

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for variance) DOCKET NO. 930879-TL
from Rule 25-4.113, F.A.C., to) ORDER NO. PSC-95-0588-FOF-TL
the extent that proposed toll) ISSUED: May 11, 1995
block procedures vary from)
provisions respecting)
discontinuance of service by GTE)
FLORIDA INCORPORATED.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER GRANTING EXEMPTION FROM RULE AND APPROVING TARIFF FILING

BY THE COMMISSION:

I. INTRODUCTION

On September 7, 1993, GTE Florida Incorporated (GTEFL) filed a Petition for Variance from Rule 25-4.113, Florida Administrative Code. By its filing, GTEFL proposes a new system of blocking toll calls that differs from the current rules. Accordingly, GTEFL requests an exemption from the current rules so that it can try, on an experimental basis, a new method for decreasing the number of uncollectible accounts. After meetings with our staff, GTEFL agreed to file a tariff detailing its plan. That tariff was filed on February 22, 1995.

GTEFL states that over the past few years, there has been an increase in its uncollectible accounts. In an average month, GTEFL says it has 10,000 to 12,000 uncollectible accounts. Currently, GTEFL is only able to collect 14.4% of those accounts. GTEFL analyzed the problem and developed a comprehensive program to solve it.

GTEFL can, pursuant to Rule 25-4.109, Florida Administrative Code, charge a deposit to customers equal to one month's local exchange service and two months estimated toll usage. GTEFL believes that implementation of this deposit requirement alone does

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not protect it against the loss of revenue from uncollectible accounts. An average uncollectible account is \$400.00, but the average deposit per account is \$70.00. The current deposit parameters do not protect GTEFL from customers with an intent to defraud GTEFL. Once a customer is activated, toll charges can continue to accumulate even after the current bill is past due. GTEFL's plan, the Advanced Credit Management program, proposes to impose a limit on toll usage, thereby decreasing the number of accounts which become uncollectible.

Under GTEFL's proposed tariff, each customer will be assigned a credit limit for toll service. When a customer's regulated toll charges reach the preset credit limit, the customer will be given five days to pay at least 50% of the amount owed or all toll service will be blocked.

II. THE EXEMPTION

Rule 25-4.113, Florida Administrative Code, allows discontinuance of service for nonpayment of bills. Since GTEFL's proposal allows services to be discontinued before a bill is due, an exemption from Rule 25-4.113, Florida Administrative Code, is required to implement the program. Although requested as a "variance," GTEFL's request is actually an exemption. An exemption from Rule 25-4.113, Florida Administrative Code, allows GTEFL to file its experimental tariff without violating the Rule. To allow GTEFL to implement this program, we find it appropriate to grant the exemption from Rule 25-4.113, Florida Administrative Code. The exemption shall be limited to the provisions regarding discontinuance of service relating to GTEFL's Advanced Credit Management program.

III. ADVANCED CREDIT MANAGEMENT

GTEFL is requesting an exemption in order to implement an Advanced Credit Management (ACM) program. GTEFL's program will establish limits on residential and small business (B-1) customers' toll use. An evaluation of a customer's credit status will be used to establish a customer's deposit and set the level of toll use. Toll usage for this program includes all regulated 1+ and 0+ calls made from the customer's premises that GTEFL can rate and record. This will initially include companies for which GTEFL bills toll usage. When a customer reaches his or her credit limit, GTEFL will notify the customer and give the customer five days to pay at least 50% of the charges. If the customer does not make a payment, toll service will be blocked. The customer will retain access to all local calling, ECS calling and all 800 calling.

The program consists of three parts, credit scoring, behavioral scoring, and credit limit toll blocking. Credit scoring will be used to set the credit limit for new customers. Behavioral scoring will be used to set the credit limit for current customers. Credit limit toll blocking will be used to suspend toll service and reduce uncollectible accounts. Each part of the program will be discussed in turn.

A. Credit Scoring

The ACM program will use a national credit reporting service, such as TRW or Equifax to obtain credit ratings and establish credit limits for customers applying for new service. GTEFL's toll credit limit will be based initially on a credit score assigned by that credit reporting service. Customers establishing new service will be informed of their toll credit limit during the initial application process.

GTEFL has established three credit levels: low, medium and high. A low risk customer will have no collection judgements, no collection accounts, no charge off accounts, and no delinquency history over 30 days past due. Low risk customers will qualify for unlimited toll usage and not be required to provide a deposit. A medium risk customer will have no collection judgements, collection accounts have been paid, no or minimal charge off accounts, various degrees of delinquency history from 30-180 days, but paid off or current at time of scoring. GTEFL will also assign medium risk to customers with no credit history. Medium risk customers will have a \$300.00 toll credit limit and will not be required to provide a deposit. A high risk customer will have collection judgements, charge off accounts, outstanding collection accounts, and various degrees of delinquency history from 30-180 days, with accounts delinquent at time of scoring. High risk customers will have a \$200 toll credit limit and will have to provide a deposit according to current rules.

GTEFL will not have access to the customer's credit report. The credit reporting agency's system mechanically translates the credit information into a high, medium or low risk factor. The risk factor is the only credit information that is visible to the GTEFL representative. The credit report remains proprietary information which cannot be disclosed to GTEFL without permission from the customer. Credit scoring is only done during the initial service request. After the initial establishment of service, the customer is scored on a behavioral basis.

B. Behavioral Scoring

Behavioral scoring will be established for existing customers. Existing customers will be scored based on their past payment history with GTEFL. Notices will be mailed to customers explaining the ACM program. GTEFL will mail existing customers a notification of their credit limit and subsequent changes through credit limit notices. GTEFL will also notify its customers annually, at the same time the customer receives his annual bill itemization.

Three credit levels, low, medium, and high, have been established for behavioral scoring. A low risk customer will have paid all bills during past 12 months in full and on time, will have no dishonored checks during past 12 months, will have no service denials due to non-payment during the past 12 months, and no more than 2 reminder notices sent on the account during the past 12 months. A low risk customer will qualify for unlimited toll usage. A medium risk customer will have paid bills late or not in full five times during the past 12 months, will have no more than 2 checks returned for non-sufficient funds during the past 12 months, will have no more than 1 service denial due to non-payment during the past 12 months, and will have no more than 5 reminder notices sent on the account during past 12 months. A medium risk customer will have a \$300 toll credit limit. A high risk customer will have not paid six or more telephone bills on time during the past 12 months, will have three or more checks for telephone bill payments returned for non-sufficient funds during the past 12 months, will have two or more service denials due to non-payment during the past 12 months, and will have six or more reminder notices sent on the account during the past 12 months. A high risk customer will have a \$200 toll credit limit.

C. Credit Limit Toll Blocking

Customers will be able to call contact GTEFL during normal business hours and obtain their toll balance. The balances will be updated on a daily basis. When a customer exceeds his or her toll limit, notice will be sent giving the customer five days to pay at least 50% of the total amount due. After the five day period, if no payment is made, access to the toll network will be automatically blocked. Customers who expect to have a large amount of toll usage can increase their limit by paying in advance to get a higher credit balance. It is similar to a deposit, but it is applied to the next amount due.

Blocked customers will hear an automated recording which will inform them of the block whenever an attempt is made to dial all 1+ or 0+ calls with one exception. The customer will still be able to

place a 0+ collect call, although she or he will not be able to accept one. Customers will not be allowed to dial 10XXX access codes to reach an alternative carrier once service has been blocked. The blocked customers will retain dial tone for local calling, ECS and access to emergency services. The customer will also retain access to 800 numbers and the relay service. The toll blocking will work very much like the existing temporary disconnect process. Customers who make payments during the normal business hours will be reconnected the same day. There will be no charge for restoring toll service. Manual intervention to restore toll access may also be completed by a GTEFL customer service representative if special circumstances or arrangements are made between GTEFL and the customer. If a customer's credit line changes, a notice will be mailed to the customer informing them of the modification.

GTEFL indicates that only a small percentage of its existing customers exceed a \$300.00 toll limit per month. GTEFL foresees a small number of customers being impacted by the credit limits.

IV. COSTS

GTEFL has projected the cost of this program over the next three years to be \$2,593,200. The cost includes development costs, implementation costs and other ongoing costs associated with the plan. The projected reduction in uncollectible accounts over the next three years is \$7,473,400.

V. CONCLUSION

We believe this plan may decrease the number of accounts which go uncollected each year. The set toll limits are reasonable and may be increased if the customer's payment record supports a conversion to a better credit level. We, therefore, approve GTEFL's tariff on an experimental basis, effective from May 1, 1995 until April 30, 1996. GTEFL shall track the results of this filing for our review. If the results are positive after one year, we will revisit the tariff to determine if it should be made permanent.

It is, therefore,

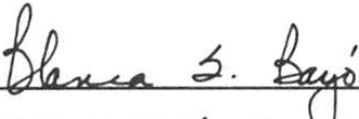
ORDERED by the Florida Public Service Commission that GTE Florida Incorporated is granted an exemption from Rule 25-4.113, Florida Administrative Code, from May 1, 1995 until April 30, 1996 in order to implement the Advanced Credit Management Program as outlined in the body of this Order. It is further

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ORDERED that the GTE Florida Incorporated's tariff to implement its Advanced Credit Management program is approved on an experimental basis, from May 1, 1995 until April 30, 1996. It is further

ORDERED that if a timely protest is filed in accordance with the requirements set forth below, this tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. If no timely protest is filed, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 11th day of May, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida