



Arizona Corporation Commission March 28, 2001

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2001 MAR 29 A 11:42

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Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

To Whom It May Concern:

This letter is to inform you of a potential billing error affecting certain consumers of Talk.com Holding Corp. ("Talk.com"). Talk.com found this error in the current monthly billing cycle and is taking all necessary steps to rectify the situation. Moreover, we have applied credits to the affected accounts, are refunding any mistakenly collect monies and are actively working on a permanent solution to the problem.

Summary of Problem

During the March 2001 billing cycles, Talk.com mistakenly sent certain erroneous billing information to our outside billing house for invoicing. Approximately 336 customers were affected by this error in Arizona.

Essentially, the affected customers had previously been suspended in our billing system and flagged for special treatment. Due to human error, these customers inadvertently were put back into the regular billing system.

Apparently most of the affected customers should have been classified as "casual callers," those being callers who make long distance calls from their home telephone numbers without being presubscribed to Talk.com as their primary long distance carrier. In these cases, the caller first dials one of our 101XXXX codes and then the terminating telephone number. These calls then generally are billed to the customer through an arrangement with the local exchange carrier. In this case, Talk.com directly invoiced the call detail to the end-users, and not through the local exchange carrier. Unfortunately, Talk.com correctly suspended the customer's call detail but then inadvertently re-coded the calls and billed them as 1+ presubscribed traffic. This resulted in calls being rated at our standard 1+ presubscribed rates with the associated 1+ monthly recurring fees, Local Connect Surcharge (LCS), federal universal service fund ("USF") surcharge, and various federal and local taxes. These calls should have been rated as "casual calling" records and therefore not subject to these same recurring charges.

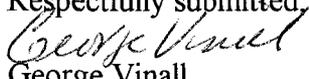


Resolution

In order to remedy this situation; Talk.com is taking the following action:

- Talk.com has canceled all of these erroneous invoices and will not attempt to collect any of the monies due from these invoices.
- Our customer service centers have been instructed in the proper procedures for handling any customer that call to discuss this situation. We have set up a special toll-free number, 877-825-5003, to handle the anticipated calls.
- Talk.com has correctly identified the call records and customers who were erroneously billed. We have contacted or are in the process of contacting each of these customers by telephone to explain the situation and to instruct them to ignore the invoices.
- We are sending a letter to all affected customers asking them to ignore the invoices and explaining our mistake. A copy of this letter is enclosed herein.
- Lastly, we are changing our data processing procedures to prevent a reoccurrence of this problem. Specifically, we will actively move these customers into a new billing file that will permanently remove them from the monthly 1+ billing rounds.

We sincerely apologize for any inconvenience that this situation may have caused. Please do not hesitate to contact the undersigned with any questions or concerns that you may have regarding this matter.

Respectfully submitted,

George Vinall
Executive Vice President
External Affairs
703-391-7503
gvinall@talk.com



TALK.com Holding Corp
6805 Route 202
New Hope, PA 18938

March 28, 2001

Dear TALK.com Customer:

Over the last few days our customer service representatives have attempted to contact you regarding a recent invoice you may have received from Talk.com in March 2001. We are sending this letter now as a reminder that this invoice may contain inaccurate billing information. **Please ignore this invoice, do not pay it.** We are in the process of correcting this billing error and changing our procedures to ensure that this does not happen again. We sincerely apologize for any inconvenience this situation may have caused.

Talk.com has cancelled all of these erroneous invoices and will not attempt to collect the amounts billed in error. Moreover we will refund any mistakenly collected monies from customers who may have already paid these invoices. **Your credit record will not be affected.** Our customer service centers have been instructed in the proper procedures for handling this situation. If you have any questions, please call us at **1-877-825-5003**. This hot-line was set up specifically for this situation.

As one of the leading consumer long distance companies, with over 1.4 million satisfied customers, we are concerned with the negative impression this error may have created. Please do not hesitate to call us with any questions or concerns you may wish to express. Again, we apologize for this error and any inconvenience this may have caused.

Sincerely,


Jeff Earhart
Vice President, Customer Service

Arizona Corporation Commission

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