

DT 02-111

VERIZON NEW HAMPSHIRE

T1 Tariff

Order Approving Superpath T1 Rates per Stipulation

O R D E R N O. 24,213

September 25, 2003

Appearances: Victor Del Vecchio, Esq. for Verizon New Hampshire; Eugene F. Sullivan, III, Esq. for the DesTek Networking Group; John Leslie for the New Hampshire Internet Service Providers Association; F. Anne Ross, Esq. for the Office of Consumer Advocate; and E. Barclay Jackson, Esq. for Commission Staff.

I. PROCEDURAL BACKGROUND

On June 18, 2002, by Order of Notice, the New Hampshire Public Utilities Commission (Commission) announced its intent to conduct an inquiry to investigate T1 service provided by Verizon New Hampshire (Verizon), including Superpath and other products that offer T1. The Commission expressed an interest in statewide access to the advanced telecommunications capabilities available via T1 service, and in determining just and reasonable rates for such access. The Order of Notice scheduled a prehearing conference for July 19, 2002, and ordered Verizon to file incremental cost studies for its Superpath T1 service by September 30, 2002.

Requests to intervene were made by the Office of Consumer Advocate (OCA), Otel Telekom, Global NAPs, Inc. (Global

NAPs), WorldCom, Inc., segTEL, Inc., the New Hampshire Internet Service Providers Association (NHISPA), and the DesTek Networking Group (DesTek). At the prehearing conference held on July 19, 2002, a procedural schedule was adopted and intervenor status was granted to all of the requesting parties.

Verizon filed incremental cost studies for recurring and nonrecurring rate elements in the Superpath T1 service tariff on September 30, 2002. A technical session was held on October 16, 2002. OCA filed a motion to strike the cost study on November 19, 2002, which was denied by Commission Order No. 24,100 (December 20, 2002). On March 27, 2003, Staff of the Commission (Staff) filed the Direct Testimony of Kath Mullholand and Chris M. Schlegel. On April 4, 2003, DesTek filed the Direct Testimony of Brian Susnock. On May 2, 2003, Verizon filed the Rebuttal Testimony of Gary E. Sandford and William E. Taylor. In addition to testimony, Verizon, Staff and DesTek filed responses to data requests propounded by the parties in compliance with the procedural schedules adopted.

Beginning May 7, 2003, Verizon, DesTek, Global NAPs, OCA and Staff participated in a number of settlement conferences. Agreement was reached and a Stipulation signed by Verizon, the OCA and Staff was filed on July 9, 2003. The

Stipulation and Attachment 1 to the Stipulation are appended to this order. DesTek opposed the Stipulation. Global NAPs took no position. Hearings were held on July 17, 2003.

II. STIPULATION

The Stipulation proposes a limited time promotional offering for Superpath 1.544 Mbps service. The promotion makes discounted recurring and nonrecurring rates available to customers subscribing to new Superpath service during a one-year promotional period. The promotion is scheduled to run between December 1, 2003 and November 30, 2004¹, and targets high-mileage circuits, effectively bringing down the cost for Superpath service for those customers who require T1 service between Verizon central offices that are some distance apart. In addition, nonrecurring charges are reduced to \$1.00 per local distribution channel.

The Stipulation further states that Verizon shall provide Staff with Superpath sales data at the start, middle and end of the promotion. There are provisions for marketing and for Staff review of the promotion. Per the Stipulation, Verizon is not required to offer Fractional T1 service in New Hampshire.

¹ These dates were tentative at the time of the stipulation as a work stoppage appeared to be imminent. Since that time, Verizon has reached agreement with its unions; thus, these dates are affirmed.

III. POSITIONS OF THE PARTIES

A. DesTek

DesTek objected to the Stipulation and provided testimony on several issues. First, DesTek asserted that Superpath is only one of 42 different services provided by Verizon that deliver a bandwidth of 1.544 Mbps. DesTek stated that services such as other forms of T1, frame relay, ATM, and PRI, as well as, if aggregated, ISDN, DSL and BANA circuits all achieve 1.544 Mbps bandwidth on the Internet. DesTek believes that these other T1 services should be investigated as well.

DesTek also objected to the Stipulation on the grounds that the Stipulation states that Verizon will not be required to offer Fractional T1 service in New Hampshire.

DesTek further requested that the Commission investigate what DesTek called Verizon's astronomical markup on its T1 products. DesTek called for a rate design proceeding, with an eye to consideration of structural separation.

B. Verizon

Verizon argued that Fractional T1 service provides for price discounts that are not supported by the cost of the product. Verizon's witness explained that since a full T1 must be deployed, and then additional equipment installed to reduce

the bandwidth on the circuit, Fractional T1 actually costs more to provide than a typical Superpath T1 circuit. Verizon also stated that Fractional T1 service have been discontinued in states where it had previously been offered, due to the lack of customer demand.

C. OCA

The OCA supported the Stipulation, because it is a way to get to more reasonable rates for the North Country on a trial basis. The OCA further noted that its support was not based on confidence in the cost studies submitted by Verizon.

D. Staff

Staff supported the Stipulation. Staff's testimony in this docket suggested that reduced rates for T1 would stimulate demand. In its support for the Stipulation, Staff stated that the promotion would provide actual market test data which will allow Staff to observe if the reduced prices do, in fact, stimulate demand. Staff further supported the promotion because the rates provided are actually more generous than what Staff had recommended in its testimony, although it is for a limited time period.

IV. COMMISSION ANALYSIS

We find that the Promotion as outlined in Attachment I to the Stipulation provides pricing that is just and reasonable and that we believe will benefit New Hampshire customers, particularly those located in the northern areas of the state. The testimony regarding the cost for Fractional T1 leads us to conclude that the service would have to be subsidized by another service. It also appears that there may be better broadband options, and that further investigation into high-speed services will result in developing products that will serve as alternatives to Fractional T1. Therefore, we are unpersuaded by arguments that the Stipulation should be rejected because it calls for the elimination of Fractional T-1 service.

We are persuaded, however, by DesTek's arguments that Superpath is only one facet of T1 service. At the same time, we believe data gathered during the promotional period will provide practical experience with stimulation of demand for T1 as a result of price reductions. At the conclusion of the promotional period, we direct Staff to analyze the results and report to the Commission the overall market changes and revenue impact on Superpath as a result of the promotion. Staff's

analysis should include a recommendation on whether other T1 services might benefit from a similar price reduction.

Furthermore, while we find the Stipulation reasonable, we also find that it only partially addresses opportunities for broadband service. Accordingly, consistent with the intent of our earlier Order of Notice in this proceeding, we direct Staff to explore with Verizon and interested parties the feasibility of Frame Relay, ATM and other technologies as vehicles for increasing access to advanced telecommunications services.

Based upon the foregoing, it is hereby

ORDERED, Verizon's Superpath Promotion as described by the Stipulation filed on July 9, 2003 is approved.

By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of September, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary

DT 02-111

**Verizon New Hampshire
Investigation Into T1 Tariff**

STIPULATION

On June 18, 2002, the New Hampshire Public Utilities Commission (Commission) issued an Order Of Notice opening this docket to investigate the rates, terms and conditions of Verizon New Hampshire's (Verizon NH) Superpath® service, an advanced telecommunications T1 service that can be used to support broadband access. The Commission's Order of Notice expressed an interest in statewide access to such advanced telecommunications capabilities at just and reasonable rates. The Order of Notice scheduled a prehearing conference for July 19, 2002 and ordered Verizon NH to file incremental cost studies for its Superpath® T1 service by September 30, 2002.

By letter dated June 21, 2002, Office of the Consumer Advocate (OCA) notified the Commission of its intent to participate in the docket on behalf of residential ratepayers. Otel Telekom, Inc., The Destek Group, WorldCom, Inc. and Global Naps, Inc. submitted written requests for intervenor status prior to the prehearing conference. At the July 19, 2002 prehearing conference, the New Hampshire Internet Service Providers Association and segTel, Inc. also requested

intervention. The Commission granted full intervenor status to all of above-mentioned parties.

Verizon NH filed incremental cost studies on September 30, 2002 in compliance with the Commission's Order of Notice, detailing the recurring and nonrecurring costs of its Superpath® service. A technical session was held on October 16, 2002 at which Verizon NH made detailed presentations regarding its studies. On December 20, 2002, the Commission denied an OCA Motion to Strike Verizon NH's cost studies.

On March 27, 2003, Staff filed the Direct Testimony of Kath Mullholand and Chris M. Schlegel. Staff's testimony (i) reviewed Verizon NH's cost studies to determine their reasonableness, (ii) estimated an elasticity of demand for Verizon NH's Superpath® T1 service, and (iii) recommended a reduction in certain Superpath® interoffice channel mileage rates. On April 4, 2003, Destek filed the Direct Testimony of Brian Susnock. On May 2, 2003, Verizon filed the Rebuttal Testimony of Gary E. Sanford and William E. Taylor. In its testimony, Verizon NH further explained its cost studies and took issue with certain Staff conclusions. Verizon NH also recommended that the Commission not impose a price reduction based on Staff's determination of the price elasticity of Verizon NH's Superpath® service.

In addition to testimony, Verizon NH, Staff and Destek filed responses to data requests propounded by the parties in compliance with the procedural schedules adopted during the investigation.

Beginning May 7, 2003, Staff, Verizon NH, OCA, Destek and Global Naps participated in a number of settlement conferences. As a result of these discussions, the parties and Staff agreed to the following facts.

1. The price of Superpath® 1.544 service varies depending on the distance between the end user and the central office, and the distance between central offices when the connection goes beyond the end user's exchange.

2. Staff and Verizon NH disagree on what the level of demand elasticity may be for Verizon NH's Superpath® 1.544 service in New Hampshire. No other party filed testimony specifically addressing the issue of demand elasticity.

3. A product promotion that substantially reduces both the nonrecurring and recurring rates of Verizon NH's Superpath® 1.544 service, especially the interoffice channel mileage rate elements, may stimulate new demand for Superpath 1.544 services particularly in smaller or more rural communities of New Hampshire.

4. Where available in other Verizon jurisdictions, Fractional T1 service demand is negligible. Verizon no longer

supports the service and is withdrawing Fractional T1 service in those jurisdictions.

In light of the above, the signatories to this Stipulation agree to the following disposition of this docket and recommend that the Commission approve it.

1. Verizon NH will offer a one-year promotion of Superpath® 1.544 service on rates, terms and conditions set forth in Attachment 1, which is incorporated by reference and made a part hereof.

2. Currently approved Superpath® 1.544 tariff rates and terms shall remain in effect for other telecommunications services that incorporate Superpath® 1.544 tariff offerings and for customers subscribing to new Superpath® 1.544 service who choose not to take advantage of this promotion.

3. Verizon NH will provide Staff with relevant Superpath® 1.544 sales data as of the start, middle and end dates of the promotion period.

4. Verizon NH will develop and provide instructional information to facilitate marketing of the promotion by the sales channels and will provide statewide notification of the promotion to business customers through publication of a bill insert (e.g., "Extra" bill insert).

5. Staff reserves the right to review Verizon NH's administration of the Superpath^R 1.544 promotion to ensure

compliance. Staff and Verizon NH will agree on the parameters (frequency, methodology, etc.) of any such review prior to the start of the promotion.

6. Verizon NH's Superpath^R 1.544 promotion will be made available for resale in New Hampshire at wholesale discount rates to eligible telecommunications carriers in accordance with the Telecommunications Act of 1996 and under the terms of a properly executed interconnection agreement or New Hampshire SGAT/Tariff.

7. Verizon will not be required to offer Fractional T1 service in New Hampshire.

8. This docket will be closed upon Commission approval of the Stipulation.

9. This Stipulation is the result of a negotiated settlement among the parties. The Stipulation shall not be construed as an agreement as to any matter of fact or law, other than as specifically set forth above. The parties' willingness to resolve the issues in this proceeding by way of Stipulation is without waiver of rights with respect to this matter in other states.

10. This Stipulation is expressly conditioned upon the Commission's acceptance of all of its provisions, without change or condition. If the Commission does not accept the Stipulation in its entirety, the Stipulation will be deemed to be null and

void and without effect, and will not constitute any part of the record in this proceeding. In the event any modification or condition is made to the Stipulation, each party will be placed in the position that it enjoyed in this proceeding before entering into the Stipulation.

date

by _____
Victor D. Del Vecchio, Esq.
for Verizon New Hampshire

date

by _____
F. Anne Ross, Esq.
for Office of the Consumer
Advocate

date

by _____
E. Barclay Jackson, Esq.
for Staff of the Commission

ATTACHMENT 1

New Hampshire Superpath^R 1.544 Promotion

This limited time promotional offering is intended to stimulate new demand for Superpath^R 1.544 service in New Hampshire. The promotion makes specially discounted recurring and non-recurring rates available to customers subscribing to new term (36 or 60 months) or month-to-month Superpath^R 1.544 Mbps service during a one-year promotional period. Promotional rates shall apply to orders for new Superpath^R 1.544 service ordered between December 1, 2003 and November 30, 2004².

The following terms, conditions and commitment periods apply.

Rates

Nonrecurring Charge:

Service Category - Superpath ^R 1.544 Mbps Service Promotion	Rate Element - Per Local Distribution Channel (LDC) NRC - Each	\$1.00
--	--	--------

Monthly Recurring Charges:

Per Local Distribution Channel (LDC)**	Monthly Recurring Rates - Per Local Distribution Channel - Each		
	Month-to-Month Svc. Commitment	3-year Service Commitment	5-year Service Commitment
Mileage Band-A (MB-A) = Total Interoffice Channel (IOC) of 0 to 10 miles	\$285.00	\$250.00	\$240.00
Mileage Band-B (MB-B) = Total IOC of 11 to 20 miles	\$319.00	\$284.00	\$274.00
Mileage Band-C (MB-C) = Total IOC of 21 to 30 miles	\$353.00	\$318.00	\$308.00
Mileage Band-D (MB-D) = Total IOC of 31 to 50 miles	\$382.00	\$348.00	\$318.00
For each Interoffice Channel mile over 50 miles = MB-D per LDC plus \$5.00 per IOC mile.			

^R Registered Service Mark

** Rates are for LDCs that originate and terminate within New Hampshire. Each LDC rate includes the local loop and interoffice channel mileage (fixed and variable).

² In the event Verizon experiences a work stoppage that continues beyond October 31, 2003, the one-year promotion period shall begin no less than 30 days following the settlement date of such work stoppage.

Fractional mileage will be rounded up to the next whole mile.

Promotion Terms and Conditions:

1. The promotional rates and terms apply only to signed written applications for orders made during the promotional period for newly installed Superpath^R 1.544 service. New Superpath^R 1.544 service is defined as a circuit that has been assigned a new circuit identification number and is not a replacement for an existing in-service circuit. New Superpath^R 1.544 service does not include T1 circuits that are in-service at the start of the promotion period under an existing term (36 or 60 months) or month-to-month plan (including services continued on a month-to-month basis after the 36 or 60 month term expires). Additionally, orders for new Superpath^R 1.544 service will not be eligible for the promotional terms or rates if the customer terminates T1 service on an existing circuit between the same A and Z locations within six months of its order for new Superpath^R 1.544 service.
2. A confirmed due date for installation of the service must be (i) within sixty days of the date of ordering or (ii) in accordance with a negotiated schedule of installation due dates requested by the customer and agreed to by the Company. Failure to accept service on the confirmed installation due date will result in cancellation of the order except when such failure to accept service is due to the Company's failure to provide service on the confirmed due date.
3. Customer must sign a written application for service to obtain the promotional rates. The minimum service period for month-to-month pricing is three months. The minimum service period for the three-year commitment is one year. The minimum service period for the five-year commitment is three years. No termination liability applies once the minimum service period is met.
4. A termination liability charge will apply if a customer terminates a promotional commitment prior to the end of the applicable minimum service period. The termination liability charge is equal to the number of months remaining between the effective date of termination and the end of the applicable minimum service period, multiplied by the applicable promotional rate.
5. No other discount(s) or promotion(s) apply to service ordered pursuant to this Promotion. All other optional features and regulations not listed in this Promotion shall remain as set forth in applicable tariffs.
6. Upon the expiration of the original three- or five-year written commitment period, the customer may continue to receive service for one additional term commitment period under this Promotion, provided that the additional commitment term period may not exceed the duration of the original commitment period. Circuits purchased under the month-to-month pricing option may retain the promotional rates for a single term of up to three (3) years.