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DOCKET NO. 5400-U

**IN RE: GENERIC HEARINGS TO INVESTIGATE THE REGULATION OF DEBIT
CARD SERVICES.**

RECORD SUBMITTED: November 8, 1994

DECIDED: December 6, 1994

APPEARANCES

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INITIAL DECISION

I.

INTRODUCTION

The Georgia Public Service Commission ("Commission") initiated an investigation into the regulation of debit card rates and services. Preliminary investigation was done by the Commission Staff in conjunction with testing of payphone services throughout the State to ascertain if regulation was necessary for the providers of debit card services. Based upon Staff's findings and information obtained at the 1994 meeting of the National Association of Regulatory Utility Commissioners ("NARUC") in San Diego, California, the Commission decided to proceed with its investigation.

On September 13, 1994 the Commission issued a notice setting this matter for public hearing. In the notice, the Commission set forth a list of 16 issues to be addressed in the proceedings.

The issues were as follows:

1. Define Debit Cards (i.e., what is a Debit Card, Smart Card, Calling Card, Travel Card, Credit Card, Cash Card, etc.).
2. Are Debit Cards in the public interest?
3. Should the Commission establish rules and/or regulations regarding rates, terms and conditions governing the provisioning of Debit Cards?
4. Should registration/certification be established for Debit Card providers?
5. What specific information should be provided on Debit Cards?
Example:
 - a. Who provided the card. (Name, address and telephone number.)
 - b. Denomination of the card.
 - c. Customer services/complaints response.
6. Should there be restrictions on the types of calls? (i.e., local, 700, 800, 900, DA, etc.)
7. Should local calls (to include Intracounty calls) be completed via the Debit Card?
8. What services should be accessible through the use of the Debit Card?

9. Should perspective rates, terms and conditions governing Debit Card usage be consistent with existing Commission orders, rules, regulations and State laws governing services accessible through Debit Cards?
10. Should the Commission distinguish between Local Exchange Company (LEC) issued Debit Cards and those issued by other providers?
11. Are there specific state/federal jurisdictional issues the Commission should address in developing guidelines for Debit Card usage?
12. For the LEC's Debit Card, how should the cost and revenue be treated for regulatory purposes?
13. What impact does Debit Card availability have on Universal Services?
14. Should minimum quality of service standards be established for Debit Cards?
15. What are the tax requirements?
16. Should an aggregator's list (those who actually sell the card to the End-Users) be provided?

On November 8, 1994 the hearing was conducted before the Commission. Testimony was presented by George Adams, public witness; S. E. Sanders, Southern Bell Telephone & Telegraph Company; James M. Mertz, AT&T Communications of the Southern States; B. Reid Presson, Intellicall Operator Services, Inc.; Brian Sulmonetti, LDDS Communications, Inc. d/b/a LDDSMetromedia Communications; Denise Hales, MCI Telecommunications, Inc.; Michael J. Nighan, RCI Long Distance, Inc.; and Tony H. Key, Sprint Communications Co.

Although Telecommunications Resellers Association (TRA) did not file any formal testimony in these proceedings, it did, however, file comments that summarized the industry's position. All of the testimony as well as the comments of parties was considered by the Commission in its decision. The Commission makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1.

There are many types of debit cards in use today. From banking to credit card companies, debit cards are used for purchasing goods and services on a prepaid basis. However, the

Commission is only concerned with debit cards that are used for telecommunication purposes. For Commission purposes, debit card is best defined as a "prepaid calling card". Debit cards or prepaid calling cards "are simply a medium which enables long distance telephone users to purchase an amount of long distance telecommunications service at a fixed rate from a service provider with whom the user enters into a relationship, prior to the use of service."¹

2.

At this time there does not appear to be any significant or widespread problems regarding the use of debit cards. Unlike conventional presubscribed long distance services, debit or prepaid cards are discretionary, convenience services which merely supplement existing long distance service. There are numerous providers of this service, the distribution of the cards is worldwide and the service is very competitive. Due to these factors and the overwhelming success of the card, it is widely believed that the card is in the public interest.

3.

There is no real consensus between providers as to the establishment of specific rules and/or regulations governing the debit card, except to say that regulation should be at a minimum. However, the Commission should establish some rules and/or regulations that provide full disclosure to consumers and facilitate an informed purchase decision. Testimony was presented that favored streamlined registration/certification of debit card providers through the Commission's existing certificates of public convenience and necessity. Existing Commission orders, rules, regulations, and State laws, which generally govern the provision of long distance services, should also govern the provision of debit card services where applicable. According to TRA's comments, "There are many instances where existing Commission orders and rules are simply inapplicable to the manner in which [debit card] prepaid calling card services are offered. For an example, rules dealing with service termination, collection of deposits or advance payments, and billing and credit requirements, have no applicability to the provision of prepaid calling card services."² However, the Commission feels that any service offered should be outlined in detail in the service provider's tariff. There was not enough evidence presented to warrant establishing any minimum quality of service standards. At this time, the Commission

¹Comments of the Telecommunications Resellers Association, dated October 24, 1994, page 5.

²Comments of the Telecommunications Resellers Association, dated October 24, 1994, page 12.

feels that an aggregator list would be too burdensome on the provider and too cumbersome for the Commission to maintain; hence, an aggregator list is not warranted at this time.

4.

Although the debit card or prepaid calling card can be sold and/or manufactured virtually anywhere, it contains basic generic information, such as name of provider, toll free customer service number, denomination, expiration date (when applicable), and instructions/terms and conditions. The Commission agrees that this information should, at a minimum, be placed on all debit cards or prepaid calling cards produced/manufactured, sold and marketed in the State. In addition, there was also some discussion about a warning being given prior to the depletion of the time remaining on the card.

5.

TRA best summarized the industry's position on calling restrictions for debit cards:

All known prepaid calling card service network platforms limit access to 700, 800, or 900 service. Virtually all services do not provide operator and directory assistance. And notwithstanding local service prohibitions, the cost of utilizing a prepaid calling card service and inconvenience of dialing several digits to make local calls effectively preclude prepaid card usage for local calling for all but the local exchange companies. Commission restrictions on specific types of calls are unnecessary due to the nature of the manner in which prepaid services are already provided.³

At this time, the Commission has no position on what restrictions should be placed on debit cards, except for what has already been outlined above. Furthermore, the Commission feels that the intended use of the card is primarily for the completion of long distance services. However, the provisions of debit card service would not expand the authority to provide services not covered by a company's certificate.

6.

The industry presented testimony that was not consistent as to whether the Commission should distinguish between LEC issued debit cards and those issued by other providers. Therefore, the Commission feels that the issue should not be addressed at this time. If the LEC

³Comments of the Telecommunications Resellers Association, dated October 24, 1994, page 11.

does decide to enter the debit card market, it will need to meet the same requirements as all debit card providers.

7.

There was not enough evidence provided on the subjects of state/federal jurisdictional issues, universal services, and tax requirements on which to base a conclusion or decision at this time.

Based on the foregoing findings of fact and the reasonable inferences which can be drawn therefrom, the Commission makes the following Conclusions of Law.

CONCLUSIONS OF LAW

1.

The debit card/prepaid calling card is a medium for purchasing the telecommunication services of telephone utilities operating within the State of Georgia, which is subject to O.C.G.A. §46-2-21.

2.

Telephone utilities providing debit cards ("Debit Card Providers") are subject to the jurisdiction of the Commission and the Commission's authority and control extends to its supervision of their debit card. O.C.G.A. §§46-2-20, 46-1-21.

3.

As a telephone utility operating telephone lines or systems, a Debit Card Provider is subject to the rules and regulations of this Commission concerning the operation of such systems. O.C.G.A. §§46-2-20, 46-1-21.

4.

Pursuant to O.C.G.A. §§46-5-41, 46-2-23, and 46-2-25, the Commission has jurisdiction to grant to a Debit Card Provider a Certificate of Public Convenience and Necessity and to determine the reasonableness of the rates, charges, classifications and services established by the Debit Card Provider.

Debit Card Providers will be allowed to resell services only from tariffs that have been expressly approved for resell by this Commission which at the present time includes services from the WATS and MTS tariffs, and which shall also include originating access to the reseller's switches or terminating access for interLATA calls. Debit Card Providers shall not resell, until expressly authorized to do so, interLATA private lines services, intraLATA private line services, intraLATA foreign exchange services, interLATA foreign exchange services or access services other than those set forth above.

WHEREFORE, it is

ORDERED, that all Debit Card Providers (defined as telephone utilities providing debit cards) not already holding a Georgia Certificate of Public Convenience and Necessity (resell or interexchange carriers' certificate) shall make application for a Certificate of Public Convenience and Necessity for the provision of said services under the resell or interexchange carriers docket.

ORDERED FURTHER that all Debit Card Providers shall file tariffs outlining said services and rates.

ORDERED FURTHER that all rates for such services are limited by the maximum rates prescribed by this Commission for dominant carriers within the State for like services and such rates must be stated on the card or with the literature provided with the card.

ORDERED FURTHER that for any Debit Card Provider who produces/manufactures, sells or markets a debit card within the State, the card must contain, at a minimum, name of the Debit Card Provider, toll free customer service number, denomination (in dollar amounts and/or minutes), expiration date (when applicable), and brief instructions/terms and conditions, which must also be covered in detail in the tariff.

ORDERED FURTHER that a verbal notice of one minute must be given prior to depletion of the time remaining on the card.

ORDERED FURTHER that implementation concerning information placed on the card itself will become effective 120 days from the date of this order.

ORDERED FURTHER that all other dockets, orders and rules pertaining to the provision of telephone utility services remain in effect with the exception of service termination, collection of deposits or advance payments, and billing and credit requirements.

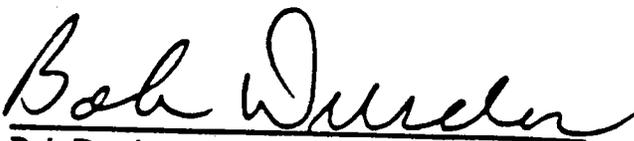
ORDERED FURTHER that jurisdiction over this matter is expressly retained for the purpose of entering such further order or orders as this Commission may deem just and proper.

ORDERED FURTHER that a motion for reconsideration or other motion for the purpose of review shall not stay the effectiveness of this Order, unless otherwise ordered by the Commission.

The above by action of the Commission in Administrative Session on December 6, 1994.


Terri M. Lyndall
Executive Secretary

DATE January 24, 1995


Bob Durden
Chairman

DATE January 24, 1995