

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

VERIZON-RHODE ISLAND'S : DOCKET NO. 3828  
MARCH 9, 2007 NOTICES :  
REGARDING PROMOTIONS :

REPORT AND ORDER

On March 9, 2007, Verizon-Rhode Island ("VZ-RI") filed notice with the Rhode Island Public Utilities Commission ("Commission") of VZ-RI's intent to introduce three promotions for residential services. The first promotion was not contested. The second promotion provides a bill credit of \$12.05 per month for Regional Value customers. It also provides a bill credit of \$10.00 per month to customers who subscribe to Regional Value and unlimited long-distance or to customers who subscribe to Regional Essentials and unlimited long-distance. The third promotion is for new or returning customers and will provide a bill credit of \$12.05 per month if they subscribe to Regional Value. It also provides a bill credit of \$10.00 per month for customers if they subscribe to Regional Value and unlimited long-distance or subscribe to Regional Essentials and unlimited long-distance. The bill credits in these last two promotions would be for twelve months.

On March 15, 2007, Cox Rhode Island Telcom ("Cox") filed a request to suspend for investigation the two promotions filed by VZ-RI, which have bill credits for twelve months. Cox noted that although these promotions are available for only three months, March 19, 2007 to June 16, 2007, the bill credit for these promotions is effective for twelve months. Cox argued that VZ-RI's promotions violated the Commission's policy that VZ-RI's promotions are limited to six months in duration after ten days notice. Cox asserted that the Commission's policy to limit VZ-RI's promotions to six months is

important because VZ-RI is the dominant incumbent local exchange carrier (“ILEC”), which is capable of pricing in an anticompetitive manner.

On March 16, 2007, VZ-RI filed a response. First, it noted that the Commission’s limitation of six months for promotions applies only to the duration of the promotional program and not to the benefits derived by customers who avail themselves of the promotion. Also, VZ-RI noted that Cox has offered promotions with benefits to customers lasting as long as twelve months. Lastly, VZ-RI noted that the Commission has recognized that as the market becomes more competitive, fewer restrictions are appropriate and that promotions usually equate to lower prices for customers.

Also, on March 16, 2007, the Division of Public Utilities and Carriers (“Division”) indicated that the Commission should suspend VZ-RI’s promotion for seven days so the Division could have an opportunity to review the dispute and provide a recommendation to the Commission. On March 19, 2007, VZ-RI responded to the Division and stated that the promotions should not be suspended because it would merely allow Cox additional time to launch its own counter-promotion. On March 19, 2007, the Division responded that it did not object to VZ-RI’s promotions going into effect because customers would not be harmed, but asserted it would review the Commission’s policy regarding promotions upon the request of the Commission. At an open meeting on March 19, 2007, the Commission denied Cox’s request to suspend and investigate VZ-RI’s promotions.

#### COMMISSION FINDINGS

The six month limitation on promotions date back to 1988, which was well before the enactment of the Telecommunications Act of 1996 (“Telco Act”) that mandated

competition in local telecommunications. This order from 1988 merely states the Commission “will limit the duration of any promotional program to not more than six months.”<sup>1</sup>

It is understandable that this language could be subject to more than one interpretation. In interpreting this past order, the Commission must be mindful of some overriding policy principles in telecommunications. First, the goal of the Telco Act “was to lift the heavy hand of government regulation from the telecommunications market.”<sup>2</sup> Second, as the telecommunications “market becomes more competitive, fewer restrictions, not more restrictions, are in order.”<sup>3</sup> Third, the “Commission desires to create and enhance a competitive market for telecommunications, not to set policy which will give a competitive advantage to one type of corporate entity over another.”<sup>4</sup>

Based on these policy principles, the Commission will interpret its six month limitation on VZ-RI promotions as applying to the length of time the promotion is offered, but not to the length of time that promotional benefits are offered. Promotions are a beneficial by-product of competition. Unnecessary government regulation should not stand in the way of lower prices for customers from these promotions. Furthermore, Cox has offered promotional benefits of more than six months in duration. Although VZ-RI is an ILEC, there is no policy justification to impose promotional restrictions on VZ-RI, which are not also applicable to Cox or other competitors of VZ-RI.<sup>5</sup> Simply, VZ-RI is essentially no longer subject to dominant carrier price regulation because, in general,

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<sup>1</sup> Order No. 12605 (3/29/1988).

<sup>2</sup> Order No. 16032 (12/15/1999).

<sup>3</sup> Order No. 18550 (3/17/06).

<sup>4</sup> Order No. 16032 (12/15/1999).

<sup>5</sup> Because of R.I.G.L. §39-3-11, all telecommunications carriers must provide prior notice to the Commission of promotions, which affect tariffed services. However, because promotions provide lower prices to customers and due to the competitive nature of telecommunications, the Commission has allowed promotions to go into effect on ten days notice pursuant to R.I.G.L. §39-3-12.

VZ-RI cannot exercise market power over Rhode Island's local telecommunications market.<sup>6</sup> Lastly, any party can seek further clarification, modification or elimination of the Commission's policy regarding promotion restrictions. However, the Commission will apply its promotions policy equally to all telecommunications carriers.

Accordingly, it is

(18913) ORDERED:

1. Cox Telcom LLC's request to suspend Verizon-Rhode Island's March 9, 2007 residential promotions is hereby denied.

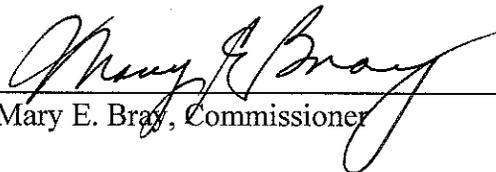
EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING ON MARCH 19, 2007. WRITTEN ORDER ISSUED MARCH 29, 2007.

PUBLIC UTILITIES COMMISSION



  
Elia Germani, Chairman

  
Robert B. Holbrook, Commissioner

  
Mary E. Bray, Commissioner

<sup>6</sup> See Order No. 18550 (3/17/06) (VZ-RI has only 62.2 percent of all local access residential lines in 2005); and see Order No. 17417 (3/31/03) (VZ-RI has only 66.4 percent of all local access business lines in 2002).