

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 Long Distance)
Interisland Toll and Voice)
Messaging Services.)

DOCKET NO. 02-0216

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DIV OF CONSUMER AFFAIRS
DEPT OF COMMERCE & INDUSTRY
HONOLULU, HAWAII

DECISION AND ORDER NO. 19681

Filed Sept. 26, 2002
At 8:30 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. 02-0216
For Approval to Offer CentraNet,) Decision and Order No. 19681
CustoPAK and/or WorkSmart Services)
In Conjunction with Long Distance)
Interisland Toll and Voice)
Messaging Services.)
_____)

DECISION AND ORDER

I.

On August 15, 2002, VERIZON HAWAII INC. (Verizon Hawaii) filed an application for commission approval to offer its CentraNet, CustoPAK, and WorkSmart services in conjunction with Verizon long distance interisland toll and Verizon Hawaii voice messaging (a.k.a., voice messaging mailbox) 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 September 16, 2002.

Copies of the application were served on the DIVISION OF CONSUMER ADVOCACY OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (Consumer Advocate). On September 17, 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.¹

¹The Consumer Advocate's position in this docket is based on the understanding that: (1) each of the Verizon entities providing the service will account for the revenues and expenses

II.

Through the proposed offering, Verizon Hawaii intends to provide business customers who subscribe to its CentraNet,² CustoPAK,³ and/or WorkSmart⁴ services with a 15 per cent discount on their monthly recurring charge for qualifying voice messaging mailbox service, if the customers also select any Verizon affiliate as their local primary interexchange carrier (LPIC) for long distance interisland toll services⁵ on all of their lines.⁶ Verizon Hawaii intends to market the proposed offering under the name "Verizon Advantage Pack"⁷ and represents that the proposed offering is currently provided in Maine, Vermont, Rhode Island, Massachusetts, New York, Pennsylvania, Delaware, Virginia, West Virginia, and Maryland.⁸

on its own financial records; and (2) the 15 per cent discount will only be recorded on Verizon Hawaii's unregulated books to ensure that the CentraNet, CustoPAK, and WorkSmart services do not subsidize the voice messaging mailbox and long distance interisland toll services.

²P.U.C. Tariff No. 3, Sections 29, 31, and 41.

³P.U.C. Tariff No. 3, Section 42.

⁴P.U.C. Tariff No. 3, Section 24.

⁵Bell Atlantic Communications Inc., dba Verizon Long Distance provides long distance interisland toll services. Additionally, Verizon Hawaii can be selected as the customer's intrastate LPIC. (Application at 2, footnote 1.)

⁶To obtain this discount, these customers must also choose to have their qualifying voice messaging mailbox service billed to the same local telephone number as the CentraNet, CustoPAK, or WorkSmart and long distance interisland toll services on Verizon Hawaii billing statements.

⁷Application at 2, footnote 2.

⁸Ibid at 7.

Verizon Hawaii represents that CentraNet, CustoPAK, and WorkSmart services are classified as noncompetitive services while voice messaging is classified as a non-regulated service. On the other hand, long distance interisland toll service is classified as fully competitive. Contending that the 15 per cent discount will be provided only on voice messaging mailbox service and not on regulated services such as CentraNet, CustoPAK, and WorkSmart services, Verizon Hawaii states that no tariff changes are required.⁹ 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 and the federal Telecommunications Act of 1996. Verizon Hawaii also 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 Verizon Hawaii's non-regulated operations or any affected Verizon affiliate's books.¹⁰ Furthermore, Verizon Hawaii represents that all costs associated with the provision of voice messaging mailbox service will be booked on its non-regulated operations and that the costs of provisioning long distance interisland toll service associated with this proposed offering will be recorded on the books of the selected LPIC for the service.¹¹ Among other things, Verizon Hawaii also represents that the proposed offering will not negatively impact its

⁹Ibid at 2 and 3.

¹⁰Ibid at 3.

¹¹Ibid at 3 and 4.

regulated revenues, since the proposed offering only affects Verizon Hawaii's non-regulated voice messaging mailbox service. Thus, Verizon Hawaii reasons that the proposed offering will not negatively impact regulated ratepayers while it benefits customers by providing them with an overall reduction in the costs of telecommunications services.

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 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 shown that the regulated noncompetitive services (CentraNet, CustoPAK, and WorkSmart services) will not subsidize the costs of the long distance interisland toll and voice messaging mailbox services being jointly provided in the proposed offering. Our finding is based on Verizon Hawaii's

¹²HAR § 6-80-35(e).

representations as set forth in this docket. The 15 per cent discount, as contemplated in the proposed offering, will only be on voice messaging mailbox services. Under the proposed offering, the rates of the regulated noncompetitive 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 long distance interisland toll and voice messaging mailbox services, related to the proposed offering, will be recorded on the books of the affected Verizon affiliate.

Additionally, the Consumer Advocate believes, based on Verizon Hawaii's representations, that Verizon Hawaii's proposed 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 August 15, 2002 application, should be approved.

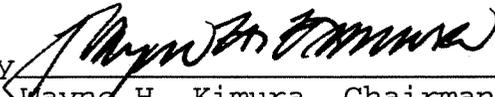
IV.

THE COMMISSION ORDERS that Verizon Hawaii's proposed offering, as set forth in its August 15, 2002 application, is approved.

¹³SOP at 4 and 5.

DONE at Honolulu, Hawaii this 26th day of September,
2002.

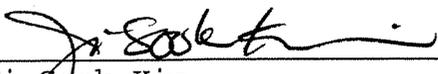
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By (RECUSED)
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:


Ji Sook Kim
Commission Counsel

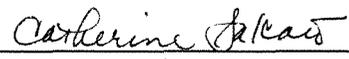
02-0216.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19681 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
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P. O. Box 2200
Honolulu, HI 96841



Catherine Sakato

DATED: September 26, 2002