

WR
RV



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- RECEIVED

JUN - 4 1998

11:58
FPSC - Records/Reporting

DATE: JUNE 4, 1998

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

FROM: DIVISION OF LEGAL SERVICES (BEDELL) *CB MCB*
DIVISION OF CONSUMER AFFAIRS (STOKES) *Sub BWS*
DIVISION OF COMMUNICATIONS (BIEGALSKI) *KB Rnt*

RE: DOCKET NO. 971484-TI - INITIATION OF SHOW CAUSE PROCEEDINGS AGAINST SPRINT COMMUNICATIONS COMPANY, LIMITED PARTNERSHIP D/B/A SPRINT FOR VIOLATION OF RULE 25-4.118, FLORIDA ADMINISTRATIVE CODE, INTEREXCHANGE CARRIER SELECTION.

AGENDA: 06/16/98 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMU\WP\971484.RCM

CASE BACKGROUND

Sprint Communications Company, Limited Partnership d/b/a Sprint (Sprint), certificate number 83, is a provider of interexchange telecommunications service and was certificated on June 27, 1986. Sprint reported gross operating revenues of \$446,942,275 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, Sprint is subject to the rules and regulations of this Commission.

From January 1, 1996, until April 23, 1998, the Division of Consumer Affairs has closed a total of 106 complaints against Sprint 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 Sprint should be required to show

DOCUMENT NUMBER-DATE

06018 JUN-4 8

FPSC-RECORDS/REPORTING

DATE: May 7, 1998

cause why it should not be fined or have its certificate canceled, pursuant to Section 364.285, Florida Statutes. However, prior to show cause proceedings, Sprint submitted an offer to settle the case. (Attachment A, Pages 4-9)

DISCUSSION OF ISSUES

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

RECOMMENDATION: Yes. (Biegalski)

STAFF ANALYSIS: On January 29, 1998, and again on April 23, 1998, Sprint met with staff to discuss the pending show cause case. It was determined that the two major causes of slamming complaints were keying errors and LOAs from cable applications. Thereafter, on May 4, 1998, Sprint submitted its offer to settle. In its settlement Sprint agreed to do the following:

- Sprint will implement telephone number double entry.
- Sprint will monitor sales and verification calls.
- Sprint will provide a toll free number to Local Exchange Companies for complaints received regarding slamming.
- Sprint has created the Slamming Action Center which is dedicated to investigating and resolving slamming complaints.
- Sprint will make a contribution in the amount of \$150,000 to the General Revenue Fund of the State of Florida, with no admission of liability or wrongdoing.

Staff supports Sprint's proposal to implement a telephone number double entry method for keying service order requests. Staff believes this will reduce the occurrence of keying errors. Sprint has already changed the verification method of Cable company orders from negative ballot to third party verification. Staff believes this will allow Sprint to reduce the occurrence of forgery

DOCKET NO. 971484-11
DATE: May 7, 1998

and incorrect information on the LOAs received from cable companies. Staff also supports Sprint's provision of a toll free number and creation of the slamming action center to quickly address and resolve slamming complaints.

Therefore, staff believes the terms of the settlement agreement as summarized in this recommendation are fair and reasonable and supports the voluntary contribution to the General Revenue Fund pursuant to Section 364.285(1), Florida Statutes, in the amount of \$150,000.

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 \$150,000 voluntary contribution within five business days after the order approving the settlement becomes final. Upon remittance of the \$150,000 settlement, this docket should be closed. The \$150,000 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. (Bedell)

STAFF ANALYSIS: If the Commission approves the staff recommendation in Issue 1, this docket should remain open pending the remittance of the \$150,000 voluntary contribution within five business days after the order accepting the settlement becomes final. Upon remittance of the \$150,000 settlement, this docket should be closed.

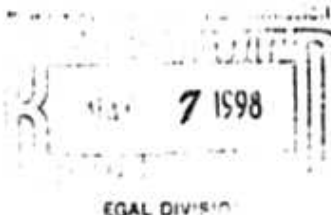


Monica M. Barone
Attorney

5100 Cumberland Circle
Atlanta, GA 30339
Voice #04 649 6225
Fax #04 649 5174
monica.barone@mail.sprint.com

May 4, 1998

Ms. Catherine Bedell and Ms. Kelly Biegalski
Division of Legal Services
Division of Communications
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850



Re: Docket No. 971484-TI

Dear Ms. Bedell and Ms. Biegalski:

The purpose of this letter is to outline Sprint's view of slamming in general and to offer a settlement of this matter for your consideration.

Sprint believes that one of its most valuable assets is its brand, and the Company goes to great lengths to protect its image, integrity and use. Accordingly, slamming is not encouraged nor is it tolerated. Sprint takes swift and immediate action, up to and including termination of any individuals found to have knowingly switched customers' service without their authorization. Moreover, Sprint is committed to reviewing its processes, procedures and relationships to reduce the possibility of consumers being switched to Sprint without proper authorization. In support of this policy, Sprint complies with the verification rules approved and adopted by the Florida Public Service Commission. In every respect Sprint's zero tolerance policy towards unauthorized conversions is underscored. As such, Sprint respectfully submits that it has neither knowingly nor willfully violated any Commission rule or order; nor has Sprint refused to comply with any Commission rule or order.

Sprint's zero tolerance policy is evidenced by the fact that in 1997 less than one-hundredth of one percent of the Florida PIC orders resulted in a complaint. In reviewing the Commission complaints lodged against Sprint in 1996 and 1997, alleging slamming, the majority of those complaints involved switches resulting from keying errors. Although Sprint does not believe that these errors are evidence of intent to slam customers, Sprint is committed to improving its order process to reduce errors. To that

end, Sprint will implement a telephone number double entry process for all telemarketing sales. Each time Sprint enters a telephone number, double entry will be required.

The second largest category of complaints lodged against Sprint involved orders Cable Companies submitted on behalf of Sprint. There were 14 complaints in 1996 and 15 complaints in 1997. During 1996 and 1997, Sprint opted to use the negative ballot option to verify these orders. Although this option is permitted by Rule 25-4.118(2)(d), Florida Administrative Code, Sprint ceased using this method as of February 16, 1998.¹ Sprint now uses third party verification for all cable and outboard telemarketing sales.

The remainder of the complaints lodged against Sprint in 1996 and 1997 did not reveal a pattern of conversions attributable to a single source. Moreover, several of the complaints can be attributed to a reseller and two can be eliminated since the customer actually requested service. There are some complaints associated with Sprint sales agents and vendors. There are two that are attributable to end-user fraud. Notwithstanding the limited number of complaints in any one category other than those mentioned above, Sprint is reviewing all of its sales channels and processes to determine what changes can be made to reduce the opportunity for errors. Sprint notes, however, that errors can and do occur at different points of a sale. The complaints that are the subject of this proceeding revealed that the Local Exchange Company, the Interexchange Carrier, the Interexchange carrier's vendors or agents and the customer could be the source of an error.

There are some complaints for which Sprint lacks sufficient information to determine the root cause. This is due in part to the fact that many of the complaints are two years old. While Sprint denies any intentional wrongdoing with respect to any of the complaints, rather than pursuing costly and timely litigation, Sprint, in the spirit of compromise and cooperation, offers the following settlement terms in addition to the measures outlined above:

1. Sprint will implement telephone number double entry at an estimated cost of \$90,000.00.
2. Sprint has dedicated resources to monitor sales and verification calls and recently reiterated its policy on slamming in a memorandum sent to all of its agents and vendors.
3. Sprint is in the process of reviewing its reseller and vendor contracts. Sprint has modified its reseller contracts to include additional language emphasizing its no tolerance policy towards slamming.
4. Sprint has created a department dedicated to investigating slamming complaints at a current annual cost of \$125,000 and is expected to exceed \$600,000 by year end.

¹ As of this letter, the Florida Legislature has passed HB 4785, Second Engrossed. This provision provides in pertinent part that the Commission will adopt rules to prevent unauthorized changing of a customer's telecommunications service. In addition, the rules shall allow for a customer's change to be considered valid if verification was performed consistent with the Commission's rules.

5. Sprint is in the process of providing a toll free number to local exchange companies that can be provided to a customer who claims he or she has been slammed. This is expected to be in place by July 1, 1998.
6. Sprint will contribute \$150,000 to the general revenue fund for the State of Florida with no admission of liability or wrongdoing.
7. If the Commission accepts Sprint's proposals, the Commission agrees to close this docket. Moreover, no allegations of unauthorized carrier changes received by the Commission from 1996 through the entry of the order approving the settlement in this proceeding would be the basis of enforcement actions or penalties against Sprint in the future.

By offering this settlement, Sprint does not waive any of its legal rights, including the right to contest any assertions of fact or law.

Sprint strongly supports the Commission's commitment to reducing slamming incidents in Florida and reiterates that it does not encourage nor tolerate slamming. Sprint believes the measures outlined above have and will continue to demonstrate Sprint's commitment to the same goal. Sprint hopes that these measures are acceptable to the staff and the Commission.

If you have any questions about this proposal or any questions about the complaints that are the subject of this proceeding, please do not hesitate to call.

Very truly yours,



Monica M. Barone



Monica M. Barone
Attorney

5100 Cumberland Gate
Atlanta, GA 30339
Voice 404 649 6225
Fax 404 649 5174
monica.barone@vmail.sprint.com

May 28, 1998

Ms. Catherine Bedell and Ms. Kelly Biegalski
Division of Legal Services
Division of Communications
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 971484-TI

Dear Ms. Bedell and Ms. Biegalski:

This is in response to your request for additional information and clarification of Sprint's Settlement proposal dated May 4, 1998. You requested the following information: 1) when Sprint would enter telephone number double-entry; 2) a more detailed description of the resources dedicated to monitor sales and verification calls; 3) a copy of the memo sent to vendors/agents reiterating Sprint's policy on slamming (see attached); and 4) the name of the department dedicated to slamming complaints and a description of the department's activities. Below are the terms of the settlement proposal with the additional requested information and Sprint's clarification of item 7.

1. Sprint will implement telephone number double entry at an estimated cost of \$90,000.00. Sprint is in the process of implementing a new ordering system. This system will include telephone number double entry. There will be a test of this new system beginning on June 15, 1998, running through July, 1998. After the test is completed, vendors will be converted throughout the country. This conversion should be completed within several months.
2. Sprint has dedicated resources to monitor sales and verification calls. Specifically, Quality Development (QD) is responsible for monitoring the quality of the sales made at Sprint's National Residential Sales Center (NRSC) in Lenexa, KS and our nine vendors located in 12 cities across the United States and Canada. The NRSC Quality Development team consists of 7 Quality Coordinators, 3 Quality Specialists, and One Quality Development Manager. The QD team monitors representatives remotely and through side-by-side sessions. In addition to the NRSC QD team, each vendor has its own Quality Development team which monitors their respective centers and provides documented feedback to the NRSC QD team. It's QD's responsibility to make sure the sales made are of the highest quality. Any sales representative found misleading the customer

or intentionally mistreating the customer is put on corrective action which can be up to and including termination. In conjunction with Sales Management, it's Quality Development's responsibility to make sure the customer receives the service and treatment they expect from a telecommunication provider.

3. Sprint recently reiterated its policy on slamming in a memorandum sent to all of its agents and vendors.
4. Sprint has created the Slamming Action Center which is dedicated to investigating slamming complaints at a current annual cost of \$125,000 and is expected to exceed \$600,000 by year end. This group investigates slamming complaints originating from Customer Service, Executive Complaints, and the local telephone companies. The complaints are researched to determine if adequate verification existed, and upon completion of the investigation appropriate action is taken to resolve the customers' issues.
5. Sprint is in the process of providing a toll free number to local exchange companies that can be provided to a customer who claims he or she has been slammed. This is expected to be in place by July 1, 1998.
6. Sprint will contribute \$150,000 to the general revenue fund for the State of Florida with no admission of liability or wrongdoing.
7. If the Commission accepts Sprint's proposals, the Commission agrees to close this docket. Moreover, no allegation of unauthorized carrier changes received by the Commission from January 1, 1996 through April 23, 1998, would be the basis of enforcement actions or penalties against Sprint in the future.

By offering this settlement, Sprint does not waive any of its legal rights, including the right to contest any assertions of fact or law.

Once again, Sprint strongly supports the Commission's commitment to reducing slamming incidents in Florida and reiterates that it does not encourage nor tolerate slamming.

Thank you for your time and consideration. Please call if you need additional information.

Very truly yours,



Monica M. Barone

MMB/de
Enclosure



Terry M. Inch
Director, Vendor Sales

Tommye W.aland
Director, NRSC Sales

TO: All Sprint Representatives

DATE: Tuesday, April 28

SUBJECT: Slamming

Over the past year, a growing number of states have considered or are considering tougher legislation and penalties for telecommunication companies who participate in the "slamming" of customers. Slamming is defined as processing any order without proper authorization and clear customer consent. Fines levied by any state against Sprint can range from a \$5,000 - \$20,000 penalty per occurrence to a complete ban on telemarketing in a particular state. At a Federal level fines can be as high as \$200,000 per occurrence.

Recently, a state Public Service Commission issued a directive to Sprint to eliminate the instances of slamming thereby reducing the number of slamming complaints received by the Commission. In this directive, the Commission highlights that slamming is a serious consumer problem with a potential for substantial economic loss and customer inconvenience. Slamming violates federal and state laws and regulations and will not be tolerated.

As a reminder, Sprint does not and will not tolerate the switching of services without proper authorization and clear customer consent. In addition to switched services, sending a customer a product without their consent is also construed as slamming and may result in corrective action up to and including termination. Falsification of orders is also strictly forbidden and may result in corrective action as well. Examples of falsification include completing the same order twice, ordering and/or verifying service without the customer's consent, and signing up existing customers with new accounts.

Please remember that we are striving to provide quality sales that are managed efficiently by competent sales professionals. Sprint Telesales wishes to be recognized as the premier consumer touch point for all consumer telecommunication products and services. The practice of slamming is detrimental to the organization and our goal to be a world-class telecommunications provider.