

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SPRINT COMMUNICATIONS COMPANY L.P.	)	
	)	
_____	)	CASE NO. 2000-280
	)	
ALLEGED VIOLATION OF KRS 278.535	)	

O R D E R

This is an Order accepting a settlement agreement in a case in which a consumer alleges that Sprint Communications Company L.P. ("Sprint") switched its long-distance provider without authorization. The Commission entered an Order on August 23, 2000, directing Sprint to show cause why it should not be found in violation of KRS 278.535 and KRS 278.990.

Sprint responded to the Commission's Order and participated in an informal conference on September 30, 2000. At the informal conference, Sprint and Commission Staff discussed the single count contained in the Order and all other pending counts against Sprint that had been received by the Commission, but had not been included in a show-cause Order. On November 6, 2000, Sprint and Commission Staff met for a second informal conference to discuss the pending counts and the information Sprint provided concerning those counts.

As a result of the informal conference and ongoing negotiations, a settlement agreement, attached hereto, was reached. Part of the Commission's willingness to

accept the settlement agreement is based upon Sprint's changes in its business structure to deter slamming from occurring, as well as Sprint's cooperation and candor during the formal process.

Based upon the foregoing, and the Commission being otherwise sufficiently advised, IT IS HEREBY ORDERED that:

1. The attached settlement agreement is accepted and adopted by the Commission.

2. Within 30 days of the date of this Order, Sprint shall tender the agreed-upon payment of \$3,000.00. The check shall be made payable to the Kentucky State Treasurer and shall be sent to the Office of General Counsel, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602.

3. Upon receipt of the agreed-upon payment, this case shall be dismissed and removed from the Commission's docket.

Done at Frankfort, Kentucky, this 14<sup>th</sup> day of March, 2001.

By the Commission

ATTEST:

  
Executive Director

APPENDIX TO AN ORDER OF THE  
KENTUCKY PUBLIC SERVICE COMMISSION  
IN CASE NO. 2000-280  
DATED March 14, 2001.

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of

SPRINT COMMUNICATIONS COMPANY L.P.)

CASE NO. 2000-280

ALLEGED VIOLATION(S) OF KRS 278.535 )

**STIPULATION AND SETTLEMENT AGREEMENT**

This Stipulation and Settlement Agreement ("Agreement") is entered into this 13<sup>th</sup> day of February, 2001, by and between Sprint Communications Company L.P. ("Sprint") and the Kentucky Public Service Commission ("Commission") as follows:

1. Sprint is a telecommunications provider authorized to do business in the Commonwealth of Kentucky and is subject to the Commission's jurisdiction. Sprint operates in Kentucky as a primary interexchange carrier ("PIC") pursuant to tariffs on file with the Commission.
2. On August 23, 2000, the Commission issued an Order commencing this case against Sprint alleging one violation of Kentucky Revised Statute § 278.535 ("KRS 278.535"), which governs unauthorized switching of telecommunications providers.
3. In response to the Commission's Order, Sprint requested an informal conference with the Commission Staff to discuss the particulars of the complaint in question, the alleged illegal switch of long distance service for Mr. Mark R. Connelly, 7100 Glendale Road, Louisville, Kentucky 40291. On September 20, 2000, Sprint representatives met with Commission Staff in an informal conference to discuss the complaint of Mr. Connelly. Sprint provided a detailed oral explanation of facts involved in the Connelly switch of long distance service.
4. In addition to the factual presentation concerning the one count at the September 20 informal conference, Sprint also outlined new internal procedures to deter unauthorized carrier changes from agents hired by Sprint. These new procedures include: instructing the telemarketers both at the time of hiring and at least semiannually thereafter on the various "slamming" regulations; requiring the telemarketers to sign a code of ethics regarding the submission of PIC-change orders; subjecting to automatic termination any telemarketer who violates state or federal law regarding PIC changes; randomly monitoring the conversations between telemarketers and customers to ensure that they are complying with PIC-change rules; auditing on a monthly basis the orders sent by the telemarketer to ensure verification by Sprint's independent Third Party Verification (TPV) vendor; and paying the telemarketers on an hourly basis.

5. During the informal conference on September 20, Commission Staff asked Sprint to review a number of other pending complaints and report back to the Commission on these complaints. These other pending complaints included some complaints that were alleged illegal connections along with the entire base of outstanding Sprint complaints. On November 6, 2000, Sprint held another informal meeting with Commission Staff in Frankfort and provided factual explanation on each of the pending complaints at issue. TPV audio tapes were provided on some of the complaints. The Commission expresses appreciation to Sprint for providing timely and extensive information for each complaint in question.

6. Based on review of the information provided by Sprint, Sprint and the Commission agree that Sprint was unable to locate a TPV audio tape demonstrating that Mr. Connelly chose Sprint as his interexchange carrier, and that Sprint was unable to verify through other means that Mr. Connelly authorized the PIC change in question. However, the Commission agrees with Sprint's explanation that the order in question was taken by a vendor of Sprint that was involved in fraudulent activities. Certain employees of the vendor, D. F. King, circumvented (i.e., "hacked") Sprint's computer security system and were able to submit "verified" PIC-changes to Sprint without the changes actually being sent to or actually verified by TPV. Sprint does not accept orders for changing carriers unless they are accompanied by a verification code. The orders from this telemarketer, however, were accepted by Sprint because they contained a proper verification code. Sprint insisted that all the employees of D. F. King who had switched customers improperly were fired.

7. The fraudulent PIC change scheme perpetrated by persons who were at the time employed by one of Sprint's telemarketing sales agents, D. F. King, is the subject of an FCC Order, File EB-00-TC-002, issued March 27, 2000. All of the Kentucky residents, including Mr. Connelly, who were improperly switched to Sprint as a result of this scheme have been switched backed to their carriers of choice; have been given credit for or refunds of charges they incurred while on the Sprint network; and as a gesture of goodwill have been given a \$10 prepaid calling card. In addition, Sprint has reimbursed the local exchange carriers (LECs) of these customers for PIC change charges incurred by such customers. The LECs should have then issued credits to their customers for these charges.

8. Sprint agrees fully that it is inappropriate to change a customer's PIC without authorization and without recording such authorization. Sprint created the Sprint Slamming Action Center some time ago in order to assist customers that have been slammed and to determine the root cause of slamming complaints. Employees and vendors that are involved in slamming customers are dealt with quickly and severely.

9. Sprint, consistent with its commitment to prevent unauthorized changes in long distance provider, has cooperated fully with the Commission in this matter. Sprint has also cooperated fully with the Commission on the resolution to other complaints that were outstanding. In order to avoid the time, effort and expense of preparing for and attending hearings, Sprint and the Commission have agreed to compromise and settle this matter on the following terms:

- A. No later than March 15, 2001, Sprint agrees to make a voluntary contribution of \$ 3,000 for investigative costs to the Kentucky State Treasurer as part of a permanent disposition of this case, and all Counts in the Order are dismissed in their entirety with prejudice.

B. In order to promote a prompt and efficient administration of KRS 278.535, and in furtherance of the interest of judicial and administrative economy, the Commission accepts the undertakings of Sprint as set forth herein, and adopts this Stipulation and Agreement as its Order, entirely disposing of all matters contained in Case 2000-280.

C. Sprint and the Commission agree that this Settlement includes all the pending complaints resolved by Sprint and the Commission Staff in the informal workshops conducted as a part of this case.

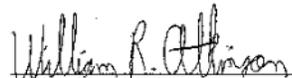
D. The Parties agree and acknowledge that this Agreement is the result of a compromise and shall never be construed as an admission by Sprint of any liability, wrongdoing, or responsibility on its part or on the part of its predecessors, successors, assigns, agents, parents, subsidiaries, affiliates, offices, directors, employees or shareholders. Sprint expressly denies any such liability, wrongdoing, or responsibility.

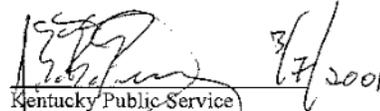
E. This Agreement contains the entire agreement between Sprint and the Commission.

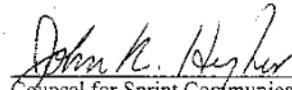
WHEREFORE, Sprint and the Commission adopt this Stipulation and Agreement as its final disposition of the matters contained in Case 2000-280.

Executed this 13<sup>th</sup> day of February, 2001.

By:

  
William R. Allison  
Sprint Communications Company L.P.

  
Robert J. [unclear] 2/7/2001  
Kentucky Public Service  
Commission

  
John K. [unclear]  
Counsel for Sprint Communications  
Company L.P.