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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
VERIZON HAWAII INC.)
For Approval to Offer FlexGrow)
Trunk Service in Connection with)
Long Distance Interisland Toll and)
Dedicated Internet Access Services.)

DOCKET NO. 02-0220

DECISION AND ORDER NO. 20074

Filed March 12, 2003
At 1:00 o'clock P.M.

Karen Higashi
Chief Clerk of the Commission

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2003 MAR 13 P 4: 19
DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

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OF THE STATE OF HAWAII

In the Matter of the Application of)
VERIZON HAWAII INC.) Docket No. 02-0220
For Approval to Offer FlexGrow) Decision and Order No. 20074
Trunk Service in Connection with)
Long Distance Interisland Toll and)
Dedicated Internet Access Services.)

DECISION AND ORDER

I.

By application filed on August 20, 2002, VERIZON HAWAII INC. (Verizon Hawaii) seeks commission approval to offer its FlexGrow Trunk Service in conjunction with Verizon Online Dedicated Internet Access and Verizon interisland long distance toll services. Verizon Hawaii makes its request in accordance with Hawaii Administrative Rules (HAR) § 6-80-35(e).

Copies of the application were served on the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (Consumer Advocate). On January 27, 2003, the Consumer Advocate submitted its statement of position stating that it does not object to the commission's approval of the application.¹

¹The Consumer Advocate notes that its position is premised upon the understanding that each of the Verizon entities providing the services will account for the revenues and expenses on its own books in order to ensure that the FlexGrow Trunk service does not subsidize the costs of the Dedicated Internet Access service or interisland toll service.

Pursuant to HAR 6-80-35(e), an application for approval to offer a noncompetitive telecommunications service jointly with any fully or partially competitive service or other service not within the jurisdiction of the commission must be filed with the commission not less than 30 days before the joint services are marketed, sold or advertised. Verizon Hawaii, in its application, requests that the commission approve its application by September 20, 2002.

II.

A.

Verizon Hawaii seeks commission approval to offer business customers who subscribe to Verizon Hawaii's FlexGrow Trunk service and who also select Verizon Online (VOL) Dedicated Internet Access Service and any Verizon affiliate as their primary interexchange carrier for interisland long distance toll services on all of their FlexGrow Trunk service lines a five per cent discount on the recurring charge for the qualifying VOL Dedicated Internet Access Service. The bundled offering will be marketed under the name "Performance Edge T-1." These customers must also choose to have their qualifying VOL Dedicated Internet Access Service billed to the same local telephone number as the FlexGrow Trunk and long distance interisland toll services on the Verizon Hawaii billing statement to allow Verizon Hawaii to track whether a customer continues to subscribe to all of the services required for discount eligibility.

Verizon Hawaii advises that the proposed discount will be applied to the monthly charge on qualifying Dedicated Internet Access Service. Thus, VOL will absorb the reduction in revenues on its books.

Verizon Hawaii states that FlexGrow Trunk service is currently classified as noncompetitive service and long distance toll service is classified as fully competitive. The Dedicated Internet Access Service is nonregulated.

B.

Pursuant to HAR § 6-80-35(e), a telecommunications carrier may not offer a noncompetitive telecommunications service jointly with any fully or partially competitive service or other service not within the jurisdiction of the commission, except upon the commission's express approval. 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 non-jurisdictional service are not subsidized by the noncompetitive service.

Verizon Hawaii asserts that the rates and charges for FlexGrow Trunk and interisland toll service will not change under the Performance Edge T-1 offering. Based upon this assertion, the Consumer Advocate states it believes no change to Verizon Hawaii's regulated tariff is necessary and the general ratepayers should not be affected.

In addition, the Consumer Advocate believes that the general ratepayers of Verizon Hawaii will not be affected by a proposal to offer a five per cent discount for Dedicated Internet Access Services because the discount will be applied only to the monthly charge on qualifying Dedicated Internet Access Service, and will be recorded solely on VOL's books.

Verizon Hawaii assures the commission that revenues from the FlexGrow Trunk service will not subsidize the costs of VOL's Dedicated Internet Access Service or the Verizon Hawaii affiliate interisland toll service. Rather, Verizon Hawaii indicates that each Verizon entity will account for the revenues and expenses on its own books and Verizon Hawaii will continue to record the revenues and costs of its regulated and non-regulated services in the separate regulated and non-regulated accounts.

Based upon a review of the entire record, including, without limitation, Verizon Hawaii's representations, the commission finds that Verizon Hawaii has satisfactorily shown that its proposed offering will not result in the cross-subsidization of fully or partially competitive service or non-jurisdictional service by the noncompetitive service. Accordingly, the commission concludes that the proposed offering should be approved.


III.

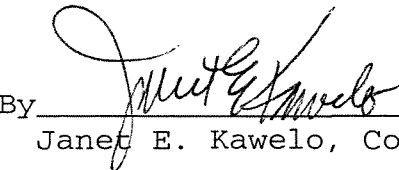
THE COMMISSION ORDERS that Verizon Hawaii's application, filed on August 20, 2002, to offer Verizon Hawaii's FlexGrow service in conjunction with Verizon Online Internet

Access and Verizon interisland long distance toll services is approved.

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

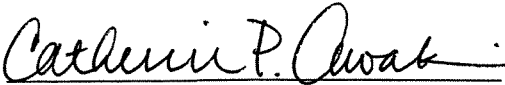
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By _____ (RECUSED)
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:


Catherine P. Awakuni
Commission Counsel

02-0220.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20074 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


Catherine Sakato

DATED: March 12, 2003