

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)
)
 VERIZON HAWAII INC.)
)
 For Approval to include Funds in)
 Excess of \$500,000 in Its Rate)
 Base for the Hilo DMS-100 Trunk)
 Addition Project)
 _____)

DOCKET NO. 02-0082

DECISION AND ORDER NO. 20015

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

Filed Feb. 12, 2003
At 9:00 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

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)
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 VERIZON HAWAII INC.) Docket No. 02-0082
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 For Approval to include Funds in) Decision and Order No. 20015
 Excess of \$500,000 in Its Rate)
 Base for the Hilo DMS-100 Trunk)
 Addition Project)
 _____)

DECISION AND ORDER

I.

By an application filed on April 8, 2002, VERIZON HAWAII INC. (Applicant), requests commission approval to include \$520,600 in Applicant's rate base for a DMS-100 trunk addition in the Hilo Central Office (project). Applicant makes its request in accordance with Section 2.3.d.2 of General Order No. 8, *Standards for Telephone Service in the State of Hawaii*¹ and Hawaii Administrative Rules (HAR) § 6-80-90.

Copies of the application were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (Consumer Advocate). The Consumer Advocate did not file a Statement of Position.

¹By Order No. 19461, filed on July 9, 2002, the commission granted Applicant's request to extend the applicable General Order No. 8, Section 2.3.d.2 deadline, from July 7, 2002 to August 8, 2002, to allow the Consumer Advocate to complete its review of the instant docket. By Order No. 19503, filed on August 2, 2002, the commission suspended the instant docket until further order by the commission.

II.

A.

Applicant requests approval to include \$520,600 in its rate base, the actual expenditures of the project. Applicant represents that the project provides the capacity to avoid network congestion and support future forecasted requirements of ratepayers as well as those of competitive carriers. This project was completed in February 2001².

B.

The Hilo DMS-100 base unit switch is a digital switch manufactured by Nortel Networks and is located in Applicant's Hilo Central Office on the island of Hawaii. This switch currently serves as the local tandem switch for the island and serves as the host switch for eight DMS-100 remote switching centers at Keaau, Laupahoehoe, Pahoia, Pahala, Naalehu, Volcano, Paipaikou, and Mountain view.

²When Applicant first evaluated the project in December 2000, the estimated project cost was \$463,100. Based on this estimate, Applicant did not seek commission approval because the cost was not expected to exceed the \$500,000 capital expenditure threshold for a single project requiring commission approval. See HAR § 6-80-90. Applicant represents that additional costs were primarily due to higher than anticipated contract installation, local equipment, and local engineering costs, for a total project cost of \$520,600.

Given the forecasted growth³, Applicant expected demand to exhaust digital trunk and ISDN primary rate interface (PRI) port capacity by February 2001. This project added 40 T1 ports and 20 PRI ports, 15 host remote links, and six enhanced subscriber module access ports at the Hilo base unit switch to satisfy forecasted requirements through 2002.

III.

Upon careful review and based on Applicant's representations, we find the project to be reasonable and in the public interest. Nonetheless similar to previous decisions and orders, we will impose reporting requirements in this decision and order to assist us in assessing future requests for approvals for switch upgrades, additions, replacements or ratemaking. See Decision and Order No. 19473, filed on July 17, 2002, in Docket No. 02-0042. Specifically, Applicant shall submit a status report to the Commission and the Consumer Advocate as of June 30th and December 30th of each year until the capacity realized from this project is exhausted or further order by the commission. The semi-annual status reports shall be submitted within 30 days after the date of each respective time period. The status reports shall list by each major category (local exchange carriers, inter-exchange carriers, competitive

³Applicant represents that forecasted growth in the area served by the Hilo DMS-100 base switch is primarily derived by a surge in trunking requirements due mainly to an increase in competitive local exchange carrier and Internet service provider requirements as well as an increase in overall traffic requirements due in large part to Internet usage.

local exchange carriers, wireless carriers, etc.) the following information regarding the Hilo trunk: (1) the number of assigned T1 and PRI ports; and (2) the number of available T1 and PRI ports.

Thus, based on the above, we conclude that Applicant's request to commit \$520,600 for the project should be approved, nunc pro tunc. However, by this decision and order, we do not approve the inclusion of the project's costs in Applicant's rate base for ratemaking purposes.

IV.

THE COMMISSION ORDERS:

1. Applicant's request to commit \$520,600 for the DSM-100 trunk addition in the Hilo central office is approved, nunc pro tunc; however, by this decision and order, we do not approve the inclusion of the project's costs in Applicant's rate base for ratemaking purposes. Moreover, our approval herein is subject to the commission's reserved right to review all capital projects in Applicant's next rate case.

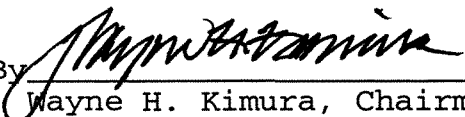
2. Applicant shall submit a status report to the commission and the Consumer Advocate as of June 30th and December 30th of each year until the capacity realized from this project is exhausted or further order by the commission. The semi-annual status reports shall be submitted within 30 days after the date of each respective time period. The status reports shall list by each major category (local exchange carriers, interexchange carriers, competitive local exchange

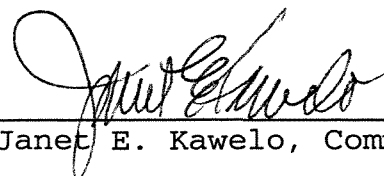
carriers, wireless carriers, etc.) the following information regarding the Hilo trunk: (1) the number of assigned T1 and PRI ports; and (2) the number of available T1 and PRI ports.

3. The Consumer Advocate may continue its review of the project and may address concerns, if any, in Verizon's next rate case.

DONE at Honolulu, Hawaii this 12th day of February, 2003.


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:


Kevin M. Katsura
Commission Counsel

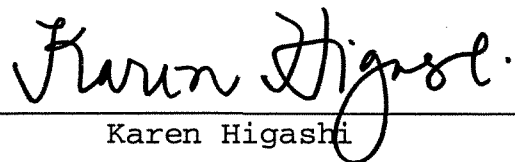
02-0082.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20015 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



Karen Higashi

DATED: February 12, 2003