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**ORIGINAL  
FILE COPY**

August 9, 1991

Mr. Steve C. Tribble, Director  
Division of Records & Reporting  
Florida Public Service Commission  
101 E. Gaines Street  
Tallahassee, FL 32399-0865

Dear Mr. Tribble:

Re: **Docket No. 900959-TP**  
**Amendment of 25-4.107, F.A.C., Information to**  
**Customers, and Rule 25-4.108, F.A.C., Initiation of**  
**Service pertaining to extended payment plans for the**  
**payment of service connection charges**

ACK  Please find enclosed the original and 15 copies of GTE  
AFA \_\_\_\_\_ Florida Incorporated's Comments for filing in the above-  
stated matter.

APP   
CAF  Service has been made as indicated on the attached  
Certificate of Service. If there are any questions with  
CM  regard to this matter, please contact the undersigned at  
CTR \_\_\_\_\_ (813) 228-3087.

ENC  Very truly yours,

LET \_\_\_\_\_  
LIT 6 \_\_\_\_\_  
CAF \_\_\_\_\_ Thomas R. Parker

RP  TP:fm

SE  Enclosures

WFC \_\_\_\_\_

OTH \_\_\_\_\_

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FPC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

08073 AUG -9 1991

GTE Florida Incorporated  
GTE South Incorporated  
A part of GTE Corporation

FPC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Amendment of 25-4.107, F.A.C., )  
Information to Customers, and Rule )  
25-4.108, F.A.C., Initiation of )  
Service pertaining to extended payment) )  
plans for the payment of service )  
connection charges. )

Docket No. 900959-TP  
Filed: 8-9-91

COMMENTS OF GTE FLORIDA INCORPORATED

GTE Florida Incorporated ("GTEFL") hereby submits its comments in the above-captioned proceeding, pursuant to the schedule established at the hearing on July 12, 1991. As set forth more fully below, GTEFL opposes adoption of the proposed amendments because they would impose unjustified costs upon telephone companies and their customers.

I. The Staff Has Failed to Adequately Consider the Full Range and Magnitude of Costs Associated with Its Proposal

GTEFL submits that the entire set of effects -- economic and otherwise -- that will result from the amendments has not been adequately considered. A thorough examination compels the conclusion that the harm flowing from the rule revisions, if adopted, outweighs any speculative benefits.

Most LECs already have extended payment plans whose terms are, in some respects, more generous than those proposed by the

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Staff.<sup>1</sup> GTEFL's own plan has functioned well since its inception in 1974. This plan permits both residential and single line business customers to take up to six months to pay service connection charges, as well as advance payments for one month local service, equipment, facilities, listings, and mileage. See GTEFL Gen'l. Service Tariff A2.4.1. GTEFL service representatives offer this option to any customer who indicates that he may not be able to pay these charges in full in a single installment. "Sensitivity training" ensures that GTEFL employees are attuned to circumstances in which time payments may be necessary. Hammar, Tr. 61-62. In addition, the time payment option will be offered even after a customer receives his initial bill, if he at that time indicates that he cannot pay the advance charges, including the service connection fees.

The self-selection aspect of this program allows operation in the most cost-effective and efficient manner. Customers who are most needy are accorded correspondingly liberal payment arrangements. Moreover, the current plan is flexible enough to allow the customer to work out a payment plan that best fits his needs. Hammar, Tr. 69.

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<sup>1</sup> See May 9, 1991 Staff Memorandum in this docket ("Staff Memorandum") at Att. C. For instance, most carriers cite a six-month plan length.

A few, small independent companies apparently do not offer extended payment plans. In any case, Staff has indicated that "special consideration" may be given to these companies. Russo, Tr. 26.

If the amendments at issue are instituted, GTEFL will be compelled to initiate a less flexible, less generous plan in accordance with the proposed minimum standards. This is so because the increased costs of implementing and maintaining a blanket notification approach will remove GTEFL's ability to continue to allocate the resources necessary to grant more liberal arrangements on a case-by-case basis.<sup>2</sup> No longer will GTEFL be able to grant time payment arrangements for anything other than service connection charges. Consumers with the most acute needs will thus suffer under a uniformly applied program. Further, GTEFL would be forced to consider removal of small business customers from the scope of its extended payment plan.

Indeed, the detrimental effects of the amendments would spread across the entire body of ratepayers. As telephone companies incur increased costs on several levels, general rate increases may become necessary. See Ex. 1, Tab 4, at 3. The most obvious form of cost increase is that associated with the actual implementation of the rules -- what Staff terms "direct cost." Mahoney, Tr. 17. Efforts to notify all customers of the time payment plan is a key element of this cost. Companies cite figures for additional cost per contact ranging from about 25 to 75 cents. Ex. 1, Tab 4, at 3. GTEFL estimates that additional contact time will raise its costs by at least \$122,648. *Id.* This

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<sup>2</sup>. The costs of implementing the Staff proposal are discussed at §II, *infra*.

figure does not even include costs due to any headcount increases that may become necessary if the revisions are approved or additional expenditures to revise tariffs and internal procedures and retrain employees. Given these factors, GTEFL and other parties cannot accept Staff's conclusion that the direct costs of implementation of the amendments are "negligible." Notice of Rulemaking at 3. See, e.g., Ex. 1, Tab 5, at 2-3; Exs. 5, 6 & 7; Hammar, Tr. 66-67; Poag, Tr. 51.

Although the so-called direct costs of the amendments are substantial, other types of negative financial effects cause even greater concern. Perhaps the most significant impact on companies' finances derives from the rise in uncollectibles and the weakened cash flow position sure to result from the Staff's proposal. By Staff's own admission, "most people would be expected to choose the installment option because of the time value of money." Staff Memorandum at 3. See also Ex. 1, Tab 4 at 4. It also acknowledges that the companies' ability to flow cash will suffer proportionately. Staff Memorandum at 3. See also Poag, Tr. 46. Reduced cash flow may subject companies to increased costs for additional short-term loans. Ex. 1, Tab 4, at 3.

Bad debts will also rise along with the significant increase in the number of customers who gain the opportunity to disconnect service before they have paid the charges which fall within the extended payment plan. This is especially true, since companies will be required to offer extended payment plans to even those

individuals who are determined to be bad credit risks.<sup>3</sup> Without the ability to collect service connection charges in advance, GTEFL calculates that uncollectibles will increase by well over \$300,000 a year. Hammar, Tr. 66-67. Further expense could be expected to be incurred in collecting the additional bad debts. Mahoney, Tr. 23. For example, personnel increases will become necessary to handle the anticipated rise in uncollectible accounts.

Indeed, the Economic Impact Statement aptly confirms that: "Any negative economic impact caused by either additional debt service or increased uncollectibles will result in expenses which will be borne by the general body of ratepayers of the affected company." Ex. 1, Tab 4, at 4. Despite this troubling conclusion about the deleterious effects of these "ancillary" costs, Staff's evaluation of the amendments focussed primarily on the so-called direct costs, discussed above.<sup>4</sup> While, as noted, direct costs will be significant, failure to give complete consideration to the potentially more harmful, long-range effects discussed above is a serious mistake.

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<sup>3</sup> Russo, Tr. 31. At the same time, however, companies will continue to be permitted to obtain deposits from consumers with poor credit, in order to "reduce the risk to the utility." Russo, Tr. 30. The proposed amendments inexplicably depart from this sound purpose.

<sup>4</sup> Mahoney, Tr. 17. ("What we examined primarily was the direct economic impact.")

II. There Is No Sound Policy Basis or Evidence of Need for the Proposed Amendments

GTEFL is at a loss to understand the reason for initiation of the proposal at issue. Indeed, the Staff itself seems unable to offer a coherent rationale for the amendments. The May 9 Memorandum states that "Staff recommended the amendment because it would further the policy goal of making basic telecommunications services available to all residents at affordable prices by making all customers aware of the availability of an extended payment plan." Staff Memorandum at 1. Staff testimony at the hearing, however, indicated that this reasoning, reflecting universal service goals, was not the foremost purpose of the rule. Russo, Tr. 33-35. At other points, it appeared that Staff's proposal was intended to assist consumers who "can afford [telephone] service on a time payment plan but cannot pay all installation charges up front." Economic Impact Statement at 7. The Staff ultimately rejected this view, as well, noting that "if we wanted to particularly target this rule to the customer who is unable to pay, then we would have put some criteria on the rule." Russo, Tr. 36.

Instead, Staff during the hearing cited concerns in allowing utilities discretion with regard to time payment plans. Russo, Tr. 19; Hanna, Tr. 41. This rationale does not withstand scrutiny. The proposal, as formulated, still permits the companies to determine for themselves the particulars of their plans -- including the option of offering more generous plans. Mr. Poag pointed out, for instance, that the company can still decide who will be

given three months and who will be given six months to pay the service charges. Poag, Tr. 47, 49.

Aside from the lack of a sound policy basis for the amendments, there is no evidence to justify them. To GTEFL's knowledge, no complaints about its time payment notification procedures have been filed with the Commission. Testimony at the hearing indicated complaints concerning service connection charges typically address the level of the charges, rather than payment plans or lack thereof.<sup>5</sup> The complaint sample provided by the Staff to United made no mention of payment plans at all. Hanna, Tr. 22; Poag, Tr. 44. Indeed, Staff has admitted that this proceeding is not driven by consumers' complaints, but rather Staff's own view that blanket notification is necessary. Hanna, Tr. 37.

GTEFL submits that adoption of the rules under these circumstances would constitute arbitrary and capricious action. The threshold consideration in evaluating any proposed rule is, of course, the need for its existence. As discussed above, there are no facts to indicate that current time payment notification policies are inadequate. Thus, the record is entirely devoid of

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<sup>5</sup> Staff points to complaints about the level of telephone service connection charges relative to electric company service connection charges, Hanna, Tr. 24, and includes a comparison of telephone and electric company connection rates in its May 9 Memorandum. Staff Memorandum at Att. B. GTEFL submits that these references highlight the lack of foundation for this proceeding. Without any showing of substantial similarity between the service connection processes and cost structures of telephone and electric companies, this aspect of the Staff's "evidence" must be considered irrelevant.



the competent, substantial evidence that is necessary to support a finding that blanket notification procedures are appropriate. Fla. Stat. 120.68(10). Legal standards aside, conscientious policy-making demands solid justification to impose increased costs on telephone utilities and their customers.

### III. Conclusion

For all the foregoing reasons, GTEFL believes the proposed blanket notification should be rejected as contrary to the public interest. Should the Commission, however, approve the amendments, GTEFL submits that the resulting order should clarify that the revisions will in no way affect company procedures with regard to deposits and advance payments for items other than service connection charges, as defined in the relevant tariffs.<sup>6</sup>

Respectfully submitted this the 9th day of August, 1991.



(for K.C.)

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<sup>6</sup>. This clarification would be consistent with Staff statements at the hearing. See Mahoney, Tr. 18-19; Russo, Tr. 30, 83-84.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of GTE Florida Incorporated's Comments in Docket No. 900959-TP was furnished by U.S. mail on the 9th day of August, 1991, to the parties on the attached list.



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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of GTE Florida Incorporated's Comments in Docket No. 900959-TP was furnished by U.S. mail on the 9th day of August, 1991, to the parties on the attached list.

A handwritten signature in black ink, appearing to read "Thomas R. Parker", written over a horizontal line.

**Thomas R. Parker**

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