

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the
17th day of July, 1996.

In the matter of GTE Midwest, Inc.'s tariff)
designed to implement post billing toll) Case No. TT-96-442
block on high risk accounts.)

ORDER APPROVING TARIFF

On May 21, 1996, GTE Midwest, Inc. (GTE) submitted a proposed tariff provision to establish post billing toll block (PBTB). On June 18, 1996, the Office of the Public Counsel (OPC) filed a Motion to Suspend the proposed tariff and this case was docketed to address that Motion.

The post billing toll block is a process which would allow GTE to initiate temporary toll blocking on a high risk account such as one with an unpaid and undisputed balance. A customer affected by the toll block would retain local dial tone, local calling, and access to emergency services. However, that same customer would not have access to any 1+, 0+, collect, credit card, or third number bill calls. The tariff provision would direct that such customer's account remain blocked until the delinquent amount is fully paid. GTE asserts that this provision allows customers with unpaid balances to maintain local service while working toward settlement of an unpaid balance.

On June 18, 1996, at the request of the Telecommunications Department's Staff (Staff), GTE submitted a letter in which it requested that the proposed effective date of the tariff be extended from June 22, 1996 to June 29, 1996. On June 19, 1996, GTE submitted a second letter in which it requested an extension of the effective date also at the Staff's

request. This letter extended the effective date from June 29, 1996 to July 11, 1996. On July 2, 1996, again at Staff's request, GTE filed a third letter in which it extended the effective date to July 20, 1996. These letters have continued to move the effective date forward. It would seem that this was to facilitate ongoing negotiations and explanations between the Staff, GTE, OPC and other interested parties, albeit non-intervenors.

On June 28, 1996, GTE filed its Reply to Office of Public Counsel's Motion to Suspend in which it requested the Commission to deny OPC's Motion. In support of its request, GTE has stated that it has experienced an increase in uncollectibles in the past few years and that factors contributing to the increase are subscription fraud, ineffective credit management tools, and collection processes. GTE notes that it originally filed a tariff on November 8, 1995, which was a prebilling toll block process for reducing uncollectibles. GTE subsequently withdrew the advance credit management tariff as a result of discussions with various parties. GTE now proposes a toll block which will affect only high risk customers and which will maintain customer access to basic and emergency service. GTE also notes that this process will require fewer deposits and will avoid total disconnection and subsequent reconnection fees. In addition to those customer benefits, GTE has stated that the benefits for the company would be reduced uncollectibles, better control of costs, and elimination of the company's reliance on ineffective and costly deposit practices.

On July 2, 1996, AT&T Communications of the Southwest, Inc. (AT&T) filed a document in this case captioned "AT&T Communications of the Southwest, Inc.'s Reply to GTE Midwest, Incorporated." AT&T has not asked for intervention in this case and its pleading is viewed in the nature of

an Amicus pleading. AT&T has stated that GTE is simply attempting to reduce uncollectible debt and that GTE's proposed tariff targets only the high risk customers who generate the majority of the uncollectible revenues. AT&T also asserts that uncollectible toll debts are an increasing industry wide problem which ultimately equate to additional lost revenues and higher service costs to all toll providers and subsequently to toll customers. AT&T has urged the Commission to deny OPC's Motion to Suspend and to allow the proposed post billing toll block tariff to go into effect.

On July 5, 1996, the Staff filed its Memorandum in this case. More than 10 days have passed since it was filed and no party has filed any response to the Staff Memorandum. The effective date on this tariff remains July 20, 1996.

The Commission has reviewed GTE's proposed tariff, OPC's Motion to Suspend, AT&T's Reply in support of GTE's proposed tariff, the Staff Memorandum, and the entirety of the file and makes the following findings of fact. The Commission finds that if approved PBTB will apply only to high risk accounts. GTE currently ranks new customers according to a low, medium, or high risk credit rating schedule. Customers ranked as a low or medium credit risk will not be affected by PBTB. High risk accounts are defined in the proposed tariff as customers with collection judgments, written off accounts, outstanding collection accounts, or various degrees of delinquency within the past 180 days. Existing customers are labeled as high risk if they have certain levels of delinquency within the past 12 months (i.e., 6 or more telephone bills not paid by the due date or in full during the preceding 12 months and an existing account 30 to 90 days in arrears).

If PBTB is approved, all customers will have written notification about GTE's new procedure for handling certain delinquent accounts. This notification will occur during the first three billings following tariff approval and will also appear in GTE's directory. Affected customers will be given a grace period of two business days after the due date of a bill to make a payment. After that time, if no payment is received, toll blocking will be initiated.

Staff has stated that it supports and agrees with GTE that PBTB is a more positive approach to handling uncollectibles than currently exists. Under current tariffs and Commission rules, all local telephone companies may presently disconnect accounts for the non-payment of undisputed charges. The Commission finds that this would leave the affected customer with no telephone service whatsoever and, obviously, no access to 911 or other emergency numbers.

The Commission finds that GTE's proposed PBTB tariff will provide an appropriate balance between the goal of universal service and the need to contain or reduce uncollectible debt. Staff has noted that GTE's proposed customer credit screening process is currently used by GTE and for that reason Staff denies that this tariff would further affect a customer's privacy. Staff has observed that customers may subscribe to toll blocking and pay a toll blocking charge. At the same time, in the case of PBTB, high risk delinquent accounts are automatically placed on toll blocking without incurring a charge. Staff believes that there is a legitimate distinction between these two situations which is reasonable and necessary for the company's business services.

The Staff has recommended that the Commission approve the GTE tariff without a hearing and that the Commission deny the OPC's Motion to Suspend.

The Commission finds that GTE's proposed post toll blocking tariff is just and reasonable and that it maintains an appropriate balance between the provision of universal service and the requirement that customers pay their bills. The Commission will deny the Office of Public Counsel's Motion to Suspend and will approve the tariff.

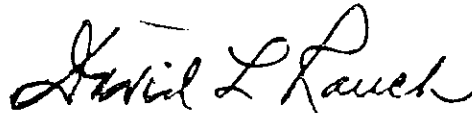
IT IS THEREFORE ORDERED:

1. That the tariff submitted by GTE Midwest, Inc. on May 21, 1996, Tariff File No. 9600731, is hereby approved for service on and after July 20, 1996.

2. That the Office of Public Counsel's Motion to Suspend as filed on June 18, 1996, is hereby denied.

3. That this order shall become effective on July 20, 1996.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Zobrist, Chm., McClure, and Drainer,
CC., Concur.
Kincheloe, Crumpton, CC., Absent

ALJ: Roberts