


PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 12, 2019

REGULAR _____ CONSENT X EFFECTIVE DATE March 13, 2019

DATE: February 22, 2019

TO: Public Utility Commission

FROM: Scott Shearer 

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck 

SUBJECT: CITIZENS TELECOMMUNICATIONS COMPANY OF OREGON, INC AND FRONTIER COMMUNICATIONS OF THE NORTHWEST:
(Docket Nos. ADV 921/Advice No. OR-19-03 and ADV 922/Advice No. 1068) Establishes an Alternative Custom Credit Scoring Criteria as required in OAR 860-021-0200(1)(b).

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Citizens Telecommunications Company of Oregon, Inc. and Frontier Communications of the Northwest's (collectively, the Companies) tariff filings as submitted, to be effective March 13, 2019.

Issue

Whether the Commission should approve the Companies' proposed tariff filings, which add terms to the Companies' tariffs that describe the Companies' process for establishing a customer's credit utilizing a credit scoring system.

Applicable Laws and Rules

Telecommunications utilities are required by ORS 759.175 to submit tariff filings to the Commission whenever they intend to change their rates, terms, or conditions of service. The Companies operate under a price plan pursuant to ORS 759.255, adopted by the Commission in Order No. 18-303 and modified in Order No. 19-038, under which tariff changes must be filed at least 30 days prior to the effective date of the change.

Oregon Administrative Rule 860-021-0200 describes ways for customers to establish credit and when they are required to pay a deposit to start service with a utility. Specifically, a customer establishes credit when they can show they:

- (a) Have received 12 months of continuous utility service of the same type during the preceding 24 months and the utility can verify that the applicant or customer voluntarily terminated service and timely paid for all services rendered;
- (b) Meet Commission approved minimum credit requirements based on a third party credit report score or the energy or large telecommunications utility's own credit scoring formula; or
- (c) Can provide proof of ability to pay by providing proof of employment for the previous year, which can be verified, or a verifiable statement of income.

The Fair and Accurate Credit Transactions Act of 2003 (FACTA) Red Flags Rule is a federal rule administered by the Federal Trade Commission and Securities Exchange Commission that requires creditors to implement certain programs to detect, prevent and mitigate identity theft.

Analysis

The Companies currently use a third party credit verification company to administer the Companies' credit scoring system and scoring formula for customer establishment of satisfactory credit for new or continuing service; however, this approach was never approved as required in OAR 860-021-0200(1)(b). This filing remedies that issue. The Companies have requested these tariffs be allowed to go into effect on March 13, 2019, which is more than thirty days after their initial filing dates.

The Companies tariffs describe the hierarchy of credit verification approaches that they apply to applicants as a three-tier review process of:

1. The customer's payment history with Companies or their affiliates.
2. The customer's payment history with National Consumer Telecom and Utilities Exchange members.
3. A proprietary model provided by the third party credit verification company, which evaluates consumer credit data and telecommunications industry data to determine credit worthiness of the customer. The Companies use the Credit Reporting agency Equifax as their vendors for this data.

The Companies' use of the third party credit verification company's credit scoring model is considered proprietary. The credit scoring model uses the lowest tier review possible to verify the appropriate deposit required.

The tariff filings and their cover letters state that the Companies' requirements are in accordance with the FACTA Red Flag Rules. Staff's analysis does not include an assessment of that federal rule, which is administered by other agencies, and should not be interpreted as a determination that the Companies are in compliance with that federal rule.

Conclusion

Staff reviewed the filing and believes the Companies' customer credit scoring model used to determine when a customer establishes credit or is required to pay a deposit is a reasonable application of OAR 860-021-0200(1)(b). Even though the Companies have been using this criteria for several years, there have been no recent complaints regarding this issue filed with the Commission's Consumer Service Section, so Staff does not recommend further Commission action at this time based on the historic lack of Commission approval. The credit scoring model is applied consistently to all customers and is not discriminatory in its use of data from third party credit reporting vendors.

PROPOSED COMMISSION MOTION:

Approve the Companies' tariffs as filed and allow them to go into effect, as requested, on March 13, 2019.