

COMMONWEALTH OF PENNSYLVANIA



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April 23, 2009

James J. McNulty, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
P.O. Box 3265
Harrisburg, PA 17120

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OFFICE OF CONSUMER ADVOCATE
HARRISBURG, PA

Re: Proposed Rulemaking Re: Provision of Bundled
Service Package Plans at a Single Monthly Rate by
Local Exchange Carriers
Docket No. L-00060179

Dear Secretary McNulty:

Enclosed for filing please find the Office of Consumer Advocate's Answer to the
Petition for Reconsideration and/or Clarification filed by Verizon Pennsylvania, Inc. and Verizon
North, Inc. in the above-referenced proceeding.

Copies have been served in accordance with the enclosed Certificate of Service.

Sincerely yours,

Joel H. Cheskis
Assistant Consumer Advocate
PA Attorney I.D. #81617

Enclosure

cc: Holly Frymoyer/BCS
Kim Kaufman/IRRC
Office of Special Assistants
Office of Administrative Law Judge
*102130

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Rulemaking Re: :
Provision of Basic Service in : **Docket No. L-00060179**
Bundled Service Package Plans at :
Single Monthly Rate by :
Local Exchange Carriers :

**ANSWER
OF THE OFFICE OF CONSUMER ADVOCATE
TO THE PETITION FOR RECONSIDERATION AND/OR CLARIFICATION
FILED BY VERIZON PENNSYLVANIA, INC. AND VERIZON NORTH, INC.**

I. INTRODUCTION

On March 27, 2009, the Pennsylvania Public Utility Commission (Commission) entered a Final Rulemaking Order in the above-captioned proceeding. This proceeding was instituted by the Commission to propose an amendment to Chapter 64 of the Commission’s regulations pertaining to Standards and Billing Practices for Residential Telephone Service. 52 Pa.Code §§ 64.1, *et seq.* According to the Commission, the “amendment was necessary to create administrative consistency and in recognition of the growing practice and consumer demand for bundled service package offerings in the telecommunications industry.” March 27th Order at 1. Among other things, the key substantive changes in the March 27th Order included modifications to proposed Section 64.24 to reflect “that the sole focus of the regulation is preserving the protected basic services within a bundled service pricing plan.” Id. at 3.

On April 13, 2009, Verizon Pennsylvania, Inc. and Verizon North, Inc. (collectively “Verizon”) filed a Petition for Reconsideration and/or Clarification of the March 27th Order (Verizon Petition). As discussed further below, Verizon sought clarification that a local exchange company (LEC) that converts non-paying customers to a zero-balance basic service account can continue to do so to avoid customer confusion and the imposition of unnecessary billing requirements. Verizon Petition at 9. As a result, Verizon requests that such carriers be exempt from the requirements of Section 64.14(a)(4), 64.18 and 64.24(b)(2) and (4). Id. at 10.

The Office of Consumer Advocate (OCA) filed Comments in this matter on July 31, 2008. In those Comments, the OCA specifically advocated that 1) the Commission has the authority to establish consumer protection regulations for bundled service package plans, 2) a protected service remains protected under the Public Utility Code even when included in a bundled service package, 3) any costs or difficulties associated with implementing the proposed regulations should be minimal since Pennsylvania telecommunications companies already have the ability to implement the proposed regulations and many have been doing so for years, and 4) the notice provisions contained within proposed Section 64.24 should be adopted. OCA Comments, passim. The OCA recommended that the approach in the proposed regulations that customers of bundled service packages should be converted to basic local service when they fail to make payment in full on the monthly charge for bundled service should be adopted. The OCA also recommended that LECs should provide a disclosure statement to customers of bundled service packages that basic service may not be suspended or terminated when the customer fails to make payment in full for bundled service.

The OCA files this Answer in *support* of the Verizon request that LECs be permitted to continue to convert non-paying customers to a zero-balance basic service. As discussed further

below, the OCA submits that the Verizon Petition presents an appropriate clarification to the proposed regulations that would allow LECs currently operating under waivers that require them to convert non-paying customers to a zero-balance basic service to continue this practice. The OCA supports this request because, as Verizon notes, it provides appropriate consumer protection and reduces potential confusion to customers.

II. ANSWER

In its Petition, Verizon argues that “practical concerns with the substance of these new regulations will inadvertently impose new burdens and expenses on certain LECs for no corresponding customer benefit, a result Verizon does not believe the Commission intended and that could be avoided with some changes and clarifications.” Verizon Petition at 1-2. Verizon notes:

The regulations add various billing display and other mandates directed at isolating the “basic” local service portion of the package, the sole purpose of which seems to be to allow LECs the option to terminate non-paying packages earlier by treating some of the unpaid package balance as unpaid “basic” local service instead of converting the package to a “zero-balance” basic local service amount. However, in practice, the new regulations will impose burdensome, unnecessary, confusing and costly billing requirements on those LECs that may wish to “continue to implement their current billing practices” of converting to a zero-balance basic account.

Id. at 2. Verizon, therefore, requests that “the regulations should be amended to provide a clear and simple alternative option – evident on the face of the regulations themselves – for any LEC that continues to convert non-paying packages to a ‘zero-balance’ basic service account.” Id.¹

¹ The March 27th Order grandfathered previous grants of waivers and allow those LECs to continue to implement their current billing practices. Id. at 6 (“Adoption of the final form regulation codifies many of the existing billing practices authorized by the previous grants of waiver.”).

The OCA submits that the Verizon proposal should be adopted. As the OCA noted in its Comments filed July 31, 2008, customers subscribing to a bundled service package should not have their basic service suspended or terminated if the customer fails to make payment in full on the monthly charge for bundled service. OCA Comments at 14-16. Instead, the OCA urged that LECs should be required to convert customers of bundled packages to basic local exchange service. Additionally, LECs should inform customers that the bundled service will be converted to a basic service plan in the event of nonpayment or partial payment on a bundled service package. The OCA submits that informing customers that their bundled package will be converted to a basic service plan is an important consumer protection that should be maintained.

Such requirements are consistent with the text of the Commission's March 27th Order, as well as the accompanying Joint Statement of Chairman James H. Cawley and Vice Chairman Tyrone J. Christy (Joint Statement). The March 27th Order, for example, states that language in Proposed Section 64.24(c) was "amended from the original version to clarify that the sole aim is to ensure protection of basic local service." March 27th Order at 22. Similarly, the Joint Statement provides:

The Final Rulemaking provides the appropriate suspension and termination procedures so that such a consumer can retain the protected basic telephone service component and the ability to make local telephone landline calls, including 911 calls for emergency assistance.

Joint Statement at 3. Allowing continuation of the "zero-balance" approach set forth in Verizon's Petition will ensure protection of basic local service in a manner that is consistent with the goals of this rulemaking.

As Verizon noted in its Petition, the Commission "requirement to specifically state that amount attributed to 'basic' service is for the sole purpose of informing a customer of the amount

for which failure to pay will result in possible suspension or termination – in other words the minimum amount that package customer must pay to keep basic local calling capability upon package termination.” Verizon Petition at 5; *quoting*, March 27th Order at 17. Verizon stated, “where the customer is able to start fresh with a zero-balance basic account, there is no such ‘minimum amount’ – as the Commission recognizes. The customer will start from square one, and if he or she fails to pay under the new basic service account it will be treated for suspension and termination just like any other new basic service account.” Id. at 5-6.

The OCA agrees with Verizon that its zero-balance approach is a reasonable means to resolve the fundamental problem identified in this proceeding. Id. at 6; *see also*, March 27th Order at 23-24. Verizon’s proposal may avoid some of the costs, burdens and associated customer confusion that may result from requiring Verizon to drop its current method of converting customers to basic service with a zero-balance. The Commission should make explicit in the regulations the option for LECs to operate under the terms of the current waivers and maintain the Verizon conversion approach as an option. The OCA supports Verizon’s position that the Commission should clarify or reconsider in the regulations that a LEC can continue to convert non-paying packages to a zero-balance basic service account.

III. CONCLUSION

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Public Utility Commission consider the Petition for Reconsideration and/or Clarification filed by Verizon Pennsylvania, Inc. and Verizon North, Inc. in this matter on April 13, 2009. The OCA submits that Verizon’s Petition should be adopted to the extent that it allows LECs that currently

convert non-paying customers to a zero-balance basic service account to continue to do so.

Respectfully submitted,



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Dated: April 23, 2009
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CERTIFICATE OF SERVICE

Proposed Rulemaking Re: Provision of Bundled Service Package Plans at a Single Monthly Rate by Local Exchange Carriers
Docket No. L-00060179

I hereby certify that I have this day served a true copy of the foregoing document, Office of Consumer Advocate's Answer to the Petition for Reconsideration and/or Clarification filed by Verizon Pennsylvania, Inc. and Verizon North, Inc., upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 23rd day of April, 2009.

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