

DT 01-164

VERIZON - NEW HAMPSHIRE

**Special Contract for provision of Centrex Services
to North Atlantic Energy Corporation**

Order Conditionally Approving the Special Contract

O R D E R N O. 23,779

September 21, 2001

On August 20, 2001, Verizon-New Hampshire (hereinafter VZ-NH or the Company) filed a special contract to provide Centrex service to North Atlantic Energy Corp. A review of the history of service provision to this customer provides the necessary historical background for the present contract filing.

On March 19, 1999, VZ-NH (then, Bell Atlantic) filed a special contract to provide Centrex service to North Atlantic Energy Corp. That filing was intended to replace an existing Centrex special contract, which was due to expire on February 25, 2000. On April 16, 1999, the Commission denied the special contract filing citing the need to complete its investigation, docket DT 99-018, of the special contract costing methodology. Accordingly, the original contract expired and no special contract was in effect on or after February 26, 2000.

Upon the Company's review of this customer's service

arrangement, VZ-NH determined that the denied contract had not been re-filed after the completion of docket DT 99-018 and the customer continued to receive service under the expired contract. Accordingly, the Company filed the special contract that is the subject of this docket and has agreed to apply the new contract retroactively to February 25, 2000, the expiration date of the original contract, if the Commission approves this contract. VZ-NH further informed the Commission that the customer was considering competitive alternatives in the event that contract approval was not granted.

After careful review of the contract, the Commission finds that the seven year commitment period is both excessive and anti-competitive. First, it precludes the ability of others to compete to provide service to the customer in question over a too lengthy period. Second, the lengthy term is not necessary in order to assure cost recovery, as such costs should have been recovered during the initial contract period, and the incremental costs now faced by the Company are small.

We note that a question remains as to the proper rate to be charged for the period from the expiration of the original contract through today, the effective date of the contract extension. The Commission will open a separate

investigation to explore this question.

Staff review of the cost support information and billing details indicates that the filing has met the cost imputation requirements of RSA 378:18b, as specified in Order Nos. 23,357 and 23,493 (Docket No. DT 99-018), with the monthly margin demonstrating contribution to the company's revenue base. We also note that Centrex is a highly competitive service offering.

Based upon the foregoing, it is hereby

ORDERED, that the Special Contract between Verizon-New Hampshire and North Atlantic Energy Corporation is conditionally approved, subject to the modification that the customer may opt out of the contract without penalty at any time after the first year of the contract upon reasonable notice; and it is

FURTHER ORDERED, that the Commission will open a separate investigation to determine the proper rate to be charged for the period from the expiration of the original contract through today, the effective date of the contract extension; and it is

FURTHER ORDERED, that during any rate case or rate redesign concerning Verizon during the life of this special contract, the Commission will consider whether any changes should be made to the revenue requirements or cost studies as

a result of the discounted rates afforded North Atlantic Energy Corporation by our approval today of this special contract.

By order of the Public Utilities Commission of New Hampshire this twenty-first day of September, 2001.

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary