

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
VERIZON HAWAII INC.)
For Approval to Offer CentraNet,)
CustoPAK and/or WorkSmart Services)
In Conjunction with Business)
Internet DSL and Long Distance)
Services.)
_____)

DOCKET NO. 02-0181

RECEIVED
2002 AUG 15 P 4: 11
DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

DECISION AND ORDER NO. 19524

Filed August 15, 2002
At 10:30 o'clock A .M.

Karen Higashi
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.
K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
VERIZON HAWAII INC.) Docket No. 02-0181
For Approval to Offer CentraNet,) Decision and Order No. 19524
CustoPAK and/or WorkSmart Services)
In Conjunction with Business)
Internet DSL and Long Distance)
Services.)
_____)

DECISION AND ORDER

I.

On July 16, 2002, VERIZON HAWAII INC. (Verizon Hawaii) filed an application for commission approval to offer its CentraNet, CustoPAK, and WorkSmart services in conjunction with Verizon Business Digital Subscriber Line (DSL) Internet Services and its interstate toll services (proposed offering). Verizon Hawaii makes its request pursuant to Hawaii Administrative Rules (HAR) § 6-80-35(e) and also requests approval of its application by August 16, 2002.¹

Copies of the application were served on the DIVISION OF CONSUMER ADVOCACY of the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, (Consumer Advocate). On August 14, 2002, the Consumer Advocate filed its statement of position (SOP) informing the commission that it does not oppose the approval of Verizon Hawaii's application, provided that each of the Verizon entities

¹On August 6, 2002, Verizon Hawaii submitted additional information for the commission's review and consideration.

providing the services account for the revenues and expenses on its own books to ensure no cross-subsidization of services.²

II.

Through the proposed offering, Verizon Hawaii intends to provide business customers who subscribe to its CentraNet,³ CustoPAK,⁴ and/or WorkSmart⁵ services with a 10 per cent discount on the monthly recurring charge on qualifying Business DSL Internet Services,⁶ if the customers also select any of Verizon Hawaii's affiliates as the customers' primary interexchange carrier for interstate long distance toll services for at least one of their lines.⁷ Verizon Hawaii intends to provide the proposed offering on a statewide basis.

The commission currently classifies CentraNet, CustoPAK, and WorkSmart services as noncompetitive services. Business DSL Internet Services and Verizon long distance toll services fall under the jurisdiction of the Federal

²In its application, Verizon Hawaii represented that each Verizon entity will account for the revenues and expenses on its own books. Application at 3.

³See P.U.C. Tariff No. 3, Sections 29, 31, and 41.

⁴See P.U.C. Tariff No. 3, Section 42.

⁵See P.U.C. Tariff No. 3, Section 24.

⁶Verizon Internet Services Inc. and GTE.Net LLC, dba Verizon Internet Solutions (collectively referred to as VOL by Verizon Hawaii) provides Business DSL Services. Application at 2, footnote 1.

⁷To obtain this discount, these customers must also choose to have their Business DSL Internet Service billed to the same local telephone number as the CentraNet, CustoPAK, or WorkSmart and long distance services.

Communications Commission. Contending that the 10 per cent discount will be provided on Business DSL Internet Services and not on services regulated by the commission (i.e., CentraNet, CustoPAK, and WorkSmart services), Verizon Hawaii states that no tariff changes are required.⁸ It represents that the proposed offering: (1) will not result in cross-subsidization; and (2) is consistent with Act 225, 1995 Session Laws of Hawaii.⁹ Specifically, Verizon Hawaii states that it will record all of its revenues from CentraNet, CustoPAK, and WorkSmart services associated with this proposed offering in its regulated revenue accounts, and that none of these revenues would be recorded on the books of VOL or any of Verizon Hawaii's other affiliates.¹⁰ Furthermore, Verizon Hawaii represents that all costs associated with the provision of Business DSL Internet Services and interstate services associated with this proposed offering will be recorded on the books of VOL or that of Verizon Hawaii other affected affiliates.¹¹

III.

HAR § 6-80-35(e) prohibits a telecommunications carrier from offering a noncompetitive telecommunications service jointly with any fully or partially competitive service or with any interstate, international, or other service not within the

⁸Application at 2 and 3.

⁹Application at 2 and 4.

¹⁰Application at 3.

¹¹Ibid.

jurisdiction of the commission without the commission's express approval. The rule specifically states that the "commission's approval is subject to a satisfactory showing by the telecommunications carrier seeking to offer such joint services that the costs of the fully or partially competitive service or the costs of the interstate, international, or other non-jurisdictional service are not subsidized by the noncompetitive service."¹²

Upon review, we find that Verizon Hawaii has satisfactorily showed that its noncompetitive services (i.e., CentraNet, CustoPAK, and WorkSmart services) will not subsidize the costs of the non-jurisdictional services being jointly provided in the proposed offering. Our finding is based on Verizon Hawaii's representations made in this docket. The 10 per cent discount, as contemplated in the proposed offering, will be on Business DSL Internet Service, a service not regulated by the commission. Under the proposed offering, the rates of the regulated services will not be affected. The revenues of the regulated services, related with the proposed offering, will be recorded in Verizon Hawaii regulated revenue accounts, and all costs associated with the provision of Business DSL Internet Services and interstate services, related to the proposed offering, will be recorded on the books of the affected Verizon Hawaii affiliates.

Additionally, the Consumer Advocate believes, based on Verizon Hawaii's representations, that Verizon Hawaii's proposed

¹²HAR § 6-80-35(e).

offering will not affect Verizon Hawaii's general ratepayers, and that the proposed offering will be in the best interest of consumers since, among other things, it will provide consumers with more choices in telecommunications services.¹³

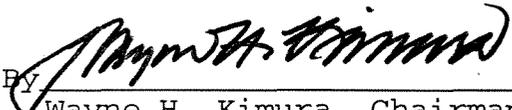
Based on the above, we conclude that Verizon Hawaii's proposed offering, as set forth in its July 16, 2002 application, should be approved.

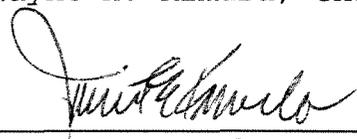
IV.

THE COMMISSION ORDERS that Verizon Hawaii's proposed offering, as set forth in its July 16, 2002 application, is approved.

DONE at Honolulu, Hawaii this 15th day of August, 2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Ji Sook Kim
Commission Counsel
02-0181.ac

¹³SOP at 4 and 5.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19524 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

JOEL K. MATSUNAGA
VICE PRESIDENT-EXTERNAL AFFAIRS
VERIZON HAWAII INC.
1177 Bishop Street, A-17
P. O. Box 2200
Honolulu, HI 96841



Catherine Sakato

DATED: August 15, 2002