

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA-  
1333 H STREET, N.W., 2<sup>nd</sup> FLOOR - WEST  
WASHINGTON, D.C. 20005

ORDER

June 8, 2001

Formal Case No. 814, Phase IV, In the Matter of Investigation Into The Impact of The AT&T Divestiture And Decisions of The Federal Communications Commission on Verizon Washington DC, Inc.'s Jurisdictional Rates, Order No. 12029

1. By this Order, the Public Service Commission of the District of Columbia ("Commission") grants the application of Verizon Washington DC, Inc. ("Verizon") to reduce business and residential rates by \$2 million pursuant to the provisions of the Price Cap Plan.

**I. BACKGROUND**

2. On December 28, 2000, Verizon filed an Application<sup>1</sup> requesting authority to reduce certain rates pursuant to the Settlement Agreement between the Office of the People's Counsel of the District of Columbia and Verizon extending the application of the Price Cap Plan adopted in Formal Case No. 814, Phase IV ("Price Cap Plan").<sup>2</sup> On January 31, 2001, Verizon filed a marginal cost analysis to support proposed reductions for the Business Message Rate Service ("BMRS") and Business and Residence Message Unit Rates ("B&RMUR").<sup>3</sup> Verizon also indicated that it would file the remaining analyses for non-recurring charges by February 23, 2001.<sup>4</sup>

3. However, on February 23, 2001, Verizon filed a new Application with a revised marginal cost analysis after it determined that its original rate proposal did not cover incremental

<sup>1</sup> See Letter from J. Henry Ambrose, Vice President for Regulatory Matters, Verizon Washington DC, Inc., to Jesse P. Clay, Jr., Commission Secretary, filed December 28, 2000.

<sup>2</sup> See Formal Case No. 814, Phase IV, In the Matter of Investigation into The Impact of The AT&T Divestiture And Decisions of The Federal Communications Commission on Bell Atlantic-Washington, D.C., Inc.'s Jurisdictional Rates, Order No. 11545, rel. November 17, 1999, Settlement Agreement §§ 3, 4, 8, and 9 (Exhibit A), and Amended Price Cap Plan § 5(c) (Exhibit B) (hereinafter referred to as "Price Cap Plan").

<sup>3</sup> See Letter from J. Henry Ambrose, Vice President for Regulatory Matters, Verizon Washington DC, Inc., to Jesse P. Clay, Jr., Commission Secretary, filed January 31, 2001 (hereinafter referred to as "First Marginal Analyses"). Section 5(a) of the Price Cap Plan requires that rates for Basic Services equal or exceed the incremental cost of providing such services. Business Message Rate Services and Business and Residence Message Rates Services are classified in the Basic Service Basket (See Exhibit D, Price Cap Plan).

<sup>4</sup> First Marginal Analyses at 1.

costs for basic services.<sup>5</sup> Verizon represents that the new rate structure has been redesigned to reflect the rate reductions required by the Settlement Agreement, while ensuring that rates remain above incremental costs.<sup>6</sup>

4. Accordingly, Verizon requests authority to amend the following tariff pages, pursuant to the Price Cap Plan, to be effective July 1, 2001:

LOCAL EXCHANGE SERVICES TARIFF, P.S.C. – D.C. No. 201  
Section 4, 3<sup>rd</sup> Revised Page 1  
LOCAL EXCHANGE SERVICES TARIFF, P.S.C. – D.C. No. 202  
Section 2, 13<sup>th</sup> Revised Page 2  
Section 2, 9<sup>th</sup> Revised Page 3  
Section 4D, 3<sup>rd</sup> Revised Page 5  
LOCAL EXCHANGE SERVICES TARIFF, P.S.C. – D.C. No. 203  
Section 3, 6<sup>th</sup> Revised Page 8  
Section 3, 3<sup>rd</sup> Revised Page 8a  
Section 3, 1<sup>st</sup> Revised Page 11

5. The proposed tariff changes would reduce basic rates in the amount of \$2.0 million by: a) reducing the Residence Denied Service Restoral Charge from \$11.48 to \$9.75; b) reducing the Residence Message Unit Rate from \$0.051 to \$0.05; c) reducing the Business Message Unit Rate from \$0.0719 to \$0.071; d) reducing the Residence First Line Service Connection Charge from \$30.76 to \$28.00; e) reducing the Residence Additional Line Installed at Same Time as First Line Service Connection Charge from \$33.49 to \$14.00; f) reducing the Residence Installed Subsequent to First Line Service Connection Charge from \$43.06 to \$28.00; g) reducing the Business Additional Line Service Connection Charge from \$32.00 to \$25.00; h) reducing the Residence Customer Initiated Order Charge from \$21.06 to \$7.00; i) reducing the Residence Change in Class or Grade of Service Charge from \$13.40 to \$7.00; j) reducing the Business Message Rate Service from \$11.15 to \$11.00; and, k) increasing the Economy I Service rate from \$5.19 to \$6.00.<sup>7</sup>

6. The Notice of Proposed Rulemaking (“NOPR”), previously published in the *D.C. Register* on January 19, 2001, was rescinded.<sup>8</sup> On March 16, 2001, the Commission published a

<sup>5</sup> See Letter from J. Henry Ambrose, Vice President for Regulatory Matters, Verizon Washington DC, Inc., to Jesse P. Clay, Jr., Commission Secretary, filed February 23, 2001 (hereinafter referred to as “Application”).

<sup>6</sup> Application at 1.

<sup>7</sup> *Id.* at 2.

<sup>8</sup> 48 D.C. Reg. 546 (Jan. 19, 2001).

second NOPR, which established a new comment period for Verizon's revised application.<sup>9</sup> The Commission received one comment from a customer who objected to the proposed increase in Economy I Message Rate Service.<sup>10</sup>

## II. DISCUSSION

7. Under the Price Cap Plan, basic services are defined as "telecommunications services, which are neither competitive services nor discretionary services, and which are required to make and receive intrastate telephone calls, or which are found to be essential by the Commission."<sup>11</sup> The Settlement Agreement extending the Price Cap Plan adopted by the Commission in Order No. 11545 provided a guarantee by Verizon to reduce basic service rates by \$4.3 million during the two-year extension, with a \$2.3 million reduction in basic residential service rates effective July 1, 2000. A \$2.0 million reduction is required for the current year with 40 percent of the reduction allocated to residential customers and 60 percent to business customers, effective July 1, 2001.<sup>12</sup>

8. As required, the proposed changes only apply to basic services and the net reduction is allocated on the 60/40 business/residential ratio. Paragraph 4 of the Settlement Agreement expressly allows Verizon to increase the rate for Economy I Message Rate Service in a revenue neutral manner within the basic residential dial tone line services, provided the increase is limited to \$1.00 annually for each year in which the Price Cap Plan is in effect. However, Verizon chose to increase Economy I Message Rate Service by \$0.81 (eighty-one cents). Accordingly, Verizon's method to implement the reductions is consistent with the provisions of the Settlement Agreement adopted by the Commission in the Price Cap Plan.

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<sup>9</sup> 48 D.C. Reg. 2351 (Mar. 16, 2001).

<sup>10</sup> See Letter of L. Lela to Jesse P. Clay, Jr., Commission Secretary, dated April 18, 2001.

<sup>11</sup> See Price Cap Plan, Exhibit B at §2 (c)(1).

<sup>12</sup> See Settlement Agreement §§ 3 and 4 of the Price Cap Plan (Exhibit A).

**THEREFORE, IT IS HEREBY ORDERED THAT:**

9. Verizon's Application requesting authority to reduce certain rates pursuant to the Settlement Agreement between the Office of the People's Counsel of the District of Columbia and Verizon of the Amended Price Cap Plan, adopted in Formal Case No. 814, Phase IV, Order No.11545, is **GRANTED**; and

10. The Commission Secretary shall cause a Notice of Final Rulemaking to be published in the *D.C. Register*.

**A TRUE COPY**

**BY DIRECTION OF THE COMMISSION:**

**CHIEF CLERK**

  
**JESSE P. CLAY, JR.**  
**COMMISSION SECRETARY**