

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Brian J. Moline, Chair
 John Wine
 Robert E. Krehbiel

In the Matter of Southwestern Bell)
Telephone Company, L.P. Filing Tariff) Docket No. 04-SWBT-866-TAR
Revisions to Change the Current 2% Late)
Payment Charge to 3%.) Telecom-LEC

ORDER

The above-captioned matter comes before the State Corporation Commission of the State of Kansas ("Commission") for consideration and decision. Having examined its files and records, and being duly advised in the premises, the Commission makes the following findings:

1. On March 26, 2004, Southwestern Bell Telephone Company, L.P. ("SWBT") filed an application seeking to increase its late payment charge ("LPC") from 2% to 3% for residential and business customers.

2. On April 13, 2004, Commission staff ("Staff") filed a memorandum recommending Commission approval of SWBT's application.

3. To support its filing, SWBT provided a cost study including SWBT's costs incurred for issuing late payment notices and making arrangements for late payments. SWBT's study calculated separately costs for residential and business customers. According to SWBT's cost study, SWBT would need to charge 3.7% to residential and business customers in order to recover its costs. Although SWBT's cost study supports a LPC of 3.7%, SWBT's application requests only a 3% LPC.

4. Staff's analysis of SWBT's cost study identified adjustments that should be made to costs included in the study. For example, SWBT did not spread the LPC costs over all

accounts that are assessed a LPC. SWBT omitted those accounts incurring a LPC that made payment arrangements using SWBT's interactive voice system. Staff suggested that costs for the LPC should be spread over all accounts that are assessed a LPC. Staff believes that making this change would reduce the combined cost for business and residential customers by 17¢ per LPC account. Staff also suggested that any over recovery for business accounts should be used to offset the recovery needed for residential accounts. Staff believes that making this change reduces the cost for residential lines by an additional 72¢ per LPC account.

5. Staff suggests that it is reasonable for SWBT to set a LPC rate that does not accomplish full recovery of the cost identified in its cost study. As indicated above, Staff has several concerns with SWBT's cost study and believes it does not accurately reflect the costs associated with late payments. Furthermore, Staff's memorandum notes that SWBT used a fairly narrow set of costs in its cost study. Staff indicated that some of the costs included in SWBT's cost study may simply be part of the overall cost of operation that are recovered in SWBT's general pool of revenues. Staff believes that after including the adjustments it specifically identified above, but not excluding any costs that may be recovered through other revenue sources, a LPC of 3% would not fully recover the cost included in Staff's adjusted cost study.

6. Staff indicated that although a LPC of 3% does not fully allow SWBT to recover the cost identified in Staff's adjusted cost study, Staff emphasizes that it did not adjust its study to reflect the allocation of costs that it believes are recovered through other revenue sources. Staff believes that the revenue shortfall associated with a LPC of 3% is sufficient to provide Staff with comfort that its remaining concerns regarding SWBT's cost study do not need to be more fully addressed.

7. Staff believes it is reasonable for SWBT to increase its LPC rate from 2% to 3% to increase its recovery of the costs associated with issuing late payment notices and making late payment arrangements.

8. The Commission finds and concludes that SWBT's application to increase its late payment charge to 3% should be granted and become effective upon Commission approval. SWBT should notify the Commission of the actual implementation date of the 3% late payment charge so an effective date may be added to SWBT's tariff.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The application filed by Southwestern Bell Telephone Company, L.P. requesting to increase its late payment charge rate from 2% to 3% is hereby approved.

B. Southwestern Bell Telephone Company, L.P. shall notify the Commission of the date of implementation of the 3% late payment charge.

C. Any party may file a petition for reconsideration of this order within fifteen days of the date this order is served. If service is by mail, service is complete upon mailing and three days may be added to the above time frame.

D. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Moline, Chr.; Wine, Com.; Krehbiel, Com.

Dated: APR 27 2004

ORDER MAILED

APR 27 2004

 Executive Director

Susan K. Duffy
Executive Director

RLL:cg