

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

May 30, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (STAVANJA, SHELFER)
DIVISION OF LEGAL SERVICES (BILLMEIER) *W.S. J.H.S.*
L.M.B. mod 10/96

RE: DOCKET NO. 960556-TL - PETITION FOR EXEMPTION FROM RULE
25-4.113(1)(F), F.A.C., TO THE EXTENT THAT PROPOSED POST-
BILLING TOLL BLOCK PROCEDURES VARY FROM PROVISIONS
RESPECTING NOTICE OF DISCONTINUANCE OF SERVICE BY GTE
FLORIDA, INC.

AGENDA: 6/11/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: PETITION - NONE

SPECIAL INSTRUCTIONS: PLACE ON AGENDA IMMEDIATELY AFTER DOCKET
NO. 951123-TP. I:\PSC\CMU\WP\960556TL.RCM

CASE BACKGROUND

On September 7, 1993 GTE Florida, Incorporated (GTEFL or the Company) filed a Petition for Variance from Commission Rule 25-4.113: Refusal or Discontinuance of Service by Company. GTEFL stated in its petition that it had been experiencing an adverse trend in its uncollectible accounts. The Company requested the variance in order to propose a credit limit program. On February 22, 1995, GTEFL filed a tariff which proposed a credit limit program called Advanced Credit Management (ACM).

At the April 18, 1995 Agenda Conference, the Commission granted GTEFL an exemption from Rule 25-4.113, F.A.C., and approved the Advanced Credit Management program (Order No. PSC 95-0588 FOF TL, in Docket No. 930879 TL) on an experimental basis for one year. ACM established limits on residential and small business customers' toll use and allowed GTEFL to block 1+, 0+, and all 900/976/700 calls when a customer exceeded the assigned dollar limit. ACM had three credit levels: low risk - unlimited toll credit; medium risk - \$300 toll credit limit; and high risk - \$200 credit limit. The toll credit limits were based on credit reports for new customers

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and past payment history for existing customers. The experiment ran from May 1, 1995 through April 30, 1996.

On November 16, 1995, GTEFL filed a tariff to add additional types of calls to those blocked under the terms of the ACM program. The Commission deferred action on the tariff at the February 6, 1996 agenda conference and directed staff to evaluate the impact of the ACM docket on other Commission proceedings such as the disconnect rule proceeding.

At the March 19, 1996 agenda conference, the Commission denied, for several reasons, GTEFL's tariff to add additional types of calls to those blocked under the terms of the ACM program. The Commission stated in Order No. PSC-96-0530-FOF-TL, Docket No. 960038-TL, that it has the authority to require or approve programs that limit or deny service if sufficient cause warrants it. Sufficient cause is nonpayment of telephone bills, not delinquency as reported by a third party for items unrelated to utility services. The Commission also stated in the Order that it is improper to issue a toll block before a customer has had an opportunity to make payment on his or her account.

In addition, Sections 364.051(2)(c) and 364.02(2), Florida Statutes, requires price regulated LECs to provide access to all locally available interexchange companies (IXCs) as part of basic local telecommunications service. Pursuant to this statutory provision, GTEFL, a price regulated LEC, must provide access to all locally available IXCs. The Company's proposal would have blocked access to some IXCs without sufficient cause. With GTEFL entering the long distance market, the Commission found it inappropriate for the Company to make the determination of a customer's credit worthiness that could also affect the customer's ability to choose among competing long distance carriers. Therefore, GTEFL's proposal was denied because it was in violation of Section 364.051(2)(c), Florida Statutes.

On May 2, 1996, GTE Florida Incorporated (GTEFL or the Company) filed a petition for exemption from Commission Rule 24-4.113(1)(f), which requires five days' notice for discontinuance of service to be given separately from the regular monthly bill. GTEFL seeks the exemption in order to implement a toll blocking procedure that would affect high-risk residential customers only. A tariff was also filed on May 2, to delete the ACM experimental tariff and to introduce Post Billing Toll Blocking (PBTB). The Company has requested an effective date of July 1, 1996, for the tariff.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant GTE Florida Incorporated's petition for exemption from Commission Rule 25-4.113, Florida Administrative Code, Refusal or Discontinuance of Service by Company?

RECOMMENDATION: No, the Commission should not grant GTE Florida Incorporated's petition for exemption from Commission Rule 25-4.113, Florida Administrative Code, Refusal or Discontinuance of Service by Company. The Commission should also order GTE Florida to withdraw its tariff to implement Post Billing Toll Blocking.

STAFF ANALYSIS: On May 2, 1996, GTE Florida Incorporated (GTEFL or the Company) filed a petition for exemption from Commission Rule 24-4.113(1)(f), which requires five days' notice for discontinuance of service be given separately from the regular monthly bill. GTEFL seeks the exemption in order to implement a toll blocking procedure that would affect high-risk residential customers only. A tariff was also filed on May 2, 1996, to delete the ACM experimental tariff and to introduce a new toll blocking procedure called Post Billing Toll Blocking (PBTB). The Company has requested an effective date of July 1, 1996, for the tariff.

GTEFL asserts the purpose of the PBTB procedure is to assist the Company in its efforts to reduce its uncollectible accounts. The Company also claims that the proposal would afford the customer additional time and opportunity to avoid total service disconnection and would help customers control their debt while maintaining local service during the collection process.

WHAT THE EXEMPTION WOULD ALLOW

Under GTEFL's PBTB proposal, if payment is not received by a high risk customer two days after the payment due date shown on the regular monthly bill, a toll block would go into effect. Commission Rule 24-4.113(1)(f) requires five days' notice for discontinuance of service be given separately from the regular monthly bill for service. Staff considers a toll block to be discontinuance of service. Therefore, the proposal would deviate from the Commission's Rule, since a notice would not be sent separately from the bill, and toll service would be blocked in less than the required five days.

An exemption would allow GTEFL to implement the PBTB procedure which would place a notice of possible restriction of service directly on the bill for high-risk residential customers. If

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payment is not received within two days after the payment due date shown on the bill, and the total bill is greater than \$50, toll service would be restricted.

HOW PBTB WORKS

GTEFL claims that PBTB is a procedure that would give delinquent customers an additional opportunity to avoid disconnection and would reduce the Company's uncollectibles. If a high-risk customer fails to pay his or her regular monthly bill, and the unpaid amount exceeds the treatment parameter, currently set at \$50, a toll block will be initiated two days after the due date shown on the bill. No notice of the toll block would be sent separately from the bill, as is required by Commission Rule 24.4.113(1)(f) for notices of discontinuance of service. However, GTEFL proposes that delinquent, high-risk customers would receive on each bill a bold-faced message in the margin next to the amount due notifying them that their toll service may be restricted if payment is not received by the due date.

Once PBTB is initiated, toll service would remain blocked until the delinquent balance is paid. The Company would continue to send late payment notices in the usual manner. If a customer does not make payment or payment arrangements with the Company, then GTEFL will temporarily disconnect the customer from service and subsequently issue an out-of-service order. GTEFL claims that once the toll block is in place, the Company and the presubscribed interexchange carrier (for whom GTEFL provides billing and collection service) will only have been exposed for two unprotected days, versus 17 unprotected days under the current procedure. GTEFL asserts that every day past the due date without receipt of payment, is an unprotected day where additional charges can be accumulated. See attachment A for an example comparison of the current and proposed billing/notification treatment process.

GTEFL has proposed criteria for new and existing customers to determine if they are high-risk. The Company will base a new customer's credit worthiness on third-party credit reporting information. A high risk level would be assigned to new customers if they meet the following criteria:

1. Collection judgments
2. Charged (written) off accounts
3. Outstanding collection accounts

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4. Various degrees of delinquency history from 30-180 days, and not paid in full or current at the time of credit scoring.

This high-risk level assessment process is similar to that performed by the Company under the ACM program. The Commission found fault with this process as used in the ACM program, because any previous nonpayment or delinquency history was not related to telephone service.

Existing customers would be classified as high-risk based on their past payment history with the Company. Existing customers would be classified as high-risk if they fall into one of the following four categories:

1. Six or more telephone bills not paid by the due date or in full for the preceding 12 months.
2. Three or more bad checks for telephone bill payments during the preceding 12 months.
3. Two or more service denials due to nonpayment during the preceding 12 months.
4. Six or more reminder notices during the preceding 12 months.

GTEFL proposes that PBTB will not block access to local calling (including ECS), 911, local directory assistance, 1-800/888+, 950+ and 0- calls. If implemented, PBTB will block access to:

1. 0+
2. 1+900/976/700
3. Customer Abbreviated Dialing (#NXX)
4. 1+555+1212
5. 1+NPA+555+1212
6. DDD 1+
7. DDD+01+
8. DDD+011+
9. All 10XXX+1+
10. All 101XXXX+011+
11. All collect, credit card and third number billed calls.

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HOW PBTB DIFFERS FROM ADVANCED CREDIT MANAGEMENT

The proposed blocking procedure, PBTB, differs from the experimental blocking procedure, Advanced Credit Management (ACM), in several ways. First, under ACM, customers were assigned into three different risk categories: low, medium and high risk. Each category had a different credit limit. There is no credit limit with PBTB. As proposed, a \$50 treatment parameter applies to the total bill, which includes both local and toll charges. The \$50 treatment parameter is a signal to the Company to initiate the toll block on the high-risk customer if payment is not received two days after the payment due date. If a high-risk customer's bill is below \$50 and payment is not received, the toll block would not be initiated. GTEFL contends that it is not cost effective to block toll service and send out notices on delinquent customer accounts which are less than \$50.

Second, when a customer reached his or her credit limit under ACM, the Company could block toll service without prior notice and before the customer had an opportunity to make a payment. GTEFL proposes with PBTB to classify customers as high-risk or not high-risk. The toll block would only be activated two days after the due date, if a high-risk customer fails to pay his or her bill that is in excess of \$50.

Finally, the only calls that could be blocked under the experimental ACM program in Docket No. 930879-TL, were 1+, 0+ and 900/976/700 calls. The list on page 5 shows the types of calls to be blocked in the proposed PBTB filing. The types of calls proposed under PBTB are the same as those proposed, and denied by the Commission, for ACM in Docket 960038-TL.

RECOMMENDATION

Some of the concerns identified by staff that led to the Commission's denial of the ACM program have been alleviated with the proposed PBTB procedure. Customers will not be blocked before being noticed and given time to make payment or payment arrangements. Also, with PBTB, GTEFL will not restrict customers to an arbitrary credit limit.

However, staff is concerned that toll service could be restricted even if the total bill due consists of only local and ECS charges. If a high-risk customer's bill is in excess of \$50 and none of the charges consist of toll, then toll service could be blocked until payment of the local charges is received. Staff believes it is inappropriate to block toll for nonpayment of local

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service. The Company has stated that its billing system cannot distinguish between local and toll charges; therefore, it cannot screen only toll charges.

One problem with the PBTB procedure that also existed with ACM, is that a blocked customer would be prevented access to all IXCs. This would be in violation of Section 364.051(2)(c), Florida Statutes, which requires Price Cap regulated LECs to provide, with local service, access to all locally available IXCs. Although IXCs which have a billing and collection agreement with GTEFL may support the PBTB plan, staff believes that the Company should not be able to block access to those IXCs with which it has no contractual arrangement for billing and collection service. For example, AT&T Communications of the Southern States, Inc. (ATT-C) does not use GTEFL's billing and collection services to bill all of its customers in GTEFL's service territory. A high-risk customer who is late making a payment to GTEFL, but is billed directly by ATT-C, would be denied toll access to ATT-C (and all other IXCs) even if the customer is in good standing with ATT-C. The decision to provide or deny toll access to any customer should rest with the IXC, not GTEFL. The blocking of access to all IXCs was one of the reasons the ACM tariff was denied in Docket 960038-TL.

Another problem with the PBTB procedure, is that it proposes to block outgoing collect calls, third party billed calls, and credit card billed calls. There is no reason or purpose for the Company to block access to calls carried by a different provider, when GTEFL will have no financial risk associated with the calls.

In addition, the ability to provide toll blocking presents a competitive advantage in billing and collection services for GTEFL. Since other billing and collection agencies do not have the ability to block toll, GTEFL can use this advantage to incent IXCs to use the Company for billing and collection services.

For the above reasons, staff recommends that the Commission deny the petition for exemption. GTEFL is a price regulated LEC pursuant to Section 364.051, Florida Statutes. Tariffs filed by price regulated LECs are presumptively valid. GTEFL's tariff will become effective July 1, 1996. Therefore, staff recommends the Commission order GTEFL to withdraw the PBTB tariff because it violates Section 364.051(2)(c), Florida Statutes.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if Issue 1 is approved, this docket should be closed if no protest is filed within 21 days of the issuance of the Order.

STAFF ANALYSIS: If Issue 1 is approved, this docket should be closed if no protest is filed within 21 days of the issuance of the Order.

GTE FLORIDA TREATMENT PROCESS FLOW

WITHOUT POST BILLING TOLL BLOCK

Bill Date	Bill Mailed	Please Pay Date	Delinquent Notice	Final Pay Date	Temporary Disconnect	Out Non-Pay
08/01	08/08	08/25	08/29	09/06	09/12	09/22

17 Days Unprotected from 8/26 (day after due date) through 9/11 (service temporarily disconnected on 9/12).

WITH POST BILLING TOLL BLOCK

Bill Date	Bill Mailed	Please Pay Date	PBTB Activated	Delinquent Notice	Final Pay Date	Temporary Disconnect	Out Non-Pay
08/01	08/08	08/25	08/28	08/31	09/08	09/14	09/25

15 Days Protected from 8/28 (PBTB initiated) through 9/11 (service temporarily disconnected on 9/12).

CRITERIA FOR BILL PHRASE TO APPEAR:

- (1) The bill phrase, "If payment is not received by the due date, your long distance service may be restricted," will appear if the account has been classified as a high risk account as defined in GTEFL's petition and tariff and has an amount due. The amount does not have to exceed the \$50 referenced in GTEFL's petition as the treatment parameter. The phrase will appear, however, unless the amount exceeds the \$50 treatment parameter, PBTB will not be imposed. GTE has determined that it is not cost effective to treat accounts with less than \$50 due.