

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of))	
VERIZON HAWAII INC.)	Docket No. 03-0034
)	
For Approval of Changes to Its)	Order No. 20977
Tariff and for Exemption Pursuant)	
To HRS § 269-16.9.)	
<hr/>		

ORDER

I.

Background

The commission issued Decision and Order No. 20620 on November 4, 2003 ("D&O No. 20620") authorizing VERIZON HAWAII INC. ("Verizon Hawaii") to reduce its local directory assistance ("LDA") service allowance from ten (10) to five (5) calls per billing period, and increase its LDA service charge for calls that exceed the allowance from \$0.20 to \$0.50 per call.¹

The changes to Verizon Hawaii's LDA service, as set forth above, were approved, "provided that these LDA service changes do NOT result in overall gains in Verizon Hawaii regulated revenues (i.e., "Revenue Neutral Requirement")."² The commission required Verizon Hawaii to submit a proposal to implement the LDA approved changes in compliance with the commission's Revenue Neutral Requirement in D&O No. 20620.

¹D&O No. 20620 addresses Verizon Hawaii's requests to amend its LDA service as specified in its application filed on February 11, 2003.

²See, D&O No. 20620 at 12.

Verizon Hawaii filed its LDA implementation proposal in a letter dated and filed on November 19, 2003 ("Implementation Proposal").³

In its Implementation Proposal, Verizon Hawaii proposes to report the changes in its LDA revenues after one (1) year of implementation. Verizon Hawaii states that LDA revenues after a year of implementation will be compared to revenues for one (1) year preceding the LDA changes in a report to the commission within ninety (90) days after the completion of the year, with a copy to the DIVISION OF CONSUMER ADVOCACY OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"). Verizon Hawaii anticipates that no further action will be needed to comply with the commission's Revenue Neutral Requirement based on its calculations. However, Verizon Hawaii states that it will submit a revised implementation plan for the commission's approval if the commission deems that the incremental change in revenues after a year of implementation of the approved changes warrants an adjustment.

³The commission also required Verizon Hawaii to, among other things, include in its customer notification letters alternative sources of information "including on-line directory listings, listings on CD-ROM form, and printed directories of all major Hawaiian Islands" ("Informational Provision"). Verizon Hawaii filed a motion for reconsideration of D&O No. 20620 and a memorandum in support of its motion on November 13, 2003 (collectively, "Motion") alleging that the Informational Provision of D&O No. 20620 is unreasonable and requesting that the commission amend the decision and order by removing the Informational Provision requirement from D&O No. 20620. The commission denied Verizon Hawaii's Motion in Order No. 20727, filed on January 5, 2004 ("Order No. 20727"). In the alternative, upon further review, the commission clarified the requirements of the Informational Provision in Order No. 20727.

Upon review of Verizon Hawaii's Implementation Proposal, the commission asked Verizon Hawaii and the Consumer Advocate (collectively, the "Parties") to file additional information for the commission's review and consideration in a letter filed on January 26, 2004.⁴ Specifically, we asked Verizon Hawaii whether retaining its prior LDA rate and call allowance would be unreasonable in light of the projections filed in its Implementation Proposal and for an explanation of the "repression" analysis used in its filing. In the same letter, we asked the Consumer Advocate whether or not it wished to amend its position with regards to Verizon Hawaii's LDA requested changes upon review of the additional information contained in Verizon Hawaii's Implementation Proposal.

Verizon Hawaii filed its response to the commission's January 26, 2004 request for additional information on February 5, 2004 ("Verizon Hawaii's Response"), while the Consumer Advocate filed its response on February 18, 2004 ("Consumer Advocate's Response").

⁴The commission requested additional information in an attempt to, among other things, address its concern that the approved LDA service changes "will result in minimal, if any, positive impact for Verizon Hawaii, but adversely affect consumers by raising rates and reducing the call allowance." (Commission Letter to Joel K. Matsunaga dated January 26, 2004, at 2.)

II.

Verizon Hawaii's Response

Verizon Hawaii asserts that it would be unreasonable to maintain the existing LDA rate and service call allowance (\$0.20 per call and an allowance of ten (10) calls per billing period) since these service charges do not cover the cost for LDA service. Additionally, it states that while there may be very little incremental change in revenues, if at all, the LDA service changes will have a positive impact on Verizon Hawaii.

Verizon Hawaii contends that the current charge amount and existing call allowance would place "unreasonable increased pressure on local rates to further support LDA costs."⁵ Verizon Hawaii asserts that competition has reduced support from higher profit services for below-cost priced services, such as LDA. Accordingly, Verizon Hawaii states that the commission "must permit" it to move rates for below-cost services closer to the cost for providing them. Verizon Hawaii represents that "[a]ll consumers benefit under the [c]ommission-approved \$[0].50 charge per call and five-call allowance because LDA costs are shifted to those who generate it and away from the general rate payer."⁶ It further represents that the LDA service changes will be beneficial in the long-run since it "creates a sustainable service and decreases upward pricing pressure on local service."⁷

⁵See, Verizon Hawaii's Response at 1.

⁶See, Verizon Hawaii's Response at page 2 of Attachment 1.

⁷*Ibid.*

Verizon Hawaii states that its proposal to report actual LDA data after a year of implementation is reasonable in light of the amount of the estimated revenue impact. After a year of implementation, if there is an incremental increase in revenues, which the commission believes warrants an adjustment, Verizon Hawaii states that it will submit its amended proposal at that time for our approval. Accordingly, it requests that the commission allow Verizon Hawaii to proceed with implementation of the approved LDA service changes.⁸

III.

Consumer Advocate's Response

The Consumer Advocate informs us that it will not deviate from its recommendations set forth in its July 14, 2003 Statement of Position. Specifically, the Consumer Advocate continues to support its recommendation to increase the LDA charge to \$0.50 for each call made in excess of a three (3) -call allowance. The Consumer Advocate based its recommendation on the conclusion that its recommended LDA changes will give Verizon Hawaii "a reasonable opportunity to recover the majority of costs incurred to provide this service . . . [while not resulting in] a significant decrease in the additional revenues to be collected" and affecting a relatively small percentage of Verizon Hawaii's customers.⁹

⁸Verizon Hawaii also provided an explanation of its "repression" analysis in response to our request.

⁹See, Consumer Advocate's Response at 3.

Furthermore, based on its review, the Consumer Advocate contends that Verizon Hawaii's "repression" calculations are reasonable, and informs us that it found no significant concerns with the factors utilized in Verizon Hawaii's analysis. The Consumer Advocate states that Verizon Hawaii's proposal to report LDA revenue changes after one (1) year of implementation appears reasonable since it will allow us to assess the impact of the proposed changes after a reasonable time has lapsed.

IV.

Discussion

Upon review of the full record of this docket, the commission finds, at this time, that Verizon Hawaii's Implementation Proposal, filed on November 19, 2004, to be reasonable. The additional information provided by the Parties to this docket has alleviated our concerns. Additionally, we recognize that with approval of Verizon Hawaii's Implementation Proposal, the commission will have an opportunity to further review the affects of the LDA changes as approved in D&O No. 20620. At that time, the commission will be in a better position to clearly assess the affects of these service changes, and require Verizon Hawaii to make revenue adjustments, if necessary, in compliance with our Revenue Neutral Requirements.

Based on the above, we conclude that Verizon Hawaii's Implementation Proposal, filed on November 19, 2003, should be approved.

V.

Orders

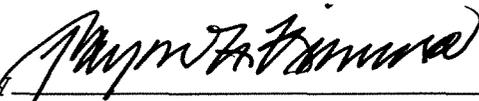
1. Verizon Hawaii's Implementation Proposal, filed on November 19, 2003, is approved.

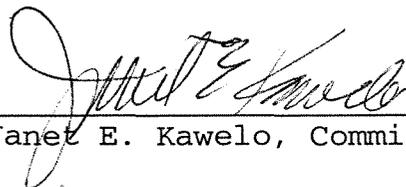
2. Verizon Hawaii shall make every effort to fully comply with all other D&O No. 20620 requirements and conditions, as clarified in Order No. 20727.

DONE at Honolulu, Hawaii this 14th day of May, 2004.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


J. Sook Kim
Commission Counsel

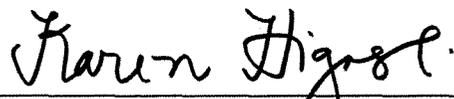
03-0034.ah

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 20977 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
Honolulu, HI 96841



Karen Higashi

DATED: May 14, 2004