

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and Compliance Division
Telecommunications Branch

RESOLUTION T-15765
August 11, 1995

R E S O L U T I O N

RESOLUTION T-15765. PACIFIC BELL. (U-1001-C). REQUEST TO MAKE PERMANENT THE PROVISIONAL TARIFF AUTHORIZED BY RESOLUTION T-15182, DISCONNECTION OF SERVICE OR SERVICE ARRANGEMENTS WITHOUT PRIOR NOTICE IF THE ACTS OF THE CUSTOMER ARE SUCH AS TO INDICATE INTENTION TO DEFRAUD THE UTILITY.

BY ADVICE LETTER NO. 16996, FILED ON MAY 24, 1994, AS SUPPLEMENTED BY ADVICE LETTER NO. 16996A, FILED NOVEMBER 14, 1994, ADVICE LETTER NO. 16996B, FILED FEBRUARY 17, 1995, AND ADVICE LETTER 16996C, FILED MAY 8, 1995.

SUMMARY

Pacific Bell's (Pacific's) request in Advice Letter No. 16996 for permanent authority to discontinue service or service arrangements without prior notice if the acts of the customer indicate intention to defraud the utility is granted. The protest of the California Association of Long Distance Companies, Inc., is rejected.

BACKGROUND

On May 24, 1994, Pacific filed Advice Letter No. 16996 to change the provisional no-notice disconnect for fraud tariff (Schedule Cal.P.U.C. No. A2.1.11.A.5. Fraud) authorized by Resolution No. T-15182 to a permanent tariff. Pacific stated that its permanent tariff will restrict the discontinuance of service or service arrangements without prior notice only to those accounts matching the criteria of known organized "for profit" fraud activities, and any such accounts would be disconnected only after they have been reviewed by Pacific's internal Centralized Fraud Bureau. In the case of customers attempting to defraud the utility for their own personal toll use, Pacific will continue to provide advance written notification before action is taken.

Pacific states that annual revenues will be affected due to potential losses of approximately \$5 million annually if this tariff is not made permanent.

Commission Resolution No. T-15585 renewed for 3 months the provisional authority granted by Resolution No. T-15182. Pacific filed Supplemental Advice Letter No. 16996A in response to Resolution T-15585. Resolution No. T-15585 also directed

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Pacific to provide the Commission's Legal Division by December 15, 1994, with Pacific's analysis of the legal ramifications of establishing on a permanent basis an instantaneous disconnect procedure. On April 10, 1995, the Commission's Legal Division completed its review of the legal ramifications of an instantaneous disconnect procedure.

In the interim, Pacific requested an extension of time until May 9, 1995, for the provisional authority granted in Resolution No. T-15585, which was granted by the Executive Director on February 9, 1995. Pacific filed Supplemental Advice Letter No. 16996B in compliance with the Executive Director's request. On April 5, Pacific again sought another extension of time for its provisional authority granted in Resolution No. T-15585, and the Executive Director on May 2, 1995, extended the provisional authority until August 9, 1995. Pacific Bell filed Supplemental Advice Letter No. 16996C in response to the Executive Director's request.

NOTICE/PROTESTS

Notice of Advice Letter No. 16996 was made in the Commission's Daily Calendar of May 27, 1994. A protest was filed by the California Association of Long Distance Companies, Inc. (CALTEL) on June 13, 1994. Pacific responded to CALTEL's protest on June 20, 1994. CALTEL's protest is considered below.

DISCUSSION

The Commission's Legal Division has reported to us its review of the legal ramifications of establishing on a permanent basis an instantaneous disconnect procedure. The Commission's Legal Division concludes that Pacific's no-notice disconnect for fraud tariff is not unconstitutional. We are satisfied with the Legal Division's conclusions. Furthermore, as we have discussed in Resolution Nos. T-15182 and T-15585, this no-notice disconnect for fraud procedure will allow Pacific to significantly reduce its losses due to organized toll fraud. A portion of such benefits will be passed on to Pacific's ratepayers under our New Regulatory Framework in any year that Pacific's earnings exceed the sharable level. We find Pacific's request for provisional authority for instantaneous disconnect in cases of suspected organized toll fraud to be reasonable and we see no reason why it should not be made permanent.

As for CALTEL's protest that Pacific be required to disconnect unauthorized users or "hackers" of other carriers networks, we concur with Pacific's response that this would be ineffective since the major concern of CALTEL is 950 hacking (in which a hacker gains access to an Inter-exchange Carrier's network by illegally obtaining personal identification (PIN) numbers) which can occur from any telephone and by someone who may not even be a Pacific subscriber. Pacific suggests alternatives for longer term solutions to the 950 hacker problem, such as offering "Feature Group B with ANI" access service. We do not believe

that Pacific should disconnect service upon another carrier's request, but only upon the decision of Pacific's own Centralized Fraud Bureau as we have required. CALTEL's protest is rejected.

FINDINGS

1. The Legal Division has completed its review of the legal ramifications of an instantaneous disconnect procedure by Pacific Bell in suspected cases of organized toll fraud.
2. The Legal Division concludes that Pacific's instantaneous disconnect tariff is not unconstitutional.
3. We are satisfied with the Legal Division's conclusion.
4. CALTEL's protest that Pacific be required to disconnect unauthorized users or "hackers" of other carrier's networks should be denied.
5. Pacific's request that its provisional no-notice disconnect for fraud tariff (Schedule Cal.P.U.C. No. A2.1.11.A.5. Fraud) be made permanent is reasonable.

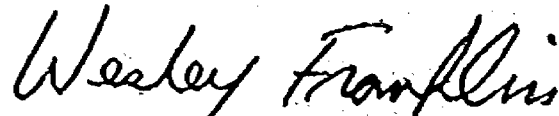
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THEREFORE, IT IS ORDERED that:

1. Advice Letter No. 16996 of Pacific Bell, as supplemented by Advice Letters Nos. 16996A, 16996B, and 16996C, is made effective immediately.
2. Advice Letter Nos. 16996, 16996A, 16996B, and 16996C of Pacific Bell shall be marked to show that they were authorized under Resolution of the Public Utilities Commission of the State of California No. T-15765.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 11, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN
Acting Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
Commissioners