

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
VERIZON HAWAII INC. )  
For Approval of Changes to its )  
Tariff. Transmittal No. 03-35. )

DOCKET NO. 03-0201

In the Matter of the Application of)  
VERIZON HAWAII INC. )  
For Approval to: (1) Add FlexGrow )  
Service to its Corporate Rewards )  
Plan; and (2) Jointly Offer )  
FlexGrow with Interisland Toll )  
Service in the Corporate )  
Rewards Plan. )

DOCKET NO. 03-0177

(CONSOLIDATED)

DECISION AND ORDER NO. 20591

RECEIVED  
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DIV. OF CONSUMER AFFAIRS  
DEPT. OF COMMERCE  
CONSUMER AFFAIRS  
STATE OF HAWAII

Filed Oct. 23, 2003  
At 10:00 o'clock A .M.

Karen Higuel.  
Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)	)	
VERIZON HAWAII INC.	)	Docket No. 03-0201
	)	
For Approval of Changes to its	)	
Tariff. Transmittal No. 03-35.	)	
_____	)	
	)	
In the Matter of the Application of)	)	
VERIZON HAWAII INC.	)	Docket No. 03-0177
	)	
For Approval to: (1) Add FlexGrow	)	(Consolidated)
Service to its Corporate Rewards	)	
Plan; and (2) Jointly Offer	)	Decision and Order No. 20591
FlexGrow with Interisland Toll	)	
Service in the Corporate	)	
Rewards Plan.	)	
_____	)	

DECISION AND ORDER

I.

Introduction

VERIZON HAWAII INC. ("Verizon Hawaii") requests approval to: (1) add FlexGrow service to the Corporate Rewards Business Optional Calling Plan (the "Corporate Rewards Plan" or "Plan"); and (2) jointly offer FlexGrow with interisland toll service in the Plan by an application filed on June 19, 2003 (collectively, "FlexGrow Requests").<sup>1</sup> The FlexGrow Requests became a matter of Docket No. 03-0177.

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<sup>1</sup>Verizon Hawaii attached its proposed tariff changes to its application as Exhibit III, and submitted cost support information to advance its FlexGrow Requests on June 20, 2003.

Verizon Hawaii also proposes to enhance its Corporate Rewards Plan by: (1) adding two- and three-year service agreement options with tiered access line discounts; and (2) introducing local access line additives through Transmittal No. 03-35, filed on June 19, 2003 ("Transmittal No. 03-35").<sup>2</sup> Transmittal No. 03-35 had a proposed effective date of July 21, 2003.

Verizon Hawaii served copies of both filings on the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate").<sup>3</sup> The Consumer Advocate expressed concerns with both filings and indicated its intent to issue information requests ("IRs") in its preliminary position statement filed on July 10, 2003, in Docket No. 03-0177. The Consumer Advocate served Verizon Hawaii with IRs on July 14, 2003. Verizon Hawaii submitted its IR responses on July 17, 2003.

The commission ordered: (1) the suspension of Transmittal No. 03-35 for further review, and made the transmittal a matter of Docket No. 03-0201; (2) the consolidation of Docket Nos. 03-0177 and 03-0201 into a single proceeding, consistent with Hawaii Administrative Rules ("HAR") § 6-61-39; and (3) the Consumer Advocate to promptly file its statement of

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<sup>2</sup>Verizon Hawaii attached its proposed tariff changes to Transmittal No. 03-35 as Exhibit 1, and submitted cost support information in support of the transmittal on June 20, 2003.

<sup>3</sup>Verizon Hawaii and the Consumer Advocate filed their proposed Stipulation for Protective Order for the commission's review and approval in Docket No. 03-0177 on June 25, 2003. The commission issued Protective Order No. 20275 on June 30, 2003.

position on both matters by Order No. 20335, filed on July 17, 2003.

The Consumer Advocate states that it does not object to the approval of Verizon Hawaii's FlexGrow Requests and Transmittal No. 03-35 by statement of position filed on August 29, 2003.

## II.

### Background

#### A.

#### Corporate Rewards Plan

The commission approved Verizon Hawaii's Corporate Rewards Plan on October 1, 2002, through Decision and Order No. 19685, in Docket No. 02-0223. Verizon Hawaii provides business customers with discounted interisland toll rates based on the amount of usage, type of access lines used, and the duration of customer's subscription through the Plan, as set forth in P.U.C. Tariff No. 7, Section 1. The Plan offers the following types of access line services: "Regular" Business ("B1"); Type A Access ("PBX trunk"); Type B Access ("key line"); Integrated Services Digital Network Primary Rate Interface ("ISDN-PRI"); and ISDN Basic Rate Interface ("ISDN-BRI"). Customers that exceed a certain level of usage (i.e., achieve at least tier 2 level; total qualifying monthly usage of \$500-\$4,999) also receive per line discounts on access lines-- customers of B1, PBX trunk, and key line receive \$1.00 monthly discounts; while those using ISDN-BRI and ISDN-PRI receive \$2.00

and \$48.00 monthly discounts, accordingly. Verizon Hawaii seeks to now amend P.U.C. Tariff No. 7, Section 1 through its FlexGrow Requests and Transmittal No. 03-35.

1.

Flexgrow Service

FlexGrow service provides high capacity digital facilities between the business customer's premise and the serving central office. FlexGrow is currently classified as a noncompetitive service while interisland toll is classified as a fully competitive one. Verizon Hawaii seeks commission approval to provide FlexGrow as part of its Corporate Rewards Plan, which already includes interisland toll service, pursuant to HAR § 6-80-35(e). Verizon Hawaii represents that its FlexGrow service will not subsidize the costs of its interisland toll portion of its offering since the discounted toll rates are above their underlying costs. Verizon Hawaii intimates that business customers will benefit from the offering since approval of its FlexGrow Requests will result in the reduction of overall telecommunications costs. Verizon Hawaii also represents that this proposal is consistent with Act 225, Session Laws of Hawaii 1995, and that its proposed offering will help Hawaii business customers be competitive with mainland businesses who already enjoy the same types of business exchange and toll package offerings.

2.

Multi-year Agreement Options and Additives

Currently, the Plan is offered with a one-year term that is automatically renewed unless the subscription is terminated. Verizon Hawaii proposes to introduce two- and three-year service agreement options with tiered access discounts, as set forth in Table 3 of Transmittal No. 03-35. The access line discounts on the Plan's one-year service agreement, discussed above and approved in Docket No. 02-0223, will remain. Verizon Hawaii also proposes to introduce local access line additives, as set forth in Table 4 of Transmittal No. 03-35. Adding the additives to the qualifying toll usage revenues determine the customer's qualifying tier, which determines the interisland toll rate and access line discounts that the customer is eligible to receive. Additives are said to be similar to loyalty discounts, which are rewarded to customers for continuing their service with Verizon Hawaii. Verizon Hawaii intimates that the multi-year agreement options and additives benefit business customers through larger discounts.

B.

Consumer Advocate's Position

The Consumer Advocate does not object to the proposed tariff changes proffered by Verizon Hawaii through its FlexGrow Requests and Transmittal No. 03-35. The Consumer Advocate agrees with Verizon Hawaii's representation that the costs for the various service lines under the proposal do not exceed the

current tariff rates, and notes that inclusion of the additives with the access line discounts may allow customers to qualify for lower rates. The Consumer Advocate also concludes that the discounted interisland toll rates appear to be above Verizon Hawaii's total service long run incremental cost of providing the service.

### III.

#### Findings and Conclusions

##### A.

#### Flexgrow Requests

Hawaii Revised Statutes § 269-39(a) and HAR § 6-80-35(a) prohibit the cross-subsidization of a telecommunications carrier's competitive services by its noncompetitive service offerings.<sup>4</sup> Under HAR § 6-80-35(e), a telecommunications carrier is prohibited 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 commission's jurisdiction without the commission's express approval. The rule states that "[t]he commission's approval is subject to a satisfactory showing by the telecommunications carrier seeking to

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<sup>4</sup>HAR § 6-80-35(b) clarifies that cross-subsidization "is deemed to have occurred if: (1) [a]ny fully competitive or partially competitive service is priced below the total service long run incremental cost of providing the service; (2) [f]ully competitive services, taken as a whole, fail to cover their direct and allocated joint and common costs; or (3) [i]f fully competitive and partially competitive services, taken as a whole, fail to cover the direct and allocated joint and common costs."

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."

Upon review, we find that Verizon Hawaii has satisfactorily demonstrated that the noncompetitive FlexGrow service will not subsidize the costs of the fully competitive interisland toll service of its Corporate Rewards Plan. Our finding is based on Verizon Hawaii's assertions and representations. The inclusion of the FlexGrow service to Verizon Hawaii's existing Corporate Rewards Plan should benefit Hawaii business customers through lower overall prices, and it appears to be in their best interest. Accordingly, we conclude that Verizon Hawaii's FlexGrow Requests should be approved.

B.

Transmittal No. 03-35

The enhancements to the Plan proposed through Transmittal No. 03-35 give business customers more options, larger discounts, and lower overall rates. Verizon Hawaii has satisfactorily shown that the costs for the services offered in the Plan do not exceed the current tariff rates. The multi-year service agreement options and the additives appear to be in the best interest of Hawaii business customers, and we find that approval of Transmittal No. 03-35 is reasonable and in the public interest. Thus, we conclude that Transmittal No. 03-35 should be approved.

IV.

Orders

THE COMMISSION ORDERS:

1. Verizon Hawaii's proposed tariff changes to add FlexGrow service to its Corporate Rewards Plan and jointly offering FlexGrow service with interisland toll service is approved and will be allowed to take effect as of the date of this decision and order.

2. Verizon Hawaii's Transmittal No. 03-35 is approved and will be allowed to take effect as of the date of this decision and order.

3. Verizon Hawaii shall promptly file initial tariff sheets reflecting the commission's decisions herein, with the appropriate issued and effective dates.

DONE at Honolulu, Hawaii this 23rd day of October, 2003.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By Carlito P. Caliboso  
Carlito P. Caliboso, Chairman

By Wayne H. Kimura  
Wayne H. Kimura, Commissioner

APPROVED AS TO FORM:

By Janet E. Kawelo  
Janet E. Kawelo, Commissioner

Ji Sook Kim  
Ji Sook Kim  
Commission Counsel

03-0201/03/0177.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20591 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

  
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Karen Higashi

DATED: October 23, 2003