

ORIGINAL

Decision 89 11 039 NOV 2 2 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the General Telephone)
Company of California, a corporation,)
for authority to increase certain)
intrastate rates and charges for)
telephone service.)

Application 83-07-02
(Filed July 1, 1983)

And Related Matter.)

OII 83-08-02
(Filed August 3, 1983)

OPINION MODIFYING DECISION 85-03-017

On June 30, 1989 Sierra Telephone Company (Sierra) filed a petition for modification (petition) of Decision (D.) 85-03-017. The Decision authorized utilities¹ participating in the Centralized Credit Check System (CCCS) trial to collect an additional deposit from customers found to be owing a balance to a previous serving CCCS participating utility.

Sierra seeks to modify Ordering Paragraph 2 so that local exchange companies (LECs), such as Sierra, may withdraw from the CCCS program whenever a LEC's cost to participate exceeds the benefits derived from the program. Sierra represents that an analysis of its CCCS program costs and its benefits derived from the program show that it is not cost-effective for Sierra to continue participating in the program. According to its August 2, 1989 clarification letter filed subsequent to this application, Sierra's cost to participate in the 3 year trial period averaged \$20,000 a year, or a total cost of approximately \$60,000. Sierra estimates that it will incur costs of approximately \$31,000 a year

1 Pacific Bell, GTE of California, Continental Telephone of California, Citizens Utilities Company of California, CP National, Roseville Telephone Company, and Sierra.

if it continues to participate in the CCCS. Its continued cost to participate represents 73% of its \$43,000 uncollectible balance in 1988. Based on the CCCS recovery factor during the trial period, Sierra will only recover \$7,000 of its uncollectible balance. It also represents that the withdrawal of Sierra or other small LECs will have minimal negative effects on this program because the small LECs comprise a relatively small portion of the total CCCS, approximately 0.1%.

Sierra proposes that specific language be added to Ordering Paragraph 2 authorizing a LEC to notify CCCS Committee members² of its desire to withdraw from the CCCS when a LEC believes that its continued participation in the program is not cost-effective. If no Committee member objects, the LEC should be allowed to withdraw from the CCCS by following the termination procedures set forth in the contract established for the provision of CCCS services. If, on the other hand, a member objects, the issue should be referred to the Commission for resolution.

Sierra, in support of its petition, cites a May 1989 CCCS Industry Committee report which finds that:

Due to volume, demographic, and operating differences CCCS is not a cost-effective system for all utilities. Discussion in the original order suggested that the smaller utilities would probably reach a level of cost efficiency at 10,000 customers. However, our data indicates that higher customer volumes are required. Utilities that serve rural areas and operate in a "face-to-face" environment seem to derive less benefit also.

² The CCCS Committee consists of nine members as follows: one from each of the seven participating utilities, one elected by the remaining smaller telephone utilities, and one Commission representative.

The CCCS Industry Committee report concludes that the voluntary withdrawal of utilities whose participation has not proven to be beneficial should be considered.

Notice of this petition appeared on the Commission's Daily Calendar of July 6, 1989. No protests to the petition were filed.

We concur with Sierra that a utility should not be required to participate in the CCCS if it can show that it is not cost-effective to continue participating. Such cost consideration was given to the approximate 22 LECs when D.85-03-017 required only 7 of the 22 LECs to participate in the program. Therefore, based on its analysis showing that it will incur an additional \$31,000 of costs to recover \$7,000 of its uncollectibles, we will authorize Sierra to withdraw from the program. Sierra is a small rural telephone utility with approximately 11,000 switched access lines, as stated in its 1987 annual report to the Commission.

However, authority to allow a utility to withdraw from the CCCS program should not rest with the CCCS Committee. Any utility participating in the CCCS program which can show that it is not cost-effective to continue in the program should file an application with the Commission for authority to withdraw from the program.

Findings of Fact

1. Sierra seeks a procedure to enable a utility participating in the CCCS to withdraw from the CCCS if it is not cost-effective for the utility to continue participating in the CCCS.
2. It is not cost-effective for Sierra to continue participating in the CCCS.
3. The CCCS committee finds that utilities serving the rural areas and operate in a "face-to-face" environment derive less benefit from the CCCS.
4. No protests to the petition were received.

5. Sierra is a small rural telephone utility with approximately 11,000 switched access lines.

6. The CCCS committee concludes that the voluntary withdrawal of utilities whose participation has not proven to be beneficial should be considered.

Conclusions of Law

1. Sierra should be authorized to withdraw from the CCCS.
2. A procedure should be established for utilities that may want to seek authority to withdraw from the CCCS.

ORDER

IT IS ORDERED that:

1. Decision (D.) 85-03-017 is modified to allow Sierra Telephone Company (Sierra) to withdraw from the Centralized Credit Check System (CCCS) upon notifying the Executive Director in writing of its withdrawal, on or before December 31, 1989. Sierra shall send a copy of this matter to all parties to A.83-07-02 and I.83-08-02. Upon notification, Sierra shall follow the termination procedures set forth in the contract established for the provision of CCCS services and shall lose its vote and representation on the CCCS Committee, as a participating utility.

2. Any subsequent request by a utility to withdraw from the CCCS shall be made by the Commission's Application procedure. Any such application shall contain a certificate showing service and all parties to A.83-07-02 and I.83-08-02.

3. The Ordering Paragraphs of D.85-03-017 as modified by D.85-05-092, D.85-06-005, D.85-07-005, D.86-08-012, and this opinion is attached as Appendix A.

This order is effective today.

Dated NOV 22 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

Wesley Franklin

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WESLEY FRANKLIN, Acting Executive Director
for

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DECISION 85-03-017 ORDERING PARAGRAPHS REVISED PURSUANT
TO D.85-05-092, D.85-06-005, D.85-07-005, AND D.86-08-012

1. The following seven local exchange telephone utilities shall form a committee, to be known as the Industry CCCS Committee (Committee): Pacific Bell (PacBell), General Telephone Company of California (General), Continental Telephone Company of California, Roseville Telephone Company (Roseville), Citizens Utilities Company of California, CP National Corporation - including its affiliate Tuolumne Telephone Company, and Sierra-Mariposa Telephone Company (Sierra). The Committee shall have two other members: one elected by the remaining smaller telephone utilities, and the other designated by the Executive Director from the Commission's staff, the first designee being Harry Strahl. The member at large, representing other telephone utilities, shall vote only if any of the other smaller utilities elect to participate in the CCCS trial. The Commission's representative shall vote on matters only in the event the Committee is otherwise deadlocked. If any Committee utility-member, either directly or through an affiliate, enters the market as a potential CCCS vendor or provider, it shall cease participation on the Committee, although it shall still be bound by the decisions of the Committee.

*2. The Committee shall, within 180 days after the effective date of the order, select a CCCS program that meets the parameters set out below, and also select a CCCS vendor or supplier. All seven utilities named above shall fully participate in the CCCS trial, which shall last at least two years after it is brought on

* Modified by D. 89 11 039

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line, but not more than a maximum of three years. The Committee may select a CCCS vendor without seeking competitive bids. However, if the Committee majority ultimately elects to continue CCCS beyond the trial period, all seven utilities shall continue to participate, and bids shall be solicited.

- a. Sierra may withdraw from the CCCS upon notifying the Executive Director in writing of its withdrawal, on or before December 31, 1989. Sierra shall send a copy of this matter to all parties to A.83-07-02 and I.83-08-02. Upon notification, Sierra shall follow the termination procedures set forth in the contract established for the provision of CCCS services and shall lose its note and representation on the Committee, as a participating utilities.
- b. A telephone utility wanting to withdraw from the CCCS shall file an application requesting authority to withdraw from the program. Any such application shall contain a certificate showing service and all parties to A.83-07-02 and I.83-08-02.

3. The CCCS program must meet and operate under the following criteria:

- a. It shall be assumed that both the state and federal fair credit reporting acts fully apply, and the CCCS shall fully comply with the acts.
- **b. Nonpublished telephone numbers shall not be released into the CCCS data base by the currently serving utility.
- c. Each participating utility shall fully bear its start-up costs, and CCCS costs shall not be assessed to nonparticipating utilities.

** Modified by D.85-05-092 and D.85-06-005.

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- d. The CCCS data base shall not receive input from sources other than the participants, nor shall CCCS data be released to nonparticipants.
 - e. The CCCS data base shall be the property of the participants, and it shall not be commingled with any other data base.
 - f. If a CCCS match is not found within six months after new account data is entered, the new account data shall be permanently removed from the CCCS data base.
 - g. If an on-line CCCS with terminals is used, any printed match reports shall not bear data base access passwords.
 - h. The contract with the CCCS vendor shall provide economic incentives for the vendor to enforce data base security measures, including contract cancellation, indemnification, and liquidated damages.
 - i. The participating utilities and our staff shall have reasonable access to the CCCS vendor's facilities to inspect for compliance with the security measures.
 - j. A customer account shall not be classified as "uncollectible," for CCCS purposes, if the amount owed is on deposit with this Commission or a formal complaint covering the amount owed is pending. Once formal or informal complaints have been resolved with finality and the customer has not paid the balance due after 60 days, the customer's credit data can be entered into the CCCS data base.
4. The Committee shall adopt uniform requirements for the creditworthiness data to be taken from customers, and for the

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independent verification of such data. Also, it may decide whether the CCCS trial should also encompass business customers.

***5. Utilities participating in the CCCS trial may file revised tariffs, in compliance with General Order Series 96, which authorize the collection of an additional or separate deposit of up to 25% of the balance found owing to a previously serving CCCS participating utility, but not less than the otherwise applicable deposit (two months' estimated billing). The deposit shall be increased to a maximum of 75%, but not less than at least the usual deposit amount, if the customer fails to pay the previous utility within 30 days after he/she is notified of the verified CCCS match. If the CCCS trial also encompasses business customers the participating utilities may file revised tariffs to establish comparable requirements for business customers. These tariff provision shall be effective only as long as the utility participates in CCCS; if it ceases to participate it shall withdraw and cancel these tariff provisions. The revised tariffs shall not become effective until after approval by this Commission.

6. The respondent utilities are authorized to file revised tariffs, not sooner than 30 days after this order is effective, in compliance with General Order 96-A, which include the following provision relating to residential customers (but modified to include the adopted standard on when it may apply):

The utility may not discontinue or deny service at a premises where services provided to aprior customer were disconnected for nonpayment, except where it is found that the delinquent customer still resides at that samepremises. The utility may require a written

*** Modified by D.86-03-012.

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statement from a newly connecting customer stating that the former customer at that address was and is not a member of the household. In the event that the statement is falsified, the new customer will be held liable for the entire delinquent bill owed the utility by the previous customer and shall also be liable for a deposit.

They may adapt this language to apply also to business customers and locations, and include such a provision relating to business customers when they make their tariff filings. The revised tariffs shall become effective ten days after filing.

7. General's Advice Letter No. 4860 is rejected.

8. Roseville shall undertake the limited disconnect service as recommended by staff, except that all customers placed on the experimental service shall be afforded such service for a maximum of 30 days. Roseville is authorized to file revised tariffs, in compliance with General Order 96-A, to implement the experiment for customers served by its electronic central offices. It may offer this experimental service until further order; however, by no later than May 1, 1987, Roseville shall file a report with our staff which explains its experience with the experimental service. Roseville shall furnish a copy of its report to parties in this proceeding who request one. A deferred account for any start-up costs shall not be established.

9. Within 12 months from today AT&T Communications of California, Inc. and PacBell shall each file a feasibility report with our staff on the "smart" telephone credit card, as outlined in the foregoing opinion. Each shall furnish a copy of its report to parties to these proceedings who request one.

10. The respondent utilities shall ensure that their local exchange managers diligently pursue securing the cooperation of

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military authorities to minimize uncollectibles caused by military personnel.

11. Application 83-07-02 and OII 83-08-02 remain open in connection with further issues to be addressed on General's 1985 and 1986 attrition allowances.

(END OF APPENDIX A)