



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-

REC'D - 1 PM 3:12
REPORTING

DATE: 12/03/98

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

FROM: DIVISION OF LEGAL SERVICES (BEDELL, *CB* MILLER) *Jan*
 DIVISION OF COMMUNICATIONS (YAMBOR) *RM*
 DIVISION OF CONSUMER AFFAIRS (JOHNSON) *MCB*

RE: DOCKET NO. 980897-TI - INITIATION OF SHOW CAUSE PROCEEDINGS AGAINST LEAST COST ROUTING, INC. D/B/A LONG DISTANCE CHARGES INC. FOR VIOLATION OF RULE 25-4.118, FLORIDA ADMINISTRATIVE CODE, INTEREXCHANGE CARRIER SELECTION

AGENDA: 12/15/98 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMU\WP\980897TI.RCM

CASE BACKGROUND

On February 27, 1996, the Commission granted Least Cost Routing, Inc. D/B/A Long Distance Charges (LDC) certificate number 4402 to provide intrastate interexchange telecommunications service.

Thereafter, from March 26, 1996, through July 15, 1998, the Commission's Division of Consumer Affairs received 279 consumer complaints against LDC. At least 68 of these were closed by the Division of Consumer Affairs, with concurrence by telecommunications staff, as unauthorized carrier change (slamming) infractions in apparent violation of Rule 25-4.118, Florida Administrative Code.

DOCUMENT NUMBER-DATE

13450 DEC-1 98

FPSC-RECORDS/REPORTING

It appears that LDC is submitting numerous preferred interexchange carrier (PIC) changes with apparent fraudulently obtained customer verbal authorizations. LDC seems to be targeting business customers, speaking to unauthorized company employees and misrepresenting itself using various other company names.

After this show cause proceeding was initiated, LDC submitted a proposal to settle the case. (Attachment A, Pg. 4) Staff believes the following recommendations are appropriate.

DISCUSSION OF ISSUES

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

RECOMMENDATION: Yes. (Yamvor)

STAFF ANALYSIS: On September 17, 1998 IDC met with staff to discuss this proposed agency action. On November 10, 1998 staff and LDC reached a tentative agreement which includes the following:

LDC will resolve all current and future customer complaints associated with its past marketing practices.

LDC will cease all telecommunications marketing services in Florida for a period of three years from the date this settlement offer has been approved by the Commission. If after the third year they decide to re-enter the Florida market, they will seek Commission approval before doing so.

LDC will make a contribution in the amount of \$70,000 to the General Revenue Fund of the State of Florida, with no admission of liability or wrongdoing.

Staff supports LDC's proposal to cease all marketing practices in Florida, and to resolve all 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 \$70,000.

DOCKET NO. 980897-TI
DATE: December 3, 1998

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 \$70,000 voluntary contribution within five business days after the order approving the settlement becomes final. Upon remittance of the \$70,000 settlement, this docket should be closed. The \$70,000 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, Miller)

STAFF ANALYSIS: If the Commission approves the staff recommendation in Issue 1, this docket should remain open pending the remittance of the \$70,000 voluntary contribution within five business days after the order accepting the settlement becomes final. Upon remittance of the \$70,000 settlement, this docket should be closed.

LONG DISTANCE CHARGES, INC.

ATTACHMENT A
DOCKET NO. 980897-TI
December 1998

November 10, 1998

Ms. Cathy Bedell
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee FL 32399

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LEGAL DIVISION

Re: Docket No. 980897-TI

Dear Ms. Bedell:

Long Distance Charges ("LDC") received your letter dated November 4, 1998. LDC accepts the condition that no marketing be done in Florida for the next three (3) years in return for a settlement of Seventy Thousand Dollars (\$70,000). As LDC believes you are aware, LDC stopped marketing in June 1998 and has no plans to begin marketing again. If after three years LDC should decide to consider marketing in Florida, LDC will first seek written approval from the Florida Public Service Commission.

With regard to the other issue you raised in your letter LDC believes that all complaints have been fully resolved either through a re-rating of the phone bill or a complete and full refund. LDC understands that since LDC stopped marketing in June 1998 it will take a few months for the complaints to show any significant decrease. However LDC's customer service department has already shown a dramatic decrease. In a report LDC received from the Florida PSC dated November 9, 1998 LDC has no unresolved complaints. Two of the entries on the report do not belong to LDC but rather to Least Cost Routing of Clearwater Florida. LDC has and will continue to rectify any and all complaints from Florida consumers.

Please advise to whom the check should be made out and when the settlement document will be available for us to sign. The check is available upon request by the Florida PSC.

LDC appreciates the Florida PSC willingness to work with LDC to get this problem resolved.

Sincerely,



Mr. Ned Gershenson
President