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December 17, 2002

**Ex Parte**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: Verizon Petition for Emergency Declaratory and Other Relief, WC Docket No. 02-202; and Verizon Telephone Companies Tariff FCC Nos. 1, 11, 14 and 16, WC Docket No. 02-317

Dear Ms. Dortch:

Yesterday, E. Shakin, A. Rakestraw and J. Mulieri of Verizon met. with J. Goldstein of Commissioner Copps's office. The purpose of the meeting was to reiterate Verizon's position in the above captioned proceedings. The attached material was used during the meeting

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Ann D. Berkowitz".

Attachment

cc: J. Goldstein

# Verizon Emergency Petition

WC Docket No. 02-202

# Verizon Tariff Provisions: Deposits and Advance Payments

WC Docket No. 02-317



# The Tariff Provisions Give Flexible Alternatives to Cash Deposits

- Letters of credit can be obtained at a fraction of the cost of a cash deposit.
- Advance payments do not increase a customer's cash outlay, but merely change the timing of payment. Customers pay at the beginning of the month, rather than after they have received services.
- Any discretion in the tariffs is designed to aid customers
  - Allowing Verizon to exercise normal business discretion permits it to work with customers, rather than requiring it to demand a deposit or advance payment whenever the triggers are met.
  - Similar to current tariffs, which allow Verizon discretion in whether to refuse additional applications of service, or to terminate service, if a customer violates the tariff. *See* FCC Tariff No. 1, § 2.1.8.

# The Specific Triggers Are Just and Reasonable

- Triggers are specific iterations of criteria already in existing tariffs and/or similar to those used in other industries.
- Those opposing Verizon's tariff revisions have similar (or broader) provisions in their tariffs.
  - AT&T's tariff allows it to require a security deposit from a customer with “an unsatisfactory credit rating.”
  - WorldCom's tariff states it may require a deposit of customers “whose credit worthiness is not acceptable to the Company or is not a matter of general knowledge.”

# The Specific Triggers Are Just and Reasonable (cont'd)

- History of late payment
  - Criteria: (1) customer's account balance has fallen in arrears in any 2 months out of any consecutive 12-month period; or (2) the customer owes \$250,000 or more that is 30 days or more past due.
  - Simply adds clarity to the existing tariffs, which already allow a deposit from a customer with “a proven history of late payment.”
- Objective indicia of insolvency
  - Criteria: customer or its parent (1) “informs [Verizon] or publicly states that it is unable to pay its debts as such debts become due,” or (2) has initiated a voluntary receivership or bankruptcy proceeding, or if such a proceeding has been initiated against it.
  - Bankruptcy triggers exist in some FCC tariffs already in effect.
  - Similar to provisions used by other carriers/industries.

# The Specific Triggers Are Just and Reasonable (cont'd)

- Credit ratings at or near junk status
  - Criteria: (1) the senior debt securities of a customer or its parent are below investment grade; or (2) the senior debt securities of a customer or its parent are rated at the lowest investment grade rating category by a nationally recognized statistical rating organization, and are put on review for a possible downgrade.
  - Credit ratings provide objective, consistent and simple measures of creditworthiness and are regarded as a key measure of a company's financial health. Direct Case, Exhibit A, at A-3.
  - Strong correlation between customers' below-investment grade credit ratings and the chance that the customers' billables are outstanding 90 days or more. *See* Direct Case, Exhibit A-11.
  - Similar to provisions used in other industries, and by other carriers. Indeed, private contracts often use downgrades in investment ratings as triggers for requiring adequate assurance. *Id.*, at A-3.

# The Commission Should Grant Verizon's Emergency Petition

- Allow carriers to revise tariffs to protect against customer bad debt.
- If Commission participates in bankruptcy proceedings, emphasize need to ensure carriers are paid for services they continue to provide.
- Confirm that carriers wishing to receive the benefits of existing service arrangements of bankrupt carriers must comply with cure obligations of Bankruptcy Code.
- Require CLECs to provide information necessary to coordinate CLEC-to-CLEC customer transfers.