

013

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
)  
BELL ATLANTIC COMMUNICATIONS, INC., )  
dba VERIZON LONG DISTANCE )  
)  
For Approval to Change its Tariff )  
to Include the Business Plan 2 )  
Bundled Service Option. )  
\_\_\_\_\_ )

DOCKET NO. 02-0188

DECISION AND ORDER NO. 19553

RECEIVED  
2002 SEP 10 P 3:49  
DIV. OF CONSUMER ADVOCACY  
DEPT. OF COMMERCE AND  
CONSUMER AFFAIRS  
STATE OF HAWAII

Filed Sept. 10, 2002  
At 8:00 o'clock A.M.

Karen Higashi  
Chief Clerk of the Commission

ATTEST: A True Copy  
CATHERINE SAKATO  
Clerk  
Public Utilities Commission  
State of Hawaii

C Sakato

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
BELL ATLANTIC COMMUNICATIONS, INC., )  
dba VERIZON LONG DISTANCE )  
For Approval to Change its Tariff )  
to Include the Business Plan 2 )  
Bundled Service Option. )  

---

Docket No. 02-0188  
Decision and Order No. 19553

DECISION AND ORDER

I.

By application filed on July 23, 2002, BELL ATLANTIC COMMUNICATIONS, INC., dba VERIZON LONG DISTANCE (Verizon Long Distance), seeks commission approval to revise its tariff to include the Business Plan 2 Bundled Service Option (Business Plan). Verizon Long Distance makes its request in accordance with Hawaii Revised Statutes § 269-16 and Hawaii Administrative Rules (HAR) § 6-80-35(e).

A copy of the application was served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (Consumer Advocate). On August 22, 2002, Verizon Long Distance submitted a supplemental filing, supporting the approval of its Business Plan. By position statement filed on September 3, 2002, the Consumer Advocate does not object to the approval of Verizon Long Distance's Business Plan.

## II.

### A.

Verizon Long Distance states that the Business Plan will enable its business customers to receive a five per cent discount on long distance service, if the customer also subscribes to at least one of the qualifying services offered by its affiliate, Verizon Hawaii Inc.<sup>1</sup>

In the instant docket, Verizon Long Distance responds to the concerns raised by the commission in Dockets No. 02-0158 and 02-0189.<sup>2</sup> There, the commission expressed its concern that the Business Plan's requirement that a customer subscribe to an affiliate's services in order to receive the discount on long distance service appeared anti-competitive.

In seeking commission approval, Verizon Long Distance states as follows:

---

<sup>1</sup>The qualifying services are identified as Centrex, ISDN PRI, DSL, Private Line, Frame Relay, SMDS, ATM, or Flex Grow. The rates, terms, and conditions of these local services provided by Verizon Hawaii Inc. will remain as tariffed.

<sup>2</sup>In Docket No. 02-0158, the commission, by Order No. 19426, filed on June 21, 2002, suspended the Business Plan 2 Bundled Service Option, pending further review. In response to Order No. 19426, Verizon Long Distance, by transmittal filed on July 8, 2002, removed this Plan from its tariff. Accordingly, by Order No. 19469, filed on July 16, 2002, the commission closed Docket No. 02-0158.

In Docket 02-0189, the commission, by Order No. 19480, filed on July 24, 2002, suspended the Bundled Offering Promotion #1, pending further review. Subsequently, by Order No. 19544, filed on August 28, 2002, the commission approved Verizon Long Distance's withdrawal of the subject transmittal. At the same time, Verizon Long Distance noted its intent to pursue its permanent service offering in Docket No. 02-0188.

1. The commission previously approved the Business Plan as a temporary promotion.
2. The Business Plan "proved to be popular among business customers in Hawaii and other states." Many of its Hawaii customers "have already ordered the local/long distance bundle while offered . . . as a temporary promotion."
3. The Business Plan enhances competition by offering its Hawaii customers more choices to meet their long distance expectations and needs. "[C]ustomers see value in bundling services and products under a single brand and obtaining a lower price for the overall package."
4. It "offers this same package and others like it in 24 other states. No party has intervened or objected to the bundled offerings and no state has failed to approve the offerings."
5. Other telecommunications carriers competing with Verizon Long Distance in Hawaii already offer similar packages where local and long distance services are bundled.<sup>3</sup>

Outside of Hawaii, "carriers offer packages of local and long distance services as well, often bundled with services provided by an incumbent local exchange carrier."<sup>4</sup>

6. Since competing carriers are offering similar bundled options in Hawaii, "it would be anti-competitive to deny one carrier the right to compete on an equal basis."
7. The discount is only taken on long distance charges, and the rates for the local services will remain as tariffed, regardless of whether these services are bundled with a long distance offering.

Thus, the proposed offering will not affect or negatively impact the regulated revenues of Verizon Hawaii Inc.

---

<sup>3</sup>In particular, Verizon Long Distance refers to Oceanic Communications' Integrated Business Line service, and Pacific Lightnet, Inc.'s PowerFlex service.

<sup>4</sup>Verizon Long Distance attaches as examples bundled packages offered by AT&T, BellSouth, MCI, Qwest, and Southwestern Bell.

8. The Business Plan is not anti-competitive because local noncompetitive services are not used to subsidize competitive services. See HAR § 6-80-35.

Specifically, under Title 47, Section 272(b), of the Federal Telecommunications Act of 1996, "the separation requirements ensure that revenues from local exchange companies will not subsidize the competitive services of its affiliates."

Verizon Long Distance is a separate company from Verizon Hawaii Inc., with separate officers, directors, and books. This structural separation "precludes subsidization of the competitive services by noncompetitive or partially competitive services."

9. The Business Plan is available to all of Verizon Long Distance's and Verizon Hawaii Inc.'s business customers in Hawaii, under the same rates, terms, and conditions. Thus, the Business Plan is non-discriminatory.

B.

At the outset, the Consumer Advocate notes that while it does not object, in general, to the offering of bundled services, "[b]undled services that may include services with a captive customer base would not necessarily be in the public interest if those bundled services precluded the captive customers from choosing other options or yielded anti-competitive results."

That said, the Consumer Advocate states that Verizon Hawaii Inc.'s general ratepayers will not be adversely affected if the commission approves the Business Plan, based on Verizon Long Distance's representations that:

1. Verizon Hawaii's tariff will not change.
2. The 5 per cent discount "will be applied only on the long distance service."

3. The structural separation between the two entities will prevent cross-subsidization by Verizon Hawaii Inc.'s noncompetitive service.
4. Each of the Verizon entities providing the services will account for the revenues and expenses in their respective books, and the discount is reflected and recorded only on Verizon Long Distance's books.

Accordingly, the Consumer Advocate concludes that the Bundled Plan will be in the customers' best interests, by providing them "more choices to choose from depending on their specific needs."

#### C.

Upon careful review, the commission will allow the Business Plan to take effect, as proposed. The commission finds that Verizon Long Distance has met its requisite burden under HAR § 6-80-35(e). The commission also finds that business customers will have the opportunity to select the Business Plan in exchange for a discount on their long distance service, thereby providing these customers a meaningful choice.


#### III.

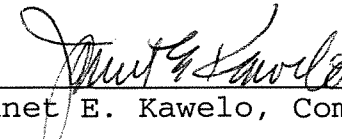
##### THE COMMISSION ORDERS:

1. Verizon Long Distance's tariff changes, attached as Exhibit 1 to its application, will be allowed to take effect, effective upon the filing of the instant Decision and Order.
2. Verizon Long Distance shall promptly file its revised tariff sheets for the Business Plan 2 Bundled Service Option, incorporating the appropriate issued and effective dates.

DONE at Honolulu, Hawaii this 10th day of September,  
2002.


PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Wayne H. Kimura, Chairman

By   
Janet E. Kawelo, Commissioner

By (Recused)  
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:

  
Michael Azama  
Commission Counsel

02-0188.ah


CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19553 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

JOHN D. BROTEN  
DIRECTORY, REGULATORY  
VERIZON LONG DISTANCE  
1320 North Court House Road  
Arlington, VA 22201

ANTHONY P. GILLMAN  
VERIZON LONG DISTANCE  
P. O. Box 110, FLTC0007  
Tampa, FL 33601-0110

  
\_\_\_\_\_  
Catherine Sakato

DATED: September 10, 2002