

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and Compliance Division RESOLUTION T-15784
Telecommunications Branch September 27, 1995

R E S O L U T I O N

RESOLUTION T-15784. PACIFIC BELL. (U-1001-C). REQUEST TO REVISE CUSTOMER ACCOUNT GROUP CREDIT CLASSIFICATIONS AND ADVANCE TOLL THRESHOLDS.

BY ADVICE LETTER NO. 17589, FILED ON JULY 14, 1995, AS SUPPLEMENTED BY ADVICE LETTER NO. 17589A, FILED ON JULY 24, 1995.

SUMMARY

This Resolution authorizes Pacific Bell (Pacific) to revise the Account Credit Classifications (Account Groups) in its Rule No. 6, "Establishment and Reestablishment of Credit" from criteria based on the length of a subscriber's service with Pacific to a system employing a credit risk rating, determined by the subscriber's credit history with Pacific or with an external credit bureau. Customer account group classifications are used as criteria for presentation of special bill and payment notices.

In addition, this Resolution authorizes Pacific to lower current advance toll thresholds for residence customers and to establish thresholds for business customers. The thresholds are the points at which Pacific may present special bill and payment notices for excess message toll usage.

BACKGROUND

Currently Pacific has account group classifications for credit determination for residence customers (Schedule Cal.P.U.C. No. A2.1.6, "Rule No. 6 - Establishment and Reestablishment of Credit." These classifications are determined by a subscriber's or applicant's length of service with Pacific:

Account Group I, less than 13 months service,

Account Group II, 13 - 24 months of service,

Account Group III, over 2 years service, and

Account Group IV - service of more than 12 months that has been temporarily or permanently disconnected for nonpayment within the last 12 months or any disconnected

service of the same class with an unpaid final bill over 45 days old.

The account groups are used to determine "due-by-date" periods for regular and special bills and notices. Business customers are not now classified into account groups.

Pacific filed Advice Letter No. 17589 on July 14, 1995, to propose a revision for its account group classifications. The new classifications will apply to business and residence customers, and consist of four account groups:

- "R", above average risk,
- "M", average risk,
- "L", below average risk, and
- "U", unknown risk.

Pacific states that level of risk and account group assignment will be determined primarily upon the demonstrated Pacific Bell credit behavior of the subscriber or applicant for a similar class of service. Applicants who have not had verifiable prior or concurrent telephone service with Pacific will be assigned to account group R, M, or L according to an external credit bureau score indicating the risk level of extending credit to the subscriber or applicant. Applicants who have no verifiable credit history with Pacific or an external credit bureau but provide positive identification will be assigned to account group U. Pacific will provide a written explanation of any account group determination or action to a customer upon request.

The account groups are used to determine "due-by-date" periods for regular and special bills. For example, an account is considered delinquent if not paid by the "due-by-date" indication on a subscriber's bill, which is the next regular bill date for account groups II and III, and 15 days after presentation for account groups I and IV.

Account groups are also used to determine toll thresholds that trigger presentation of special bills. Currently, for account groups I and IV, special bills may be rendered when toll exceeds \$150 in less than a full billing period. For account groups II and III, special bills may be rendered when toll exceeds \$400 in less than a full billing period, and the toll is at least twice the customer's average monthly toll billing.

In Advice Letter No. 17589, Pacific proposes lowering the toll thresholds for certain residential account groups (R & U) from the equivalent \$150 (current I and IV groups) to \$100. The business toll threshold would be set at \$200 for these groups. For account group M, the residence toll threshold would be set at \$200 (instead of the current \$400 for account groups II and III) and the business M class threshold would be established at

\$400. For account group L, the threshold would be set at \$300 for residence and \$600 for business.

On July 24, 1995, Pacific filed Supplemental Advice Letter No. 17589A to provide additional information supporting the changes proposed for customer class determination and toll thresholds. Pacific estimates that the revenue impact of these changes will be minimal.

NOTICE/PROTESTS

Notice of Advice Letter No. 17589 was published in the Commission Daily Calendar of July 19, 1995. No protests have been received.

DISCUSSION

Pacific states that its new customer account group classifications will allow for better segmentation of accounts based on actual risk rather than just time-in-service as is presently done. Pacific says it will be better able to treat low risk customers more suitably from the beginning; similarly, it will be better able to treat riskier customers more prudently. The current account group classification lacks consideration of individual credit behavior. Under the proposed system, good credit risk customers will avoid being subjected to the the current high risk rules simply because they are new in California.

As for the reduction in current advance toll thresholds, Pacific believes the new toll review points will offer more information sooner to both the customer and Pacific; this change will result in better control of telephone toll usage.

We concur that the new account group classifications and advance toll threshold changes will allow Pacific greater flexibility in customer support. The revisions will also enable Pacific to better manage its uncollectibles, and although billed revenues are not affected by the changes, Pacific's net earnings should increase, which may flow back in turn to the ratepayer through the sharing mechanism. We will approve Pacific's request in its Advice Letter No. 17589 as supplemented by Advice Letter No. 17589A.

FINDINGS

1. Pacific filed Advice Letter No. 17589 to revise its customer account group classifications contained in its Rule No. 6, "Establishment and Reestablishment of Credit."
2. The new customer account group classifications are based on a subscriber's or applicant's credit rating instead of the current period of service with Pacific.

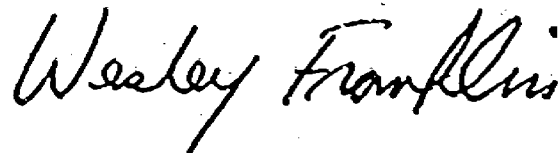
3. Business customers will be included in the account group classifications.
4. Advice Letter No. 17589 reduces the advance toll thresholds for which special bills may be presented.
5. The account group classifications and advance toll threshold changes proposed in Pacific's Advice Letter No. 17589 as supplemented by Advice Letter No. 17589A are reasonable and should be approved.

THEREFORE, IT IS ORDERED that:

1. Pacific Bell Advice Letter No. 17589, as supplemented by Advice Letter No. 17589A, is made effective immediately.
2. Advice Letter Nos. 17589 and 17589A of Pacific Bell should be marked to show that they were authorized by Resolution No. T-15784 of the Public Utilities Commission of the State of California, and its effective date.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 27, 1995. The following Commissioners approved it:



WESLEY FRANKLIN
Acting Executive Director

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

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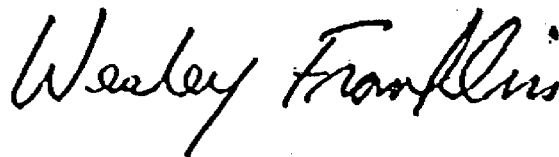
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