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December 17, 2015

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street – Filing Room (2 North)  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**RE: Office of Small Business Advocate v Verizon North LLC  
Docket Nos. C-2015-2512883 and R-2015-2510233**

**Office of Small Business Advocate v Verizon Pennsylvania LLC  
Docket Nos. C-2015-2512860 and R-2015-2510231**

Dear Secretary Chiavetta:

Enclosed please find Verizon's Prehearing Memorandum, being filed on behalf of Verizon Pennsylvania LLC and Verizon North LLC (collectively, "Verizon") in the above captioned consolidated matter.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Suzan D. Paiva

SDP/slb

Enc.

**Via E-Mail and First Class Mail**  
cc: Hon. Joel H. Cheskis, ALJ  
Attached Certificate of Service

**CERTIFICATE OF SERVICE**

I, Suzan D. Paiva, hereby certify that I have this day served a true copy of the Prehearing Memorandum of Verizon Pennsylvania LLC and Verizon North LLC, upon the parties listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 17<sup>th</sup> day of December, 2015.

**VIA E-MAIL AND FIRST CLASS U.S. MAIL**

Steven C. Gray, Esquire  
Office of Small Business Advocate  
Suite 202, Commerce Building  
300 North Second Street  
Harrisburg, PA 17102

Johnnie E. Simms, Esquire  
Bureau of Investigation & Enforcement  
PA Public Utility Commission  
Commonwealth Keystone Bldg  
400 North Street  
Harrisburg, PA 17105-3265

Barrett Sheridan, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923



Suzan D. Paiva  
Pennsylvania Bar ID No. 53853  
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Philadelphia, PA 19103  
(215) 466-4755

Attorney for Verizon

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Small Business Advocate	:	
	:	
v.	:	C-2015-2512860
	:	R-2015-2510231
Verizon Pennsylvania LLC	:	
	:	
Office of Small Business Advocate	:	
	:	
v.	:	C-2015-2512883
	:	R-2015-2510233
Verizon North LLC	:	

**PREHEARING MEMORANDUM OF  
VERIZON PENNSYLVANIA LLC  
AND VERIZON NORTH LLC**

Verizon Pennsylvania LLC (“Verizon PA”) and Verizon North LLC (“Verizon North”) (together, “Verizon”) submit this prehearing memorandum for purposes of the prehearing conference scheduled for December 21, 2015.

**I. HISTORY OF PROCEEDING**

On October 22, 2015, Verizon made its annual Price Change Opportunity (“PCO”)<sup>1</sup> filings for Verizon PA and Verizon North pursuant to each company’s Alternative Regulation Plan, as approved by the Commission under Chapter 30 of the Public Utility Code, 66 Pa. C.S. § 3011, et seq. Verizon PA notified the Commission that the price cap mechanism in the company’s Chapter 30 plan allowed Verizon PA to increase its revenue from noncompetitive services by \$1,422,000. Verizon North notified the Commission that the price cap mechanism in its plan allowed Verizon North to

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<sup>1</sup> The formula is referred to in the statute as a price stability mechanism (“PSM”). PCO is the terminology used to describe the PSM formula in Verizon PA’s Alternative Regulation Plan.

increase its revenue from noncompetitive services by \$216,000. To implement the allowed revenue increases, both companies proposed to increase rates for residence and business dial tone line and business local usage.

Under alternative regulation, services designated as “competitive” have complete pricing flexibility and are not part of the PCO process. The Commission also no longer sets rates in the traditional manner for services designated as “noncompetitive;” however any increases to noncompetitive rates are limited by the PCO formula in the companies’ Alternative Regulation Plans that allows overall noncompetitive revenue to increase or decrease each year based on the rate of inflation.

On November 10, 2015, the Office of Small Business Advocate (“OSBA”) filed complaints against Verizon 2016 PCO filings. OSBA’s complaints do not allege any specific defect in Verizon’s filings. OSBA only states generally that “[u]pon preliminary review” it “believes” that the materials provided in support of the filing “may be insufficient” and that the proposed rates “may be unjust, unreasonable, unduly discriminatory, and otherwise contrary to law, particularly as they pertain to Verizon[‘s] small business customers.” (OSBA Complaint ¶¶ 6-7). Verizon answered and filed preliminary objections to the OSBA’s complaints on November 23, 2015.

By separate orders entered December 3, 2015, the Commission found that each Verizon company’s 2016 PCO filing is “deemed in compliance with its Commission-approved Amended Chapter 30 Plan” and the orders permitted the rate changes “to go into effect as filed and remain in effect during the pendency of the Office of Small Business Advocate Formal Complaint adjudication and be subject to refund pending the

findings of the Office of Administrative Law Judge and further Orders of the Commission as necessary.”

On December 9, 2015, the presiding officer issued an order consolidating the two cases. On December 16, 2015, the presiding officer denied Verizon’s preliminary objections to the OSBA complaints, in which Verizon had argued that OSBA failed to specify any defects in Verizon’s filings and therefore failed to state a claim. Rather than requiring OSBA to amend its complaint to specify the defects it claims, the order allows the OSBA to state its issues for the first time in its testimony. But the order cautions that “to sustain its burden of proof at hearing, it must demonstrate by a preponderance of the evidence that Verizon has violated the Public Utility Code, a Commission order or regulation or a Commission-approved Company tariff,” none of which OSBA has demonstrated or even alleged as of this time.

## **II. ISSUES**

Because OSBA has not articulated any specific defect that it believes exists with Verizon’s filings, Verizon is not aware of any issues that need to be litigated. The Commission already determined in its December 3, 2015 order that each company’s 2016 PCO filing is “deemed in compliance with its Commission-approved Amended Chapter 30 Plan” and allowed the rate increases to take effect as scheduled. No further action is necessary and the complaints should be dismissed.

### **III. SERVICE LIST**

Pursuant to 52 Pa. Code § 1.55, Verizon's representative for the service list in this proceeding is as follows:

Suzan D. Paiva  
Assistant General Counsel  
Verizon  
1717 Arch St., 3<sup>rd</sup> Floor  
Philadelphia, PA 19103  
Phone: (215) 466-4755  
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[Suzan.d.paiva@verizon.com](mailto:Suzan.d.paiva@verizon.com)

### **IV. PROCEDURAL SCHEDULE**

Verizon will work with the presiding officer and the OSBA to determine a mutually agreeable schedule for the filing of testimony and a hearing, if necessary. Because Verizon understands that OSBA will be identifying its claims for the first time in testimony, Verizon requests that it be provided at least 90 days to respond to OSBA's testimony, in order to have sufficient time for discovery and analysis.

### **V. WITNESSES**

Because Verizon does not yet know what issues OSBA intends to raise, it is not possible to identify its witnesses with certainty. Verizon anticipates that its witnesses may include one or both of the following, but reserves the right to amend or alter its witness list based on the issues that are ultimately identified:

Philip J. Wood, Jr.  
Regional State Government Relations  
417 Walnut St., 1<sup>st</sup> Floor  
Harrisburg, PA 17101

Kathleen A. Bonette  
Regional State Government Relations  
1717 Arch St., 3<sup>rd</sup> Floor  
Philadelphia, PA 19103

## **VI. DISCOVERY**

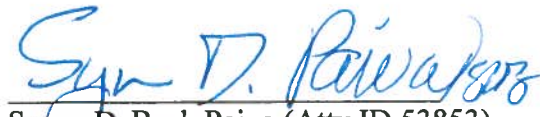
Verizon proposes no modifications to the Commission's standard discovery rules. Verizon believes that this matter may call for the disclosure and potential filing of proprietary and confidential information. However, the protective order entered at Dockets P-2011-2275803 and P-2011-2275730 on December 15, 2011 may be sufficient to cover proprietary information filed or produced in this case. That order states that "all Verizon Pennsylvania Inc.'s and Verizon North Inc.'s future annual Price Change Opportunity (PCO) filings, respectively, will be covered by this Order and new petitions for protective orders will not be necessary so long as the future PCO filings are in compliance with the terms of this Order." Under that protective order, "confidential and highly confidential information shall be made available to the consultants or staff of the Office of Small Business Advocate, Office of Consumer Advocate, Bureau of Investigation and Enforcement and any other interested (non-competitor) party for purposes of administrative or judicial proceedings upon the execution of an appropriate non-disclosure agreement." If an additional protective order is determined to be necessary, Verizon will work with OSBA to propose mutually agreeable terms for that order.

## **VII. SETTLEMENT**

Verizon is open to discussing a reasonable settlement of this matter, but it is not in a position to make any settlement proposals given that OSBA has not identified any specific issues with the filing.

Respectfully submitted,

December 17, 2015



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Verizon North LLC