

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF VERIZON-RHODE ISLAND'S :
SUCCESSOR ALTERNATIVE REGULATION PLAN : DOCKET NO. 3692

REPORT AND ORDER

New England Telephone ("NET") operated under traditional rate of return regulation until 1989. In 1989, the Rhode Island Public Utilities Commission ("Commission") altered NET's regulatory structure by approving a stipulation that permitted NET to have earnings sharing for a three-year period. After a comprehensive review of telecommunications in Rhode Island, the commission approved a four year Price Regulation Trial ("PRT") in which NET was permitted certain pricing flexibility. In 1996, the Commission approved a Price Regulation Plan ("PRP") to regulate NYNEX, NET's successor. The PRP eliminated earnings sharing but implemented a service quality adjustment factor.

In 2000, the Commission approved a Price Regulation Successor Plan ("PRSP") for Bell Atlantic-Rhode Island ("BA-RI"), NYNEX's successor. The PRSP continued the regulatory framework of the PRP but included additional commitments by the company such as an increase in data network access funding of school and libraries, a Lifeline credit for low-income customers, a \$5 million refund to residential customers, and the expansion of calling areas.

In 2003, the Commission approved the Alternative Regulation Plan ("ARP") for BA-RI's successor, Verizon-Rhode Island ("VZ-RI"). The ARP gave VZ-RI pricing flexibility on business rates. However, VZ-RI was subject to price caps on residential services, a price floor, and service quality penalties. In addition, VZ-RI was required to

maintain funding for internet access for schools and libraries for two years and to increase the Lifeline credit for low-income customers.

In 2005, the Commission approved VZ-RI's Successor Alternative Regulation Plan which provided total pricing flexibility over retail rates with the exception of stand-alone measured service for lifeline customers. VZ-RI was required to comply with certain reporting requirements, including those related to service quality. That plan is the subject of this review. One provision the Commission required was that "the plan as modified shall end on December 31, 2008, but will stay in effect until such time as the Commission takes an action to alter the plan."¹

On September 16, 2008, a status conference was conducted to determine the best course of action. VZ-RI, Cox RI Telecom, LLC, ("Cox") the Division of Public Utilities and Carriers ("Division") and the Attorney General were represented. The attendees agreed to file positions on whether the Commission should take any additional action or should allow the plan to continue, either indefinitely or for another term of years with similar language as noted above. Two issues were whether the market has changed since 2006 and whether service quality has been maintained through a competitive market.

On September 19, 2008, the Attorney General filed a position indicating that based on discussions at the September 16, 2008 conference, the Commission does not need to take further action at this time and that unless one of the other parties disagrees, the Attorney General would not recommend additional hearings or other action at this time.

On October 27, 2008, the Division filed a position recommending that the existing Successor Alternative Regulation Plan should remain in place for an additional three-year

¹ *Order No. 18550*, p. 30 (issued March 17, 2006).

term with no additional modifications at this time.² On October 31, 2008, Cox filed a position recommending that the Commission continue VZ-RI's Successor Alternative Regulation Plan for a new three year term commencing on January 1, 2009. Cox stated that in addition to the Commission's statutory responsibility to periodically review VZ-RI's rates, a three year term is necessary in order to ensure appropriate oversight given "the rapidly changing forces at work in the region" including instability in the financial markets and pending FCC matters which will impact the telecommunications industry and could require additional Commission oversight.³ Cox maintained that the conditions of the Successor Alternative Regulation Plan imposed minimal burdens on VZ-RI and that in Cox's view have proven effective in protecting competition and competitors alike.

On October 31, 2008, VZ-RI filed its position stating that the Commission does not need to nor should it take any action regarding the Successor Alternative Regulation Plan because it automatically renews after December 31, 2008. VZ-RI stated that the Plan has functioned as the Commission intended. VZ-RI noted that the Division had not expressed concerns to VZ-RI regarding service quality. VZ-RI disagreed with the Division and Cox by stating that the Commission should not create a new termination date.⁴

On January 15, 2009, at its open meeting, the Commission approved the continuation of the Successor Alternative Regulation Plan as approved in Order No. 18550 until further order of the Commission. The Commission notes that under R.I.G.L. § 39-3-11, the Commission must periodically review rates of public utilities. However, the Commission can review these rates at any time and in fact, does so with each filing

² Division's Position, p. 1.

³ Cox's Comments, pp. 2-3.

⁴ VZ-RI's Comments, pp. 1-3.

VZ-RI makes to change its rates and tariffed services. The Successor Alternative Regulation Plan approved by the Commission in 2005 has demonstrated that it has worked as intended and therefore, there is no longer a need for a specific term. This does not preclude any party from petitioning the Commission for review at any time and does not preclude the Commission from reviewing the plan *sua sponte* at any time it feels necessary.

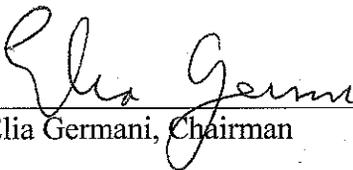
Accordingly, it is

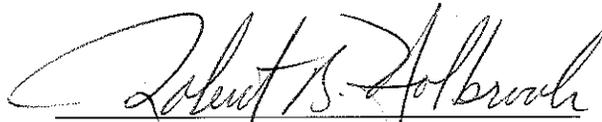
(19540) ORDERED

1. Verizon-Rhode Island's Alternative Regulation Plan approved by the Commission in Order No. 18550, shall remain in effect until further order of the Commission.

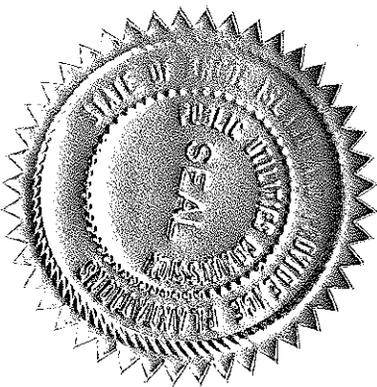
EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 15, 2009
PURSUANT TO AN OPEN MEETING. WRITTEN ORDER ISSUED JANUARY 21,
2009.

PUBLIC UTILITIES COMMISSION


Elia Germani, Chairman


Robert Holbrook, Commissioner


Mary Bray, Commissioner



NOTICE OF RIGHT OF APPEAL PURSUANT TO R.I.G.L. SECTION 39-5-1, ANY PERSON AGGRIEVED BY A DECISION OR ORDER OF THE COMMISSION MAY, WITHIN SEVEN (7) DAYS FROM THE DATE OF THE ORDER, PETITION THE SUPREME COURT FOR A WRITE OF CERTIORARI TO REVIEW THE LEGALITY AND REASONABLENESS OF THE DECISION OR ORDER.