

# ILEC Security Deposit Tariffs

WC Docket Nos. 02-202, 02-304, 02-317, 02-319, 02-340

WorldCom

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# Current Tariff Language Does Not Disadvantage ILECs

- Uncollectibles vary with business cycle
- Even if some increase in risk
  - risk level not unique to ILECs
    - other firms equally exposed
  - unreasonable to give ILECs better risk profile
    - price caps, no longer protected monopolies

# ILEC Transmittals Should Be Rejected

- Overbroad “triggers”
- Do not balance carrier and customer interests
  - reduce carrier risk almost to zero, while imposing significant burdens on many customers that do not present a substantial risk of nonpayment
  - broader protection than competitive carriers could obtain
- Susceptible to arbitrary application

# BellSouth Proposal Not Just and Reasonable

- Tariff language is vague and ambiguous in violation of 61.2 and 61.54(j)
  - just lists factors that BellSouth may consider
  - cannot be saved by Direct Case's description of scoring tools
- Scoring tools susceptible to manipulation
- Overbroad: BellSouth barely passes its own test (scores 5.3; threshold is 5.0)

# SBC/VZ/NECA Bond Rating Trigger Unjust and Unreasonable

- Non-investment grade trigger is overbroad
  - default rate is less than 5 percent -- Moody's
- Does not balance carrier and customer interests
  - ILECs reduce risk almost to zero (default rate for investment grade customers < 0.06 percent)
  - But customers face unnecessary burden (for every 20 customers that pay deposit, only 1 may default)
- No competitive carrier has such a broad policy

# SBC/VZ/NECA Late Payment Trigger Unjust and Unreasonable

- Two late payments in a year is not an indicator of substantial risk
  - ILECs have provided no evidence of a correlation
  - so common as to be useless as a predictor of risk
  - customers with multiple monthly bills
- Not a simple clarification of existing “proven history of late payment” tariff language

# Proposed Notice Periods Are Unreasonable

- Short notice periods give ILECs excessive leverage
- LECs proposing very short 7/10 day notice
  - FCC accepted 15-day notice period only reluctantly in 1987
  - LECs cannot comply with 1987 conditions
  - LEC proposals apply too broadly ( “Provisions that more directly applied only to those customers that might default . . . would be more reasonable”)