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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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|------------------------------------|---|----------------------|
| In The Matter of | : | DOCKET NO. 900959-TP |
| | : | |
| Amendment of 25-4.107, F.A.C. | : | |
| Information to Customers, and | : | <u>HEARING</u> |
| Rule 25-4.108, F.A.C., Initiation: | : | |
| of Service Pertaining to Extended: | : | |
| Payment Plans for the Payment of | : | |
| Service Connection Charges. | : | |

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 Florida Public Service Commission

FPSC Hearing Room 122
 Fletcher Building
 101 East Gaines Street
 Tallahassee, Florida 32399
 Friday, July 12, 1991

Met pursuant to notice at 9:30 a.m.

BEFORE: CHRISTIANA MOORE, Hearing Officer

APPEARANCES:

DAVID B. ERWIN, Mason, Erwin and Horton, 1311
 Paul Russell Road, Suite 101, Tallahassee, Florida,
 32301, Telephone No. (904) 878-7138, appearing on
 behalf of Indiantown Telephone System, Inc., Northeast
 Florida Telephone Company and Quincy Telephone Company.

1 APPEARANCES CONTINUED:

2 HENRY L. LIGHTSEY, III, c/o OF MARSHALL
3 CRISER, III, 150 South Monroe Street, Suite 400,
4 Tallahassee, Florida 32301, Telephone No. (904)
5 222-1201, appearing on behalf of Southern Bell
6 Telephone and Telegraph Company.

7 ALAN N. BERG, United Telephone System, Post
8 Office Box 5000, Altamonte Springs, Florida 32716-5000,
9 Telephone No. (407) 889-6018, appearing on behalf of
10 United Telephone Company of Florida.

11 KIM CASWELL, Post Office Box 110, MC 7,
12 Tampa, Florida 33601, Telephone No. (813) 228-3087,
13 appearing on behalf of GTE Florida, Incorporated.

14 WILLIAM EDWARD WYROUGH, JR., Florida Public
15 Service Commission, Division of Legal Affairs, 101 East
16 Gaines Street, Tallahassee, Florida 32399, Telephone
17 No. (904) 487-2740, appearing on behalf of the
18 Commission Staff.

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1 **ALSO PRESENT:**2 **JULIA RUSSO, Florida Public Service**
3 **Commission, Division of Communications.**4 **GEORGE HANNA, Florida Public Service**
5 **Commission, Division of Consumer Affairs.**6 **PAT MAHONEY, Florida Public Service**
7 **Commission, Division of Research.**8 **MARGO HAMMAR, GTE Florida, Incorporated.**9 **BEN POAG, United Telephone Company of**
10 **Florida.**

11

12

13 **REPORTED BY:**

14

15 **JOY KELLY, CSR, RPR**16 **SYDNEY C. SILVA, CSR, RPR**17 **Official Commission Reporters**

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EXHIBITS

| 1 | <u>Number:</u> | <u>Identified</u> | <u>Admitted</u> |
|---|---|-------------------|-----------------|
| 2 | 1 Composite Exhibit consisting of: Proposed rules 25-4.107 and 25-4.108; Order No. 24639, Notice of Proposed Rulemaking, issued June 7, 1991; statement of facts and circumstances justifying the rule; a statement on federal standards; and statement of impact on small business as provided to the joint administrative procedures committee; the economic impact statement, United Telephone Company of Florida's Petition for Hearing filed on July 5, 1991. GTE of Florida, Incorporated, request for hearing filed June 27, 1991. | 11 | 11 |
| 3 | 2 (Poag) Recommendation to May 21 Agenda | 54 | 54 |
| 4 | 3 (Poag) March 19th Response to Mr. Mahoney | 56 | 56 |
| 5 | 4 (Poag) April 25th Response to Mr. D'Haeseleer | 56 | 56 |
| 6 | 5 (Erwin) Northeast Florida Telephone Company | 57 | 57 |
| 7 | 6 (Erwin) Indiantown Telephone Company | 57 | 57 |
| 8 | 7 (Late-Filed) (Erwin) Quincy Telephone Company | 57 | 57 |
| 9 | CERTIFICATE OF REPORTERS | | 89 |

P R O C E E D I N G S

(Hearing convened at 9:30 a.m.)

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3 MS. MOORE: Is everyone here? I believe it's
4 past 9:30. Mr. Wyrrough, is anybody else expected that
5 you know of?

6 MR. IRWIN: They're out in the hallway.

7 No they're not. They're over there.

8 MS. MOORE: Good morning, my name is
9 Christiana Moore. I'm Associate General Counsel at the
10 Commission, and I have been assigned to preside at this
11 rulemaking hearing. The hearing is being conducted
12 pursuant to the rulemaking provisions of Section
13 120.54(3), Florida Statutes.

14 Mr. Wyrrough, would you please read the
15 notice?

16 MR. WYROUGH: Yes. The proposed rule
17 amendments which we are concerned with today concern
18 Rules 25-4.107 and 25-4.108, Florida Administrative
19 Code. The rule amendments were proposed in a notice
20 published in the Florida Administrative Weekly on June
21 14th, 1991. A notice of rulemaking was also issued by
22 the Commission on June 7, 1991, in Docket No. 900959-TP.

23 MS. MOORE: The function of this hearing is
24 to allow the Commission to inform itself of matters
25 bearing upon the proposed rule amendments by giving the

1 affected persons an opportunity to present evidence and
2 argument on the merits of the rule amendments.

3 The format we will use here today is the one
4 generally employed by the Division of Appeals in
5 conducting rulemaking hearings. Any person may present
6 comments or make suggestions concerning the rules.
7 Those making presentations are subject to questioning
8 from others.

9 I think we can dispense with swearing in of
10 the witnesses and proceed with an informal
11 give-and-take procedure unless there is objection.
12 First, let's take appearances, though, and see what the
13 issues are. Mr. Wyrrough, would you please begin?

14 MR. WYROUGH: William Edward Wyrrough, Jr.,
15 101 East Gaines Street, Tallahassee, Florida, Counsel
16 for Staff.

17 MS. MOORE: Introduce your witnesses, please.

18 MR. WYROUGH: This is Patrick Mahoney from
19 the Public Service Commission, and Julia Russo, Public
20 Service Commission, and George Hanna, Public Service
21 Commission.

22 MR. BERG: Alan M. Berg, Post Office Box
23 5000, Altamonte Springs, Florida 32716-5000. I'm
24 appearing on behalf of United Telephone Company of
25 Florida and we'll have Ben Poag as a witness.

1 MS. MOORE: Could you spell that, please?

2 MR. BERG: Poag, P-o-a-g, Plain Old Average
3 Guy. (Laughter)

4 MR. ERWIN: My name is David B. Erwin with
5 the firm of Mason, Erwin and Horton, 1311 Paul Russell
6 Road, Tallahassee, Florida. And I am here today
7 appearing on behalf of three local exchange telephone
8 companies, Indiantown Telephone System, Inc., Northeast
9 Florida Telephone Company and Quincy Telephone Company.

10 By the way, I did not have any witnesses to
11 present. I have a written statement that I would want
12 to make a part of the record for consideration of the
13 Commission on behalf of Indiantown and Northeast. And
14 I have one for Quincy, but, due to technical
15 difficulties, I don't have it with me and I would like
16 to have an opportunity to file it this afternoon or --

17 MS. MOORE: There'll be an opportunity for
18 late-filed exhibits. Okay?

19 MR. LIGHTSEY: My name is Harry M. Lightsey,
20 III, appearing here today on behalf of Southern Bell,
21 150 South Monroe Street, Tallahassee, Florida, 32301.

22 MS. MOORE: Do you have any witnesses?

23 MR. LIGHTSEY: No.

24 MS. CASWELL: Kim Caswell with GTE Florida,
25 One Tampa City Center, Post Office Box 110, Mail Code

1 7, Tampa, Florida 33601. Our witness today will be
2 Margo Hammar.

3 MS. MOORE: It is my understanding that there
4 is just one issue, and that is the economic impact of
5 the rule? If that's not correct, we can recess briefly
6 and ask everyone to get together and develop a brief
7 outline of the various issues in the case and any
8 proposed changes.

9 Are there any other issues or is there
10 another issue besides the economic impact?

11 MR. ERWIN: It would seem to me that just the
12 advisability of the rule itself would be an issue in
13 this case.

14 MS. CASWELL: We agree with that. I have a
15 brief statement outlining our position, if that would
16 help. (Pause)

17 MS. MOORE: Then there is the larger issue of
18 whether the rule is necessary or advisable at all, and
19 a secondary issue is the economic impact?

20 MS. CASWELL: Yeah.

21 MR. ERWIN: Well, I suppose, also, just it
22 might be well to consider whether some variation of
23 this rule would be appropriate as opposed to the
24 precise rule being adopted. I suppose, for example
25 only, it might be interesting to know whether a company

1 should have an extended payment plan of six months as
2 opposed to three months, or two months as opposed to
3 three months, by way of just mentioning a possible
4 variation of the rule.

5 I think that we would want to consider all of
6 those possibilities at this proceeding.

7 MS. MOORE: All right. Does anyone have an
8 objection to proceeding without swearing the witnesses?
9 All right.

10 The order of presentation is the Commission
11 will first tell us about the rule and give us the
12 background, and then we'll proceed with the companies
13 from my left to my right. Mr. Wyrough, would you like
14 to begin?

15 MR. WYROUGH: I'd like to introduce George
16 Hanna from the Public Service Commission.

17 MR. ERWIN: Excuse me, is it possible that we
18 could hear what the opening statement of General might
19 have been so that, you know, that might help in asking
20 any questions of these witnesses if I knew what their
21 statement is?

22 MS. CASWELL: It's only about two minutes long.

23 MS. MOORE: All right. First, I think
24 something I heard indicates that not everyone is aware
25 that maybe that the rule has been changed from not

1 since the last time it was at agenda is my
2 understanding. Could you tell us, briefly, first what
3 the rule is and I think you have an exhibit we need to
4 have introduced.

5 MR. WYROUGH: We have Composite Exhibit No. 1,
6 examples of which are on the table and we have entered
7 into the record at the court reporter.

8 MS. MOORE: I'll enter it into the record if
9 you will tell us what it is, list what composes the
10 exhibit?

11 MR. WYROUGH: Okay. In Docket No. 900959-TP,
12 Composite Exhibit No. 1 consists of. Firstly, the
13 proposed rules as they exist now, 25-4.107 and
14 25-4.108.

15 Second, Order No. 24639, Notice of Proposed
16 Rulemaking, issued June 7, 1991.

17 Third, there is a Statement of Facts and
18 Circumstances justifying the rule; a Statement on
19 Federal Standards; and Statement of Impact on Small
20 Business as Provided to the Joint Administrative
21 Procedures Committee.

22 Fourth, the Economic Impact Statement, dated
23 December 5, 1990.

24 Fifth is United Telephone Company of
25 Florida's Petition for Hearing filed on June 5 -- I'm

1 sorry, strike that -- July 5, 1991.

2 And sixth and finally, GTE of Florida,
3 Incorporated, Request for Hearing filed June 27, 1991.

4 (Composite Exhibit No. 1 identified and
5 received in evidence.)

6 MS. MOORE: Would you please tell us,
7 describe the rule amendments for us.

8 MR. WYROUGH: Well, George Hanna was going to
9 go into the purposes of the rule.

10 MS. RUSSO: This is Julia Russo. I can do
11 that.

12 A little bit of background on what the rule's
13 all about. First, we believe that it's extremely
14 important that utilities who are monopoly providers of
15 service provide service on a nondiscriminatory basis.
16 This item deals with whether local telephone companies
17 have to give all customers in a given class of service
18 the same basic information regarding their basic
19 service connection charges.

20 Currently, a situation exists whereby most
21 LECs provide an extended payment plan of service
22 connection charges for basic service. These payment
23 plans appear in the tariffs of the companies. However,
24 Staff believes that the customers in a given class of
25 service are being treated differently because it is at

1 the discretion of the Company as to whether or not the
2 customer is advised by a service representative that
3 such a plan exists.

4 Now, we had an original recommendation that
5 went to Agenda a few agendas back which we have
6 modified. Originally, we had proposed that all
7 residential and one-party business customers be advised
8 of the extended payment plan. The rule, as it stands
9 now, will only apply to residential customers; this is
10 because we believe that the extended payment plan
11 should only apply to residential customers.

12 Also, we originally proposed that the
13 extended payment plan as they were in the tariffs not
14 be modified. However, we now recommend, and the rule
15 states, that companies be ordered to provide an
16 extended payment plan for a minimum of three months
17 with payments monthly of at least one-third of the
18 total connection charge. This way, a company may offer
19 a more gracious plan if it desires, but it is only
20 required to do so for a three-month period. And the
21 service representatives would have to advise all
22 residential customers of the existence of this plan.

23 Thank you.

24 MS. MOORE: Ms. Caswell, did you want to read
25 your comments?

1 **MS. CASWELL: Yep. GTE of Florida believes**
2 **that the proposed rules are inadequately justified and**
3 **that they would impose an unwarranted financial burden**
4 **on telephone company operations. To GTE's knowledge,**
5 **there is no evidence that service installation charges**
6 **undermine universal service. Current programs already**
7 **ensure compliance with this goal.**

8 **Putative customers who indicate an inability**
9 **to pay GTE's full installation charge in a single**
10 **payment are today offered and extended liberal payment**
11 **plan. GTE's current plan has functioned well since it**
12 **was instituted in 1974. The self-selection aspect of**
13 **the program is the most efficient and cost effective**
14 **way to target individuals who truly need an installment**
15 **option.**

16 **The Link Up Florida program provides**
17 **additional assurance that basic service remains**
18 **affordable for all.**

19 **The benefits of the proposed rules are purely**
20 **speculative. Even assuming that they do secure some**
21 **marginal benefit, it would be substantially outweighed**
22 **by the increased costs sure to flow from a blanket**
23 **extended payment option. The May 9th Staff memo**
24 **correctly points out that most people would be expected**
25 **to choose the installment option because of the time**

1 value of money. Assuming a virtual 100% take rate, the
2 bad debt potential will rise dramatically. With no
3 authority to seek an advance deposit, GTE will also
4 lose at least \$364,000 a year. Further, the Company's
5 cash flow position will suffer. These effects will
6 ultimately compromise ratepayer interests.

7 Although the May 9 memo acknowledges these
8 detrimental effects on TELCO finances, the notice
9 unaccountably concludes that the direct cost to the
10 companies to implement the revisions appear to be
11 negligible.

12 In brief, this view remains wholly
13 unsubstantiated. It is especially dangerous in light
14 of the lack of evidence to suggest the existence of any
15 real problem with regard to service installation
16 payments.

17 MS. MOORE: Thank you. Mr. Wyrrough, do you
18 want to make your presentation of your witnesses and
19 then at the conclusion of that we'll open it up for
20 questions?

21 MR. WYROUGH: Let me explain how we want to
22 go ahead with this informally. What we will do is
23 George Hanna will make a statement. He'll talk about
24 the purposes of the rule, a little bit of the
25 background --

1 THE REPORTER: Would you use the microphone,
2 please.

3 MR. WYROUGH: -- explain the order of
4 presentation here. We'll have George Hanna, he'll
5 start and talk about the rule and the background of the
6 rule, the purposes of the rule and what we're trying to
7 accomplish here for the ratepayers of the State of
8 Florida. Julia Russo -- Julie, do you still have any
9 more? She's already given the statement she was going
10 to make.

11 And then Patrick Mahoney will follow George
12 and talk about the economic impact of this rule. He
13 prepared the original economic impact statement and has
14 been following the statements made in subsequent
15 filings by GTE and United about the economic impact.

16 At that point, we'll open -- the panel here
17 will be open for any questions that anybody would have
18 of them. And after that period passes, then we'll turn
19 over to the companies, give them each a chance to be
20 heard, to give their position on the rule, any problems
21 they have with the rule. And I would ask that they get
22 into any kind of figures they have about the economic
23 impact of the rule and try and make that as clear as
24 possible. And then at that point the Staff will be
25 open to question the companies about their statements

1 made about the rule at that point.

2 After that, it will be open to anybody else
3 who wants to make comments about the rule.

4 MS. MOORE: Is that acceptable to everyone?
5 Okay. Would you begin then please?

6 MR. HANNA: I'm George Hanna of the Division
7 of Consumer Affairs. I'm going to tell you briefly how
8 this rulemaking proceeding was begun.

9 This proceeding was initiated when it was
10 determined by us that local exchange companies were not
11 offering all applicants an extended payment plan for
12 telephone connection charges. We believed and continue
13 to believe that this is contrary to the Commission's
14 intent when it required extended payment plans at the
15 time connection charges were substantially increased.

16 For example, in Docket No. 750316-TP, a
17 United Telephone case, the Commission said, quote, "In
18 light of the substantial increase in service connection
19 charges, the Commission finds that the Company should
20 permit its customers to pay for such charges over a
21 period of up to six months." Unquote.

22 It appears that local exchange companies
23 interpreted this to mean that they should offer
24 extended payment plans to some applicants, although the
25 language is explicit. We believe the offer should be

1 made to all customers and some may decline.

2 We don't believe that extended payment plan
3 should be offered only to those who say the magic word
4 when applying for service or for those for whom a
5 service representative may make a determination of
6 need.

7 That completes my summary.

8 MR. WYROUGH: Patrick Mahoney from the Public
9 Service Commission.

10 MR. MAHONEY: I am Patrick Mahoney. I'm in
11 the Research Division and I did the economic impact
12 statement.

13 I understand that the main concerns are of
14 the companies is with the economic impact. What we
15 examined primarily was the direct economic impact. And
16 based upon the information provided by the companies,
17 the time necessary to meet the conditions of the rule
18 would be from 22 seconds to three minutes, varying from
19 company to company, and the actual cost would be from
20 25 cents to 90 cents, varying from company to company.

21 We did state in the economic impact statement
22 that the direct cost for implementation of the rule we
23 felt would be minimal. I notice in the filing from
24 United Telephone they said that the economic impact
25 indicated that it would be negligible. I looked up the

1 definition of "minimal" and "negligible," and there is
2 a difference, namely that minimal would be the cost
3 that you would be least required to spend as opposed to
4 a cost that would have no impact.

5 We did recognize the fact that there would be
6 some cost of money associated with payments coming in
7 over a period of 90 days as opposed to being made at
8 the time service was initiated. We illustrated that
9 with a direct quote from Southern Bell within our
10 economic impact statement.

11 There was some information in some of the
12 filings from the companies that said that the economic
13 impact statement was in support of the rule. The
14 economic impact statement does not necessarily support
15 a rule, it just examines all of the available factors
16 and tries to present an objective picture of what the
17 impact will be.

18 And then I would like to make one comment. I
19 don't know if it would actually be my responsibility to
20 do so, but Bill asked me to address it. The attorney
21 for General Telephone said that there would be
22 significant impact due to the fact that they would not
23 be able to get a deposit from any of their customers at
24 the time they applied for service if their customers
25 elected to go with the time payment plan. Well, the

1 rule does not deal with deposits whatsoever and has no
2 authority over the collection of deposits. It's
3 concerned directly only with service connection
4 charges. (Pause)

5 MS. MOORE: Any questions of the Staff?

6 MS. CASWELL: I have some questions.

7 MS. MOORE: We'll start from --

8 MS. CASWELL: Okay, I didn't know.

9 MS. MOORE: -- start from my left and move
10 down.

11 MR. BERG: I'm Alan Berg with United
12 Telephone Company. I'll just ask the questions to the
13 panel and whoever is best qualified can answer them.

14 I'm a little confused about the purpose of
15 the rule. Can you all tell me what the purpose of the
16 rule is?

17 MS. RUSSO: I can address that. The purpose
18 of the rule is to assure that every residential
19 customer knows of the existence of a plan. We believe
20 the way the situation exists now, it's at the
21 discretion of the utility to tell a customer whether or
22 not the plan exists; and our concern is with allowing
23 the utility to have such discretion.

24 MR. BERG: So the purpose of the rule is not
25 to help the customers who don't have the ability to pay

1 the service connection charges at one time?

2 MS. RUSSO: The main purpose of the rule is
3 to advise all residential customers equally of the
4 existence of the plan.

5 MR. BERG: The economic impact statement
6 contains several statements and I'll read just one of
7 them here. "Customer Affairs Division has received
8 several requests from customers for financial
9 assistance with initial installation of service."

10 Is the economic impact statement based on
11 this purpose of the rule?

12 MR. MAHONEY: The economic impact statement
13 is the Commission Division of Communications and
14 Division of Consumer Affairs developed a rule. And
15 based upon the wording of the rule and the responses
16 from the companies is what the economic impact
17 statement is based upon. It's not based upon any type
18 of a philosophical reason for the rule, it's based
19 literally upon the wording of the rule and the
20 information provided by the companies.

21 MR. BERG: There's another statement in the
22 economic impact statement and mine is marked Page 4 at
23 the top, Page 7 at the bottom where I'm reading from.
24 It says, "As is evidenced by those members of the
25 public who have contacted the Division of Consumer

1 Affairs, there are persons desiring telephone service
2 who can afford this service on a time payment plan but
3 cannot pay all installation charges up front."

4 Now, this kind of statement seems to indicate
5 to me that the purpose of the rule is to help those
6 people who can't pay the service installation charges
7 up front. That's not the purpose of the rule that's
8 been recited here today.

9 MR. MAHONEY: Okay. The purpose of the rule
10 will be addressed by one of the other divisions.

11 MS. RUSSO: Well, again, I would argue that
12 the main purpose of the rule is to allow all persons
13 who are residential customers to know that the rule
14 exists. I mean, that the fact that they can get an
15 extended payment plan.

16 MR. BERG: Let me ask a couple more
17 questions, if I may. Did Mr. Johns of United Telephone
18 Company request copies of complaints from customers
19 concerning extended payment plans for the payment of
20 service connection charges?

21 MR. HANNA: Yes, he did.

22 MR. BERG: Did you provide -- what did you
23 respond to Mr. Johns' request?

24 MR. HANNA: I responded with a letter and
25 some enclosures. I'm not sure I have a copy of it

1 here.

2 MR. BERG: I've got one here. Let me
3 summarize and if it's not accurate, you can tell me.

4 MR. HANNA: All right.

5 MR. BERG: As I reviewed it --

6 MR. HANNA: well, I'll tell you it's
7 accurate.

8 MR. BERG: I'm talking about my review.

9 As I read it, you provided him with six, and
10 you defined them as complaints. They may be something
11 different, complaints or protests, but you provided him
12 with six contacts you had from customers during the
13 1991 period; and all of those contacts complained about
14 the level of service connection charges, not a one of
15 those contacts mentioned payment plans at all or
16 requested payment plans or anything like that, is that
17 correct?

18 MR. HANNA: I'm sure your review is correct.

19 MR. BERG: In the economic impact statement
20 area, are you aware of collection efforts made by LECs
21 to collect past-due accounts?

22 MR. HANNA: Yes, sir, I am.

23 MR. BERG: And you are aware that LEC
24 personnel are used to collect past-due accounts?

25 MR. MAHONEY: In most cases, although some of

1 them do use outside collection agencies.

2 MR. BERG: Did you consider the cost of
3 collection of past-due accounts to be a direct expense
4 in your economic impact statement?

5 MR. MAHONEY: Not a direct cost of the
6 implementation of the rule, no, sir. Because those
7 people who default on installation charges could just
8 as easily default on local exchange service charges or
9 toll, interLATA toll charges.

10 MR. BERG: So you don't see any requirement
11 for an increased collection effort on behalf of the
12 Company because of this rule?

13 MR. MAHONEY: No, sir. I would expect that
14 there would be logically an increased collection
15 effort, but I can't just project that. As I said
16 earlier, I have to use the information that was
17 provided for the impact statement. I can't say -- and
18 I did say, if you -- in reviewing the economic impact
19 statement, I said that the Company's primary concern --
20 I said, "None of the customers indicated severe concern
21 with the cost involved in providing information to the
22 customers. In fact, nearly all responding customers
23 indicated the mechanical cost of meeting the rule
24 revision requirement would be minimal. The major
25 concern was the peripheral effects the revision could

1 have on cash flow." And I'm agreeing with you there.

2 MR. BERG: That's all the questions I have
3 there. Thank you.

4 MS. MOORE: Mr. Erwin?

5 MR. ERWIN: Mr. Hanna, was the number of
6 complaints, or whatever they were, mentioned by Mr. Berg
7 about an average amount for each year that you would
8 receive relating to service connection charges?

9 MR. HANNA: No. I earlier said at the Agenda
10 and what is correct is that we receive about 100 calls
11 and letters a year on this issue of connection charges.
12 And that's true of this year; to date, we've received
13 about 70 and half the year is over.

14 MR. ERWIN: Are these complaints about the
15 level of connection charges or something else? Or the
16 existence of them?

17 MR. HANNA: Quite often, they're about the
18 level of connection charges. And the callers or letter
19 writers quite often are surprised when we tell them
20 that they could have extended time to pay the
21 connection charges. They also complain about the level
22 of telephone connection charges compared to the minimal
23 level of electric connection charges.

24 MR. ERWIN: What is the amount of the service
25 connection fee, what is the range among the local

1 exchange companies?

2 MS. RUSSO: I can address that. (Pause)

3 For the big four telephone companies, the
4 Southern Bell charge is \$76; United is \$50; GTE is
5 55.50; and Centel is \$63. The smaller companies range
6 somewhat maybe as high as \$53 to as low as 17.25 for
7 Florala and \$11 for Vista United.

8 MR. ERWIN: Do you have the same number of
9 complaints for the lower fees that you would for those
10 that have higher fees? Does there seem to be any
11 relationship?

12 MR. HANNA: No, I don't remember when we have
13 received a complaint from a Vista customer about \$11 --

14 MR. ERWIN: How about Florala?

15 MR. HANNA: We received few, if any,
16 complaints from Florala. Most of our complaints are
17 from customers of Southern Bell and General Telephone
18 because they are the two biggest companies and they
19 have more customers than anybody else.

20 MR. ERWIN: Would this rule, nevertheless,
21 apply to Vista and Florala and the other small
22 companies?

23 MR. HANNA: Yes.

24 MR. ERWIN: So that Vista would be required,
25 virtually, to charge \$3 to \$4 per month for three

1 months for the service connection charges?

2 MR. HANNA: No, that --

3 MS. RUSSO: It is correct that as the rule,
4 as it is currently written, would apply to all
5 telephone companies, and this may be a concern.
6 Because as you mentioned, Florala and Southland today
7 -- let me explain this. There are four companies today
8 that do not offer extended payment plans. And those
9 four companies are Florala, Gulf, Indiantown and
10 Southland.

11 Now, two of those companies, Florala and
12 Southland, have very, very low connection charges. And
13 it may be that some consideration be given to companies
14 with very low service connection charges. One of the
15 ways that that could be addressed is perhaps some kind
16 of a minimum payment amount for the first month.
17 Currently, the rule says you have to pay over three
18 months and divide the payments equally over each three
19 months; it may be that the Commission could consider
20 having some minimal payment that first month to take
21 care of those companies with very small service
22 connection charges.

23 MR. ERWIN: Could someone indicate for the
24 record what the purpose of the service connection fee
25 is? Why do companies charge a service connection fee?

1 MS. RUSSO: I can address that. The purpose
2 of the service connection fee is to recover the cost
3 for initiating service.

4 MR. ERWIN: If the company doesn't get that
5 fee at the time service is initiated, does that
6 frustrate the purpose of the fee? (Pause)

7 MS. RUSSO: It may, because it has to be
8 collected over a longer period, yes.

9 MR. ERWIN: Would anyone up there at the
10 table have an objection if one of the companies decided
11 to charge the service connection fee over a period of
12 24 months?

13 MS. RUSSO: Yes, I would. I believe the
14 rule, as it stands at three months is appropriate.

15 MR. ERWIN: Doesn't the rule say "at least
16 three months, over at least three months"?

17 MS. RUSSO: That is correct. And that is
18 purposely to allow the utilities to have the discretion
19 that if they choose to allow a longer payment plan,
20 they would do so, but they would not be mandated to
21 have anything in excess of three months.

22 MR. ERWIN: But you have indicated that if
23 they did choose a 24-month period, you would find that
24 to be unacceptable.

25 MS. RUSSO: I'm sorry. I spoke incorrectly.

1 I would find that to be unacceptable for purposes of a
2 rule.

3 MR. ERWIN: Okay. But you would not find it
4 unacceptable if the company chose to drag this thing
5 out for 24 months?

6 MR. HANNA: I'd find it amazing.

7 MS. RUSSO: I believe that would be at the
8 company's discretion. And it would be reviewed at a
9 later period in a rate case if it did result in such
10 things as high cost of collection. But I believe that
11 would be at the discretion of the utility. Our purpose
12 is to at least have some minimal, equal requirements
13 for all residential customers.

14 MR. ERWIN: So you would then admit that the
15 longer this thing is dragged out the greater potential
16 there is for some kind of loss by the company?

17 MS. RUSSO: Yes, I would. And that's why the
18 Staff changed their original proposal from the six
19 months to the three months.

20 MR. ERWIN: Can you tell me why the rule
21 doesn't simply mandate the time payment plan for three
22 months for every customer?

23 MS. RUSSO: Because we believe that it should
24 be at the discretion of the customer. If they choose
25 to pay all in one month, they should be allowed to do

1 so. And if they believe they would like a longer
2 period, they should be able to do so up until three
3 months.

4 MR. ERWIN: What is the benefit that you see
5 in the customer's choosing to pay it all in the first
6 month? I mean, what --

7 MS. RUSSO: Some customers may prefer not to
8 have an outstanding balance and may prefer to pay it
9 all in one amount.

10 MR. ERWIN: So you'd like to give them the
11 chance, and, therefore, you're not going to mandate
12 this thing over a three-month period, right?

13 MS. RUSSO: No. It's not to be mandated.

14 MR. ERWIN: Would you agree with me that
15 virtually everybody would take an extended period of
16 time to pay rather than pay in the first month if given
17 that opportunity? So that the end result is virtually
18 the same as a mandate?

19 MR. HANNA: I wouldn't agree with that, no.

20 MS. RUSSO: You're sort of getting into the
21 economic impact statement there. But I believe
22 Southern Bell did a four-day study in which they did
23 offer the plan and they found that not every customer
24 did take the plan. I believe their penetration rate
25 went up to what it had been prior about 62%, up to 70%.

1 So the experience of Southern Bell shows that that is
2 not the case.

3 MR. ERWIN: Can somebody refresh my
4 recollection on the deposit rule over there? Is it two
5 months local service and one month toll, or one month
6 local service and two months toll?

7 MS. RUSSO: It's one month's local, two
8 months' toll.

9 MR. ERWIN: Two months toll? Do you have any
10 idea what the average dollars involved in the deposit
11 might be for the companies?

12 MS. RUSSO: No. I'm sorry, I do not have
13 that figure. I would be willing to provide that later
14 if you would like.

15 MR. ERWIN: Would the same logic extend
16 towards the deposit as extends towards the service
17 connection fee, that we should perhaps require a
18 deposit over a period of time instead of all at once up
19 front?

20 MS. RUSSO: I believe, no, the same logic
21 should not apply. The purpose of the deposit is to
22 reduce the risk to the utility, especially for some
23 customers who experience has shown may not be good
24 paying customers. We are not in any way recommending
25 that that deposit rule be changed.

1 MR. ERWIN: Do we have to offer this extended
2 payment plan to those same customers who would pay a
3 deposit who have a history of bad payment?

4 MS. RUSSO: Yes, you would.

5 MR. ERWIN: Okay. In doing the economic
6 impact statement, do you have any idea what percentage
7 of customers in the state of Florida take service for a
8 period of less than three months?

9 MR. MAHONEY: We don't, no.

10 MR. ERWIN: Do you have any idea in any of
11 the companies' territories, for example, what
12 percentage of their customers might be migrant workers?

13 MR. MAHONEY: We do not.

14 MR. ERWIN: Do you have any idea how many of
15 the customers might be tourists or persons who are in
16 temporary residence in Florida?

17 MR. MAHONEY: We don't. We do have some
18 information that you might be interested in, though, in
19 that -- I don't know if it's still valid, but three to
20 four years ago the uncollectibles were running, I
21 believe, at about 2 or 3%, the total uncollectibles for
22 the companies. So that would have some impact.

23 MR. ERWIN: Were these uncollectibles for
24 people who were in residence for less than three
25 months, or were these just generally uncollectibles?

1 MR. MAHONEY: Uncollectibles, total.

2 MR. ERWIN: So that wouldn't have any bearing
3 on this category of people that are temporarily in the
4 company's territory.

5 MR. MAHONEY: It would in that everybody that
6 subscribes for service is a subscriber so they're
7 included in the total body of subscribers, and if they
8 don't pay their bill, they're included in the
9 uncollectibles.

10 MR. ERWIN: And to the extent any of those
11 people were included in that figure, if we add service
12 connection fees, now, do you feel that would increase
13 the uncollectibles?

14 MR. MAHONEY: Yes, it would.

15 MR. ERWIN: Would you agree with me that, in
16 one sense of the word, this rule would encourage or be
17 another incidence of subsidization of one group of
18 customers by another group of customers of the company?

19 MR. MAHONEY: I really don't feel like --
20 that would be a personal opinion. And in doing my job,
21 I try and base what I do strictly upon valid
22 information, and I'd prefer not to give you a personal
23 opinion.

24 MR. ERWIN: That's all I have, thank you.

25 MS. MOORE: Mr. Lightsey?

1 MR. LIGHTSEY: No questions.

2 MS. CASWELL: Just a few. What is the policy
3 goal of the proposed rules?

4 MS. RUSSO: I can address that. We consider
5 service connection charges for basic local service to
6 be an important part of basic local service. We
7 believe that if the Commission determines that an
8 extended payment plan is appropriate -- which it has
9 done so -- that all customers should be equally advised
10 of the existence of the plan, and that it's not
11 appropriate for the utilities to use their discretion
12 to determine who they will tell about the plan and who
13 they will not.

14 MS. CASWELL: Yeah, I think that's getting
15 back to the purpose of the rule, which you discussed
16 earlier with Mr. Berg. I'm asking a little different
17 question about the policy behind the revisions. And
18 maybe I can --

19 The Staff memo talks about making basic
20 service available at affordable prices to all
21 customers. That seems to go to universal service as
22 the policy goal of the rule, is that correct?

23 MS. RUSSO: Well, I do need to make a
24 distinction, because there is a distinction between the
25 service connection charge and the monthly rate for

1 basic local exchange service, and I am sort of mixing
2 the two of them together and I don't really mean to do
3 that.

4 If you go back to the history that we briefly
5 discussed, at a given period of time the service
6 connection charges were much lower than they are now.
7 The Commission, in their orders, felt that the service
8 connection charges should be raised to cover the cost,
9 but they also felt some concern over customers being
10 able to pay that large amount up front. And that is
11 why they said, "Even though we believe these costs
12 should be recovered and that the service connection
13 charges should be high enough to cover their costs, we
14 believe that these amounts should be spread over a
15 period of time in order to allow customers the ability
16 to pay."

17 And, so, there's kind of a mixed policy
18 here. The policy says that service connection charges
19 should be considered as a charge to cover the cost of
20 service, but that there is some level of consideration
21 that must be given to the customer as well. And that
22 level of consideration to be given to the customer is
23 that if that customer needs a longer period of time to
24 pay that charge, he should be given that.

25 So the Commission was saying the charges

1 should be higher than they had historically been, and I
2 continue to support that. I believe that's correct.
3 But that if they are going to be higher, the customer
4 should be given a little longer time in order to pay
5 that amount.

6 MS. CASWELL: Okay. As I understand what
7 you're saying, you disagree with the statement about
8 the policy goal in this May 9th memorandum. Maybe if I
9 read you that statement you can say whether you
10 disagree with it or not. "Staff recommended the
11 amendment because it would further the policy goal of
12 making basic telecommunication services available to
13 all residents at affordable prices by making all
14 customers aware of the availability of an extended
15 payment plan."

16 That's where I'm getting the policy goal of
17 universal service and the whole bit about affordable
18 services. From what I hear you saying, that's not the
19 policy goal of the rule, it's something else.

20 MS. RUSSO: What I am trying to say is that
21 there are several reasons for having the service
22 connection charge. One is to assure the utilities that
23 some, or all, of their costs are recovered. The other
24 is to give the customer some reasonable amount of time
25 to pay, since that is a rather large up-front cost.

1 Now, there are some underlying goals there
2 that, yes, if this service charge is spread over more
3 months, then some customers who otherwise may not have
4 been able to pay will be able to pay. And that, we
5 believe, is a good thing.

6 However, if we wanted to particularly target
7 this rule to the customer who is unable to pay, then we
8 would have put some criteria on the rule. In
9 particular, when we sent out a data request, one of our
10 questions that we asked the local telephone companies
11 was, "Do you believe that there should be some
12 criteria, such as the link up criteria, that should
13 apply for whether or not the service representative has
14 to tell the given customer that that plan exists?"

15 Now, there was a mixed bag of responses but
16 Staff ultimately decided that the more appropriate way
17 to go would be to mandate that the service
18 representative tell all the residential customers, not
19 simply a given group of those residential customers.
20 So we did decide to broaden the rule so that it's
21 available to all residential customers and did not
22 target a specific group.

23 If the Commission wished to target a specific
24 group, they would need to put some criteria on that, as
25 to how that group would be targeted. That is not the

1 rule, as it stands now, and that is why I continue to
2 respond to you that, no, the primary purpose is not to
3 target one group. If that was the primary purpose of
4 the rule, we would have put some criteria on it, and we
5 did not.

6 MS. CASWELL: What was the impetus for the
7 initiation of the rulemaking?

8 MR. HANNA: Well, quite simply, we felt the
9 local exchange companies should be telling all
10 customers of the availability of extended payment plans
11 and they weren't doing it.

12 MS. CASWELL: So it was the Staff's own idea,
13 it didn't come from customer complaints?

14 MR. HANNA: That's right. As a matter of
15 fact, we thought the companies were in violation of
16 previous Commission orders --

17 MS. CASWELL: Yeah.

18 MR. HANNA: -- ordering extended payment
19 plans for all customers. It didn't say companies
20 should permit some customers extended payment plans, it
21 said, "Permit its customers." We thought the companies
22 were violating those orders and we don't think those
23 orders are time-limited or carry an automatic
24 expiration date after which they can be ignored.

25 MS. CASWELL: And you're speaking of United

1 dockets that you mentioned earlier, is that correct?

2 MR. HANNA: United, Southern Bell, Centel,
3 St. Joe. (Pause) Yeah, the General Telephone case was
4 one, Docket 74792-TP.

5 MS. CASWELL: So, in your view, this isn't a
6 policy issue, the companies are already legally
7 mandated to provide these extended payment plans to
8 everyone and they're not doing it?

9 MR. HANNA: That's my personal opinion, yes.
10 And that's --

11 MS. CASWELL: Is that --

12 MR. HANNA: -- the reason the companies
13 submitted tariffs offering an extended payment plan in
14 compliance with those orders. And, as Ms. Russo said,
15 we believe that those tariffs, or information about
16 what's in those tariffs, should be made available to
17 all customers.

18 MS. CASWELL: But those tariffs offering an
19 extended payment plan not on a blanket basis were
20 approved by the Commission, is that correct, at the
21 time that they were submitted?

22 MR. HANNA: No. They were approved by the
23 Commission. I don't agree that they don't offer it to
24 everybody on a blanket basis. I believe the local
25 exchange companies have chosen not to offer it on a

1 blanket basis and that they should be doing so.

2 MS. CASWELL: And that not doing so is a
3 violation of those orders?

4 MR. HANNA: That's my opinion.

5 MS. CASWELL: Is that the opinion of the
6 panel? I wonder if anybody else could speak to that?
7 I'm just trying to get it straight whether this is a
8 policy proceeding or whether the Staff is claiming that
9 the telcos are violating --

10 MR. HANNA: I might add that I'm a layman,
11 I'm not an attorney; that's my layman's opinion.

12 MS. RUSSO: I can address the tariff point of
13 view. The tariffs do not state that the service
14 representative will advise. The tariffs simply state
15 what the plan is and how it works. So as far as the
16 companies being in violation of their tariffs, they are
17 not.

18 MS. CASWELL: No, I wasn't talking about the
19 violation of tariffs, I was talking about the violation
20 of the orders you mentioned earlier in the various
21 dockets.

22 MS. RUSSO: The orders required them to
23 tariff a plan; the orders did not speak to whether or
24 not the service representative had to state that the
25 plan existed.

1 MS. CASWELL: Okay.

2 MS. MOORE: Is that all?

3 MS. CASWELL: One minute, please, and then
4 we'll be done. (Pause)

5 There's one thing that I think we need some
6 clarification on and that's the relationship between
7 the deposits and the service installation charges.
8 You're not recommending elimination of deposit in any
9 way and this rule would not affect the ability of the
10 companies to require a deposit?

11 MS. RUSSO: That is correct. It in no way
12 changes the deposit, and the deposit may be up to an
13 amount of two months estimated toll and one month's
14 local. And that does not include the amount for the
15 service connection charges. When you talk about one
16 month's local, what that means is your one month's
17 nonrecurring charges -- excuse me, your one month's
18 recurring charges for local service. So this rule is
19 not changed in any way.

20 MS. CASWELL: Can I just have one moment?
21 (Pause) I think I'm done for now.

22 MR. ERWIN: Could I just get one
23 clarification of something?

24 Mr. Hanna, you keep saying that they should
25 offer it on a blanket basis, you keep coming back to

1 that. My question again is, what is the Commission's
2 real desire here? Why don't you just mandate this,
3 that you charge or spread this out over some certain
4 period of time instead of just attempting to sluff off
5 the burden on the companies to advise everybody for
6 several minutes every time everybody comes in and add
7 to the burden?

8 MR. HANNA: What we're trying to do is
9 mandate that the companies advise everybody of the
10 availability of this option.

11 MR. ERWIN: Why don't you just mandate the
12 charges -- (Simultaneous conversation)

13 MR. HANNA: Some people may not wish to take
14 advantage of this option. Ms. Ring, sitting in the
15 audience, was offered the time payment plan when she
16 moved and she declined. She opted to pay the whole
17 thing at once. Others may choose to avail themselves
18 of that option. Some who may want to avail themselves
19 are not necessarily advised of the option. We think
20 everybody should have all of the information on a
21 nondiscriminatory basis.

22 MR. ERWIN: Mr. Hanna, have you ever read the
23 Federal Truth in Lending Act and seen all the things
24 that you get advised of whenever you go to borrow
25 money?

1 MR. HANNA: Yes, I have. I have read at it.

2 MR. ERWIN: Are you trying to turn this whole
3 procedure into something as complicated as that
4 ultimately so that people get advised of more than they
5 need to know?

6 MR. HANNA: No, sir. We just want them to
7 know what they need to know.

8 MR. ERWIN: That's all I have, thank you.

9 MS. CASWELL: I have I think one additional
10 question, if I may. (Pause)

11 When the time payments are offered, what is
12 your understanding of what components are offered --
13 let me ask this again.

14 At the time the payment arrangements are
15 offered to customers, what does the Staff feel should
16 comprise that extended payment, and what are the
17 elements included in that plan?

18 MS. RUSSO: I can address that. (Pause)

19 What we're talking about is the elements of
20 the service connection charge that would be available
21 for spreading over the three months? Is that the
22 question?

23 MS. CASWELL: Yeah, I think so. What I'm
24 trying to get at, again, is the deposit question.

25 MS. RUSSO: The deposit would still be

1 expected up front in total. It would not put any kind
2 of an extended payment plan on the deposit, that would
3 stay as is. What would be spread over three months is
4 the service connection charge. And for GTE, that's the
5 primary service order, the central office charge, if
6 there was any kind of a premise visit; and that comes
7 to a total, again, of about \$54. That's the amount
8 that we're talking about spreading over the three
9 months.

10 The deposit, again, would be collected in
11 total up front.

12 MS. MOORE: Does that answer the question?

13 MS. CASWELL: I think, for the time being.

14 MS. MOORE: I suggest we might want to take a
15 10-minute recess. Is that acceptable? We'll recess
16 for 10 minutes and be back here just before a quarter
17 of.

18 (Brief recess.)

19 - - - - -

20 MS. MOORE: Are we ready to proceed? Mr.
21 Berg, I believe you're next.

22 MR. BERG: We'd like to present Mr. Ben Poag.
23 Mr. Poag, would you please state your name and business
24 address?

25 MR. POAG: Good morning, my name is Ben Poag.

1 I'm with the United Telephone Company. My address is
2 P. O. Box 5000 Altamonte Springs 32615-5000.

3 MR. BERG: We'd just like to have Mr. Poag
4 read his statement and then we'll offer him for your
5 questions then.

6 MR. POAG: Our basic position is that there's
7 is no real problem with the current procedures that the
8 company uses, and in investigating and requesting some
9 information from the Commission we felt like this was
10 really substantiated to some degree, or to a large
11 degree, really, by the information that we received.

12 We talked about the letter that Mr. Hanna had
13 sent to Jerry Johns on June 18, 1991, that included the
14 samples of the complaints regarding service connection
15 charges. None of the complaints really addressed the
16 issues that we're talking about here today. They were
17 all addressing the level of service connection charges,
18 not whether or not there was an extended payment plan
19 that was available. And that was again, based on the
20 sample that was provided.

21 In addition, the letter indicated that there
22 had been a total, through the June 18 period
23 presumably, of 41 calls and letters that had been
24 received to date that were addressing again service
25 connection charges. And presumably here I'll repeat

1 that I think they were addressing the level and not the
2 extended payment plans. But I didn't have the universe
3 to look at. The letter also indicated that
4 approximately 100 calls and letters had been received
5 during the past year, and I'm assuming that this was
6 for the entire industry; General, Bell, United, all of
7 the other telephone companies.

8 And when you look at this kind of data,
9 you're given the fact that in United we would have
10 somewhere around 225 to 250,000 residential inward
11 movement orders per year. Bell would have three or
12 four times that and General maybe twice that. But it's
13 got to be well over a million of these orders that
14 we're addressing in this proceeding.

15 And when you look at the number of
16 complaints, a hundred complaints in a year, that means
17 that you've got one complaint in 10,000 or more inward
18 movements. And I guess that's basically our position.
19 What is the problem? We don't see the problem with the
20 existing rule.

21 And even if you implemented this rule to try
22 and fix those things, we're not sure it would fix them.
23 But if you look at the cost, United estimated,
24 depending on the amount of time that it takes to inform
25 the customers, informing all of the customers, that it

1 would take up to two to three minutes. We're using the
2 lower number, that it would cost us about \$125,000.
3 The money, that we reduce our cash flow by another
4 \$600,000. And if you take these, take the hundred
5 complaints for the year and you say of that hundred
6 complaints, assume that 13 of them or 13%, which is
7 about the percentage we have of access lines to the
8 rest of the industry, we're in United's service
9 territory, then the cost on a per-complaint basis would
10 be approximately \$10,000. The cash flow impact would
11 be about \$45,000. And that's simply taking the data
12 that we provided, \$125,000 dividing it by 13. And it's
13 clearly just too high a price to pay to address that
14 few a number of complaints.

15 Today it takes a service rep, a service rep
16 who is qualified with some amount of experience, about
17 25 minutes to take an order for new service. This is
18 one more piece of information that's going to add to
19 the length of that contact time. It's time that the
20 service rep has, it's time that the customer has.
21 Today some customers, when you've been talking to them
22 about 25 minutes about a new service installation, are
23 already irritated. In fact, we've had some complaints
24 about the period of time that it takes to install
25 service. And I guess what I'm trying to say is I

1 really don't think there's a problem, and if there is a
2 problem what's proposed here today is not the fix.

3 Just one other point, and it kind of
4 addresses a nondiscriminatory nature of the issue. If
5 I understand what Staff is saying is that you've got to
6 tell every customer that they can have three months,
7 but you can go up to six months. And it just seems to
8 me that here again you're still allowing the company
9 the latitude to say, "Well, this customer gets six
10 months, but this customer gets three months." So even
11 the proposal at three months with the allowance to go
12 to six months is not going to solve the
13 nondiscrimination issue.

14 MS. MOORE: Does Staff have any questions of
15 Mr. Poag?

16 MS. RUSSO: Yes, I have two questions. In
17 your testimony you discussed how it could take some
18 time for the service representative to advise the
19 customer. Isn't it correct that it could be as simple
20 as the service representative saying your service
21 connection charge is X and payment may be spread over
22 three months?

23 MR. POAG: No, it's not that simple.

24 MS. RUSSO: Do you wish to explain?

25 (Laughter)

1 MR. POAG: Yes.

2 Well, generally speaking again they are going
3 through a 25 minute process for the customers. There
4 are a number of things involved. They might be talking
5 to them about the optional calling plans, the other
6 services that they have. They are portable type
7 services.

8 If there are some nonreg charges, you don't
9 have an extended plan on the nonreg charges. And so
10 you've got to -- when you get through and you're
11 talking to the customer and you're giving them all of
12 the information, basically our position is, and I think
13 it's Commission rule or order that you recap what those
14 charges are. And so you would basically recap and give
15 them the totals. And generally what they do is they
16 try to give them the pieces as they go through it, but
17 it's more complicated. It's not that simple. And
18 customers are going to have questions and they're going
19 to get into discussions and they might ask for other
20 options.

21 MS. RUSSO: My second question has to do with
22 the discretionary aspect. It does seem to be true that
23 since the Staff is saying that the Utility could allow
24 more than three months, that there is some discretion
25 there for the utility.

1 MR. POAG: Yes.

2 MS. RUSSO: However, isn't it true that the
3 rule would require at least some minimal level of a
4 service connection extended payment plan; for that
5 minimal level the Utility would not have any discretion
6 on?

7 MR. POAG: Well they -- yeah, they would have
8 to tell them about-- they would have no discretion as
9 to whether they would tell them about the existence of
10 an extended payment plan. They would still have
11 discretion as to whether it would be three months or
12 six months. Today the discretion is zero or three
13 months. So I don't think you've taken the discretion
14 out of it. It's just where the three months fall.

15 MR. WYROUGH: Mr. Poag, wouldn't you agree
16 that the purpose behind the extended payment plan,
17 which has been ordered by the Commission, that
18 companies make this plan available to its customers,
19 wouldn't you agree that the purpose of this plan is to
20 make -- to give a certain customer the option of paying
21 his service connection periods over a certain period of
22 time?

23 MR POAG: The answer is yes, and let me say
24 that I'm saying yes because you said to give a certain
25 customer the option of paying over a certain period of

1 time. I think that was the intent.

2 And if I heard correctly when Mr. Hanna was
3 reading from that order, I thought he said that that
4 order said that the company should permit customers to
5 pay on an extended payment plan. And I think that's
6 the intent. I don't think it's to give everyone this
7 option across the board. I think it's getting into the
8 micromanagement of the company and that it's got to be
9 up to us to establish and make business decisions in
10 trying to run the business efficiently. Let us know
11 what we've got to do to put these customers on the
12 network. We don't want to turn customers down. We
13 want them on the network. We want their business. And
14 if we think that there's a problem with the service
15 connection charge, we're going to do everything we can
16 to get that customer on the network.

17 MR. WROUGH: Then wouldn't you agree that if
18 a particular customer is unaware of the availability of
19 an extended payment plan, that the purpose of that
20 would permit that customer to pay his service
21 connection cost over a period of time would indeed be
22 important?

23 MR. POAG: Not generally, because I think the
24 service representative is -- first of all one of the
25 questions I had in talking with the service

1 representative is, how many times do customers call up
2 and give you an order for service or talk about service
3 and then don't go ahead and subscribe to the service?
4 And they said that almost never happens.

5 And I guess what I'm driving at is in those
6 cases where customers indicate a problem with paying
7 that the service representatives are aware of the plan
8 and will advise them of it. Or if the customer asks,
9 of course, we'll advise them then as well. And again,
10 I think the purpose of the plan is working. And if you
11 look at the numbers, I have a hard time justifying
12 implementing this plan to fix 13 complaints at the
13 price of about \$10,000 each. And again, I'm not sure
14 that that would really fix those complaints.

15 MR. WROUGH: Wouldn't you agree that it would
16 be possible for a certain customer to be aware of the
17 cost of the service connection charges but unaware of
18 the availability of the extended payment plan, and in
19 that case that this customer would not even inquire
20 about telephone service because he would, in fact, be
21 chilled from even considering having a telephone line?

22 MR. POAG: Clearly it's possible they would
23 know that there would be -- what the charge would be
24 and not know about the extended payment plan.

25 MR. WYROUGH: Nothing more.

1 MS. MOORE: I'm unclear about one thing, and
2 I'd like each of the companies to, if they use numbers,
3 to please let me know how they arrived at those
4 numbers. The number of new service orders that you
5 said. I think you gave me a figure or gave us a
6 figure, an annual number of orders, new service orders.

7 MR. POAG: Yes. And we provided data in
8 response to some Staff data request regarding those
9 numbers. I think the last one we provided for
10 residential was like 285,000. And I sort of -- because
11 of the economy, adjusted that downward, but we would
12 run anywhere from 225,000 to 250,000.

13 MS. MOORE: New service orders.

14 MR. POAG: New service orders, right.

15 MS. MOORE: Per year.

16 MR. POAG: Yeah. And then I do not have
17 Bell's numbers and I do not have General's numbers, but
18 recognizing that Bell is about four times bigger than
19 us and General about 1.5 times bigger, it takes you to,
20 assuming the same ratios of inward service to access
21 lines, puts it at well over a million. And I just used
22 a million, I just conservatively used a million and
23 brought that down to the complaints, the number on the
24 complaints was from Mr. Hanna's letter.

25 MS. MOORE: And you currently offer a plan,

1 an extended payment plan?

2 MR. POAG: Yes, that's correct.

3 MS. MOORE: If a customer requests it. I
4 don't know that there is anything in the record about
5 what the take rate is now.

6 MR. POAG: We also provided some data on
7 that, and the take rate is just about slightly under
8 1%. I think the Staff recommendation had -- that is
9 about 9%, but I think they have a decimal point out of
10 place, so .9% would have been the better number, I
11 believe.

12 MS. RUSSO: Excuse me, would you like me to
13 interject and tell you about some information that is
14 in some of the exhibits? Or would you --

15 MS. MOORE: That would --

16 MS. RUSSO: Okay. If you'll notice in the
17 May 9th Staff memorandum, if you'll go to page --

18 MS. MOORE: Is that in the composite exhibit?

19 MR. WYROUGH: It's not in the exhibit. It's
20 not required to put the recommendation in the composite
21 exhibit. You can talk to it.

22 MS. RUSSO: I have a copy of that if you
23 would like me to make it available to you and to all
24 the parties here. And it compiles data that the local
25 exchange companies provided to Staff in response to a

1 an extended payment plan?

2 MR. POAG: Yes, that's correct.

3 MS. MOORE: If a customer requests it. I
4 don't know that there is anything in the record about
5 what the take rate is now.

6 MR. POAG: We also provided some data on
7 that, and the take rate is just about slightly under
8 1%. I think the Staff recommendation had -- that is
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17 May 9th Staff memorandum, if you'll go to page --

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19 MR. WYROUGH: It's not in the exhibit. It's
20 not required to put the recommendation in the composite
21 exhibit. You can talk to it.

22 MS. RUSSO: I have a copy of that if you
23 would like me to make it available to you and to all
24 the parties here. And it compiles data that the local
25 exchange companies provided to Staff in response to a

1 data request that does show the inward movement for the
2 residential and business customers and the take rates.

3 MS. MOORE: Is that the recommendation that
4 went to agenda?

5 MS. RUSSO: Yes.

6 MS. MOORE: Everybody is familiar with it.

7 MS. RUSSO: If you'd like me to get some
8 quick copies made of that and pass it out.

9 MS. MOORE: Does everyone have a copy?

10 MS. CASWELL: Yes.

11 I'm uncertain that this is part of the
12 record, and to be safe let's have it marked as an
13 exhibit, is that acceptable? (Pause)

14 (Exhibit No. 2 marked for identification and
15 admitted into evidence.)

16 MS. MOORE: Okay. Enter that into the
17 record.

18 MR. BERG: Is that Exhibit No. 2?

19 MS. MOORE: That is correct. (Pause)

20 Mr. Poag, you mentioned about the reduction
21 in cash flow. Is there data in Exhibit No. 2 that
22 provides that information if you can tell us where you
23 got that figure from?

24 MR. POAG: We had provided data on the cash
25 flow impact based on the original rule of six months,

1 and I had made some adjustments to that to get it to
2 the 600,000. I think the number again was actually
3 \$620,000, and I just rounded it to 600,000.

4 MS. MOORE: The cost of the \$125,000 figure
5 you mentioned is --

6 MR. POAG: That's in the original
7 recommendation. It actually was 127,000, and, again, I
8 rounded the number.

9 MS. MOORE: And that figure is based on what?

10 MR. POAG: That is provided -- actually that
11 was provided in a data response dated March 19, our
12 letter in response to the Commission's data request to
13 Mr. Mahoney, dated March 19, 1990. And I'm sorry that
14 number was 137,000 based on the two minutes, to 206,000
15 based on the three-minutes additional service rep time.
16 And that's included in that letter as the response to
17 Question No. 4. Again, I just rounded that number
18 downward.

19 MR. BERG: I've got clean copies of those two
20 responses he provided if you want those as exhibits.
21 See, I'd like to go ahead and have them so we'll have
22 the right numbers. We'll make the March 19th Response
23 to Mr. Mahoney would be Exhibit No. 3 and April 25th
24 response to Mr. D'Haeseleer would be Exhibit No. 4.

25

1 (Exhibit Nos. 3 and 4 marked for identification
2 and admitted into evidence.)

3 MR. MAHONEY: Could I ask Mr. Poag a
4 question?

5 At the time you responded to my data request
6 as opposed to the information you provided the Division
7 of Communications, did you respond with the impact of
8 providing the information to all residents, one-party
9 and all business one-party customers, or was it all
10 residence one-party only? It included both residence
11 and business at the time you responded to my request to
12 it. (Pause)

13 MR. POAG: Okay. It did not include all
14 residence and all business. It included all residence
15 and single-line business, which is a much smaller piece
16 of the business market. But you are correct, that
17 response was addressing the original rule. However,
18 again, I took the lower number, and I even reduced that
19 to be conservative but you're correct, I did not do
20 that.

21 MR. MAHONEY: I just wanted that distinction.

22 MR. POAG: Yeah, I can give you an
23 approximate -- well, no I cannot either, because -- I
24 can't right now give you the difference. It would be
25 approximately -- no, I don't have that.

1 MR. MAHONEY: We can get it by taking the
2 numbers from the second exhibit.

3 MR. POAG: I don't see that it would be
4 substantially different than that \$125,000 number that
5 I used because that was already reduced.

6 MS. MOORE: All right. Any further questions
7 of this witness? Mr. Erwin?

8 MR. ERWIN: As I said, I don't have --

9 MS. MOORE: I'm scrry, excuse me, I'm sorry.
10 Excuse me one moment. Has the court reporter got the
11 exhibits marked? Mr. Erwin.

12 MR. ERWIN: As I said, I don't have any
13 witnesses. I do have two written documents, and there
14 is a third I would like to submit so I'd like to have
15 these marked perhaps Northeast Florida Telephone
16 Company Exhibit 5 and Indiantown Telephone System,
17 Exhibit 6, and then Quincy Telephone Company late-filed
18 Exhibit No. 7 and I've got copies of these for
19 everyone.

20 (Exhibit Nos. 5, and 6 marked for
21 identification and received into evidence.)

22 (Late-Filed Exhibit No. 7 identified.)

23 MR. ERWIN: I'll get it in this afternoon, I
24 just couldn't get it prepared in time to do it. And
25 I've got copies of these for everyone. (Pause)

1 That's all I have. I'll get the Exhibit 7 in
2 either by 5:00 p.m. today or forget it.

3 MS. MOORE: Has everyone had a chance to just
4 look and have any questions of Mr. Erwin. Staff, take
5 a minute to read the exhibits. I'm sorry, first, do
6 you have any objections to admitting these exhibits
7 into the record? They're admitted then, except for
8 Exhibit No. 7 which may or may not arrive.

9 MR. ERWIN: It probably will.

10 MS. MOORE: Go ahead, Mr. Wyrrough.

11 MR. WYROUGH: I've always been curious in the
12 orders and in the rules, you know, there is a certain
13 amount of latitude to give the companies some autonomy
14 in how they promulgate the availability of the extended
15 payment plan to its customers. Can you give me some
16 idea of what you envision being told to the customers
17 about the plan that would take two minutes or several
18 minutes?

19 MR. ERWIN: Well, anything I would tell you
20 would, number one, not be testimony, and, number two,
21 would be speculation.

22 But I can tell you my impression is that you
23 would have to tell a customer, first of all, about the
24 existence of the opportunity to pay over an extended
25 period of time. And I would just assume that there

1 would be some questions at that point from the
2 customer. I'm just speculating about that, but I can
3 hardly imagine that they would sit there mute and not
4 respond to that so I could anticipate a question or two
5 and a little bit of talk. And before you know it two
6 minutes is gone. I can't be precise. I don't think
7 anybody could be.

8 MR. WYROUGH: Just in your opinion, you think
9 that it would be adequate for a customer service
10 representative to say the service connection charges
11 are X. Would you like the option of paying that amount
12 in three equal monthly installments. "Yes" or "no."

13 MR. ERWIN: And I'd like to ask you if that
14 will show up on my first bill for service or do I need
15 to pay you that money right now? Do you want a check
16 from me right now, or do I get a chance to pay that
17 sometime when I get my first bill? I mean, I want an
18 answer from you right now. Do I need to do that now or
19 do I get to do that whenever I pay you my first bill.
20 I'm just trying to carry on a conversation.

21 MR. WYROUGH: I am too. I'm trying to get to
22 the bottom of this thing. I suppose it would be at the
23 Company's discretion if they want it right then or with
24 the first monthly billing cycle.

25 MR. ERWIN: Put it on the credit card maybe

1 instead of just giving a check for it right now.
2 "Could you all have a credit card thing right here I
3 could maybe give you a credit card for this? I don't
4 know, have you got one or could I give you a credit
5 card for this? I don't have the cash with me today."

6 MR. WYROUGH: I would think the rule
7 envisions the company could have discretion on how they
8 want to collect those charges.

9 MR. ERWIN: Well, for your information, we
10 just took a minute and 45 seconds to discuss this, so
11 -- and that's how I envision it might go. I wasn't
12 really asking for answers. I was just trying to put on
13 a little thing like you might do with a customer. You
14 might ask some questions and that took a minute and 45,
15 so it could take two minutes, it seems to me, before
16 you get through this thing. It might take longer. I
17 speak pretty quickly. (Laughter)

18 MR. MAHONEY: I'd like to ask a question,
19 since I usually spend my time just gathering
20 information, and my question would be to Mr. Erwin;
21 does he think that Mr. Wyrrough is anywhere near as
22 highly trained as a service representative, since he's
23 eliciting the information? And could I use that, if
24 I'm doing an economic impact statement, could I
25 actually use that demonstration to get any type of

1 relevant information off of that minute and 45 seconds?

2 MR. ERWIN: Well, I don't know how to answer
3 that, but I hope that all of the Commission Staff is at
4 least as highly trained as the Company personnel who
5 are giving out this information, since the Commission
6 Staff is going to take the discretion away from the
7 Company personnel and substitute its own judgment.

8 MS. MOORE: Are there any other questions?
9 Mr. Lightsey?

10 MR. LIGHTSEY: We have nothing to say.

11 MS. MOORE: Ms. Caswell?

12 MS. CASWELL: Yeah, I think we have a brief
13 statement and then we can ask some questions.

14 MS. HAMMAR: Just briefly. I think what's
15 come up at issue, at least one of the issues that's
16 been floating around this morning, is exactly what are
17 the circumstances under which GTE, in this particular
18 case, would offer extended payment arrangements?

19 And, believe it or not, it's not as if the
20 Company sits at the telephone and determines whether
21 we're going to dole this particular feature out or not.
22 A lot of it has to do with the fact that our service
23 reps are trained, and I guess the current buzz word is
24 "sensitivity training." Within the one minute, two
25 minutes or more, that the rep is on the telephone with

1 the customer, there's a lot of things that become very
2 clear with that service rep; things that you cannot
3 quantify and say, "Please cover this in your script."
4 A lot of it comes from experience, a lot of it comes
5 from gut feel, and we value that experience very
6 highly.

7 What happens, oftentimes in the course of the
8 placement of what we call an "I Order," which is just
9 standard installation, and the accrual, therefor of
10 service connection charges, is the customer calls in
11 and the service rep has a series of things that she
12 would like to get from the customer. Basically, what
13 is the the name on the account; who will be the
14 responsible party; where can we reach you; can you give
15 us a Social Security number? And so on.

16 Now we get into the actual "What exactly do
17 you need? Have you just moved here; do you need just a
18 regular telephone; is it just plain vanilla, or do we
19 go further?"

20 As that goes on, then it comes down to the
21 actual, "So tell us a little bit: Are you employed?
22 Where are you employed? Is it just going to be you on
23 the account or will it be your wife or your husband?"
24 And so on.

25 And from that, then when a customer says,

1 "I'm sorry, I'm not employed at this time," or, "You
2 have asked an income question, well, I don't have any
3 steady flow of income coming in," and so on, it is at
4 that point that the service rep determines that maybe a
5 security deposit is in order, and/or an advance
6 payment, which GTE's tariffs allows for both.

7 In the case of a deposit, what we do is we
8 ask for -- and these two are very interrelated -- all
9 right, in the case of a deposit it's two months toll
10 and one month local plus access charges. In the case
11 of an advance payment, it's one month local access and
12 then the nonrecurring charge.

13 Now, the phrase that the rep will use with
14 respect to the deposit and the advance payment for
15 residence is this, and I'm going to read straight from
16 the script: "Mr. Jones, a security deposit in the
17 amount of X dollars and an advance payment of X dollars
18 is required. Your deposit payment will be held for a
19 minimum of 12 months as security on your account. Your
20 advance payment will be credited to your first month's
21 bill. Please pay X dollars in one of our Phone Marts.
22 Upon receipt, your service order will be scheduled for
23 installation. Please provide the Phone Mart with your
24 name and address where service is to be installed, your
25 order number and the office code."

1 Now, going back up a couple of lines, "Your
2 advance payment will be credited to your first month's
3 bills," in that particular case what we're trying to do
4 is reduce the amount of the first month's bill that the
5 customer actually incurs.

6 The advance payment, for lack of a better
7 word, is a credit. So what we do is we get the money
8 up front at the time that the first month's bill is
9 rendered, then a credit is given to that amount. In
10 that way, we're diminishing the amount of the service
11 connection charges initially, okay?

12 And as far as being accommodating to the
13 customer, I feel that we're being accommodating to the
14 customer and giving them another option rather than --
15 if they can't pay it up front. So we say, "Okay, well,
16 we'll take, you know, a particular amount, composed of
17 this, you know, these particular dollars and then we
18 will credit your first month's bill."

19 Looking at the other information that has
20 been presented to kind of go related to this, in Mr.
21 Mahoney's economic impact study GTE estimated that
22 we're talking about an additional anywhere between 45
23 and 60 seconds and that translates to about \$122,000,
24 about that much.

25 Looking at this, and not expecting everyone

1 to understand fully loaded labor rates and what it
2 takes to put people in any time your conversation time
3 starts to increase, is that with the additional time
4 that is being spent with the customer to explain
5 another feature or another circumstance that they
6 either have to agree or disagree to, that means another
7 call is not being answered. That's another customer
8 that we're not being able to, you know, to assist; and
9 for that reason, we would have to add additional staff.

10 As best as we could estimate it at the time,
11 we felt we would have to add anywhere, you know, at
12 least three additional employees, based on the
13 additional conversation time which Mr. Erwin very aptly
14 did a role play. So there's costs there that Mr. Mahoney
15 addressed.

16 In addition to that, I think that it goes
17 beyond the contact time, it goes into the actual what
18 are the repercussions of extending this
19 across-the-board? And where it is not at the
20 customer's discretion. You have to keep in mind, too,
21 there are customers who would be embarrassed to tell
22 you that they can't pay something. Are we
23 automatically assuming that every customer who calls in
24 can't pay and that, therefore, we're offering extended
25 payment ranges? Anyway, that's a delicate issue with

1 some people.

2 You know, I would, you know, except for the
3 fact that I'm a finance major and using someone else's
4 money is quite appealing to me, I would wonder to
5 myself, "Do they think I can't pay if I'm employed at,
6 you know, the 7-Eleven? Do they not think I make
7 enough money, that I may need to spread it out?"

8 You know, that's the flip side, too, that I
9 think you have to keep in mind that there are people
10 who can pay and why are you questioning whether they
11 can or not, indirectly, in the form of offering
12 extended payment arrangements.

13 However, getting back to the costs above and
14 beyond the 122,000, GTE's concern, which was detailed
15 in our request for hearing, was that we estimated that
16 we would incur an additional \$364,000 as a result of a
17 blanket extension of this proposed rule. The 364,000
18 is based on a series of assumptions which I would like
19 to detail to you. It was not really laid out that
20 explicitly within the body of the request for hearing.

21 What we did was that we took the take rate in
22 the exhibit on Page 10 of 8.9% and we took it one layer
23 below that. We basically peeled away a layer, so to
24 speak. And what we looked at were those accounts that
25 went disconnect within the first two months after

1 requesting service.

2 What we found, based on the sample for the
3 months of August, September and October of 1990, we
4 found on the average that 1,000 customers went
5 disconnect within the first two months after
6 establishing service. Of those 1,000 customers, on the
7 average, 56% of them -- let me look at my numbers --
8 56% of them we get deposits from and we collect the
9 advance payments from. Okay? The average deposit is
10 anywhere between around \$30. The advance payment, the
11 minimum advance payment is around 50.

12 Those 1,000 customers that went disconnect,
13 on the average their write-off for the Company is
14 around \$245 each. That is what we have to write off of
15 our books because they go disconnect.

16 The amount of the advance payment that we get
17 is a minimal dollar amount to offset that in the event
18 we do not collect.

19 Also, the amount of the advance payment is
20 shared with AT&T and the other long distance providers
21 based on how those dollars are calculated. What we do
22 is that a certain, because we collect on toll, you
23 know, rightfully so, then a portion of that money that
24 is collected that has toll worked into the formula
25 would rightfully go to the long distance provider. So

1 we do not keep that entire amount of the advance
2 payment.

3 If you take, for instance -- if you assume
4 that the 56% that paid the advance payment of the 1,000
5 or more accounts, you're talking about roughly 60% that
6 we got something from, okay? And of that 60%, if you
7 multiply it times the \$50, just as a minimum starting
8 point, that's roughly \$30,000. And on a 12-month basis
9 then we're talking about \$364,000 that at least we had
10 in hand.

11 I guess GTE's question is that since the
12 advance payment is comprised of the nonrecurring
13 charges, a/k/a, the service connection fees, would that
14 then be subject to being put on extended payment
15 arrangements? Would we have to then take that advance
16 payment, which we would deem appropriate for a
17 particular customer, and spread it over a three-month
18 time limit, or would we be able to collect that up
19 front?

20 That's our concern, is that at least if we
21 can collect the advance payment like we would a
22 deposit, then the Company doesn't have a problem with
23 that. It's because the advance payment is comprised of
24 the nonrecurring charges associated with service
25 connection that we feel that if you're going to spread

1 the service connection over a period of time, then
2 would not the advance payment be treated much the same
3 way and spread over a period of time, therefore
4 defeating the purpose of requesting the advance payment
5 to begin with and leaving the Company with nothing in
6 the event that you have, you know, if business as usual
7 you're talking roughly 4% on any average month, 4% of
8 your orders that are taken, they disconnect.

9 I don't feel that our policies that we have
10 discriminate. We, rather than sit there and dictate
11 exactly what the customer says or does in their
12 relationship with GTE, we give them an opportunity to
13 talk with us so that we can better serve their needs.
14 And in doing that, they may determine, in talking with
15 a customer, you know, they say, "Gosh, I didn't know it
16 would cost this much. I don't know what I can do," and
17 so on and so on.

18 Our reps are also trained to discuss Link Up
19 Florida, if that seems to be a problem with the
20 customer. If they can't afford telephone service,
21 there are other means available to help them out. And
22 where we are is that -- I guess what we want is a
23 clarification on the advance payment issue and then to
24 restate again that we feel that there's other issues
25 that haven't really been addressed in a lot of detail.

1 You can't qualify, I guess, cash flow down to
2 a dollar amount; but I think intuitively everybody
3 knows that any time you go 30, 60, 90 days that an
4 account carries on your books, that's revenues that
5 aren't in and possibly expenses that cannot be paid.
6 And we pay bills as well as customers paying bills.

7 I'm open to any questions.

8 MS. MOORE: Questions from Staff?

9 MR. MAHONEY: I have just a couple. You said
10 that up to 1,000 customers that disconnect within the
11 first two months of service, you write off \$245 per
12 customer?

13 MS. HAMMAR: Yes. The average write-off per
14 account is \$245.

15 MR. MAHONEY: Do you have what part of that
16 is local, what part is toll and what part is unpaid
17 service connection charges?

18 MS. HAMMAR: I do not have the breakout with
19 me. Usually the way that our billing system is
20 structured, the bill that is rendered, while it details
21 toll separately, local separately and access charges,
22 E-911 and so on, when it goes into actual payment
23 against the customer's balance, it is in its entirety.
24 It is not broken out in detail until that bill or until
25 that account goes unpaid.

1 When we start the collection process, it is
2 at that time that we break it out specifically by what
3 component and who is entitled to what dollars if we
4 should collect those dollars.

5 MR. MAHONEY: But this, though, is --

6 MS. HAMMAR: That's a total amount.

7 MR. MAHONEY: And it's two months or less
8 service time?

9 MS. HAMMAR: That is correct.

10 MR. MAHONEY: What's the average residential
11 service, local service, \$12 a month?

12 MS. HAMMAR: Around \$12 a month.

13 MR. MAHONEY: And do you know what your
14 average company toll?

15 MS. HAMMAR: Not off the top of my head. I
16 think what happens in a lot of instances why that amount
17 may seem rather high is that I think you have customers
18 who tend to have eyes that are bigger than their
19 stomachs, so to speak, with respect to what they want
20 on their telephone. Remote call forwarding,
21 distinctive ringing, things of that nature, sound very
22 nice, especially when you're trying to get things set
23 up, you have teenagers in the house, so on. I think
24 what happens in a lot of instances based on our
25 Company's experiences, those accounts that go nonpay in

1 a lot of ways don't have just basic telephone service,
2 there's a lot of other discretionary items that they
3 have added on to the account which tends to run the
4 cost of service up. This is something that the
5 customer is aware of at the time that they order those
6 features, but it's not just plain vanilla telephone
7 service. Usually there's more enhancements to it than
8 that.

9 MR. HANNA: May I ask a couple of questions?

10 MS. MOORE: Certainly.

11 MR. HANNA: I thought I understood you to say
12 that in the conversation of the service rep with the
13 customer of one to two minutes, is that what you said?

14 MS. HAMMAR: Not knowing the exact -- the one
15 to two minutes, in and about that time, or at least
16 one, would be that additional time to discuss extended
17 pay. The actual length of time that the rep talks to
18 the customer, I don't know. And, of course, the --

19 MR. HANNA: Mr. Poag said it was 25 minutes,
20 I believe. Would you agree with that?

21 MS. HAMMAR: It's probably not very far off.
22 There's a lot of things I have here, this is just the
23 various questions that they need to ask or information
24 that they need to get from the customer that tends to
25 take time, especially if you have someone who is not

1 familiar with the various things that you're detailing
2 to the customer. So it wouldn't surprise me that it
3 could ran that much.

4 MR. HANNA: So the one to two minutes was an
5 estimate of the additional time?

6 MS. HAMMAR: Correct.

7 MR. HANNA: Let me ask you about the script
8 you went through, and I believe you prefaced it by
9 saying this was a customer who was out of work or might
10 have some difficulty paying a bill.

11 MS. HAMMAR: Uh-huh.

12 MR. HANNA: Would you go through that script
13 again?

14 MS. HAMMAR: Basically, and it's by no means
15 -- the rep will not ask the questions in this
16 particular way. They tend to be a lot more tactful
17 than any of us are in a lot of instances, having to
18 talk to people day in and day out. Certainly a lot
19 more patient.

20 Basically, at the time that we assess credit
21 viability on a resident account, we will ask about
22 employment. And as far as income, income could be
23 actual wages earned, it could be alimony payments, it
24 could be governmental, you know, subsidies, along those
25 lines.

1 MR. HANNA: Sure. But this individual is
2 somebody who might have difficulty paying, is that
3 correct?

4 MS. HAMMAR: They may say, "I'm out of work,"
5 or, "I'm not working for anyone right now," or, "I get,
6 you know, Aid to Dependent Children checks from the
7 government," or so on. So for that reason, based on
8 the Company's experience, they then determine that a
9 security deposit would be appropriate.

10 MR. HANNA: And an advance payment of
11 connection charges, is that correct?

12 MS. HAMMAR: That's correct.

13 MR. HANNA: In your response to the data
14 request dated April 19th, which I believe you prepared.

15 MS. HAMMAR: Uh-huh.

16 MR. HANNA: On Page 2, in response to,
17 "Explain how a customer is made aware of the plan,"
18 there is this sentence: "In an effort to assist the
19 customer in the payment of service charges, TPAs will
20 be offered if the customer expressed difficulty in
21 paying the total service charges or specifically asks
22 for a payment plan." Is that correct?

23 MS. HAMMAR: Uh-huh.

24 MR. HANNA: Would you offer that customer or
25 that individual you were just talking about a TPA?

1 MS. HAMMAR: There are provisions made in the
2 case where someone expresses a difficulty in paying the
3 total service charges or specifically asks for a
4 payment plan, the rep would then escalate that up to
5 her supervisor's level. What they would do then is --
6 let me find the actual.

7 In the case of advance payments, and this is
8 not by any means considered routine, if time payment
9 arrangements are negotiated, what they would do then is
10 that it would be one month's local service, applicable
11 access charges and the first TPA payment. And the TPA
12 payment is, I believe, we detailed on Page 1. It has
13 to do with the first month's payment not to be less
14 than \$15 for resident. Subsequent monthly payment,
15 equal installments, not less than 5. Of course, that
16 can change as the dollar amount any account does.

17 MR. HANNA: And that goes over six months, is
18 that correct?

19 MS. HAMMAR: It was six months at the time of
20 the request. I'm not really sure whether that has been
21 changed to three months or not. It's internally with
22 the Company. I believe it's six months still, but
23 that's subject to check.

24 MR. HANNA: Thank you.

25 MR. WYROUGH: I have a couple of questions.

1 So you said that under the current
2 arrangement that the customer and the representative
3 negotiate TPA arrangements?

4 MS. HAMMAR: The TPA arrangements, again, if
5 it gets to that point and there's -- it's like a flow
6 chart, there's a lot of little, you know, side
7 functions that go on. Assuming then that it gets to
8 the point where TPA arrangements are determined to be
9 appropriate, then the service rep has a formula that
10 she says, "Okay, based on, you know, putting together a
11 time payment arrangement for you, you will need to pay
12 this amount the first month, this amount the second
13 month and third month."

14 MR. WYROUGH: Wouldn't it take less time and
15 effort for the representative to simply ask them if
16 they would like to take the option of a TPA arrangement
17 that have already decided upon by the Company, or a
18 more or less generic TPA arrangement? Wouldn't that
19 take less time than negotiating a particular
20 arrangement for a particular customer?

21 MS. HAMMAR: Not having been a service rep
22 myself, whether it would be more efficient in the
23 negotiation or the contact phase with the customer to
24 go ahead an offer it up front, I think in a lot of
25 instances there are several opportunities to assess the

1 personnel to follow up on uncollectibles to treat those
2 accounts, and all the other activities associated with
3 that, it soon reaches a point where if someone were to
4 say to you, "Would you like to knowingly and willingly
5 incur \$364,000 in additional uncollectibles?" And
6 that is just to be the tip of the iceberg in some
7 instances. On top of that, the \$122,000 it's going to
8 take to employ the people to talk about it, not to
9 mention, you know, the wages and such associated with
10 the individuals to handle that increased uncollectible
11 load, asking anyone that question from a business point
12 of view, they would tell you no.

13 You know, it's not as if we aren't
14 accommodating to the customer. It's not as if there's
15 not -- you know, that we completely closed the subject.
16 It's there. And in a lot of instances, you have
17 customers that, even if they say, "I can't afford this
18 at all, I don't have any form of income," then, you
19 know, you do, you bring up the Link Up Florida issue
20 and go from that point on.

21 MR. WYROUGH: The customer contacts that
22 we're talking about, are they always face-to-face, or
23 does the customer have the option -- do you ever have a
24 customer fill out a form first and then talk to a
25 customer representative, or do you take any of these

1 orders over the telephone?

2 MS. HAMMAR: It's, by and large, done over
3 the telephone. And as far as the advance payment
4 requirement and the deposit requirement, it is followed
5 up with a letter to the customer advising them of the
6 fact that they will need to pay an advance payment and
7 a deposit before their service order is processed, and
8 then the Phone Marts where they can make the payments.

9 MR. WYROUGH: But in most cases you process
10 the service order without receiving any advance
11 payment?

12 MS. HAMMAR: No. The service order will not
13 be processed until advance payment is received at a
14 Phone Mart. And I alluded to that in the actual
15 discussion that they have in telling the customer that,
16 you know, "We feel that you, Mr. Jones, a security
17 deposit in the amount of," and so on.

18 Generally, mailing it, "the check is in the
19 mail" excuse is used quite a bit. And for that reason,
20 this is the following payment options, the residential
21 customer is given: on a credit card, we will put it on
22 a credit card; and we also inform them of the service
23 fee; or we will say that, you know, we'll take the
24 payment at the Phone Mart.

25 MR. MAHONEY: I apologize for asking this

1 again, but I'm having a lot of trouble understanding
2 the \$364,000. Unless I'm misunderstanding, I'm hearing
3 you say several times that you get a deposit from the
4 customers and that you get an advance payment from the
5 customers. And as I understood it, this is coming
6 primarily from those thousand customers that drop out
7 at the end of two months.

8 And I'm basing my assumption a lot just on
9 general information; but even if custom calling
10 features were 18 or \$20 a month and local service was
11 \$12 a month, I'm still coming up in, you know, \$50
12 local tolls, I'm still coming up way short.

13 And I know that in a lot of companies they
14 look at customers at the end of 30 days and if their
15 tolls are above a certain level they get an automatic
16 identifier on there and they go back and ask for
17 additional.

18 I'm having just a lot of trouble understanding how you
19 can have that much of a write-off on those customers
20 and I just wondered if you could clarify that for me.

21 MS. HAMMAR: The average write-off in a lot
22 of instances would more than likely be comprised of a
23 lot of high toll and GTE does have a high toll
24 notifier.

25 MR. MAHONEY: And that would be intracompany

1 toll?

2 MS. HAMMAR: Not necessarily.

3 MR. MAHONEY: Well, then wouldn't that go to
4 the interexchange carrier, then, rather than to GTE?

5 MS. HAMMAR: I guess it's what is on the bill
6 in that GTE collects -- if your customer bill is \$145,
7 if only 20 of it is local, and then the remaining part
8 is toll, GTE takes the check for the entire amount and
9 then forwards the appropriate toll dollars on to the
10 carrier. In a lot of instances it's not unusual, with
11 a large transient population, for people to incur
12 anywhere between a couple of hundred to up to \$1,000 in
13 toll in a given month.

14 Now, granted, when a billing cycle starts,
15 when the bill is received, when the late-pay notice
16 goes out because they haven't paid the bill, that time
17 can go from at least one month to possibly even two
18 months, and \$245, while, you know, you may not
19 individually have that amount of money, you know, that
20 you are charged every month that you would have to pay,
21 it doesn't surprise me that it may be that high, as far
22 as that goes.

23 MR. MAHONEY: Let me ask you this: When GTE,
24 some telephone companies, they have what are called
25 write-offs, and if a debt has not been collected,

1 whether it's for local, or for toll, or whatever, if
2 payment hasn't been received at the end of a certain
3 time period that's a write-off and it's gone ahead and
4 put on a report. It's \$245 per customer so a thousand
5 customers is 245,000, and that's a write-off. And then
6 if a debt collection, or in-house collection services,
7 or paybacks from other carriers haven't come in yet
8 that come in later on there, that's revenue that's
9 shown, but it doesn't affect the write-offs, right?

10 So this \$245, wouldn't that not necessarily
11 be what actually would be lost? What would actually be
12 lost on customers could easily be from a little less to
13 substantially less than what is, quote, called
14 write-offs, couldn't it?

15 MS. HAMMAR: Right. Yes. By the same token,
16 too, what is involved with the write-off process is by
17 no means -- I think would capture all of the dollars
18 expended, okay, because the company itself, collection
19 agency, and so on, would have costs incurred in a
20 effort to collect on the account. So it may understate
21 or overstate what is actually written off in point of
22 fact.

23 MS. RUSSO: May I ask a question? Are you
24 familiar with Customer Deposit Rule 25-4.109, which
25 states that a utility may require, upon reasonable

1 written notice of not less than 15 days, a new deposit
2 where previously waived or returned, or an additional
3 deposit, in order to secure payment of current bills,
4 and that if the deposit requested is not paid within 48
5 hours the Utility may disconnect service?

6 MS. HAMMAR: I don't have that rule in front
7 of me. It seems to be consistent with what is in the
8 tariff regarding new or additional deposits.

9 MS. RUSSO: Thank you.

10 MS. MOORE: Are there any other questions of
11 Ms. Hammar?

12 MS. CASWELL: I've got one additional
13 question of the Staff, if I may. I just want to be
14 absolutely clear on something before we leave today.

15 In addition to the deposit, GTE may also
16 require an advance payment, and Margo went over that.
17 And the advance payment includes one month local access
18 -- or, I'm sorry, one month local service, access
19 charges and nonrecurring charges associated with the
20 service connection. Now, as I understand it, the rule,
21 as proposed, would only affect those nonrecurring
22 charges associated with service connection and not the
23 local, not the access charges or the toll.

24 MS. RUSSO: That's correct; that's correct.
25 In fact, the Commission just at a recent agenda

1 approved for the very last telephone company every
2 telephone company in Florida may bill local in advance.

3 MS. CASWELL: Okay. So what we would do is
4 just separate out those charges and no longer have our
5 advance. We couldn't have our advance payment
6 modified, or change that procedure.

7 MS. RUSSO: You couldn't have it on the
8 service connection charge but the rest would stay in
9 place.

10 MR. BERG: I don't want to get into
11 testifying like Dave did, but you have regulated and
12 nonregulated service connection charges and this rule
13 only pertains to regulated, and that's what we're
14 talking about.

15 MS. RUSSO: Yes.

16 MR. BERG: That's one of the things I think
17 that would confuse the customer, if you had to tell him
18 that just regulated service connection charges are
19 subject to this plan.

20 MR. HANNA: I have just one more question, if
21 I may.

22 MS. MOORE: Certainly.

23 MR. HANNA: Did you say that a customer who
24 wanted time payment arrangements had to speak to a
25 supervisor to get that? Is that --

1 MS. HAMMAR: No. I would assume that the
2 service rep would talk to the supervisor. If the
3 conversation became such it was decided between the
4 service representative and the supervisor, that the
5 supervisor should then pick up where the conversation
6 left off. But it is by no means a blanket requirement
7 that they talk to a supervisor, the customer
8 themselves. There is conversation with a supervisor to
9 extend the time payment arrangements on the advance
10 payment.

11 MR. HANNA: Could you make some comments
12 about a customer perhaps being embarrassed for the
13 company to think they needed payment arrangements?

14 MS. HAMMAR: With respect to what?

15 MR. HANNA: I thought I understood you to say

16 --

17 MS. HAMMAR: Well, I think in any issue, and
18 this is purely opinion, in any issue that you have
19 there are two sides to it, which I think everyone will
20 agree to.

21 What you're saying -- what the Staff is
22 saying is that the LECs are not blanketly telling every
23 customer who calls in that extended payment
24 arrangements are available and that that may -- the
25 fact that that information is not uniformly disclosed

1 harms, for lack of a better word, a particular segment
2 of our customer base.

3 By the same token, I think you can turn the
4 argument around that there are some people, and I'm
5 sure we have at least three or four in our service
6 territory, that would welcome that question as being an
7 affront about their ability to pay for their service or
8 that they could afford their service. As much as you
9 can find one individual or two who maybe would benefit
10 by the blanket disclosure, I think you could find at
11 least one or two on the flip side of that that would be
12 insulted that you would bring it up. That's just a
13 personal comment.

14 You start getting into money and the ability
15 to pay and financial viability, people react to
16 questions concerning that in a variety of ways. I
17 mean, it wouldn't bother me if someone said something
18 to me. I would personally say, "Great, you want to
19 flip this for 90 days, fine." But that's, you know, --
20 then again you're getting into the discussion of the
21 time value of money and that's why people would take
22 the option.

23 I believe Commissioner Wilson mentioned the
24 fact that at the time that he was offered time payment
25 arrangements when he called to add an additional line

1 in his home, and they said to him, "Do you want it," I
2 would assume he could pay it right then and there but
3 he said, "Sure, why not?" But, then, again, too,
4 you'll have someone say, "Well, why are you asking me
5 if I need to put it out over 90 days, do you not think
6 I can pay it?" Especially on the heels of earlier in
7 the conversation asking where they are employed. But,
8 again, that's a personal comment. Not necessarily --
9 you know, certainly not the way the reps would look at
10 it.

11 MR. HANNA: That's all.

12 MS. MOORE: All right. Did I hear someone
13 earlier mention that they had some suggestions to
14 change the rule, or propose changes to the rule, to
15 minimize its impact?

16 MR. ERWIN: Let me ask you a procedural
17 question or something. Can I just offer some sort of a
18 variation or change at some point here, not today but
19 at some point in the future?

20 MS. MOORE: Well, we'll have time for
21 late-filed exhibits, then posthearing filings and
22 comments, and I believe that would be an appropriate
23 time.

24 MR. ERWIN: I would like to offer something
25 about some kind of minimum payment before this whole

1 thing kicks in or something.

2 MS. MOORE: Ms. Russo mentioned that earlier.
3 I think that would be appropriate. Do you have a
4 comment?

5 MS. RUSSO: No. We'd have no problem.

6 MS. MOORE: I think that would be appropriate
7 and during the time it's allowed.

8 I've got a schedule, or a proposed schedule
9 for subsequent events. I think late-filed exhibits, I
10 had a deadline. There's plenty of time here while the
11 transcript is being prepared, July 26th. And
12 posthearing filings and comments by August 9th. I'll
13 issue my final recommended version by August 20th. And
14 allow exceptions and comments to that version, would be
15 due September 9th. The final recommendation to the
16 Commission, that's my recommendation to the Commission,
17 on September 12th. And the Commission consider it at
18 its September 24th, 1991 agenda. The rest of the
19 schedule follows Section 120.54. July 26th, the
20 transcript. That's what was on Mr. Wyrrough's CASR.

21 All right, if there is nothing further then
22 we'll adjourn the hearing.

23 (Thereupon hearing adjourned at 12:00 noon.)

24

25

1 F L O R I D A)
2 : CERTIFICATE OF REPORTERS
3 COUNTY OF LEON)

4 We, JOY KELLY, CSR, RPR, and SYDNEY C. SILVA,
5 CSR, RPR, Official Commission Reporters,

6 DO HEREBY CERTIFY that the hearing in the
7 captioned matter, Docket No. 900959-TP, was heard by
8 the Staff of the Florida Public Service Commission at
9 the time and place herein stated; it is further

10 CERTIFIED that we reported in shorthand the
11 proceedings held at such time and place; that the same
12 has been transcribed under our direct supervision, and
13 that this transcript, consisting of 88 pages,
14 inclusive, constitutes a true and accurate
15 transcription of our notes of said proceedings; it is
16 further

17 CERTIFIED that we are neither of counsel nor
18 related to the parties in said cause and we have no
19 interest, financial or otherwise, in the outcome of
20 this docket.
21
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23
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25

