Before the
Federal Communications Commission
Washington, D.C. 20554

In the matter of	)	
	)	
The Verizon Telephone Companies	)	
Tariff FCC Nos. 1, 11, 14 and 16	)	Transmittal No. 226
	)	
	)	
	)	

ORDER

Adopted: August 21, 2002 **Released: August 22, 2002**

By the Chief, Pricing Policy Division:

I. INTRODUCTION

1. Pursuant to section 204(a)(3) of the Communications Act of 1934, as amended,[1] the Verizon Telephone Companies (Verizon) filed Transmittal No. 226 on July 25, 2002, revising certain provisions of their interstate access tariffs, FCC Nos. 1, 11, 14 and 16, to become effective August 9, 2002. Verizon subsequently deferred the effective date of the subject revisions to August 23, 2002.[2] Verizon's tariff revisions would amend the sections of its tariffs regarding security deposits to allow Verizon to require security deposits in circumstances not covered by its existing tariffs. The filing also introduces provisions regarding advance payment for services.

2. Under Verizon's current tariff, it may require deposits from a customer that has a proven history of late payments or lacks established credit. Under Verizon's proposed revisions, it may require additional security deposits or advance payments from a customer pursuant to certain new criteria. These criteria are: (1) the customer has fallen in arrears in its account balance in any two months out of any consecutive twelve-month period; (2) the customer owes $250,000 or more that is thirty days or more past due; (3) the customer or its parent (defined as an entity that owns an equity interest in more than 50 percent of the customer) informs Verizon or publicly states that it is unable to pay its debts as such debts become due; (4) the customer or its parent has commenced voluntary or involuntary receivership or bankruptcy; (5) the customer's or its parent's senior debt securities are below investment grade as defined by the Securities and Exchange Commission; or (6) the customer's or its parent's senior debt securities are rated the lowest investment grade rating category by a nationally recognized statistical rating organization and are put on review by the rating organization for a possible downgrade.

[1] 47 U.S.C. § 204(a)(3).

[2] Verizon Transmittal No. 231 dated August 6, 2002.

Advance payments, which would not accumulate interest, would be based on the customer's average monthly billed account balance for the most recent three months and trued up every six months following payment of the first advanced payment assessed. Security deposits would be refunded after one year of prompt payment and if the customer has not met any of the six criteria listed above for more than one year. The revisions would also shorten from thirty to seven days the notice period before which Verizon can refuse to process new orders or discontinue service.

3. As justification for this revision, Verizon states that its "interstate uncollectible revenues more than doubled in 2001 versus 2000," and that it is a party to 92 different bankruptcy proceedings.[3] Verizon also states, "[t]he telecommunications industry is in a period of unprecedented financial stress and upheaval."[4]

4. On August 1, 2002, AT&T Corp. (AT&T); Sprint Communications Company, L.P. (Sprint); WorldCom, Inc. (WorldCom); counsel for the Association for Local Telecommunications Services (ALTS), Broadview Networks, Inc., the Competitive Telecommunications Association, KMC Telecom Holdings, Inc., Talk America Inc., and XO Communications, Inc.; and counsel for the Association of Communications Enterprises, Business Telecom, Inc., DSL.net, Inc., ATX Communications, Inc., CTC Communications Corp., Focal Communications Corp., Freedom Ring Communications, LLC, Level 3 Communications, LLC, PaeTec Communications, Inc., Pac-West Telecomm, Inc., and US LEC Corp. filed petitions to reject, or, in the alternative, to suspend and investigate Verizon's tariffs.[5] On August 8, 2002, Verizon filed its reply. In this Order we grant the petitions so far as they ask us to suspend and investigate Verizon's tariffs, and we suspend for five months and set for investigation Verizon's revisions to its interstate access Tariffs FCC Nos. 1, 11, 14 and 16.

II. DISCUSSION

5. We find that petitioners raise substantial questions regarding the lawfulness of Verizon's tariff revisions that require further investigation. They question whether the revisions violate a Commission prescription, are unjust, unreasonable, and discriminatory in violation of sections 201(b) and 202(a) of the Act, and whether the language of the revisions is vague and ambiguous in violation of sections 61.2 and 61.54 of the Commission's rules.[6] Petitioners further question whether Verizon has demonstrated substantial cause for a material change by a

[3] Verizon Telephone Companies, Tariff FCC Nos. 1, 11, 14 and 16, Transmittal No. 226, Description and Justification at 9, 6.

[4] *Id.* at 6.

[5] Verizon Telephone Companies, Tariff FCC Nos. 1, 11, 14 and 16, Transmittal No. 226, Petition of AT&T Corp. (Aug. 1, 2002) (*AT&T Petition*); Petition of Sprint to Reject or Alternatively Suspend and Investigate (Aug. 1, 2002) (*Sprint Petition*); WorldCom Petition to Reject or, in the Alternative, Suspend and Investigate (Aug. 1, 2002) (*WorldCom Petition*); Petition to Reject or, Alternatively, to Suspend and Investigate of ALTS, Broadview Networks, Inc., the Competitive Telecommunications Association, KMC Telecom Holdings, Inc., Talk America Inc., and XO Communications, Inc. (Aug. 1, 2002) (*ALTS Joint Petition*); Petition to Reject or Suspend and Investigate Proposed Tariff Revisions of the Association of Communications Enterprises, Business Telecom, Inc., DSL.net, Inc., ATX Communications, Inc., CTC Communications Corp., Focal Communications Corp., Freedom Ring Communications, LLC, Level 3 Communications, LLC, PaeTec Communications, Inc., Pac-West Telecomm, Inc., and US LEC Corp. (Aug. 1, 2002) (*Association of Communications Enterprises Joint Petition*).

[6] 47 U.S.C. § 201(b), 202(a); 47 C.F.R. §§ 61.2, 61.54. *See, e.g.*, WorldCom Petition at 5-7, 2-5, 9-14; AT&T Petition at 4-8, 13-14, 8-10; Sprint Petition at 5, 6-8.

dominant carrier in a provision of a term plan.[7] Finally, certain petitioners claim that Verizon's revisions conflict with provisions of the bankruptcy code and FCC and state commission rules regarding discontinuance of service.[8] For these reasons, we conclude that substantial questions regarding the lawfulness of Verizon's FCC Tariff Nos. 1, 11, 14, and 16, Transmittal No. 226 require further investigation, and we suspend it for five months. The specific issues that will be the subject of the investigation will be identified in an upcoming designation order and may include, but not be limited to, the issues identified in this paragraph. We may also, by order, identify discrete issues that do not warrant further investigation.

III. *EX PARTE* REQUIREMENTS

6. This investigation is a permit-but-disclose proceeding and is subject to the requirements of section 1.1206(b) of the Commission's rules, 47 C.F.R. § 1.1206(b), as revised. Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentations must contain a summary of the substance of the presentation and not merely a listing of the subjects discussed. More than a one- or two-sentence description of the views and arguments presented is generally required.[9] Other rules pertaining to oral and written presentations are also set forth in section 1.1206(b).

IV. ORDERING CLAUSES

7. ACCORDINGLY, IT IS ORDERED that, pursuant to section 204(a) of the Communications Act of 1934, as amended,[10] and through the authority delegated pursuant to sections 0.91 and 0.291 of the Commission's rules,[11] Tariff FCC Nos. 1, 11, 14 and 16, Transmittal No. 226 of the Verizon Telephone Companies IS SUSPENDED for five months and an investigation IS INSTITUTED.

8. IT IS FURTHER ORDERED that the Verizon Telephone Companies SHALL FILE a supplement within five business days from the release date of this order reflecting the suspension. The Verizon Telephone Companies should cite the "DA" number on the instant order as the authority for the filing.

[7] *See, e.g.*, WorldCom Petition at 14-18; Sprint Petition at 8-9; ALTS Joint Petition at 14-15.

[8] *See, e.g.*, WorldCom Petition at 8-9; ALTS Joint Petition at 11; Association of Telecommunications Enterprises Joint Petition at 10-12.

[9] *See* 47 C.F.R. §1.1206(b)(2), as revised.

[10] *See* 47 U.S.C. § 204(a).

[11] *See* 47 C.F.R. §§ 0.91 and 0.291.

9. IT IS FURTHER ORDERED that the petitions to reject, or, in the alternative, suspend and investigate filed by AT&T Corp.; Sprint Communications Company, L.P.; WorldCom, Inc.; counsel for the Association for Local Telecommunications Services (ALTS), Broadview Networks, Inc., the Competitive Telecommunications Association, KMC Telecom Holdings, Inc., Talk America Inc., and XO Communications, Inc.; and counsel for the Association of Communications Enterprises, Business Telecom, Inc., DSL.net, Inc., ATX Communications, Inc., CTC Communications Corp., Focal Communications Corp., Freedom Ring Communications, LLC, Level 3 Communications, LLC, PaeTec Communications, Inc., Pac-West Telecomm, Inc., and US LEC Corp. ARE GRANTED to the extent indicated herein and otherwise ARE DENIED.

FEDERAL COMMUNICATIONS COMMISSION

Tamara L. Preiss
Chief, Pricing Policy Division
Wireline Competition Bureau