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November 8, 2001

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Mr. Ray Kennedy
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Docket No. 010858-TI, Investigation of Operator Service Provider Surcharges; AT&T Revised Proposal to Resolve Past Imposition of Payphone Surcharge from Non-payphones

Dear Mr. Kennedy:

On June 15, 2001, I wrote to you with a proposal to resolve several complaints from customers that were being charged by AT&T the payphone surcharge for calls that were not made from payphones. My June 15th letter fully explained the background to this situation. As my letter indicates, there were two separate issues raised by these complaints, first, the 503 screen code problem and, second, potential problems with the passing of incorrect OLI digits or the incorrect LEC assignment of screening codes to the line.

The process leading up to the June 15th settlement proposal resolved several questions but did not fully resolve, to our satisfaction, the questions surrounding the second problem. Since June 15th, we have continued to analyze the non-503 screen code issue. In our further investigation, we reviewed the test call data from our earlier investigation, we contacted the local exchange companies for assistance in further investigating the complaints as well as any potential systemic issues in the various recording and billing systems, we have called the customers identified to us as having received the payphone surcharge at nonpayphone locations, and we performed additional test calls.

The data made available to us indicates that there were only 9 customers who reported being charged the payphone surcharge when not using a payphone, totaling less

than 100 calls. In our further investigation, we have not been able to identify any further customers with such a problem or any other complaints that would indicate this type of problem.

On the basis of these further investigations, AT&T believes that the offer of settlement made on June 15, 2001, grossly overestimates the effect of the 503 screen code problem and the impact on customers not associated with the 503 screen code. Accordingly, AT&T believes that it is fair and appropriate to present the Commission with a revised offer of settlement to resolve this situation.

In the June 15, 2001, offer of settlement, AT&T presented call data from its systems regarding the potential call volumes involved with these two problems. Our further analysis of this data indicates that at most approximately [redacted] of the calls made in 1998, 1999, and the first half of 2000 were potentially affected by the 503 screen code problem. Table 5 below provides a summary of the 503 screen code calls and associated revenues. Table 5 essentially represents [redacted] of the calls and revenues presented in Table 3 in my June 15th letter, with the further revision to include only the first two quarters worth of data for 2000. The first two quarters worth of data for 2000 was presented in Table 2 in my June 15th letter, since the 503 screen code was fixed mid-year.

Table 5: 503 Screen Code Forecast for 1998, 1999, and 2000

	Total Calls	Business Calls	Consumer Calls	Total Surcharges	Business Surcharges	Consumer Surcharges
1998	[redacted]					
1999						
2000						
Totals						

Taking the data in Chart 5 and factoring in interest through the end of December 2001, results in the following interest calculation:

Table 6: Surcharges Plus Interest

	Total Surcharges Before Interest	Surcharges Plus Interest Through Dec. 31, 2001
1998	[redacted]	
1999		
2000		
Totals		

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AT&T wishes to emphasize that the assumptions underlying this calculation have been construed to the benefit of the customers. Thus, AT&T believes that these amounts probably overstate the amount of the surcharges that might be associated with the 503 screen code problem. However, in fairness, we have undertaken this analysis to ensure that any potential amounts associated with the 503 screen code problem have been accounted for.

In connection with the payphone surcharge problem not associated with the 503 screen code issue, all of the information available suggests that the problem experienced by those who complained was very limited and very isolated, both in geographic scope and time. The only two places in the entire state where customers experienced this problem were Tallahassee and St. George Island prior to 2001. From our discussions with the local exchange companies as well as internal AT&T discussions, the affected locations have long since been corrected. In addition, we have contacted the affected customers to make direct refunds, which have been completed or which are in process. Further, from our discussions with some of the customers, they have not experienced any other such surcharge billings from those locations or any other location. To confirm this information, we have conducted additional test calls – those completed indicate no further surcharges, and we will advise the Commission when the remaining data is in. In short, there is simply no evidence to indicate a widespread or continuing problem beyond that which these individual customers reported.

In view of the lack of any evidence that the problem complained of in Tallahassee and St. George Island is any larger than that actually complained of, and recognizing that we are in the process of issues credits and refunds, we believe it would be inappropriate to offer a specific refund associated with this issue. However, in recognition that there is a remote possibility that someone may have experienced such a problem and did not make a complaint, AT&T is not opposed to a nominal amount for settlement purposes. For example, the total number calls for which we have complaints is less than 100. At $.30 per call, that is less than $30.00. Assuming that there were 10,000 calls, and there is no such evidence, that would still be only $3,000.

Accordingly, for settlement purposes only, AT&T would propose to make a total settlement of both matters for $135,000. As was indicated in the June 15th proposal, AT&T would propose that the settlement amount would be undertaken in a one time, lump sum payment to the State of Florida as directed by the Commission. Based upon this approach and Commission approval of this plan in December 2001, AT&T is assuming that such payment would occur in January 2002 when the Commission's order approving the settlement would become final. In view of the particular facts associated with this matter, we believe no other fines or penalties are appropriate.

As we indicated in the June 15th letter, AT&T recognizes that the Commission's preferred method of returning revenues to customers is by a direct refund to the

customers affected. In this particular situation, such a refund is impractical, excessively burdensome, and prohibitively expensive. The detailed call information back to 1998 is not available, so it is not possible to identify the customers that originated these calls except for those that have already been resolved. Moreover, assuming the specific customers could be identified, many of these customers would need to be refunded back through the applicable local exchange company that billed them in the first place. Such LEC billing would require special processes to identify and credit the customers; based on our prior experience such a refund could cost more than the amount to be returned. In addition, given the fact that some of these calls were made as early as early 1998, the process of actually finding each person becomes more problematic. We know from prior direct refunds that upwards of 50% of the money would not be returnable to the affected customers because they have moved, changed their numbers, or are otherwise no longer reachable. Therefore, AT&T believes that the most appropriate means of resolving this matter quickly and without any further delay would be by the lump sum payment outlined above.

Likewise, under these circumstances a prospective rate reduction also is impractical and complicated to implement. Because of the changing nature of the payphone market, in this situation it is not possible to reliably predict future call volumes in a manner that could ensure the complete discharge of the settlement amount in the time predicted. Moreover, the data on compensable calls is always in arrears, and it would not be possible to reliably track call volumes and the discharge of the settlement amount. The result would most likely be an under-refund or an over-refund. The data presently available indicates that if AT&T eliminated the payphone surcharge that it would take in the range of 2 years or more, depending upon the refund approach, to discharge the settlement amount, without factoring in any additional interest for such a lengthy refund period. These problems with a direct refund present an element of uncertainty that is or should be unacceptable to all involved.

AT&T believes that this amount should more than account for any variance in the forecast data as well as the application of interest. In addition, because of the further investigations, we know that the 503 screen problem has been resolved and corrected for a considerable period of time, thus requiring no further action. As for the non-503 problem, this problem has also been fully corrected and resolved, both as to the systems and the customers. If in the future the Commission receives any further complaints or inquires associated with the imposition of the payphone surcharge at nonpayphones, AT&T would propose to handle this through the usual complaint resolution process. As I indicated in my June 15th letter, when we identify locations with screen code problems, AT&T notifies the affected LECs so that the screen code records can be investigated and corrected. AT&T pledges to continue this process and cooperate with the Commission in the event such complaints prove continuing or suggestive of other problems.

AT&T makes this offer solely in connection with its effort to settle and resolve this investigation, and it may not be used for any other purpose. AT&T does not admit to any wrongdoing, and submission of this proposal and its acceptance by the Commission

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shall not be construed as any admission of liability on the part of AT&T or any of its agents, employees, officers, or affiliates. AT&T fully reserves all of its rights, positions, and arguments if this proposal is not accepted and approved by the Commission and incorporated into a final order in accordance with its terms. On the basis of this offer, AT&T withdraws its offer of June 15, 2001.

This proposal shall be valid and binding upon AT&T only to the extent it is adopted in its entirety as presented to the Commission. If this proposal is accepted by the Commission, then AT&T shall not request reconsideration or appeal of the order of the Commission approving this proposal in accordance with its terms.

If you wish to further discuss this matter or require any additional information, please let me know.

Sincerely,

Floyd R. Self, Counsel for
AT&T Communications of the Southern States, Inc.

Cc: Mr. Jim Endres
Division of Records and Reporting