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 Business
Internet DSL and Long Distance
Services.

DOCKET NO. 02-0181

DECISION AND ORDER NO. 19524

Filed ___________, 2002
At ___________ o’clock A.M.

Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
BEFORE THE PUBLIC UTILITIES COMMISSION
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DECISION AND ORDER

I.

On July 16, 2002, VERIZON HAWAII INC. (Verizon Hawaii) filed an application for commission approval to offer its CentraNet, CustoPAK, and WorkSmart services in conjunction with Verizon Business Digital Subscriber Line (DSL) Internet Services and its interstate toll 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 August 16, 2002.¹

Copies of the application were served on the DIVISION OF CONSUMER ADVOCACY of the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, (Consumer Advocate). On August 14, 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, provided that each of the Verizon entities

¹On August 6, 2002, Verizon Hawaii submitted additional information for the commission’s review and consideration.
providing the services account for the revenues and expenses on its own books to ensure no cross-subsidization of services.  

II.

Through the proposed offering, Verizon Hawaii intends to provide business customers who subscribe to its CentraNet, CustoPAK, and/or WorkSmart services with a 10 per cent discount on the monthly recurring charge on qualifying Business DSL Internet Services, if the customers also select any of Verizon Hawaii's affiliates as the customers' primary interexchange carrier for interstate long distance toll services for at least one of their lines. Verizon Hawaii intends to provide the proposed offering on a statewide basis.

The commission currently classifies CentraNet, CustoPAK, and WorkSmart services as noncompetitive services. Business DSL Internet Services and Verizon long distance toll services fall under the jurisdiction of the Federal

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2In its application, Verizon Hawaii represented that each Verizon entity will account for the revenues and expenses on its own books. Application at 3.

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

4See P.U.C. Tariff No. 3, Section 42.

5See P.U.C. Tariff No. 3, Section 24.

6Verizon Internet Services Inc. and GTE.Net LLC, dba Verizon Internet Solutions (collectively referred to as VOL by Verizon Hawaii) provides Business DSL Services. Application at 2, footnote 1.

7To obtain this discount, these customers must also choose to have their Business DSL Internet Service billed to the same local telephone number as the CentraNet, CustoPAK, or WorkSmart and long distance services.
Communications Commission. Contending that the 10 per cent discount will be provided on Business DSL Internet Services and not on services regulated by the commission (i.e., CentraNet, CustoPAK, and WorkSmart services), Verizon Hawaii states that no tariff changes are required. 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. Specifically, Verizon Hawaii 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 the books of VOL or any of Verizon Hawaii's other affiliates. Furthermore, Verizon Hawaii represents that all costs associated with the provision of Business DSL Internet Services and interstate services associated with this proposed offering will be recorded on the books of VOL or that of Verizon Hawaii other affected affiliates.

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

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8Application at 2 and 3.
9Application at 2 and 4.
10Application at 3.
11Ibid.
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 showed that its noncompetitive services (i.e., CentraNet, CustoPAK, and WorkSmart services) will not subsidize the costs of the non-jurisdictional services being jointly provided in the proposed offering. Our finding is based on Verizon Hawaii's representations made in this docket. The 10 percent discount, as contemplated in the proposed offering, will be on Business DSL Internet Service, a service not regulated by the commission. Under the proposed offering, the rates of the regulated 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 Business DSL Internet Services and interstate services, related to the proposed offering, will be recorded on the books of the affected Verizon Hawaii affiliates.

Additionally, the Consumer Advocate believes, based on Verizon Hawaii's representations, that Verizon Hawaii's proposed

\(^{12}\)HAR § 6-80-35(e).
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.\textsuperscript{13}

Based on the above, we conclude that Verizon Hawaii's proposed offering, as set forth in its July 16, 2002 application, should be approved.

IV.

THE COMMISSION ORDERS that Verizon Hawaii's proposed offering, as set forth in its July 16, 2002 application, is approved.

DONE at Honolulu, Hawaii this 15th day of August, 2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

Wayne H. Kimura, Chairman

Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

Ji Sook Kim
Commission Counsel

\textsuperscript{13}SOP at 4 and 5.
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19524 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
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JOEL K. MATSUNAGA
VICE PRESIDENT-EXTERNAL AFFAIRS
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P. O. Box 2200
Honolulu, HI  96841

DATED:  August 15, 2002

[Signature]
Catherine Sakato