

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

TELECOMMUNICATIONS DIVISION

RESOLUTION T-16066  
August 1, 1997

R E S O L U T I O N

RESOLUTION T-16066. PACIFIC BELL. (U-1001-C). REQUEST AUTHORITY TO REVISE SCHEDULE Cal. P.U.C. No. A2. GENERAL REGULATIONS, 2.1 RULES, 2.1.6 RULE NO. 6 ESTABLISHMENT AND REESTABLISHMENT OF CREDIT, TO CHANGE THE DUE-BY-DATE (DBD) CYCLE FOR BUSINESS CUSTOMERS WITH CUSTOMER CLASSES L & M TO 15 DAYS FROM THE DATE OF PRESENTATION.

BY ADVICE LETTER NO. 18858 FILED JUNE 4, 1997.

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SUMMARY

This Resolution authorizes Pacific Bell (Pacific) to revise Schedule Cal. P.U.C. No. A2. General Regulations, 2.1 Rules, 2.1.6 Rule No. 6 Establishment and Reestablishment of Credit, to change the Due-by-Date (DBD) cycle for Business customers with customer classes L & M to 15 days from the date of presentation.

BACKGROUND

Currently Pacific has account group classifications for credit determination for residence and for business customers in Schedule Cal. P.U.C. No. A2.1.6, "Rule No. 6 Establishment and Reestablishment of Credit". The account groups are used to determine "due-by-date" periods for regular and special bill notices.

Pacific is requesting an authority to revise Schedule Cal. P.U.C. No. A2. General Regulations, 2.1 Rules, 2.1.6 Rule No. 6 Establishment and Reestablishment of Credit, to change the DBD cycle for Business customers with customer classes L & M to 15 days from the date of presentation.

Pacific's tariffs show that the DBD for customer classes L & M is the next regular bill date and the DBD for customer classes R & U is 15 days from the date of presentation. The DBD for residential customer classes L & M will remain the same as before (i.e. to the next regular bill date). This tariff change will reduce the DBD for business customer classes L & M to 15 days from the date of presentation. Thus, all business customers will have a 15 day DBD from the date of presentation.

This change is an attempt to reduce the length of time it takes for some business customers to make their payments and to improve Pacific's cash flow. Pacific estimates that approximately one million business customers with customer classes L & M will have their DBD reduced to 15 days from the date of presentation. Currently, the DBD for these business customers is the next regular billing date.

#### NOTICE

In compliance with Section III. G. of General Order No. 96-A, Pacific states that it mailed a copy of this advice letter and related tariff sheets to competing and adjacent Utilities and/or other Utilities, and interested parties, as requested. The Advice Letter was listed in the Commission's Daily Calendar of June 6, 1997.

#### PROTESTS

PAC-WEST Telecomm, Inc. wrote a letter to the Commission for clarification on whether the DBD is 15 days from the "mail date" or from the "print date" on the bill. PAC-WEST Telecomm, Inc. stated if the DBD is 15 days from the "mail date" and not the "print date", they could work with this revision.

Pacific's filed tariff sheet shows that the DBD is 15 days from date of presentation (date of presentation is the mail date). Therefore, PAC-West Telecomm, Inc's. concern is satisfied.

#### DISCUSSION

Pacific indicates that investment dollars will flow to companies with improving operating cash flow in a competitive environment. Cash flow from operations is a significant financial measure by the investment community to assess the health and performance of a company. Cash flow improvement efforts in early 1997 at Pacific have identified areas where changes are needed in order to increase Pacific's financial performance. One significant discovery relates to the degradation in cash flow following the Revenue Collection Risk Management System (RCRMS) implementation in April 1996.

The system change in 1996 included a change of the DBD from 15 to 30 days for all business customers with customer classifications of L & M. This change resulted in most business customers paying their bills later, a result that was unanticipated since most customers were already paying late. Prior to the change, the average days outstanding was approximately 29 days and after the change the average was approximately 38 days. The treatment date (date when disconnect or collection activity begins) for these customers is still approximately three weeks (or 22 days).

Analysis of Pacific's cash flow pre- and post-implementation reflects the impact of business customers making their payments five to nine days later. Pacific's account receivable balance has increased as a result. Pacific would like to re-institute a 15 DBD cycle for the group of business customers who have customer classifications of L & M to reduce the payment time so that cash flow is improved. Pacific believes this will reduce the days outstanding by approximately 5 days.

The 15 days DBD is not unique to Pacific. Other telecommunications companies operating in and outside of California adhere to the same 15 days DBD billing practices. These companies include GTEC, MCI, and Brooks Fiber.

The Telecommunications Division (TD) observed that this tariff change does not affect any change in the DBD for residential customers-classes L & M. Pacific estimates that approximately one million business customers will be affected. This tariff change may create hardship for some business customers. However, considering the competitive environments, this change will help Pacific to stay competitive. This tariff change satisfies the concerns raised by Pacific's customer, PAC-West Telecomm, Inc. Therefore, TD recommends that the Commission grant Pacific's request to change the DBD for business customers with customer classes L & M to 15 days from the date of presentation of the bill.

#### FINDINGS

1. Pacific filed Advice Letter 18858 to change the Due-By-Date for business customers with customer classes of L & M to 15 days from the date of presentation of the bill.
2. This tariff change does not affect the DBD for residential customers. Thus residential customers are not impacted.
3. The 15 days DBD is not unique to Pacific. Other telecommunications companies operating in and outside of California adhere to the same 15 days DBD billing practices. These companies include GTEC, MCI, and Brooks Fiber.
4. This change will affect approximately one million business customers with customer classes L & M and may create hardship for some of those business customers.
5. Considering the competitive environments, this change will help Pacific to stay competitive.
6. This tariff change satisfies the concerns raised by Pacific's customer, PAC-West Telecomm, Inc.

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7. This tariff change will make the DBD for all business customers the same (i.e. 15 days from the date of presentation).
8. It is reasonable to grant Pacific's request to change the DBD for business customers with customer classes of L & M to 15 days from the date of presentation.

THEREFORE, IT IS ORDERED that:

1. Pacific Bell is granted the authority to revise Schedule Cal. P.U.C. No. A2. General Regulations, 2.1 Rules, 2.1.6 Rule No. 6 Establishment and Reestablishment of Credit, to change the Due-By-Date cycle for business customers with customer classes of L & M to 15 days from the date of presentation.
2. Pacific's Advice Letter 18858 is made effective immediately.

The effective date of this Resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 1, 1997. The following Commissioners approved it:

  
WESLEY M. FRANKLIN  
Executive Director

P. GREGORY CONLON  
President  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
RICHARD A. BILAS  
Commissioners