

Decision 07-07-029 July 26, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Verizon California Inc. (U 1002 C)
to Withdraw from the Centralized Credit Check
System.

Application 07-04-005
(Filed April 6, 2007)

**PROPOSED DECISION GRANTING VERIZON CALIFORNIA INC.'S
APPLICATION TO WITHDRAW FROM
CENTRALIZED CREDIT CHECK SYSTEM**

Summary

This decision grants the application of Verizon California Inc. (Verizon) to withdraw from the Centralized Credit Check System (CCCS) we instituted in Decision (D.) 85-03-017. We set up the CCCS in 1985 for what were then the seven largest local phone companies as a two- to three-year trial of sharing information on customers who are known credit risks because "they skipped out without paying the closing bill owed to the telephone utility which previously served them." The goal of the CCCS was to increase revenue collected by the companies and thereby reduce the amounts collected from paying customers to make up for customers who did not pay their bills.

Verizon states that the CCCS is no longer cost-effective, and that it does not currently use CCCS data in making California credit decisions because it no longer takes deposits from its California residential customers. It notes that we have allowed other carriers to withdraw from the system. No party protests the

application. We agree with Verizon that it is appropriate to allow it to withdraw from the CCCS, and therefore grant the application. This proceeding is closed.

Background

When D.85-03-017 imposed the CCCS requirement on the seven largest local phone companies, the evidence showed that \$160 million per year was lost from the one percent of customers who did not pay their bills. The Commission noted that there were two basic types of customers in this category: (1) the customer who is financially distressed and simply cannot pay, ultimately leading to disconnection of service, and (2) the "fraudulent customer" who engages in one, and possibly more, of the following: charging toll calls to others' billing numbers, skipping out without leaving a forwarding address, and disconnecting without paying the final bill then reconnecting through another name at the same location. Under the CCCS system, the phone companies participating in the trial could collect an additional deposit from customers found to owe a balance to a previous CCCS participating utility.

The CCCS trial ordered in D.85-11-039 was to last a minimum of two years (later revised to three years). We made clear in 1993 that the program was not required to be permanent, when we stated in response to such a claim that "it was the choice of the local exchange carriers (LECs) to continue the program after the successful experiment pursuant to D.85-03-017 and Investigation (I.) 86-08-088."¹ While this language in D.93-03-072 might be read to allow LECs to drop out of the program without Commission input, Verizon has filed this application because of our requirement in D.89-11-039 that LECs seek our

¹ D.93-03-072, 48 CPUC2d 543 (1993), 1993 Cal PUC LEXIS 181, at *4.

permission to withdraw from the program: "A telephone utility wanting to withdraw from the CCCS shall file an application requesting authority to withdraw from the program. . . ."²

Discussion

In D.89-11-039, the Commission granted Sierra Telephone Company's (Sierra) request to withdraw from the CCCS on the basis that Sierra's costs outweighed its benefits. The Commission held that "[a]ny utility participating in the CCCS program which can show that it is not cost-effective to continue in the program should file an application with the Commission for authority to withdraw from the program."

Verizon states that it has been a member of the CCCS since its inception, but that the CCCS is no longer cost-effective for the company. Verizon does not currently utilize CCCS data in making California credit decisions and has no plans to use CCCS data in the future. In fact, Verizon asserts, while the CCCS was developed to allow carriers to determine credit risk to utilities and, based on that credit risk, to determine the level of a deposit to require from the customer, Verizon does not currently take deposits from any of its California residential customers. Thus, Verizon concludes, there is no benefit to Verizon from participating in the CCCS.

Verizon, however, continues to incur costs related to the premium it must pay to be a member of the CCCS and for the privilege of being able to use the CCCS, which must be paid even if the carrier does not actually use it.

² D.89-11-039, Appendix A, paragraph 2(b), 1989 Cal. PUC LEXIS 886, at *8.

We see no point in requiring Verizon to remain a member of a service it does not use and has no intention of using. Any payment for something that is not used at all is not a cost-effective use of resources. Thus, while Verizon did not provide data on the amount it pays to be a CCCS member, such data is unnecessary because Verizon receives no compensating benefit from such payment.

Further, our precedent makes clear that participation in the CCCS was voluntary after the initial three-year trial. We presume Verizon stuck with the program thereafter because it gained a benefit from it. However, we see no reason for Verizon to use the program if it provides no such benefit now.

Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

Assignment of Proceeding

Rachelle B. Chong is the assigned Commissioner and Sarah R. Thomas is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Verizon no longer uses the CCCS system or plans to use it in the future.
2. Verizon pays for membership in the CCCS system whether or not it uses it.
3. It is not cost-effective for Verizon to pay for use of a system from which it gains no benefit.

Conclusions of Law

1. A participant in the CCCS system must seek Commission authority to withdraw from the system.

2. It is in the public interest for Verizon to withdraw from the CCCS system.
3. Verizon's application should be granted.

O R D E R

IT IS ORDERED that:

1. The application of Verizon California Inc. (Verizon) to withdraw from the Centralized Credit Check System (CCCS) we instituted in Decision (D.) 85-03-017 is hereby granted.

2. Application 07-04-005 is closed.

This order is effective today.

Dated July 26, 2007, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners