September 9, 2002

**VIA FASCIMILE AND E-MAIL**
CRAIG B. HEWITT
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0872

Re: Proposed Rule 25-24.830, F.A.C., Line Information Database Maintenance and Proposed Amendments to 25-24.830, F.A.C., Consumer Information and 25.24.840, F.A.C., Service Standards - **Response to Staff Data Request**

Dear Mr. Hewitt:

By Memorandum dated August 1, 2002, the Florida Public Service Commission ("FPSC") Staff has requested that AT&T provide information on the costs of implementing proposed rules regarding the maintenance of the Line Information Database ("LIDB"). As such, information is being provided outlining existing costs for AT&T as an interexchange carrier, as well as anticipated implementation costs associated with the opening of AT&T's Local Service Bill to other Service Providers for Third-Party and Collect calls to AT&T Local Service customers. AT&T Consumer Local Services urges the FPSC not to adopt a regulatory mandate requiring ALECs to provide billing and collection services to Third Parties.

Additionally, AT&T requests that this cost information highlighted below be held confidential and proprietary by staff in their investigation of costs associated with the implementation of this rule. AT&T's response is below.

**AT&T Consumer Long Distance**

Year to date, AT&T has incurred charges in excess of [redacted] to "dip" into the LIDB database. These charges are paid to the ILEC carriers providing local service in Florida.

Year to date, AT&T has incurred at least [redacted] to update information in the LIDB database. This is an extremely conservative estimate as this information is currently imbedded in the cost of doing business. AT&T requests that it be allowed to provide additional information to staff as new information becomes available.

**AT&T Consumer Local**

1. **General Comments**

## 1.a. Regarding Billing and Collection

AT&T believes that there are sufficient mechanisms available to other companies that wish to bill to AT&T's Local Customers. AT&T has maintained an excellent record of providing appropriate Billing Name and Address ("BNA") information upon request from the Other Providers through industry recognized Customer Account Record Exchange ("CARE") processes. A mandate to provide costly billing and collection services should not be imposed on new entrants into the local market.

## 1.b. Regarding Blocking

Should AT&T desire not to enter a Billing and Collection Agreement with a Third Party, the proposed rule mandates that blocking be added to the account through the Line Information Data Base and at the local switching network to prohibit third party and collect calls from being completed to AT&T Local Customers. The proposed "all or nothing" block for 3rd party or collect billed calls ill fits the current competitive market place. Such a blocking requirement does not and can not distinguish between carriers with whom AT&T wishes to enter billing and collection agreements and those with whom it does not. This would prohibit AT&T Local Customers from accepting collect or third party calls even in cases where the originating carrier has billing capabilities. This, in effect, would deny AT&T Local Customers who wish to accept and pay for collect and third party calls from using these services and would create a competitive disadvantage for ALECs competing with BellSouth.

The alternative blocking option is unacceptable given the impact on customers and competitive pressures. If AT&T were to provide billing on behalf of third parties, there is concern that AT&T would have difficulty determining whether or not the Third Party Provider charges are legitimate. This could place AT&T in the middle of a Provider to Customer dispute. This may cause delays in giving Customer's legitimate credits or delaying legitimate revenue to the Third Party Provider. If AT&T accepts these charges from the Provider and those charges are not paid by the Customer, should AT&T block this Customer from receiving all other Providers' collect and third party type calls? AT&T believes this could disadvantage our Customers and insulates the Third Party Provider from legitimate disputes while slowing the process to give the Customer timely service.

## 1.c. Regarding the Line Information Data Base (LIDB)

When a customer chooses AT&T as his local provider, AT&T initiates an update to LIDB that contains Local Provider information. Thus, a Third Party Provider can access this information and get the BNA information from AT&T in order to provide its own Billing and Collection process.

## 1.d. Regarding the Settlement of Receivables

If AT&T is required to provide billing and collection services, it will be extremely difficult to create a settlement process with the Third Party Providers that will satisfy their need for timely collection and protect AT&T from potential bad debt or unsustainable charges. Creating the infrastructure to support this process is also cost prohibitive as described below.

At a minimum, AT&T should be able to recover its costs for implementing this billing and collection system. AT&T, for example, would need to charge a significant portion of the retail rate of the call in order to recover the expense of developing the process and the ongoing cost of sustaining the process. Minimum volumes need to be compulsory in order to guarantee recovery of these costs.

AT&T also needs the flexibility to enter into a contract that will ensure that development costs are cared for, as well as expenses, to perform the settlement process (bill validation). AT&T requires a minimum term for the contract and would expect 100% recourse on all uncollectibles (adjustments or unpaid) and unbillable records. AT&T does not expect to pay for transmission of the records under this contract. In other words, AT&T would need to develop terms and conditions, rates, etc. designed to ensure that AT&T can fully recover its costs to implement and maintain billing and collections.

**2. Discussion of Costs to Implement Billing and Collection of Third Party Providers Calls**

AT&T has assessed the cost of providing a Third Party Provider the opportunity to bill on AT&T's Local Bill. Below is AT&T's estimate of the non-recurring and recurring costs of implementing this billing system with some detail as to what tasks are needed to support this process. While we have attempted to accurately represent these costs, it should be noted that AT&T proposes that should this become a mandate, AT&T will need to reassess these costs with any particular requirements and or needs of the Florida PSC and the Third Party Providers.

**2.a. <u>Non-Recurring: Truth In Billing of In-Collect Calls Requirements</u>**

[redacted]

The FCC's Truth in Billing requirements call for charges that are placed on the AT&T bill, that are not AT&T charges, appear in a separate section of the bill. The cost estimate assumes that this separation can be done via a black bar on the bill via a separate bill page. There is a requirement to provide contact numbers for the Third Party Providers that would require table development and maintenance.

Several systems would have to be modified to enable AT&T to bill for In-Collect calls. These calls require special treatment, and AT&T would need to ensure that the calls appear in the correct section of the bill for Collect or Third Party messages. Additional bill print messages will be required to support the specific rules for these messages. (These bill print messages will also have to be revised for changes that occur from time to time.) AT&T's main billing system would have to be modified to include the ability to differentiate these calls from other usage to accommodate the Public Service Commission's policies regarding the treatment of partial payments and the hierarchy of payment.

## 2.b. Non-Recurring: Third Party Provider Call Revenue Stream and Settlement of Charges

[redacted]

This would care for the development of the Journal flow, specific adjustment codes to guide to the correct Provider, reports to validate billing, and holding usage for an extended period of time in case of disputes.

### 2.b.1. Factors That Will Effect Implementation Cost

**Collections:** In order for AT&T to properly apply partial payments, the existing system for assigning charges to priority "buckets" would have to be modified. This would require modifications to our journal processes. AT&T would be required to make modifications both to our Methods and Procedures in our accounting/journals group and modify software to handle the new In-Collect products.

**Minimizing Uncollectible Revenue:** The Collect and Third-Party calls are prone to a high rate of uncollectible revenue. AT&T would need to develop systems in order to limit its exposure to uncollectible revenue. This would be done through reviewing Third Party Provider calls associated with accounts that have unpaid charges for these calls and potentially shutting off access to such services for non-payment of these charges. AT&T must also ensure that our systems and processes follow FPSC rules relating to collection and disconnection for nonpayment of these services.

Another aspect of these uncollectible revenues pertains to AT&T's forgiveness of In-Collect related charges. When such charges are forgiven, the Provider may want specific elements returned to them when AT&T makes an adjustment to an account for uncollectible charges. These elements may include: Originating Line Number, the dialed AT&T subscriber number, the amount to be adjusted, message date, connect time, conversation time, etc. These elements would require the commitment of a considerable amount of electronic storage capacity for these data elements that AT&T does not currently keep for its own purposes.

AT&T may have to create a process by which it could track the number of adjustments that a customer account had received in a given rolling past period for In-Collect calls. Once that threshold has been reached, AT&T may need to place a block or may be requested to block a Customer's acceptance of these types of calls. Notification letters to the Customer would also have to be developed which would also have associated costs.

**Accounting for Monies with Compensation to Provider:** AT&T's Carrier Billing Systems will need to be modified to support all of the factors affecting the collection of revenues and the payment of the carrier bills. Since the Provider will be expecting AT&T to pay the retail rate of the calls prior to possible collections, AT&T will be forced to accrue potential revenue offsets and deficits based upon actual collections after the bills are paid. Uncollectible revenue will have to be negotiated and agreed upon between the Provider and AT&T. Potential issues that arise could delay payments and cause additional disputes. For example, if a Provider requires that no more than two adjustments be granted prior to blocking, AT&T will have to ensure that no more than two adjustments were made on any one account before the Provider will allow AT&T to issue a credit. This will also lead to a need for each account that is under scrutiny to be tracked through to resolution by both parties.

## 2.c. Non-Recurring and Recurring: Third Party Provider Call Handling

[redacted]

**Routing and Rating of Usage:** AT&T would have to develop a usage process that would guide the Third Party Provider usage to the correct Customer. An assumption is that the calls would be delivered to AT&T as rated and bill ready. However, if the Third Party Provider wishes AT&T to perform a rating service, the resulting calls would then have to be rated based upon the tables created to support each Provider. These tables would need to be created and maintained of all Providers to support various call matrices (calls could have fixed or variable components). These calls would need to be correctly routed to the appropriate rate tables. For fixed rated calls, AT&T would likely be required to build an interface with the Provider's retail tariff tables for the type of call. AT&T could be required to be able to access the rate per minute and calculate the number of minutes used or apply a flat rated factor for an entire call depending upon Provider requirements. For variable rated calls, if any, AT&T would need to forward the variable rated calls to the Provider to be rated. These processing changes would require extensive modifications to AT&T's Guiding Software, Interconnection Software, and Message Processing Systems. It would also entail the development of new tables to compare to a foreign database and rate usage based upon a table of fixed rated calls over which AT&T has no control. Further, for variable-rated calls, if any, it would entail the development of processing systems to send EMI Standard Industry Messages to the Provider to be rated and returned for placement upon AT&T customer bills. Tracking processes would also be needed to match the inputs and outputs. Such tracking may include Provider specific edits for calls that should not be billed (less than a minute or other such edits). AT&T would need to build an inventory system to account for all calls accepted by AT&T customers from our contracted Providers.

Each message that is to be placed upon a customer's bill has specific "guide" information with which it is associated. This "guide" information ensures that the messages are routed to the correct customer and the correct section on the bill page. AT&T would need to develop correct "guiding" for these types of messages. This is especially true of the messages that are re-entering our systems from the Provider. AT&T would need to create a new scheme in order to develop a guide image for the calls to route to the correct bill section.

The billing system will need to include new sections to ensure and instruct AT&T's customer service representatives on how to handle customer inquiries about charges for In-Collect calls (see also Development of Inquiry Practices).

**2.d. Recurring: Customer Care Associate ("CCA")Cost: [redacted]**

- Dependencies: length of call; language (English or Spanish)
- Why Customer Calls: to question charge on the bill; dispute bill
  - Example: 10,000 incremental calls per year: [redacted]

**Development of Inquiry Practices:** AT&T handles inquiries from its local customers. Procedures will be required to train and support customer service representatives as to how to handle calls relating to third party and collect calls originating from other providers charges, including explanations and means of processing various forgiveness policies. The Center systems will have to be modified to create process so that adjustment detail flows back to the Carrier Billing Management systems. These are the AT&T systems that manage the compensation between the two companies. This process is needed so that adjustments with detail can be sent to Provider. AT&T Local does not perform this function for any product. Non-recurring costs are included above.

**2.e. Recurring: Add Additional Page to Bill**

- Postage rate [redacted]
- Incremental expense in Collections (high Net Bad Debt)

**2.f. Recurring: Ordering Cost: [redacted] per TN restricted**

- Cost incurred if the carrier wants AT&T to block Collect and Bill to 3rd calls
- OSS cost: [redacted]
- CCA cost to place restrict order: [redacted]
  - Example: 10,000 restrict & 10,000 unrestricted orders per year: [redacted]

**Order Entry Processes**: Customer service representative screens would have to be modified to include the option of blocking for particular Providers. This could lead to additional non-recurring costs to create and maintain. Procedures will need to be developed to handle customer disputes that will arise based upon blocking failures. A liability determination, given the specific circumstances of the dispute will need to be negotiated and system development will be required to support the outcome of those negotiations. To cure the incongruities in blocking, Provider and AT&T may need to have periodic "sync-ups," on the customer service records.

**2.g. Recurring: TOTAL COST - TBD**

- Variable with number of Telephone Numbers
  - Example of 10,000 from above: [redacted]

**2.h. Recurring: Other Undeveloped Costs – Expenses That Will Impact AT&T's Business**

- Settlement Process (bill validation): AT&T and the Provider will need a bill process to validate the bill. Depending on the amount of adjustments and/or uncollectibles, this process could cause significant time and effort to complete.

- Collections: Full Process and what is anticipated from Provider would have to be determined, cost developed and agreed to by all parties.

- Blocking (Fraud): Process and timers will need to be created.
- Uncollectibles: Process and timers will need to be negotiated and created.
- Unbillable records processing and storage: Process will need to be created and maintained.
- Record Transmission charge: AT&T assumes that Provider will pay these charges on an ongoing part of the Settlement process, but it will have to be negotiated. This may include associated CARE processing/LIDB processing or records.
- Initial Testing of Processes: AT&T would have to test all processes with Provider. These tests would have associated costs. These tests may also reveal unanticipated additional system changes or requirements that will need to be assessed.

## 3. Conclusion

For all of these reasons, AT&T believes the mandate to bill and collect on behalf of parties or to deny all AT&T Local customers from receiving third party or collects calls should not be adopted. AT&T believes that there are sufficient means by which Third Party Providers can bill and collect on their own behalf. AT&T believes that the costs associated with a rule requiring building the infrastructure to support billing and collection of these charges is prohibitive to ALECs like AT&T. Should the Commission adopt such a rule, it should do so in a manner that holds ALECs harmless from the financial liabilities inherent in billing and collecting Third Party Provider charges on the AT&T Local bill.

Sincerely,

Tracy Hatch for

Virginia Tate

Attorney for AT&T Communications Of
The Southern States, LLC