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June 11, 2008

Ms. Luly E. Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, Rhode Island 02888

RE: Docket No. 3956 – Verizon Rhode Island Tariff Proposing a Residential Late Payment Charge

Dear Ms. Massaro:

I am writing in response to the Division's June 9, 2008 memorandum which states that it does not support Verizon Rhode Island's ("Verizon RI") tariff filing of May 15, 2008 proposing a residential late payment charge of 1.5% for effect June 16, 2008. The arguments and evidence put forth by the Division are neither complete nor relevant to the issue at hand.

In its memorandum, the Division cites only four states that charge a late payment charge that is less than the 1.5% proposed by Verizon RI but completely ignores the fact that in Verizon's footprint alone, there are twenty states that currently have residential late payment charges of *at least* 1.5%, including Rhode Island's neighboring state of Massachusetts¹.

In addition, the Division cites in its memorandum an opinion dated August 9, 2006, in which it recommended that the Commission order identical interest rates for past due accounts and customer deposits. However, that position is inconsistent with both sound principles of pricing as well as a prior recommendation issued by the Division on February 13, 2006, in which it states "*The Division is of the opinion that the late payment charge for residential and business customers be the same. Where other Rhode Island utilities have late payment charges applicable to residential and business customers, no distinction is made between the two groups. The*

¹ AZ, CA, DE, FL, ID, IL, MA, MD, MI, NV, NY, OH, SC, VA, WA, WI, WV have a 1.5% late payment charge; OR is 1.7%; IN is 3.0%; and TX is 5%.

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Division recommends the residential customer interest rate be no higher than (sic) the interest rate for business customers.” See Attachment 1. This is precisely what Verizon is proposing in this tariff filing - - that the residential late payment charge mirror the business late payment charge of 1.5% that has been in effect since August 2006. Late payment charges should not equate to the rates paid on deposits as they are very different in nature. Interest paid on deposits should be a fair and reasonable return on a customer’s funds, whereas late payment charges should be significant enough to incent the proper customer behavior and to assist the company in recovering its time value of money and its late payment collections costs.

Finally, the Division states that the late payment charge proposed by Verizon RI will place “an additional burden on an already very difficult situation for residential customers”. Verizon RI is sensitive to the higher costs that consumers are experiencing of late; however, over 85% of Verizon RI’s customers pay their bills on time and will not be impacted by this charge. For the small percentage of customers who do not pay their bills in a timely fashion, there is currently no consequence. Furthermore, Verizon RI has proposed in its filing that customers in approved payment plans, as well as low-income customers - - specifically, those customers on Lifeline - - be exempt from paying late payment charges on past due bills. Moreover, all customers can avoid the late payment charges simply by paying their bills on time.

For the above reasons, Verizon RI respectfully requests that the Commission approve its May 15, 2008 tariff as filed for effect on June 16, 2008.

Sincerely,

Alexander W. Moore 

Alexander W. Moore

Attachment

cc: B. Kent

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Division of Public Utilities and Carriers

Memorandum

DATE: February 13, 2006

TO: Commissioners: Elia Germani, Robert Holbrook, Mary Bray

FROM: Brian Kent, MBA CMA CPA
Telecommunication Specialist

SUBJECT: Verizon - Rhode Island Docket No: 3724 Instituting a monthly interest rate of 1.5% on Residential Overdue Balances.

On February 3, 2006, Verizon - Rhode Island filed amendments to their RI PUC tariffs for effect on March 5, 2006.

Verizon Rhode Island is proposing to institute an interest rate of 1.5% on past due balances for residential customers. Currently there are no late payment charges for residential customers. However, business customers have a monthly late payment rate of 1.0325%¹ on overdue balances. The business rate is calculated on an annual basis using the average 12 months of two-year US Treasury bond interest rate plus 10% and becomes effective January 1st for each year.

RECOMMENDATION

The Division is of the opinion that the late payment charge for residential and business customers be the same. Where other Rhode Island utilities have late payment charges applicable to residential and business customers, no distinction is made between the two groups. The Division recommends the residential customer interest rate be no higher than the interest rate for business customers.

The interest rate currently stands at 1.0325% per month.

¹ Verizon filed on December 20, 2005 and updated on December 28th RIPUC RI 15, Part A, Section 1 the annual rate of 13.12%. The annual business customer interest rate for 2005 was 11.92% and 11.8% for 2004.

Cc: Verizon - Rhode Island