement:

1. For a period of one year, Intercontinental Communications Group, Inc. will independently verify 100% of all Florida orders initiated by LOA. For a period of six months following that, Intercontinental Communications Group, Inc. will independently verify 50% of all Florida orders authorized by LOA. Following that period, Intercontinental Communications Group, Inc. will initiate random independent verification to ensure that the strict requirements are adhered.
2. Intercontinental Communications Group, Inc. will mail an informational package with prepaid postcards to 100% of all Florida sales generated by telemarketing (and verify by independent third party verification). [Intercontinental Communications Group, Inc. has not to date used telemarketing to solicit customers]
3. Intercontinental Communications Group, Inc. will formally adopt its previously unwritten "Satisfaction Guarantee" policy, under which Intercontinental Communications Group, Inc. will incur the PIC change fee to return any customer to his or her carrier of choice if, for any reason, the customer is not satisfied with Intercontinental Communications Group, Inc.'s service, further, Intercontinental Communications Group, Inc. agrees to re-rate all calls to match the previous carrier.

4. Intercontinental Communications Group, Inc. agrees to formally adopt a monitoring policy for its agent program and will immediately terminate, as in this case, any agent who is known to market its services in violation of any rule or regulation. Further, Intercontinental Communications Group, Inc. will forward all information regarding such violation to the Florida Public Service Commission and cooperate in the prosecution of same.
5. Intercontinental Communications Group, Inc. will make a contribution in the amount of \$50,000 to the General Revenue Fund of the State of Florida, with no admission of liability or wrongdoing.

We believe that the foregoing settlement terms and conditions fully and appropriately address the concerns in this matter and support customer needs. All of the complaints received were due to the actions of one rogue agent. Intercontinental Communications Group, Inc. has terminated the agent, credited all customers who were subject to the agent's improper marketing practices and has revised its internal operating procedures to protect this type of event from happening in the future. Intercontinental Communications Group, Inc. recognizes that the activities of its agent created problems for Florida consumers and placed demands on the time and resources of the Commission and its Staff. Intercontinental Communications Group, Inc. believes that the interests of the public, the Commission and Intercontinental Communications Group, Inc. itself can best be served at this time through settlement. The aforementioned efforts will ensure that similar problems do not arise in the future.

Respectfully submitted on behalf of  
Intercontinental Communications Group,  
Inc. by its counsel.



William R. Heitz, Esq.

cc: Douglas C. Brough  
File