

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: March 29, 2007

TO: Commission Clerk (Cole)

FROM: Division of Competitive Markets & Enforcement (M. Watts, Vickery) *WV PV*
Office of the General Counsel (Wiggins) *AG Cole PW*

RE: Docket No. 070150-TL – Investigation and determination of appropriate methods for issuing time-out-of-service credits to all affected customers of Verizon Florida LLC.

AGENDA: 04/10/07 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\070150.RCM.DOC

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Case Background

Verizon Florida LLC (Verizon) is certificated as a local exchange telecommunications company (LEC) with the Florida Public Service Commission (the Commission.)

As part of the Commission's service quality evaluation program, staff conducted a comprehensive telephone service evaluation in the Bradenton, Englewood, North Port, Palmetto, Venice and Sarasota exchanges during the period April 24, 2006, to May 18, 2006. As part of the evaluation, staff reviewed repair services for compliance with the Commission's service standards.

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Staff analyzed Verizon's repair tickets received during the first quarter of 2006 to determine whether they were cleared within 24 hours and, if not, whether the proper rebate was automatically applied to the affected customer's account. Staff found that, for each month evaluated, Verizon automatically applied the rebate to between 70.2% and 78.1% of the customers who were due a rebate.

On October 24, 2006, staff informed Verizon of its evaluation findings and requested that Verizon identify and correct all areas where the service evaluation standards were not satisfied. Verizon investigated and found that the missed rebates were due to one of three issues. Some customers did not receive their rebates because of a problem between two databases from which data is imported into a third for processing the rebates. Verizon reported that a fix is in place and is being tested. The second issue contributing to the problem involved human errors. Verizon reported that its employees have been coached on issuing rebates. Third, some out-of-service repair tickets were incorrectly created as a not-out-of-service repair ticket, causing the ticket to be omitted from the databases queried for rebate determination. Verizon provided employees coaching on proper procedures relating to repair tickets and the importance of coding them correctly.

Verizon reported that, due to the age of the records, the data must be examined and the credits processed manually, which is a labor intensive project. With approximately 23,000 trouble tickets to be worked, Verizon believes that it will take approximately six months to process all of the credits. Therefore, it does not know the exact amount to be credited or the number of customers affected at this time. However, based on a historical average of credits per customer, Verizon estimates the amount to be around \$63,000. Verizon submitted its refund proposal on March 8, 2007.

The Commission has jurisdiction over this matter pursuant to Sections 364.01, 364.285, and 364.604, Florida Statutes. Accordingly, staff believes the following recommendations are appropriate.

Discussion of Issues

Issue 1: Should the Commission accept Verizon Florida LLC's proposal to issue a refund to the affected customers beginning with the first billing cycle in April 2007, for failing to issue automatic rebates to customers who experienced out-of-service conditions for more than 24 hours, as required by Rule 25-4.070(3)(a), Florida Administrative Code, from June 1, 2005, through February 7, 2007; require the company to remit monies that cannot be refunded to the Commission for deposit in the State of Florida General Revenue Fund by November 15, 2007, and require the company to submit a report by November 15, 2007, to the Commission stating, (1) how much was refunded to its customers, (2) the number of customers, and (3) the amount of money that was unrefundable?

Recommendation: Yes, the Commission should accept Verizon's refund proposal. (M. Watts/Vickery/Wiggins)

Staff Analysis: Rule 25-4.070(3)(a), Florida Administrative Code, states in part:

Service Interruption: Restoration of interrupted service shall be scheduled to insure at least 95 percent shall be cleared within 24 hours of report in each exchange that contains at least 50,000 lines and will be measured on a monthly basis. For exchanges that contain less than 50,000 lines, the results can be aggregated on a quarterly basis.

Additionally, Rule 25-4.070(1)(b), Florida Administrative Code, states the following:

In the event a subscriber's service is interrupted other than by a negligent or willful act of the subscriber and it remains out of service in excess of 24 hours after being reported to the company, an appropriate adjustment or refund shall be made to the subscriber automatically, pursuant to Rule 25-4.110, F.A.C. (Customer Billing). Service interruption time will be computed on a continuous basis, Sundays and holidays included. Also, if the company finds that it is the customer's responsibility to correct the trouble, it must notify or attempt to notify the customer within 24 hours after the trouble was reported.

Verizon proposes to issue credits on the customers' bills. Some credits have already been issued as they were identified. Verizon will provide a status report to the Commission on the first workday of each month, with the first report due on May 1, 2007. Each status report will provide the number of refunds that have been processed and the dollar amount to date. Verizon expects the refund process to take six months, but will make every effort to complete the refunds sooner. Verizon should submit its final report by November 15, 2007. For customers entitled to a refund, but no longer in its system, Verizon proposes to mail a refund check to the last known billing address, except that no refund for less than \$1.00 will be made to these customers. Any

monies that are unrefundable shall be remitted to the Commission for deposit in the General Revenue Fund by November 15, 2007.

Typically, staff works with the regulated entity to define and calculate interest applicability for refunded principle amounts. In this case, refund amounts on a per-customer basis will range from approximately \$0.50 to \$2.50. Staff believes that it is not practical, and it would be costly for Verizon to program its systems to calculate and implement the payment of interest on the refund amounts anticipated in this proceeding. Because the interest amounts are small, and the costs to implement payment appear high, staff believes that interest should not be added to the rebates. Rule 25-4.114, Florida Administrative Code, Refunds, provides the Commission flexibility to order refunds with or without interest.

Accordingly, staff recommends that the Commission accept Verizon Florida LLC's proposal to issue a refund to the affected customers beginning with the first billing cycle in April 2007, for failing to issue automatic rebates to customers who experienced out-of-service conditions for more than 24 hours, as required by Rule 25-4.070(3)(a), Florida Administrative Code, from June 1, 2005, through February 7, 2007; require the company to remit monies that cannot be refunded to the Commission for deposit in the State of Florida General Revenue Fund by November 15, 2007, and require the company to submit a report by November 15, 2007, to the Commission stating, (1) how much was refunded to its customers, (2) the number of customers, and (3) the amount of money that was unrefundable.

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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 this Order. The company should submit its final report, identified by docket number, and a check for the unrefunded amount (if any), made payable to the Florida Public Service Commission, by November 15, 2007. Upon receipt of the final report and unrefunded monies, if any, this docket should be closed administratively if no timely protest has been filed. **(Wiggins)**

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 this Order. The company should submit its final report, identified by docket number, and a check for the unrefunded amount (if any), made payable to the Florida Public Service Commission, by November 15, 2007. Upon receipt of the final report and unrefunded monies, if any, this docket should be closed administratively if no timely protest has been filed.