

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

July 2, 1997

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FPSC - Records/Reporting

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

FROM: DIVISION OF COMMUNICATIONS (MUSSELWHITE) *DM*  
DIVISION OF LEGAL SERVICES (PELLEGRINI) *JMB* *ED*

RE: DOCKET NO. 970713-TL - DETERMINATION OF THE  
APPROPRIATENESS OF GTE FLORIDA INCORPORATED'S TARIFF  
FILING TO INTRODUCE ADVANCED CREDIT MANAGEMENT (T-97-474  
FILED MAY 27, 1997)

DOCKET NO. 970631-TL - PETITION FOR EXEMPTION AND/OR  
VARIANCE FROM RULES 25-4.110(3) AND 25-4.113, F.A.C., BY  
GTE FLORIDA INCORPORATED.

AGENDA: JULY 15, 1997 - REGULAR AGENDA - ISSUE 1 TARIFF FILING -  
ISSUE 2 PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY  
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\970713TL.RCM

CASE BACKGROUND

On May 27, 1997, GTE Florida Incorporated (GTEFL or the Company) filed a tariff to introduce Advanced Credit Management (ACM) to improve billing and collection performance. In a related action, GTEFL filed a Petition for exemption and/or variance from Commission Rules 25-4.110(3), Florida Administrative Code, Customer Billing for Local Exchange Telecommunication Companies, and 25-4.113, Florida Administrative Code, Refusal or Discontinuance of Service by Company. GTEFL stated in its petition that it has been experiencing an adverse trend in its uncollectible accounts. The Company requested an exemption and/or variance in order to propose a credit limit program. The proposed program, Advanced Credit Management, is a process whereby the Company will establish toll credit limits for new and existing customers. Advanced Credit Management establishes limits on residential and business customers' toll use and allows GTEFL to block all 1+ (except for 1+411, 1+800, and 1+888), all 0+ and 00, and all 10XXX+ and 101XXXX+ calls when the customer exceeds the assigned dollar limit.

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All inbound collect, calling card and third number calls which attempt to bill to the blocked number will also be blocked. The customer will retain access to the local calling area, including extended area service (EAS) and extended calling service (ECS). In addition, ACM will not block 0- and 911 calls. If a block is initiated, the customer will reach a recording explaining the call cannot be completed.

The proposed ACM tariff has three credit levels: low risk - unlimited toll credit for both residential and business customers, medium risk - \$300 residential and \$800 business toll credit limits, and high risk - \$200 residential and \$500 business toll credit limits. The limits for new customers are set based on credit reports issued by a commercial credit reporting service such as TransUnion, Equifax, or TRW. The limits for existing customers are set based on their past payment history with GTEFL. According to GTEFL in a letter dated June 11, 1997, 88% of its customers are low risk, 8% are medium risk, and 4% are high risk; however, GTEFL also stated that these percentages are subject to change on a daily basis as customers are continually connected to and disconnected from the exchange network.

Staff would note that this tariff filing is very similar to a GTEFL tariff filing that was denied by the Commission. By Order No. PSC-96-0530-FOF-TL, in Docket No. 960038-TL, issued April 15, 1996, the Commission determined that the ACM program violated Section 364.051(2)(c), Florida Statutes, which requires local exchange companies that elect price regulation to provide basic local telecommunications service. Section 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. It was found that the November 16, 1995, proposed ACM tariff would have allowed GTEFL to "preclude its customers access to any other long distance provider simply because the customer has made more than an allotted number of toll calls."

#### DISCUSSION OF ISSUES

ISSUE 1: Should GTEFL's tariff filing to introduce Advanced Credit Management be approved?

RECOMMENDATION: No. The proposed tariff filing to introduce Advanced Credit Management should be denied. (Musselwhite)

STAFF ANALYSIS: The initial Advanced Credit Management (ACM) program was approved as a pilot program to run for one year, from May 1, 1995 to April 30, 1996. On November 16, 1995, GTEFL filed

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a tariff to clarify blocking of specific calls related to the ACM pilot program tariff, which was denied by the Commission. The trial continued through April 30, 1996, under the original terms. The ACM tariff that GTEFL is currently proposing is very similar to the November 16, 1995 tariff filing, with the only difference being that a blocked customer wanting to regain his or her toll service must pay the amount in excess of the toll limit plus at least 80% of the remaining amount due, instead of paying the amount in excess of the toll limit plus at least 50% of the remaining amount due. The proposed ACM program establishes limits on residential and business customers' toll use. An evaluation of a customer's credit status is used to determine a customer's deposit and set the toll credit limit.

The Advanced Credit Management program will use a commercial credit reporting service to obtain credit ratings and establish credit limits for customers applying for new service. GTEFL terms this element of the program as Credit Scoring. Customers who have already established service with GTEFL will be scored on a behavioral basis. GTEFL terms this element of the program as Behavioral Scoring. There is a third element to the program which is termed Credit Limit Toll Blocking. This program, if approved, will be applicable to all residential and small business accounts.

#### CREDIT SCORING:

Credit Scoring will be established for each new customer's account for combined local service and toll usage. GTEFL's toll credit limit will be based initially on a credit score assigned by a credit reporting service. GTEFL will rely on information obtained from TransUnion, Equifax, and TRW. Customers establishing new service will be informed of their toll credit limit during the initial application process.

There are three credit levels which have been established. low, medium, and high. The criteria for the three credit levels and the credit limits established as a result of the scoring process are:

- Low Risk - Unlimited toll credit
- No collection judgements
- No collection accounts
- No charge off accounts
- No delinquency history over 30 days past due

Medium Risk - Residence - \$300 Credit Limit; Business - \$800 Credit Limit

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- 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

High Risk - Residence - \$200 Credit Limit; Business - \$500 Credit Limit

- Collection judgements
- Charge off accounts
- Outstanding collection accounts
- Various degrees of delinquency history from 30-180 days, with accounts delinquent at time of scoring
- Customer provides positive identification to GTE following a "No match/No record" on a credit inquiry

Staff would note that new customers who do not have a credit history will be assigned to the high risk category.

#### BEHAVIORAL SCORING:

Behavioral scoring will be used 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, how credit limits will be assigned, and how toll blocking will be implemented. Customers will be notified of their initial credit limit amount and subsequent credit limit changes through credit limit notices mailed to the billing address. The behavioral score is to be updated monthly, based on billing and payment behavior during the preceding 6-12 months. New customers will begin behavioral scoring after 6 months, and established customers will have 12 rolling months of history evaluated each month. An automated behavioral scoring model is utilized to assign values for returned checks, payments and adjustments, new charges, dates of first and last payments, date billed, due date of bill and balance forwarded, when calculating a revised behavior score. The customer's behavioral score is to be used as the basis for adjusting toll blocking credit limits.

Three credit levels (low, medium, and high) have been established for behavioral scoring. The criteria for the three levels are:

Low Risk - Unlimited Credit

- All bills during past 12 months paid in full and on time
- No dishonored checks during past 12 months

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- No service denials due to non-payment during preceding 12 months
- No more than 2 reminder notices on account during preceding 12 months

Medium Risk - Residence - \$300 Credit Limit; Business - \$800 Credit Limit

- Telephone bills not paid on time and in full 5 or more times during the preceding 12 months
- No more than 2 dishonored checks for telephone bill payments during the preceding 12 months
- No more than 1 service denial due to non-payment during preceding 12 months
- No more than 5 reminder notices on account during preceding 12 months

High Risk - Residence - \$200 Credit Limit; Business - \$500 Credit Limit

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

Toll usage for this program includes all 1+ and 0+ calls made from the customer's premises that GTEFL can rate and record. When a customer exceeds his or her assigned toll limit, a five working day notice is sent. After the five day period, access to the toll network is automatically blocked unless the customer pays the amount over the toll limit plus 80% of the account credit limit. If the block is imposed, customers will retain dial tone for local calling, extended area service (EAS), extended calling service (ECS), and access to emergency services. Customers also retain access to 1+411, 1+800 and 1+888 numbers and the relay service.

Staff recommends the Commission deny the tariff. Section 364.025(1), Florida Statutes, requires local exchange companies (LECs) to provide basic local telecommunications service. Section 364.02(2), Florida Statutes, requires GTEFL to provide access to all locally available interexchange companies as part of basic local telecommunications service. Pursuant to these statutory provisions, GTEFL, a price regulated LEC, must provide access to all locally available interexchange companies. All IXC's can be accessed by a 10XXX code. Many, but not all, IXC's can be accessed by other dialing patterns, such as an 800 number.

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The ACM program, as proposed, allows GTEFL to block access to any other long distance provider simply because the customer has exceeded his or her assigned credit limit. Under ACM, a customer whose account with GTEFL is in good standing, still has local service, but may be denied the one piece of his or her basic service that requires access to all locally available interexchange carriers.

The Commission does have the authority to require or approve programs that limit or deny service if sufficient cause warrants it. Staff believes sufficient cause is delinquent paying phone bills, not delinquency as reported by a third party for items unrelated to utility services. In staff's opinion, blocking 10XXX access code calls, as proposed by GTEFL, would block access to some IXC's without sufficient cause. Since LECs must provide access to all locally available IXC's, GTEFL's proposal violates Sections 364.025(1) and 364.02(2), Florida Statutes.

Staff would note that some customers affected by this tariff may not have missed paying their monthly telephone bill. The problem for these customers is that during a specific month they have exceeded an arbitrary toll limit established by GTEFL. Staff realizes that some of these customers may have had problems in the past; however, the LECs can collect deposits from these customers to protect against the possibility of nonpayment. Staff does not believe GTEFL should be allowed to block these customers' access to all locally available IXC's when they have not missed paying their monthly bill.

Staff believes that the decision to provide or deny toll access to any customer should rest with the IXC, not with GTEFL. Under this proposal, GTEFL would be able to make the determination of a customer's credit worthiness that will affect all long distance companies. Since GTEFL has entered the long distance market, staff does not believe it is appropriate for GTEFL to also be the "gatekeeper" for all competitors in the market. If an IXC or GTEFL has questions about a customer, they may get credit bureau reports and make a judgement whether a deposit is warranted, just like any other business. This is an individual relationship between the customer and the provider. We do not believe GTEFL should act as the clearinghouse in the way proposed.

For the reasons stated above, staff does not believe this proposal is appropriate. Protecting consumers to the best of our ability in an environment of relaxed regulation of LEC operations is now a primary objective; we do not believe this proposal will provide any more protection for consumers. In fact, staff believes this proposal offers less protection to consumers, because a

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customer in good standing could be denied one piece of his or her basic service for exceeding an arbitrary toll limit set by GTEFL. Further, GTEFL's proposed tariff is only slightly modified from the tariff proposal denied by Order No. PSC-96-0530-FOF-TL, in Docket No. 960038-TL, issued April 15, 1996. The Commission's reasons for denial of the previous tariff filing still hold true in every respect for the currently proposed tariff filing.

Staff believes that GTEFL's tariff proposal directly violates Sections 364.025(1) and 364.02(2), Florida Statutes. Accordingly, staff recommends the tariff be denied.

**ISSUE 2:** Should the Commission grant GTE Florida Incorporated's petition for exemption and/or variance from Commission Rules 25-4.110(3) and 25-4.113, Florida Administrative Code?

**RECOMMENDATION:** No, if Issue 1 is approved, the Commission should not grant GTE Florida Incorporated's petition for exemption and/or variance from Commission Rules 25-4.110(3) and 25-4.113, Florida Administrative Code. (Musselwhite)

**STAFF ANALYSIS:** In order for GTEFL to implement the Advanced Credit Management Program, the Commission would have to grant the Company an exemption and/or variance from Commission Rules 25-4.110(3) and 25-4.113, Florida Administrative Code. Rule 25-4.110(3) permits GTEFL to demand immediate payment of all charges under specified circumstances. Under GTEFL's ACM plan, when a customer exceeds his or her arbitrary toll limit, GTEFL will demand payment of the amount in excess of the toll limit plus at least 80% of the remaining toll charges within five (5) working days, even though the specific parameters of this rule are not met. Likewise, Rule 25-4.113 prohibits disconnection of service except under specified circumstances. Under GTEFL's proposed ACM plan the Company, for medium and high risk customers, would block toll usage after the arbitrary toll limit set by GTEFL is reached and a five (5) working days written notice is sent to the customers. The notice is separate from the regular bill, and will reflect the current balance, account credit limit, amount over the credit limit, and the minimum payment which must be paid in order to avoid blockage of the customer's long distance access. If the customer does not make the minimum payment, the toll will be blocked even though the regular monthly bill may not yet be due. Once a customer's account has been blocked for toll usage, the customers will receive a message directing them to dial an 800 number for instructions by which the customer can immediately regain toll usage through payment of the amount in excess of the toll limit plus at least 80% of the remaining amount due. The local service

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of the customer remains available during the entire period that toll is blocked.

As stated in Issue 1, staff believes that GTEFL's proposal directly violates Sections 364.025(1) and 364.02(2), Florida Statutes. Therefore, if Issue 1 is approved, GTEFL's request for an exemption and/or variance from the Commission's rules would no longer be applicable. Based on the reasons stated above, and approval of Issue 1, staff believes GTEFL's petition for exemption and/or variance from Commission Rules 25-4.110(3) and 25-4.113, Florida Administrative Code, should be denied.

ISSUE 3: Should these dockets be closed?

RECOMMENDATION: Yes. If Issues 1 and 2 are approved, and if no person, whose substantial interests are affected, files a protest within 21 days of the issuance of the Order, these dockets should be closed. (Pellegrini)

STAFF ANALYSIS: Yes. If Issues 1 and 2 are approved, and if no person, whose substantial interests are affected, files a protest within 21 days of the issuance of the Order, these dockets should be closed.