

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 1st
day of October, 1997.

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In the Matter of the Proposed Tariff)
of United Telephone Company of Missouri) **CASE NO. TT-98-101**
d/b/a Sprint on Application Scoring.)

ORDER APPROVING TARIFF

On August 28, 1997, United Telephone Company of Missouri d/b/a Sprint (Sprint) submitted a proposed tariff sheet to revise the way in which it determines the necessity of a customer deposit. Sprint's tariff proposes to use a process known as "application scoring" to determine a customer's credit worthiness. On September 4 the Office of the Public Counsel (Public Counsel) filed a motion to suspend Sprint's tariff submission and this case was docketed to address that request. On September 15 Sprint filed its response to the Public Counsel's Motion to Suspend and on September 17 a memorandum was filed by the Telecommunications Department Staff of the Public Service Commission (Staff). The tariff sheets submitted bore an issue date of August 28 and an effective date of September 29. However, on September 26 Sprint extended the effective date to October 3.

In its motion, Public Counsel cites its fundamental objection to the use of general consumer credit reports as a basis for making decisions on whether to extend basic local telecommunications services. Public Counsel avers that the proposed change could lead to greater denial of service and access to the telecommunications network, but it is unclear why this change will result in increased denial. Sprint's current policy requires a deposit or guarantee if a customer does not meet at least two of the following criteria:

- home ownership, excluding mobile homes
- vehicle ownership, car or truck
- current savings account

- current checking account
- 50 or more years of age
- has been employed full time 2 or more years
with the same employer
- has an existing loan from a financial
institution not considered delinquent by the
creditor
- possession of a recent local charge card in the
applicant's name
- possession of a valid major or national charge
card in the applicant's name
- possession of a valid major oil company credit
card in the applicant's name

This current requirement is reminiscent of the expression "You have to have credit to get credit."

Sprint's proposed change would appear to improve its credit review process to one which does not disqualify for lack of credit experience but rather disqualifies for negative credit experience. Future applicants need not be current home owners, vehicle owners, etc., so long as their previous credit experiences did not establish a negative credit history. On its face, this proposal would offer equal or greater access to the telecommunications network.

The application scoring process proposed by Sprint involves the use of empirical data and a statistical credit model in determining an applicant's credit worthiness. The criteria used in assessing a score include collection judgements, outstanding collection accounts, bankruptcies, etc. These indicators may be less restrictive to future applicants than requiring future applicants to currently own a home, a vehicle, and so forth.

The application scoring issue is not new to the Commission. On April 18, 1997, the Commission approved a similar application scoring process for Southwestern Bell Telephone Company in Case No. TT-97-420. The Commission concluded in that case and concludes again here that application scoring is just and reasonable and maintains an appropriate balance between the policy favoring Universal Service and the requirement that customers pay for the service(s) they use. When a telecommunications provider incurs

uncollectibles, those liabilities increase the cost of providing service and ultimately impact the price which all end users pay for telecommunications service.

The Commission has reviewed Sprint's proposed tariff, OPC's motion to suspend, Sprint's response and Staff memorandum, along with the entirety of the file, and concludes that the proposed tariff should be approved. The Commission is interested in maintaining access to the public switch network for the safety and welfare of the general public. However, the application scoring process proposed by Sprint in its tariff is not designed to deny access to the network nor should that be the result.

The Commission will deny the Motion to Suspend filed by Public Counsel in this case. The Commission will conclude that the tariff is just and reasonable and will approve it as submitted.

IT IS THEREFORE ORDERED:

1. That the Motion to Suspend filed by Office of the Public Counsel on September 4, 1997, is hereby denied.

2. That Tariff No. 9800170, docketed under Case No. TT-98-101, is hereby approved for service on and after October 3, 1997:

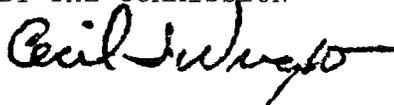
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3. That this order shall become effective on October 3, 1997.

4. That this case may be closed on October 13, 1997.

BY THE COMMISSION



Cecil I. Wright
Executive Secretary

(S E A L)

Crumpton, Murray, and Drainer,
CC., Concur.
Lumpe, Chm., Absent.

Roberts, Chief Regulatory Law Judge