

Agenda Date: February 14, 2008  
Item Number: A4

**Docket:** UT-040788  
Company: Verizon Northwest Inc.

Staff: Paula Strain  
Deputy Asst. Director, Telecommunications Staff

### **Recommendation**

Issue an order dismissing the order suspending the tariff as modified, and allowing the late payment charge as revised to become effective on February 21, 2008, on less than statutory notice.

### **Background**

Verizon Northwest Inc.'s (Verizon's) recent general rate case in Docket UT-040788 was resolved by a multiparty settlement. In the settlement, the parties agreed that Verizon should institute a late payment charge (LPC) for residential and business customers of \$2.50 or 1.5 percent, whichever is greater. On April 12, 2005, the commission issued a final order approving the settlement. *See Docket UT-040788, Order 15.* The commission, in approving the settlement, expressed concern about the LPC proposal, and ordered Verizon to refile the tariffs with a December 31, 2007, expiration date. The order also provided that Verizon and commission staff should gather data and submit reports about the tariff's effect. Verizon refiled the tariffs to reflect the expiration date. The commission later removed the expiration date from the LPC for business customers (Order 17, May 5, 2005).

Order 17 also clarified that the commission would review information submitted by the parties about the effect of the late payment charge on residential customers, and that in its review it would consider whether the proposed tariff was fair, just, and reasonable. The order encouraged commission staff, Public Counsel and Verizon to review the information jointly and to participate in developing an LPC tariff to go into effect in January 2008.

On July 2, 2007, Verizon filed Advice 3252, seeking to remove the December 31, 2007, expiration date from the residential LPC, but leave the tariff otherwise unchanged. The tariff revision originally had an effective date of September 13, 2007. By mutual agreement in three stages, the effective date was extended to November 28, 2007, when Verizon's proposed tariff, along with differing proposals by staff and Public Counsel, came before the Commission at its open meeting.

Staff and Public Counsel raised concerns at that open meeting, including:

1. the high level of the Verizon LPC as compared to those charged by other utilities;
2. the fairness of imposing the LPC on overdue balances of less than the charge itself; and
3. the equity of imposing the charge on WTAP customers at the same rate as all other customers.

The Commission suspended the filing for 90 days to allow further discussion among the parties. The suspension period expires on February 26, 2008.

**Discussion**

Staff, Public Counsel and Verizon continued their discussions on the LPC, and reached agreement in late January on a revised LPC. Below is a comparison of the current LPC, the proposals by staff and Public Counsel presented at the November 28, 2007, open meeting, and the new proposed LPC agreed to by the parties.

	<b>Verizon</b>	<b>Public Counsel</b>	<b>Staff</b>	<b>Joint Proposal</b>
Minimum	\$2.50	\$0	\$1.50	<b>\$2.00</b>
Percentage	1.5%	0.723%	1.5%	<b>1.0%</b>
WTAP	Include	Exclude WTAP customers from the Late Payment Charge	Include	<b>Include</b>
Exempt Overdue Amounts	None		Overdue amounts of \$1.50 or less	<b>Overdue amounts of \$2.00 or less</b>

The revised LPC is estimated to reduce Verizon’s LPC revenues by 25 percent.

Verizon filed revised tariff sheets reflecting the agreed upon LPC on February 6, 2008. Verizon is asking for an effective date of February 21, 2008, to allow for implementation of the new LPC in Verizon’s billing system. Verizon will provide notice to customers of the change in LPC. Staff recommends the commission grant the less-than-statutory notice period to allow the new LPC to go into effect prior to the expiration of the current charge.

**Conclusion**

Commission staff recommends that the Commission issue an order dismissing the order suspending the tariff as modified, and allowing the late payment charge as revised to become effective on February 21, 2008, on less than statutory notice.