

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

VERIZON HAWAII INC. )

DOCKET NO. 03-0181

For Approval of Its Verizon Island )  
Calling Plan Tariff to Jointly )  
Offer Interisland Toll Service with )  
Local Package and Local Package )  
Standard. )  
\_\_\_\_\_ )

DECISION AND ORDER NO. 20590

RECEIVED

2003 OCT 23 P 3:33

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

Filed Oct. 23, 2003  
At 10:00 o'clock A.M.

Karen Diggs

Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)	
VERIZON HAWAII INC. )	Docket No. 03-0181
For Approval of Its Verizon Island )	Decision and Order No. 20590
Calling Plan Tariff to Jointly )	
Offer Interisland Toll Service with)	
Local Package and Local Package )	
Standard. )	
_____)	

DECISION AND ORDER

I.

Introduction

VERIZON HAWAII INC. ("Verizon Hawaii") requests commission approval: (1) of its Verizon Island Calling Plan (or the "Plan"), implemented by revisions to P.U.C. Tariff No. 3, Section 24 and P.U.C. Tariff No. 7, Section 1; and (2) to jointly offer its Plan with Local Package and Local Package Standard under Hawaii Administrative Rules ("HAR") § 6-80-35(e). Verizon Hawaii makes its requests under Hawaii Revised Statutes ("HRS") § 269-16 and HAR §§ 6-80-35(e) and 6-61-111 through an application filed on June 20, 2003.<sup>1</sup>

Verizon Hawaii served the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer

---

<sup>1</sup>Verizon Hawaii attached its proposed tariff changes to its application as Exhibit IV, and submitted cost support information to advance its requests on June 23, 2003.

Advocate") with copies of the application.<sup>2</sup> The Consumer Advocate states that it does not object to the approval of Verizon Hawaii's requests by its statement of position filed on July 29, 2003.

## II.

### Background

#### A.

#### Verizon Island Calling Plan

The Verizon Island Calling Plan is an optional interisland long distance discounted calling plan for residential subscribers of Verizon Hawaii's Local Package or Local Package Standard service offerings (collectively, "Local Plans").<sup>3</sup> The Plan's \$0.08 per minute rate is offered for direct dial interisland calls at all times. No monthly recurring charge is associated with the Plan; and DA, operator handled, and calling card calls are not included in the Plan. The Plan is only for

---

<sup>2</sup>Verizon Hawaii and the Consumer Advocate filed their proposed Stipulation for Protective Order for the commission's review and approval on June 24, 2003. The commission issued Protective Order No. 20268 on June 27, 2003.

<sup>3</sup>Local Package and Local Package Standard are packaged services provided at fixed monthly rates. Customers are provided residential ("R1") exchange access line, touch calling, unlimited directory assistance ("DA"), and up to thirteen (13) custom calling features under Local Package. Residential customers, under Local Package Standard, are provided R1 access line, touch calling, unlimited DA, and up to three (3) custom calling features. The commission approved Local Package and Local Package Standard on a permanent basis on March 24, 2003, by issuing Decision and Order No. 20095.

subscribers of Verizon Hawaii's Local Plans. Customers who discontinue subscriptions to the Local Plans have the option of subscribing to other discounted interisland calling plans; those who do not, will be charged Verizon Hawaii's standard interisland toll rates (day rate of \$0.14 per minute and a evening and weekend rate of \$0.09 per minute).

B.

Approval Under HAR § 6-80-35(e)

Verizon Hawaii seeks our approval to offer the Plan under HAR § 6-80-35(e) since interisland toll is currently classified as a fully competitive service while the services under the Local Plans are currently classified as noncompetitive. Verizon Hawaii represents that neither of the Local Plans will subsidize the costs of interisland toll since the discounted toll rate offered through the Plan is above its underlying cost. Verizon Hawaii intimates that the Plan will not disadvantage its regulated ratepayers, but will benefit its customers through lower overall telecommunications rates.

Verizon Hawaii further contends that the Plan's per minute toll rate is higher than those offered by other Hawaii telecommunications providers, such as Time Warner Telecom of Hawaii, L.P., dba Oceanic Communications and Pacific LightNet, Inc. who both offer service plans with per minute discounted long distance rates of \$0.05. Verizon Hawaii argues that the Plan's rate of \$0.08 per minute is reasonable and should be approved

since interisland toll rates of \$0.05 per minute have already been approved.

C.

Consumer Advocate's Position

The Consumer Advocate does not have objections with Verizon Hawaii's requests. The Consumer Advocate concludes that the Plan is reasonable since it is an optional plan with no monthly recurring charges. The Consumer Advocate notes that customers can withdraw from the Plan after one month of use, and that the proposed rate of \$0.08 per minute is above the cost of providing the service as Verizon Hawaii represented in Transmittal No. 01-13, filed on March 19, 2001, which is consistent with representations made in Docket Nos. 01-0440, 02-0415, and 03-0067. The Consumer Advocate finds that the discounted interisland toll rate of \$0.08 is above Verizon Hawaii's total service long run incremental cost of providing the service. Furthermore, the Consumer Advocate states that the Plan appears to benefit customers by offering them another choice in service at a reduced rate.

III.

Findings and Conclusions

HRS § 269-39(a) and HAR § 6-80-35(a) prohibit the cross-subsidization of a telecommunications carrier's competitive

services by its noncompetitive service offerings.<sup>4</sup> Under HAR § 6-80-35(e), a telecommunications carrier is prohibited 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 commission's jurisdiction without the commission's express approval. The rule states that "[t]he 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."

In this case, the noncompetitive elements of the Plan (i.e., the Local Plans) will not be subsidizing the fully competitive component of the Plan (i.e., interisland toll). Our finding is based primarily on Verizon Hawaii's representations that the rates charged for competitive services (interisland toll) are greater than the total service long run incremental cost to provide these services. The Plan should also benefit customers since it provides them with an additional calling option at a discounted rate with no recurring monthly

---

<sup>4</sup>HAR § 6-80-35(b) further provides that cross-subsidization "is deemed to have occurred if: (1) [a]ny fully competitive or partially competitive service is priced below the total service long run incremental cost of providing the service; (2) [f]ully competitive services, taken as a whole, fail to cover their direct and allocated joint and common costs; or (3) [i]f fully competitive and partially competitive services, taken as a whole, fail to cover the direct and allocated joint and common costs."

charges. The commission finds that Verizon Hawaii has satisfactorily met the requirements of HAR § 6-80-35(e). We conclude that Verizon Hawaii's Verizon Island Calling Plan and its request to jointly offer the Plan with its Local Plans should be approved.

#### IV.

##### Orders


##### THE COMMISSION ORDERS:

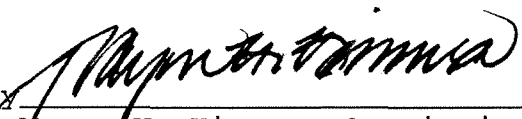
1. Verizon Hawaii's Verizon Island Calling Plan and its request to jointly offer the Plan with its Local Plans is approved and shall be allowed to take effect as of the date of this decision and order.


2. Verizon Hawaii shall promptly file initial tariff sheets reflecting the commission's decision herein, with the appropriate issued and effective dates.

DONE at Honolulu, Hawaii this 23rd day of October,  
2003.


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:

  
Ji Sook Kim  
Commission Counsel

03-0181.ah



CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20590 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: October 23, 2003