

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
VERIZON HAWAII INC.)
For Approval of its Corporate)
Rewards Tariff to Jointly Offer)
Interisland Toll and Business)
Exchange Services.)
_____)

DOCKET NO. 02-0223

DECISION AND ORDER NO. 19685

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DIV OF REG. & GEN. AFFAIRS
PUBLIC UTILITIES COMMISSION
CONSUMER DIVISION

Filed Oct. 1, 2002
At 8:00 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

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DECISION AND ORDER

I.

On August 21, 2002, VERIZON HAWAII INC. (Verizon Hawaii) filed an application for commission approval to establish rates and charges for its Corporate Rewards Business Optional Calling Plan by amending P.U.C. Tariff No. 7, Section 1.¹ By letter dated and filed September 20, 2002, Verizon Hawaii voluntarily revised its application by removing the ISDN Single Line element from its new offering (as revised, proposed offering or Corporate Rewards plan).² Verizon Hawaii makes its request pursuant to Hawaii Revised Statutes § 269-16 and Hawaii Administrative Rules (HAR) §§ 6-80-35(e) and 6-61-111 and also requests approval of its application by September 23, 2002.

¹Verizon Hawaii, attached its tariff changes to its application as Exhibit 4. On August 21, 2002, Verizon Hawaii also filed cost information in support of its new offering under a confidential designation.

²Verizon Hawaii filed revisions to its tariff changes (Exhibit 4) as an attachment to its letter.

Copies of the application were served on the DIVISION OF CONSUMER ADVOCACY OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (Consumer Advocate).³ On September 24, 2002, the Consumer Advocate filed its statement of position (SOP) informing the commission that it does not object to the approval of Verizon Hawaii's application, as revised.⁴

II.

Through the Corporate Rewards plan, Verizon Hawaii intends to provide business customers with discounted interisland toll rates according to the amount of their usage and additional discounts based on the number of years that the customers remain with the plan.⁵ Subscribers to this plan that exceed a certain level of usage (i.e., total qualifying monthly usage of \$500-\$4,999) will also receive certain per line discounts. Specifically, Verizon Hawaii is offering a: (1) \$1.00 monthly discount for Business Line (B1), Type A Access (PBX trunks), and Type B Access (key lines) services; (2) \$2.00 monthly discount for ISDN Basic Rate Interface (BRI) services; and

³On September 4, 2002, Verizon Hawaii and the Consumer Advocate filed a stipulated proposed protective order for the commission's consideration. Due to certain concerns, the commission has yet to act on the stipulated proposed protective order.

⁴Verizon Hawaii revised its application, removing the ISDN Single Line element from its Corporate Rewards plan, in response to a concern of the Consumer Advocate. (SOP at 5 and Verizon Hawaii's September 20, 2002 letter.)

⁵The specifics of Verizon Hawaii's proposed discounts being offered through the Corporate Rewards plan is set forth in a table (see Application at 3).

(3) \$48.00 monthly discount for ISDN Primary Rate Interface (PRI) services.

Verizon Hawaii represents that the B1, Type A and B Access, and ISDN BRI and PRI services are classified as noncompetitive services, while interisland toll is classified as a fully competitive service. It represents that the Corporate Rewards plan will not result in cross-subsidization since the access line discounts apply to Verizon Hawaii interisland toll service customers who achieve a certain level of usage. Verizon Hawaii represents that the discounted toll rates will be above their underlying costs, as shown in the cost information filed in support of the proposed offering. Verizon Hawaii also contends that the Corporate Rewards plan is consistent with Act 225, 1995 Session Laws of Hawaii since the plan will provide "lower prices" and "increase variety" of telecommunications services, among other things. Furthermore, it represents that similar offerings are currently provided in Hawaii by Time Warner Telecom of Hawaii, L.P., dba Oceanic Communications; Pacific Lightnet, Inc.; and AT&T Communications of Hawaii, Inc.

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.”⁶

Upon review, we find that Verizon Hawaii has satisfactorily shown that the noncompetitive services (B1, Type A and B Access, and ISDN BRI and PRI services) will not subsidize the costs of the fully competitive service (interisland toll service) being jointly provided in the proposed offering. Our finding is based on Verizon Hawaii’s representations and the cost information provided this docket. Additionally, the Corporate Rewards plan appears to be in the best interest of business consumers.

Based on the above, we conclude that Verizon Hawaii’s proposed tariff changes, as set forth as Exhibit 4, of its August 21, 2002 application, as amended in its September 20, 2002 filing, establishing its Corporate Rewards plan, should be allowed to take effect, effective as of the date of this decision and order.

⁶HAR § 6-80-35(e).

IV.

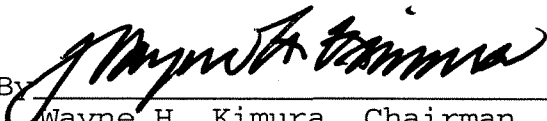
THE COMMISSION ORDERS:

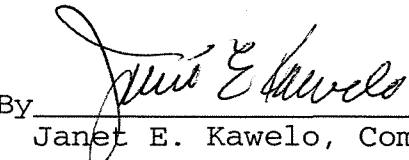
1. Verizon Hawaii's tariff changes, attached as Exhibit 4 to its August 21, 2002 application, as amended by its September 20, 2002 filing, will be allowed to take effect, effective as of the date of this decision and order.

2. Verizon Hawaii shall promptly file its revised tariff sheets for its Corporate Rewards plan, incorporating the appropriate issued and effective dates.

DONE at Honolulu, Hawaii this 1st day of October, 2002.

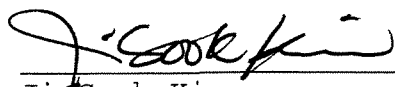
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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
02-0223.ac

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19685 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: October 1, 2002