

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of AT&T Ohio     )  
to Increase the Rate Associated with the     )     Case No. 06-1353-TP-SLF  
Business Late Payment Charge.     )

FINDING AND ORDER

The Commission finds:

- (1) On November 15, 2006, AT&T Ohio (AT&T) filed an application seeking authority from the Commission to revise Part 2, Section 2, of its AT&T Ohio Tariff P.U.C.O. No. 20 to apply a \$1.00 increase to the late payment penalty for its non-residence customers. Specifically, AT&T seeks approval to increase the late payment penalty for non-residence customers to the greater of \$11.00 or an amount that equals 1.5 percent of all unpaid charges that are past due. The charge would not apply to amounts in dispute, certain taxes, accounts of federal, state, county, or local governments, and amounts billed for certain third parties whose charges are not authorized by appropriate tariffs or contracts. The current late payment penalty is \$10.00 or an amount that equals 1.5 percent of all unpaid, past due charges. The same exceptions apply.
- (2) By entry issued January 12, 2007, the attorney examiner fully suspended the application to obtain additional information.
- (3) On January 16, 2007, Mr. Kenneth W. Hall (Mr. Hall), a small business customer, filed a pleading setting forth arguments against the proposed late payment charge increase. Mr. Hall believes that both the existing and proposed late payment penalties are excessive. He recommends a late payment penalty of 1.5 percent without a \$10.00 minimum. In support of his contention that the late payment penalty is excessive, Mr. Hall compared AT&T's proposed late payment penalty to interest rates charged by "Pay Day Loan" and late payment fees charged by Toledo Edison. Mr. Hall calculated that AT&T's proposed late charge is 101.78 percent higher than a 30-day Pay Day Loan interest rate. Mr. Hall noted that Toledo Edison, though it has a 1.5 percent late payment penalty, does not have a minimum charge. Taking risk into account, Mr. Hall

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does not believe that AT&T's risk is high enough to justify its late payment penalty.

- (4) AT&T filed a response to Mr. Hall's pleading on January 30, 2007. In its response, AT&T reminds the Commission that, in Case No. 03-965-TP-SLF, the Commission found that AT&T's late payment charge was not unjust or unreasonable. Moreover, AT&T states that it operates under an alternative regulation plan that qualifies it for treatment under the competitive retail service rules. AT&T contends that it is permitted to increase its current late payment charge pursuant to Rule 4901:1-6-22(A), Ohio Administrative Code, which reads as follows:

Nonspecific service charges (e.g., late payment and returned check charges) are charges that are avoidable and under the control of the customer. ILEC [incumbent local exchange carrier] nonspecific service charges are capped at existing rates, unless changed through an SLF case. The commission will apply a reasonableness standard to telephone companies' nonspecific service charges. Nonspecific service charges may be introduced or increased through a sixty-day self-complaint (SLF).

- (5) In an exhibit filed on January 8, 2007, AT&T offered support for its proposed late payment charge increase. First, AT&T contends that the charge helps recover the cost of collection and handling of late payments. Second, the charge provides an incentive for customers to pay their bill on time. AT&T emphasizes that the late payment charge is avoidable by the customer.

In further support of its late payment charge, AT&T argues that its proposed late payment charge is in line with charges imposed by other businesses and those in the telecommunications industry. Comparing its proposed late payment charge with others, AT&T claims that its late payment charge is among the lowest. Referring to late payment charges for credit cards, AT&T identifies that several impose charges that exceed \$30. Other penalties offered as examples by AT&T include Internal Revenue Service charges and interest for late

tax payments, the late payment charge for real property tax, late charges for student accounts imposed by The Ohio State University, and late payment fees charged by United Parcel Service for shipping bills. AT&T highlights that its late charge compares very favorably with these charges.

AT&T notes that other local exchange carriers (LECs) in the State of Ohio mirror its late payment charge. Century Telephone, by comparison, charges 1.5 percent of all unpaid balances. Cincinnati Bell charges 1.5 percent or \$5.00, whichever is greater. Comparing the trigger for past due balances, AT&T reports that the trigger for Century and Cincinnati Bell is \$10.00 and \$25.00, respectively. AT&T also mentions that its incumbent LECs in Michigan and Illinois have already obtained approval for the late payment charge proposed in this proceeding.<sup>1</sup> Based upon this information, AT&T contends that it has met the reasonableness standard and that its proposed late payment charge should be approved.

- (6) Taking into account AT&T's application, the arguments raised by Mr. Hall, and the additional support offered by AT&T, we find that AT&T's proposed late payment charge is not unjust or unreasonable. It is understandable that additional costs may be required to collect delinquent bills. Collection efforts require extra mailings, printing of notices, and employee time. We, therefore, find that the late payment charge covers a legitimate business expense. We are also mindful that a late payment charge must be high enough to motivate timely payment; yet, it must not be extreme. We agree with AT&T that its late payment charge compares favorably with late payment charges within the telecommunications industry and other businesses. Accordingly, we find that AT&T's proposed increase in its late payment charge for nonresidence customers is not unjust or unreasonable and should be approved.

*It is, therefore,*

**ORDERED,** That, in accordance with Finding (6), AT&T's application to increase its late payment charge for nonresidence customers is approved. *It is, further,*

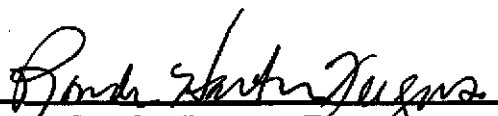
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<sup>1</sup> In its Exhibit C filed January 8, 2007, AT&T lists the late payment fee charged to its business customers in Arkansas, Kansas, Missouri, Oklahoma, Texas, California, Nevada, Illinois, Indiana, Michigan, Wisconsin, and Connecticut. Some charges are higher, while some are lower than AT&T's proposal in this SLF.


ORDERED, That a copy of this Finding and Order be served upon all parties and interested persons of record.

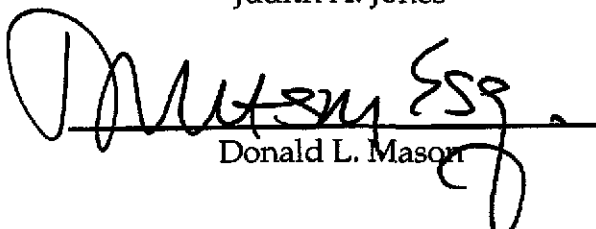
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Alan R. Schriber, Chairman

  
Ronda Hartman Fergus

  
Judith A. Jones

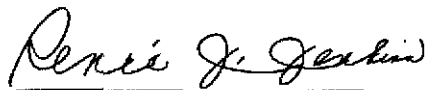
  
Valerie A. Lemmie

  
Donald L. Mason

LDJ/vrm

Entered in the Journal

MAR 07 2007



Renee J. Jenkins  
Secretary