



STATEMENT OF AT&T CONNECTICUT

Regarding Committee Bill No. 6127 An Act Concerning Utility Deposits for Business Customers Before the Committee on Energy and Technology March 12, 2009

Proposal:

Committee Bill No. 6127 would limit the ability of a public service company to collect a deposit from a business or prospective business customer the company deems not to be creditworthy. The amount charged would be limited to the estimated maximum bill for 30 days, subject to a cap to be determined by the Department of Public Utility Control ("Department"). Any deposit collected would be required to be returned to the customer with interest after the customer meets criteria to be determined by the Department. The Department would be required to conduct a contested case proceeding to make these determinations as well as establish the criteria to be used to determine creditworthiness and the provisions for collecting deposits from customers moving from one location to another within the service area of the same company.

Comments:

AT&T opposes Committee Bill No. 6127 and urges the Committee to reject it.

The Committee Bill would impose limits on the security deposits AT&T can charge its business customers as well as regulate administration of the associated business processes. AT&T understands the desire to assist business customers who may be facing difficult economic circumstances. However, these limits would not be applied to AT&T's competitors who provide competing services to the very same customers. Since states are preempted from regulating companies which utilize VoIP technology – these include AT&T's largest competitors – including applying provisions found in this bill, AT&T strongly recommends that, in the interest of having a more level playing field, the requirements of this bill not apply to services offered by a telephone company.

Since the provisions of this legislation would not apply equally to all providers, the requirements in this legislation would place AT&T in the position of becoming the first and last stop for any company with bad credit or for that matter the intent to not pay its obligations. That means AT&T would face the prospect of having to cover millions of dollars a year in losses while our competitors would not be subject to these same losses. And any business that wanted to avoid having to pay a deposit – whether it is a legitimate business interested in paying its bills or not – would know that by virtue of this requirement in law, applicable only to AT&T, that they could get service from AT&T subsidized by our shareholders.

Unlike public service companies which are subject to rate of return regulation and can include unpaid debts in their overall rate base, AT&T would have no mechanism to recover losses from businesses that don't pay their bills other than for its shareholders to

pay those costs. AT&T's shareholders did not cause these costs and should not be responsible for covering them.

Customers, even very small businesses, utilizing telecommunications services as opposed to utility services like gas, electric or water, can run up very high bills in a very short period of time. So, while losses to other public service companies would likely be manageable, losses to AT&T by virtue of the services it provides could be enormous, even in a short period of time.

The requirements imposed by the bill on AT&T's services are unnecessary. AT&T customers have choices. No deposit is required if a prospective customer establishes their credit worthiness or if an existing customer makes timely payments. Customers not able to establish acceptable credit risk can avoid paying a deposit by electing toll restricted service, while they establish a timely payment history. If calls incurring a toll charge are contemplated, prepaid toll is available. And, if a customer decides that these options do not meet their needs, there are generally alternatives available from competitors.

If a customer cannot establish acceptable credit risk and desires to be able to place toll calls without prepayment, a deposit is a reasonable requirement. Businesses should be permitted to establish the amount of the deposit based on their risk – not some artificial limit, such as the one month's estimated bill that would be the limit permitted under the Committee bill. For services that are billed monthly in arrears, one month is clearly not sufficient to cover the potential loss. Imposing an unreasonable low limit on deposits will only serve to drive up the cost of business for AT&T and companies who are included in the statutory definition of public service company, while no such requirements are imposed on competitors.

Conclusion:

AT&T opposes Committee Bill No. 6127 and urges the Committee to reject it.