

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and Compliance Division RESOLUTION T-15831
Telecommunications Branch February 23, 1996

R E S O L U T I O N

RESOLUTION T-15831. GTE CALIFORNIA, INCORPORATED.
(U-1002-C). REQUEST TO ESTABLISH CREDIT LIMITS FOR BOTH
NEW AND EXISTING CUSTOMERS AND BLOCK TOLL CALLS IF
CUSTOMER DOES NOT MAKE PAYMENT BEFORE FINAL DATE ON
WARNING NOTICE.

BY ADVICE LETTER NO. 7887 FILED OCTOBER 19, 1995.

SUMMARY

This Resolution approves GTE California, Incorporated's (GTEC's) Advice Letter No. 7887 proposing the establishment of credit levels based on the customer's credit or payment history. If the customer exceeds the credit level, toll calls may be blocked after warning has been given that the credit limit has been exceeded and payment has not been received by the due date on the notice given to the customer. GTEC will also restrict all collect, GTEC calling card and third number billed calls related to the blocked customer. Access to local calling and emergency services will be allowed.

BACKGROUND

GTEC filed Advice Letter No. 7887 on October 19, 1995, to initiate administrative procedures (Advanced Credit Management, or ACM) for establishment of credit limits for both new and existing customers. GTEC explains that ACM is a process, using credit scoring, based on the Fair, Isaac Method, that will establish credit limits for new and existing residence and single line business customers.

GTEC will perform credit scoring for new service requests through the use of a third party credit reporting service. The credit limit will be based initially on a credit score assigned by a commercial credit reporting service for the first six months of service for new customers. This limit will be reviewed monthly and appropriately adjusted based on customer payment history with GTEC. Customers will be informed of their credit limits during the application process, and the account credit limit will appear on the first and on all subsequent

bills. Changes in credit limits will also be conveyed by notices mailed to the customer.

Existing customers (those customers that have had continuous service with GTEC over the past six months) will have credit scoring based solely on GTEC payment history. Customers will be notified of their initial credit limit amount and subsequent credit limit changes through credit limit notices mailed to the billing address. A score will be established and maintained on each customer when the program is initiated and/or after a six month service period has been established. The credit limit will be updated monthly based on billing and payment behavior during the preceding twelve months or seven to eleven months for customers with less than one year of service.

Credit scoring will produce a credit limit for a combination of local service and toll usage. When a customer exceeds the credit limit established for an account, GTEC may review the account to determine if the credit limit should be raised. If GTEC determines that the credit limit should not be increased, a customer may provide a deposit to cover any customer requested increase in an account credit limit.

GTEC will establish the customer credit limits itself, or will allow the customer to designate his/her own credit limit provided that limit does not exceed the limit established by the company. There will be no charges associated with a customer's request for a reduced credit limit.

Credit limits established through credit scoring of new customers is as follows:

- 1) Low Risk - customers categorized as low risk will have an unlimited credit limit (both residence and business).
- 2) Medium Risk - customers categorized as medium risk will have a \$300 credit limit (residence) or a \$800 credit limit (business).
- 3) High Risk - customers categorized as high risk will have a credit limit of \$200 (residence) and \$500 (business).

Credit levels for existing customers will be determined by GTEC payment history as follows:

- 1) Low Risk
 - All bills during the past 12 months paid in full and by the due date
 - No dishonored checks during the past 12 months
 - No service denials due to non-payment during the preceding 12 months
 - No more than two reminder notices on account during the preceding 12 months

2) Medium Risk

- Telephone bills not paid on time or in full five or fewer times during the preceding 12 months
- No more than two non-sufficient funds (NSF) checks for telephone bill payments during the preceding 12 months
- No more than one service denial due to non-payment during the preceding 12 months
- No more than five reminder notices on account during the preceding 12 months

3) High Risk

- Six or more telephone bills not paid by the due date or in full during the preceding 12 months
- Three or more NSF checks for telephone bill payments during the preceding 12 months
- Two or more service denials due to non-payment during the preceding 12 months
- Six or more reminder notices on account during the preceding 12 months

GTEC will apply the same credit limits amounts for existing customer credit scores as for new customers.

When a customer exceeds the established credit limit, GTEC will send a toll block warning notice. If the customer does not make payment by the final date for payment on the notice (five days after notice mail date), GTEC will block access to 1+, 0+, and all 900/976/700 calls where facilities are available. In addition, GTEC will restrict all collect, GTEC calling card, and third number billed calls related to the blocked customer. A recording will advise the customer that blocking has been imposed when any such blocked call attempts are made. GTEC will not block access to the customer's local calling area and emergency services. GTEC will not apply a service restoration charge when the customer's toll service is unblocked. If payment is received at a GTE Payment Center, service is restored within one hour. Service for mailed payments is restored within 24 hours from receipt.

NOTICE/PROTESTS

Notice of Advice Letter No. 7887 was published in the Commission Daily Calendar of October 23, 1995. No protests have been received. However, as required by the Commission's General Order No. 96-A, Section VI, notice was given to customers of the more restrictive credit changes sought by GTEC, and comments have been received from customers and are discussed below.

DISCUSSION

GTEC says that implementing these procedures will better assist both the company and the customer in managing the extension of

credit and level of uncollectible revenues. GTEC says it will be able to move more quickly to uncover fraud and take corrective action. Customers will be allowed to establish a credit limit through payment history for their account and this will facilitate increased customer control over telephone usage. GTEC anticipates that this capability will increase telephone subscribership within its service territory.

Comments both supporting and opposing the new credit management system were received from customers. Concern was expressed about emergency calls being blocked after the credit limit was reached. But such is not the case with GTEC's ACM system. Other concerns were expressed about not knowing when the credit limit had been reached, and not being able to make an important call when desired. However, GTEC's ACM system will inform all customers of their existing credit limit and any changes, and a warning notice will be sent requesting payment or an additional deposit before any toll blocking is imposed.

Some customers were opposed to the increased power these more restrictive measures would grant a monopoly telephone service provider. Although GTEC's ACM procedures are more restrictive than at present, GTEC will be better able to reduce losses from fraud and uncollectibles and some customers may be better able to manage their telephone service usage, and thus remain eligible for continued service.

FINDINGS

1. GTEC filed Advice Letter No. 7887 to establish the Advanced Credit Management (ACM) system.
2. ACM will assign a credit rating and a credit limit to both new and existing customers.
3. Customers will be informed of their credit limit and any changes to that limit.
4. If customers exceed their credit limit, GTEC will issue a toll call blocking warning.
5. If customers do not pay charges by the date on the toll block warning, toll calls will be blocked after that date.
6. GTEC will not block local calling area calls or emergency service calls.
7. Customers may establish higher credit limits than those resulting from GTEC's ACM scoring system by paying a deposit.
8. Toll blocking will be removed by the customer paying the requested charges on the customer notice and there will be no service restoration charge to remove toll call blocking.
9. The procedures specified in GTEC's ACM system are reasonable and should be approved.

February 23, 1996

THEREFORE, IT IS ORDERED that:

1. Advice Letter No. 7887 of GTE California, Incorporated should be made effective immediately.
2. Advice Letter No. 7887 of GTE California, Incorporated, and its accompanying tariff sheets should be marked to show that they were authorized by Resolution No. T-15831 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 February 23, 1996. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

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