

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

VERIZON HAWAII INC.)

DOCKET NO. 04-0052

For Approval to Include in its Rate)
Base Expenditures in Excess of)
\$500,000 for an E911 Server)
Replacement Project.)
_____)

DECISION AND ORDER NO. 21212

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

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Karen Higdon
Chief Clerk of the Commission

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DECISION AND ORDER

I.

Background

VERIZON HAWAII INC. ("Verizon Hawaii") requests commission approval to include \$651,433 in its rate base to replace the existing servers housing the Scaleable Automatic Location with Selective Routing Addition ("SC/ALISA") application for Hawaii's enhanced 911 ("E-911") system ("Proposed Project").¹ Verizon Hawaii makes its request in an application filed on March 17, 2004, under Hawaii Revised Statutes Chapter 269, as amended; Paragraph 2.3.d.2. of Public Utilities Commission General Order No. 8, *Standards for Telephone Service in the State of Hawaii*; and Hawaii Administrative Rules ("HAR") § 6-80-90 ("Application").²

¹The commission will treat Verizon Hawaii's request in this application as a request for commission approval to expend or commit funds for the Proposed Project.

²No persons moved to intervene in this docket.

Verizon Hawaii served the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate") with copies of the Application.³

The Consumer Advocate filed its preliminary statement of position ("SOP") on March 31, 2004, informing the commission that it: (1) has certain concerns with the proposed expenditure of funds and is currently unable to state its position on the merits of Verizon Hawaii's Application; and (2) intends to issue information requests ("IRs") to aid in its review and investigation.

On April 7, 2004, the commission, by Order No. 20889, required the Parties to meet informally to formulate and file for our review and approval a stipulated procedural order to govern the proceedings in this docket or, in the alternative, separate proposed procedural orders for our consideration and review within twenty (20) days of the date of the order. The Parties filed their proposed stipulated procedural order on April 20, 2004, and on April 29, 2004, the commission issued Stipulated Procedural Order No. 20931 ("Procedural Order No. 20931").⁴

³Prior to the filing of the Application, Verizon Hawaii and the Consumer Advocate (collectively, "Parties") filed a proposed stipulated order requesting a waiver of the HAR § 6-80-90(b) requirement that telecommunications carriers submit proposed expenditures in excess of \$500,000 for commission "review at least sixty [(60)] days before the commencement of construction or commitment for expenditures, whichever is earlier" on March 9, 2004 ("Stipulation"). The commission approved the Parties' Stipulation by issuing Stipulated Order No. 20851 on March 16, 2004.

⁴On May 11, 2004, the Parties filed a proposed stipulated protective order for the commission's review and approval. The commission issued Protective Order No. 20991 on May 19, 2004.

The Consumer Advocate served Verizon Hawaii with IRs on April 21, 2004. Verizon Hawaii filed certain IR responses on May 10, 2004, in accordance with Procedural Order No. 20931, and filed the remainder of its IR responses on May 19 and 20, 2004.

The Consumer Advocate filed its SOP on the matters of this docket on June 2, 2004, stating that it does not object to the approval of Verizon Hawaii's request to expend the funds as set forth in its Application.⁵ On June 14, 2004, the commission, by Order No. 21058, suspended the Application until further order of the commission.

II.

Project Description and Justification

Verizon Hawaii represents that the servers requiring replacement are located in its Alakea Main Building in Honolulu ("Alakea Building"). It contends that these servers need to be replaced to avoid service interruptions to Hawaii's E-911 network since the manufacturer, NCR Corporation ("NCR"), has discontinued production of the equipment and since spare parts for them are not readily available. Verizon Hawaii intends to transfer the existing SC/ALISA software application and Hawaii's E-911 automatic location information ("ALI") database into the new servers.

Verizon Hawaii states that the SC/ALISA application supports the E-911 customer data lookup capabilities for the

⁵Verizon Hawaii did not file its SOP. Under Procedural Order No. 20931, Verizon Hawaii's deadline to file its SOP was on June 9, 2004.

Public Safety Answering Points ("PSAPs") located at emergency agencies statewide.⁶ Verizon Hawaii explains that when a caller dials 911, the central office serving the caller routes the 911 call to the CML ECS1000 system, located in its Alakea Building, which distributes the call to the appropriate PSAP. Simultaneously, the CML ECS1000 submits the caller's telephone number to the SC/ALISA for retrieval of the caller's address from the E-911 ALI database and transmits this data to the PSAP who dispatches the appropriate emergency response team to the caller's location. The ALI database plays a critical function since the caller may not be able to verbalize or identify his or her location.

Aside from the need to replace the servers due to NCR's discontinuation of the equipment, the E-911 equipment needs to be replaced since one (1) of its two (2) servers failed in February 2004. This failure did not disrupt E-911 service in Hawaii since Verizon Hawaii maintains redundant servers; however, if both servers simultaneously fail, ALI would not be available to the PSAPs. During the February 2004 incident, the failed server's hard disk needed to be replaced. Fortunately, NCR was able to provide the necessary parts and Verizon Hawaii was able to restore the server. However, there is no assurance that necessary parts in the future can be provided on a timely basis. Additionally, Verizon Hawaii recently experienced difficulties with port adapters that connect the server equipment to the

⁶These emergency agencies are located on the islands of Oahu, Hawaii, Maui, Molokai, and Kauai. The island of Lanai is served by the Maui PSAP.

PSAPs. There have been instances when the ports on these adapters have "locked-up" requiring a reboot of the server. Verizon Hawaii represents that the frequency of these instances has gradually increased. The Proposed Project will also address these problems through a replacement of the serial port adapters since the manufacturer for this equipment is no longer in business and spare parts are unavailable.

Verizon Hawaii requested Intrado, the SC/ALISA application vendor, to certify a standard server to be used. Intrado evaluated three (3) server manufacturers and selected the Hewlett-Packard Company ("HP")⁷ for, among other things, the following reasons: (1) HP is expected to be a long-term industry leader in the Unix server market; (2) HP's cell board is designed to be a field replaceable unit--minimizing repair time if problems occur since the entire board would be replaced instead of individual components; and (3) HP provides the leading Unix operating system with, among other things, built in security.⁸ Intrado certified various HP servers for Verizon Hawaii's E-911 system software application, and recommended HP server rp7410 for Hawaii's system, based on cost and technical requirements.⁹

⁷Aside from HP, Sun Microsystems ("Sun") and IBM Corp. were considered. However, Sun was dropped from contention since its products were not well suited for Verizon Hawaii's particular E-911 application.

⁸See, Application at 4-5.

⁹Since Intrado selected HP as the appropriate server manufacturer, Verizon Hawaii did not perform an economic study to evaluate different alternatives.

The scope of the Proposed Project includes the installation of two (2) HP servers rp7410 at the Alakea Building and the removal of the existing servers. The servers will be prepared and staged by Intrado before they are shipped to Hawaii, and the existing ALI database will be ported into the new servers prior to linking onto the E-911 network. The E-911 SC/ALISA application software will not be changed. Verizon Hawaii expects to complete this Proposed Project by August 2004.

III.

Consumer Advocate's Position

The Consumer Advocate does not object to the approval of Verizon Hawaii's request in this Application since it determined, among other things, that the Proposed Project is needed. The Consumer Advocate recognizes that E-911 service is necessary and that continuous operation of this service is essential for public safety and necessity. Additionally, the Consumer Advocate states that the new equipment will receive maintenance support from its manufacturer and that spare parts will be readily available providing assurance that the equipment will be able to provide the necessary service.

IV.

Findings and Conclusions

Upon review, we find the Proposed Project to be necessary and in the public interest. The provision of E-911 service is an essential safety function that Verizon Hawaii

provides throughout Hawaii. It appears that the current equipment is becoming less reliable and more difficult to repair since Verizon Hawaii has no manufacturer support for the equipment and spare parts for the servers are not readily available. Verizon Hawaii represents that there will be no down time of the E-911 system during the replacement of the servers.¹⁰

However, the commission is concerned about Verizon Hawaii's expectation to recover the costs associated with the Proposed Project through the existing E-911 surcharges and the impacts the Proposed Project will have on the surcharges. Verizon Hawaii was unable to fully respond to the Consumer Advocate's inquiry about how the Proposed Project's costs will impact the current E-911 surcharge (i.e., CA-IR-8(b), filed on April 21, 2004). Verizon Hawaii indicated that it would be premature at this time "to speculate [on] what the E[-]911 surcharge is likely to be" since there are issues currently being addressed legislatively that can impact the level of the E-911 surcharge.¹¹ Verizon Hawaii contends that issues related to the E-911 surcharge will be addressed if and when it proposes to revise the surcharge in a separate docket.¹² Notwithstanding Verizon Hawaii's position, we believe that issues regarding cost recovery for the Proposed Project are relevant and material for the purposes of this docket. Thus, we find it reasonable and

¹⁰See, Verizon Hawaii's response to CA-IR-3(a), filed on May 10, 2004.

¹¹See, Verizon Hawaii response to CA-IR-8(b), filed on May 10, 2004.

¹²Ibid.

necessary to require Verizon Hawaii to fully respond to CA-IR-8(b) by filing a detailed update of its response to the IR with the commission and the Consumer Advocate within one hundred eighty (180) days of the date of this decision and order, unless otherwise ordered.

Based on the above, we conclude that Verizon Hawaii's Application, filed on March 17, 2004, to expend \$651,433 for the Proposed Project should be approved.¹³

V.

Orders

THE COMMISSION ORDERS:

1. Verizon Hawaii's request to expend \$651,433 for its Proposed Project is approved; provided that no part of the project may be included in Verizon Hawaii's rate base unless and until the project is in fact installed, and is used and useful for utility purposes.

2. Verizon Hawaii shall file a detailed update to its response to CA-IR-8(b) with the commission and the Consumer Advocate within one hundred eighty (180) days of the date of this decision and order.

3. Within sixty (60) days of the completion of the Proposed Project, Verizon Hawaii shall submit an accounting

¹³However, we make clear that our approval, in this decision and order, is not approval for the inclusion of the Proposed Project's cost in Verizon Hawaii's rate base for ratemaking purposes.

report with an explanation of any deviation of ten (10) per cent or more of the projected costs for the Proposed Project. Failure to submit the report, as required in this decision and order, constitutes cause to limit the total cost of the Proposed Project for ratemaking purposes to that estimated in Verizon Hawaii's Application.

4. Verizon Hawaii shall conform to all of the commission's orders, set forth above. Failure to adhere to our orders constitutes cause for the commission to void this decision and order, and may result in further regulatory actions as authorized by law.

DONE at Honolulu, Hawaii AUG 05 2004.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By Carlito P. Caliboso
Carlito P. Caliboso, Chairman

By Wayne H. Kimura
Wayne H. Kimura, Commissioner

By Janet E. Kawelo
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

J. Sook Kim
Ji Sook Kim
Commission Counsel
04-0052.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 21212 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: AUG 05 2004