

DT 01-214

VERIZON NEW HAMPSHIRE

Tariff Filing to Introduce Corporate Rewards

**Order Denying Verizon New Hampshire Filing for
Corporate Rewards Tariff**

O R D E R N O. 23,872

December 20, 2001

I. INTRODUCTION

On October 31, 2001, Verizon New Hampshire (VZ-NH) submitted a tariff filing proposing revisions to tariff NHPUC No. 83, Part A Section 15 and Part M Section 1. On November 29, 2001, the Commission, through secretarial letter, extended the effective date of the proposed tariff by 30 days in order for staff to investigate the filing.

II. DISCUSSION

A full discussion of the service agreement has been provided by Verizon in this filing. In essence, Corporate Rewards represents an optional calling plan offering "a single discounted rate based on the volume of IntraLATA usage aggregated from all billing telephone numbers and locations within [New Hampshire]." (Introduction of Corporate Rewards, October 31 2001 Filing). Offered discounts increase with usage and the number of years a customer remains with Verizon.

A number of items in this filing have been clearly

explained by Verizon. There are, however, a number of questions concerning this filing that have not been adequately addressed by Verizon and that prevent Staff from making a clear recommendation approving the tariff as filed. Further, in light of Verizon's attempt to gain entry into the InterLATA market, an anti-competitive impact can not be ruled out as a result of a tariff change such as that required by the Corporate Rewards program. The price floor analysis provided, which claims prices are set above incremental costs, might demonstrate the absence of a price squeeze but cannot eliminate concerns of increased market power when customers are rewarded for lock-in type contracts.

More specifically, the assumptions underlying take rates and the apparent negative return margin of \$33.01 for Basic Rate Interface (BRI) services would require further investigation: the take rates, and the resulting revenues, are sensitive to market structure, and the negative earned margin would suggest a cross-subsidy between products.

Verizon claims it would lose customers and revenues beyond the revenue reductions of the tariff should the filing be denied. However, the nature of the competitive elements responsible for the stated revenue losses should the filing be denied has, despite requests for further illustration, not been substantiated to any appropriate extent that would allow Staff to reach a supporting conclusion.

Overall, Staff would suggest that it is not clear whether Verizon has made the appropriate revenue and cost assumptions in what amounts to a fairly complex filing. As a minimum Staff recommends the proposed tariff be re-filed with additional supporting information and be re-considered at a closer level of detail. Based on the above concerns Staff recommends that the proposed tariff be denied without prejudice.

III. COMMISSION ANALYSIS

We find the supporting information filed with this proposal insufficient for approval of this tariff. The filing causes concern regarding the effect on Verizon's revenue as well as the possible impact on the competitive market prior to Verizon's entry into the InterLATA market. For these reasons we deny the proposed tariff without prejudice. Should Verizon choose to refile the proposed tariff, we direct Verizon to submit supporting documentation concerning: the current annual revenue generated by customers who would be eligible for the proposed tariffed rates; what impact this proposed tariff would have on other customers; and whether this proposed tariff could be fairly examined in the absence of an overall rate design analysis.

Based upon the foregoing, it is hereby

ORDERED, that Verizon New Hampshire's tariff filing in this docket is denied without prejudice.

By order of the Public Utilities Commission of New
Hampshire this twentieth day of December, 2001.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director and Secretary