

Alexander W. Moore
Associate General Counsel



185 Franklin Street, 13th Floor
Boston, MA 02110-1585

Phone 617 743-2265
Fax 617 737-0648
alexander.w.moore@verizon.com

April 27, 2009

Ms. Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**Re: Rules Regarding Residential Collections Procedures
by Local Exchange Carriers in Rhode Island**

Dear Ms. Massaro:

Enclosed for filing in the above-referenced matter are the original and nine copies of the Comments of Verizon New England Inc.

Thank you for your assistance.

Sincerely,

Alexander W. Moore (sho)

Alexander W. Moore

Enclosures

cc: Service List (electronic only)

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

Rules Regarding Residential Collections)
Procedures By Local Exchange Carriers)
In Rhode Island)

COMMENTS OF VERIZON NEW ENGLAND INC.

Verizon New England Inc., d/b/a Verizon Rhode Island (“Verizon RI”) files these comments pursuant to the Procedural Schedule issued by the Commission in this proceeding on March 30, 2009. Verizon RI thanks the Commission for the opportunity to comment on the rules regarding residential collection procedures by local exchange carriers (“the Rules”).

The Rules have not been revised since they were promulgated more than 16 years ago. The telecommunications industry has changed dramatically in the interim, as the explosion of competition has created a vibrant market for local exchange services in Rhode Island. Customers today enjoy many options in choosing a local exchange carrier (“LEC”) and have ready access to ample information about those carriers from the Commission and the Division, the Internet, carrier websites and the general media. In addition, many LECs and their affiliates offer customers a wide range of services in addition to local exchange service, including long distance calling, data services, television, and wireless services. Further, the Internet, the Web and email allow telecommunications providers and their customers to communicate with each other faster and more easily than in the past, when such interaction was largely limited to phone calls to the carrier’s business office and inserts in monthly billing statements to customers. In

light of these extensive changes in the telecommunications market and in technology, Verizon RI suggests that the Commission revise the Rules in a number of areas, set forth below.

1. Scope of the Rules. The current Rules are formally titled “New England Telephone Collections Procedures” and by their terms apply only to Verizon RI. Verizon RI understands that the Commission has long required the other LECs operating in Rhode Island to comply with the Rules. The Rules should be revised to expressly apply to all LECs in the state. First, the Commission should rename the Rules to reflect their scope, for example “Regulations Governing Residential Collections Procedures by Local Exchange Carriers.” Second, in Rule 1.1, governing Applicability, the phrase “provided by the New England Telephone Company and are” should be deleted. Likewise, the definition of “Company” in section 1.2 should be replaced with a definition of “Local Exchange Carrier” or “LEC.”

In addition, the Rules often use the term “service” to refer to residential basic exchange service, but they do not define the term. That did not pose a problem in an era in which a single LEC, Verizon RI, offered only basic exchange service and a few auxiliary services. Given the many different services and different types of service carriers offer today, however, Rule 1.2 should explicitly define “Service” as residential basic exchange service.

2. Payment Plans. Part VI of the Rules provides for a two-tier payment plan structure for customers who have defaulted on their obligation to pay their monthly bills. This two-tier system is unnecessarily complicated and makes it more difficult for the LEC and a defaulting customer to develop a payment plan with clear, easy-to-follow rights and obligations understood by both parties. It also results in needless administrative expenses for the LEC. To Verizon RI’s knowledge, no other state in the Verizon “footprint” has two payment plans for defaulting customers. Moreover, the 12-month repayment period of the current Plan 2 is

inordinately long and in effect requires the LEC to finance the customer's failure to pay, unfairly increasing its costs and ultimately increasing the rates the LEC must charge to its paying customers.

Verizon RI suggests that the Commission consolidate the two deferred payment plans in Rules 6.2.1 and 6.2.2 into a single plan with the 6-month repayment period of Plan 1 but also providing all of the protections afforded customers in current Plan 2, such as installation of Curb-a-Charge at no cost, notice of default of the payment plan prior to discontinuance of service and the right to one renegotiation of the plan. With this revision, customers who face economic difficulties would continue to have a reasonable time period to catch up on unpaid telecom bills, while protecting the concerns of the carriers and the rights of their paying customers not to finance longer than necessary the debts of those who cannot or will not pay for the services they use.

3. Notice of Discontinuance. The 15-day notice of discontinuance in Rule 4.1 should be reduced to ten days. The current period is overly long and obsolete in light of the many ways customers now have of contacting their carriers in response to a notice of discontinuance, including email and the carrier's website, in addition to simply calling the carrier. The long notice period delays the carrier's ability to start the process of developing a deferred payment plan with its customer or to discontinue service where the customer fails to agree to repay the debt, all the while allowing the debt to continue to accrue and become more difficult to repay. Twenty-two of the 26 states in which Verizon operates have a notice period of ten days or less, demonstrating that such notice period is fair and reasonable.

In addition, Rule 4.1 should allow carriers to deliver the notice of discontinuance electronically where the customer has requested or agreed to electronic notice. Many Verizon RI

customers prefer electronic communications to paper bills and notices for reasons of conservation and convenience -- speed, ease of use and record-keeping. Where a customer has agreed to receive electronic bills and notices, the Rules should allow the carrier to provide notice of discontinuance by that means.

4. Deposits. As currently written, Rule 2.1 allows Verizon RI and other LECs to require a customer to pay an outstanding, undisputed bill from the LEC before providing new service. But the specific language of the Rule refers to bills of “the Company,” which is defined in Rule 1.2 as “The New England Telephone Company.” Consequently, the Rule could be read to apply only to bills by the LEC itself, not to the bills rendered by affiliates of the LEC operating in other states. The resulting distinction between bills of a Rhode Island LEC and bills of a sister LEC in another state (which may have been unintentional in 1992) is unreasonable and overly restrictive. The Rule requires a customer to pay an outstanding Verizon RI bill for telephone service before Verizon RI will provide new service, but if the customer incurred that bill as a result of service provided by Verizon RI’s affiliate in New York, for example, Verizon RI is required to ignore that debt and must provide new service even if the customer refuses to pay the outstanding bill. Such a policy serves no public purpose, but it significantly restricts the ability of the Verizon companies to collect payment for service rendered and results in unduly high amounts of bad debt. Although the Commission has allowed rates for basic exchange service in Rhode Island to fluctuate with the market, the poor debt management practices resulting from Rule 2.1 only put pressure on carriers to increase rates. Accordingly, Rule 2.1 should be revised to allow a LEC to require a customer to pay in full any outstanding, undisputed

bill from the LEC or an affiliate of the LEC before the LEC will provide new service to that customer.¹

The Commission should make similar changes to the deposit provisions of Rule 2.1, which currently allow a LEC to require a customer deposit only where the customer owes an undisputed debt to the LEC itself. The degree of credit risk a LEC must accept (by providing service without obtaining a deposit) should not depend on the way in which the LEC and its affiliates have elected to organize themselves. Further, in assessing the need for a customer deposit, a LEC should not be precluded from considering credit information about a customer such as failure to pay undisputed debts to a LEC affiliate or information contained in external credit reports, which are widely used and relied on in many service sectors. Accordingly, Rule 2.1 should be revised to allow a LEC to require a deposit if the customer has an outstanding, undisputed bill from any affiliate of the LEC or where the LEC makes a good faith determination based on external credit reports that the customer presents a high risk of defaulting on his or her payment obligation. Allowing LECs to pursue such sound business and credit practices would enhance the ability of carriers to protect themselves (and their paying customers) from unreasonable credit risks and bad debt.

In addition, the Commission should delete Rule 2.4, which allows customers to pay deposits over two or three months. Obviously, a deposit is effective only to the extent it is

¹ The Commission should also delete Rule 3.5, which appears to require LECs to provide new service even where a customer is unable to pay a prior, undisputed bill from the LEC for telephone service, and to allow the customer up to 12 months to pay that debt. Not only is this provision inconsistent with Rule 2.1 (even as currently written), but it could be read to significantly and unreasonably extend the deferred payment plans provided for in Part VI of the Rules. For example, a customer who fails to pay a LEC bill on time is entitled to enroll in the 12-month deferred payment plan provided for in Rule 6.2.2. Should the customer then default on that plan, the LEC may then discontinue service. Under Rule 3.5, however, the customer could require the LEC to provide new service as long as the customer enters into *another* 12-month payment plan, this time pursuant to Rule 3.5.2. Verizon RI suggests that the Rules did not intend to afford such largesse, and LECs and their paying customers should not be required to finance such extended loans.

actually paid and received, and the installment payment approach substantially limits the value of taking a deposit. A customer is asked for a deposit only if he has demonstrated an inability or unwillingness to pay past bills, as discussed above, and carriers should not be required to provide service to such a customer who is unable to pay the deposit up front.

5. Interruption of toll service to prevent fraud. Rule 3.3 authorizes Verizon RI and other LECs to monitor toll usage on an account and bring to the customer's attention uncharacteristically high toll usage, in order to ensure that the usage is not fraudulent and that the customer is willing and able to pay the resulting bill. Where satisfactory payment arrangements are not made, the LEC may interrupt toll service on five days' notice. Rule 3.3(a) currently defines the threshold for notification to the customer at \$140 of usage charges. Artificial intelligence software, however, now allows Verizon RI to identify changes in toll usage that are inconsistent with the toll usage pattern of the particular account being monitored, even if that usage is well below \$140. As a result, the blanket \$140 threshold is no longer appropriate and does not adequately protect either Verizon RI or the customer from large toll charges that the customer is unable to pay. Verizon RI therefore proposes that Rule 3.3(a) be revised to allow the LEC to contact a customer when it identifies uncharacteristically high toll usage on an account. This change will allow LECs to head off unauthorized toll usage at an earlier point, to the benefit of both the LEC and the customer.

In addition, Verizon RI occasionally has good reason to believe that uncharacteristically high toll usage on an account is the result of fraud but is unable to reach the customer and, being unable to interrupt service, ultimately ends up holding a large and uncollectible bill for toll charges. To address this, Rule 3.3 should be revised to authorize a LEC to interrupt toll service without prior notice to the customer in the exceptional circumstances in which the LEC has

reason to believe that interruption is necessary to prevent fraud and the LEC's good faith efforts to contact the customer have been unsuccessful. The revision should also provide that following such interruption, toll service will be restored as soon as the customer contacts the LEC and advises that the customer is willing and able to pay the charges.

Conclusion. For the reasons stated above, Verizon RI asks the Commission to revise the Rules as stated herein. Verizon RI looks forward to working with Commission staff, the Division and the other parties toward that end.

Respectfully submitted,

VERIZON NEW ENGLAND INC.

By its attorney



Alexander W. Moore
Verizon New England Inc.
185 Franklin St. – 13th Floor
Boston, Massachusetts 02110-1585
(617) 743-2265

Dated: April 27, 2009