

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
VERIZON HAWAII INC.)
)
For Approval to Offer Local Package)
or Local and Toll Package in)
Conjunction with Internet DSL and)
Long Distance Services.)
_____)

Docket No. 02-0183

DECISION AND ORDER NO. 19526

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OFFICE OF CONSUMER AFFAIRS
DEPT. OF COMMERCE AND INDUSTRY
HONOLULU, HAWAII

Filed August 15, 2002
At 2:30 o'clock P.M.

Karen Higashi
Chief Clerk of the Commission

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

K. Higashi

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DECISION AND ORDER

I.

By application filed on July 19, 2002, VERIZON HAWAII INC. (Verizon Hawaii) seeks commission approval to offer Verizon Hawaii's Local Package or Local and Toll Package in conjunction with Verizon interstate toll services and Verizon Online DSL or Verizon Online Dialup Internet Services on a promotional basis. As additional support for its application, on August 6, 2002, Verizon Hawaii filed a letter and two exhibits that demonstrated that the proposed offering is consistent with competitive policies in existing federal and state telecommunications statutes and commission rules. Verizon Hawaii makes its request in accordance with Hawaii Administrative Rules (HAR) § 6-80-35(e).

Copies of the application and agreement were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (Consumer Advocate). On August 14, 2002, the Consumer Advocate submitted its statement of position stating that it does not object to the commission's approval of the application, provided that each of the Verizon entities providing the services will account for the revenues and expenses on its own books in order to ensure that Local Package and Local and Toll Package services do not subsidize the Verizon Online DSL and Dialup Internet Services.¹

Pursuant to HAR 6-80-35(e), an application for approval to offer a noncompetitive telecommunications service jointly with any fully or partially competitive service or other service not within the jurisdiction of the commission must be filed with the commission not less than 30 days before the joint services are marketed, sold or advertised. Verizon Hawaii, in its application, requests that the commission approve its application by August 19, 2002.

¹This treatment is consistent with the accounting proposed by Verizon Hawaii in its application. At page 4 of its application, Verizon Hawaii states that "...each Verizon entity will account for the revenues and costs of its services on its own books, as they would under normal circumstances."

II.

A.

Verizon Hawaii is seeking commission approval to offer residential customers who subscribe to Verizon Hawaii's Local Package or Local and Toll Package on one or more lines and who also select any Verizon affiliate as their primary interexchange carrier for intrastate and interstate long distance toll services on all lines either a \$15 discount on the qualifying Verizon Online DSL Services or a \$2.95 discount on the qualifying Verizon Online Dialup Internet Services. These customers must also choose to have their Verizon Online DSL Service or Dialup Internet Service billed to the same local telephone number as the other services in the offering on the Verizon Hawaii billing statement to allow Verizon Hawaii to track whether a customer continues to subscribe to all of the services required for discount eligibility.

Verizon Online DSL Services and Verizon Online Dialup Internet Services are provided by Verizon Internet Services, Inc. and GTE.Net LLC dba Verizon Internet Solutions (collectively, VOL).

The discounts on the qualifying Verizon Online DSL and Dialup Internet Services will be applied to the Verizon Online portion of the customer's bill. Verizon's proposed offering will be provided to customers on a promotional basis to run

concurrently with the promotional offerings of Local Package and Local and Toll Package.

Verizon Hawaii states that Local Package services are currently classified as noncompetitive services. Local and Toll Package services are classified as fully competitive, noncompetitive, and nonregulated. The fully competitive services include the interisland long distance toll services. The noncompetitive services include residential service (R1), touch call, and 14 custom calling features. The nonregulated services include voicemail. Verizon Online DSL services are under the Federal Communications Commission's jurisdiction and Verizon Online Dialup Internet Services are unregulated.

B.

Pursuant to HAR § 6-80-35(e), a telecommunications carrier may not offer a noncompetitive telecommunications service jointly with any fully or partially competitive service or other service not within the jurisdiction of the commission, except upon the commission's express approval. 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 non-jurisdictional service are not subsidized by the noncompetitive service.

Verizon Hawaii states that Local Package and Local and Toll Package rates and charges will not change under this offering. Moreover, Verizon Hawaii asserts that the proposed discounts will be applied only on qualifying Verizon Online DSL Services and qualifying Verizon Online Dialup Internet Services. Thus, VOL, the Verizon affiliates, will record on their books any revenue reductions realized as a result of the promotion.

Based upon a review of the entire record, including, without limitations, Verizon Hawaii's representations, the commission finds that Verizon Hawaii has satisfactorily shown that its proposed offering will not result in the cross-subsidization of fully or partially competitive service or non-jurisdictional service by the noncompetitive service. Accordingly, the commission concludes that the proposed offering should be approved.

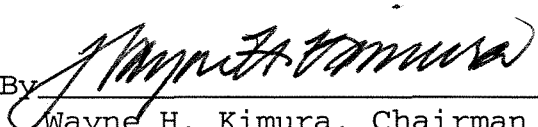
III.

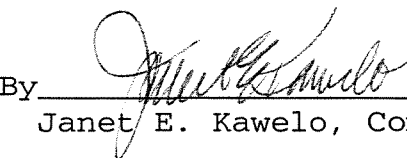
THE COMMISSION ORDERS that Verizon Hawaii's application, filed on July 19, 2002, to offer Verizon Hawaii's Local Package or Local and Toll Package in conjunction with Verizon interstate toll services and Verizon Online DSL or Verizon Online Dialup Internet Services on a promotional basis is approved.

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

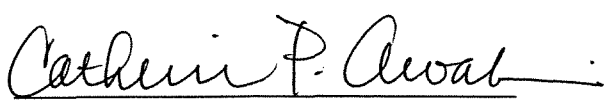
2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

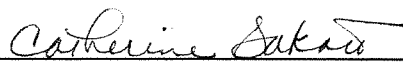

Catherine P. Awakuni
Commission Counsel
02-0183.ac

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19526 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.
P. O. Box 2200, A-17
Honolulu, HI 96841



Catherine Sakato

DATED: August 15, 2002