

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, and Request for Exemption.)
_____)

DOCKET NO. 02-0343

DECISION AND ORDER NO. 19783

Filed Nov. 19, 2002
At 8:00 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

2002 NOV 19 P 4:10

RECEIVED

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. 02-0343
For Approval of Changes to its)
Tariff, and Request for Exemption.) Decision and Order No. 19783
_____))

DECISION AND ORDER

I.

By application filed on September 12, 2002, VERIZON HAWAII INC. requests commission approval of certain revisions to its tariff -- specifically, section 2, paragraph 19. Its proposed tariff changes are reflected in Exhibit D of its application. Verizon Hawaii Inc. makes its request in accordance with Hawaii Revised Statutes (HRS) §§ 269-16, 269-16.9, and Hawaii Administrative Rules (HAR) § 6-61-111.¹ It also proposed an effective date of October 14, 2002.

Copies of the application were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (Consumer Advocate).

On October 4, 2002: (1) Verizon Hawaii Inc. submitted its response to the Consumer Advocate's verbal inquiry; and (2) by Order No. 19694, the commission suspended the proposed tariff changes, pending further review. By position statement

¹See Verizon Hawaii Inc.'s application at page 1. HRS § 269-16 governs the: (1) commission's regulation of public utility rates; and (2) commission's ratemaking procedures. HRS § 269-16.9 authorizes the exemption or waiver of certain telecommunications requirements. HAR § 6-61-111 applies to tariffs filed by public utilities.

filed on November 14, 2002, the Consumer Advocate does not object to the approval of Verizon Hawaii Inc.'s proposed tariff changes.

II.

A.

Under Verizon Hawaii Inc.'s existing tariff: (1) a service charge of \$9.00 applies to "each check presented for payment and returned by the institution on which it is written[;]"² and (2) a late payment charge of 1 per cent per month is assessed to "billed amounts which remain unpaid 45 days or more after the bill date."³ Verizon Hawaii Inc. represents as follows:

1. These charges took effect on October 1, 1984, and no tariff revisions to the return check provision have been made since then.
2. In April 1987, the late payment charge provision was revised by reducing the number of days from 60 to 45.

B.

Verizon Hawaii Inc. seeks approval to revise section 2, paragraph 19(E), entitled Return Check Charge, by:

1. Changing the title of this provision to Return Payment Charge.
2. Amending the provision's language to "clarify that the charge applies to any returned payment, not solely to a returned check."
3. Increasing the applicable charge from \$9.00 to \$20.00 per returned payment.

²Verizon Hawaii Inc.'s Tariff No. 1, section 2, paragraph 19(E).

³Verizon Hawaii Inc.'s Tariff No. 1, section 2, paragraph 19(F).

Verizon Hawaii Inc. states as follows:

1. When the return check charge initially took effect in 1984, customers paid by cash or check.
2. It proposes to update the tariff's language to include electronic and automatic bill payment methods, which can also result in a returned payment due to insufficient funds in a customer's account, or a closed or frozen account.
3. Its current \$9.00 charge is the lowest of all other major telecommunications carriers providing service in Hawaii. Thus, a \$20.00 charge will make its return payment charge consistent "with many of the other telecommunications companies." Also, this charge is designed to discourage and "prevent future bad payments."
4. Its supporting cost study is submitted in compliance with the commission's requirements.

C.

Verizon Hawaii Inc. also seeks approval to revise section 2, paragraph 19(F), entitled Late Payment Charge, by increasing this charge from 1 per cent to 1.5 per cent per month. Verizon Hawaii Inc. states that:

1. As shown by its cost study, the processing and interest costs it incurs "when a customer does not timely pay his or her telephone bill" exceeds the current late payment charge of 1 per cent. Thus,

the proposed increase of 0.5 per cent "will permit it to cover its costs."

2. The proposed increase will encourage customers to "pay their bills on time to avoid the higher fee."
3. The majority of telecommunications carriers in Hawaii have a late payment charge of 1.5 per cent per month. Thus, Verizon Hawaii Inc. seeks to raise this charge, consistent with the industry standard. It reasons that presently, in deciding which bills to pay, customers who subscribe to the services of more than one telecommunications carrier may choose to delay payment of Verizon Hawaii Inc.'s bill because of the lower late payment charge.

D.

In the event the commission approves the subject application, Verizon Hawaii Inc. states that: (1) it will notify all of its customers by bill insert of the increases in the returned payment and late payment charges; and (2) "[a]pproximately 45 days are required after the Commission order to set up the billing and to notify customers."

III.

The Consumer Advocate, following the completion of its investigation, notes as follows:

A.

For the increase in the return check charge, the cost study "reasonably reflects the per-occurrence costs of processing returned payments." In addition, following its review of the relevant data, the Consumer Advocate concurs that a return payment charge of \$20.00 may have a greater impact on a customer's paying habit, and is consistent with Verizon Hawaii Inc.'s "need to process returned payments and reduce bad debt[.]" Ultimately, the amount of returned payments should decrease.

The proposed change from returned check to return payment charge, in order to update and incorporate all methods of bill payment, including electronic and automatic bill payment, is reasonable.

B.

For the increase in the late payment charge, the cost study "reasonably reflects the per-occurrence costs of processing late payments[,]" and the Consumer Advocate concurs with Verizon Hawaii Inc.'s representation that the total cost to process each late payment charge exceeds the current charge of 1 per cent.

Also, upon its review of the relevant data, the Consumer Advocate finds that increasing the late payment charge may encourage customers to timely pay their bills, and "may better allow Verizon to recover the costs incurred to process late payments."

For these reasons, it does not object to the proposal to increase the late payment charge to 1.5 per cent.

C.

The Consumer Advocate finds that Verizon Hawaii Inc.'s request for an exemption or waiver from the public and contested case hearings is reasonable. In this instance, a contested case hearing appears burdensome and excessive, in relation to the scope of Verizon Hawaii Inc.'s proposals. Also, if the proposed tariff changes are approved, "there should be a general benefit to all ratepayers since the charges are for activities that inevitably increase the cost of service for all customers without any measurable benefit." Furthermore, Verizon Hawaii Inc. is not seeking a general increase in its basic service rates.

At the same time, the Consumer Advocate makes clear that its position "should not be construed as a policy for all future rate increase requests." Also, notwithstanding its long-standing policy of opposing single-issue ratemaking, the specific facts and circumstances "support a deviation of this long-standing policy."

IV.

Upon careful review, the commission will allow the proposed tariff changes, as reflected in Exhibit D of the application, to take effect, effective upon the filing of this decision and order. These charges have not increased in 18 years, and the proposed increases appear reasonable. The proposed revision to update and incorporate other payment methods in addition to payments by check, likewise, appears reasonable.

V.

THE COMMISSION ORDERS:

1. The tariff changes proposed by Verizon Hawaii Inc., as reflected in Exhibit D of its application, are allowed to take effect, effective upon the filing of the instant decision and order.

2. Verizon Hawaii Inc. shall promptly file its: (A) revised tariff sheets, incorporating the appropriate issued and effective dates; and (B) written customer notification form. Two copies of both filings shall be served upon the Consumer Advocate.

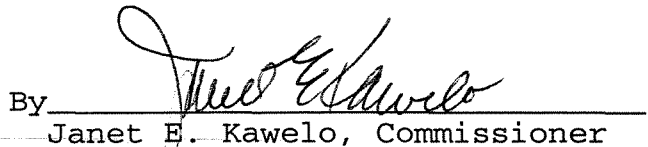
DONE at Honolulu, Hawaii this 19th day of November, 2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

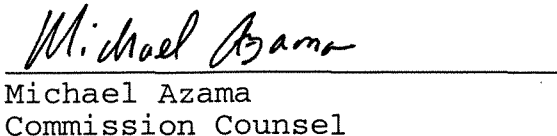
By


Wayne H. Kimura, Chairman

By


Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

By (RECUSED)
Gregg J. Kinkley, Commissioner

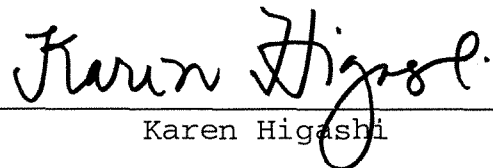
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19783 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

LESLIE ALAN UEOKA, ESQ.
VERIZON HAWAII INC.
P. O. Box 2200, A-17
Honolulu, HI 96841



Karen Higashi

DATED: November 19, 2002