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November 22, 2016

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

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 the Joint Settlement Petition, including attached Statements of Support from the parties, in the above referenced matter.

If you have any questions, please feel free to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "Suzan D. Paiva". The signature is written in a cursive style.

Suzan D. Paiva

SDP/slb

**Via E-Mail and Federal Express**  
cc: The Honorable Joel H. Cheskis

**Via E-Mail and First Class Mail**  
cc: Attached Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the Joint Settlement Petition, upon the parties listed below, in accordance with the requirements of §1.54 (relating to service by a party) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 22<sup>nd</sup> day of November, 2016.

**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

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



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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	:	

**JOINT SETTLEMENT PETITION**

Pursuant to 52 Pa. Code § 5.232, Verizon Pennsylvania LLC (“Verizon PA”) and Verizon North LLC (“Verizon North”) (together “Verizon”), the Office of Small Business Advocate (“OSBA”) and the Office of Consumer Advocate (“OCA”) (collectively the “Parties”) submit this Joint Settlement Petition setting forth their agreement to settle all of the issues in the above-captioned proceeding. In support of this Joint Settlement Petition, the Parties state as follows:

1. This Joint Settlement Petition constitutes an agreement by the Parties to this proceeding to the settlement described herein. No parties to this case oppose the settlement. *See* 52 Pa. Code § 5.232(b).

2. To the extent factual support is required for this settlement, the Parties rely upon the following testimony that was admitted into the record of this proceeding at the hearing on October 6, 2016: OSBA St. No. 1 (Direct Testimony of Joseph Gillan); OSBA St. No. 1-SR (Surrebuttal Testimony of Joseph Gillan); Verizon Statement 1.0

(Rebuttal Testimony of Philip J. Wood, Jr.); and OCA St. 1-R (Rebuttal Testimony of Dr. Robert Loube).

## **I. HISTORY OF PROCEEDING**

3. On October 22, 2015, Verizon made its annual Price Change Opportunity (“PCO”) 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.

4. 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.

5. Verizon North notified the Commission that the price cap mechanism in its plan allowed Verizon North to increase its revenue from noncompetitive services by \$216,000.

6. To implement the allowed revenue increases, both companies proposed to increase rates for residence and business dial tone line and business local usage. Verizon’s 2016 PCO filings are in the record as attachments A and B to Verizon St. 1.0.

7. On November 10, 2015, the OSBA filed complaints against the Verizon PA and Verizon North PCO filings, raising the same issues against each company. On December 18, 2015, the OCA filed a notice of intervention in each case.

8. By two 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 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.”

9. This Joint Settlement Petition details the Parties’ agreement as to the resolution of this proceeding.

## **II. SETTLEMENT OF ISSUES**

10. With respect to the litigation relating to the 2016 PCO filings of Verizon PA and Verizon North at Dockets C-2015-2512860, R-2015-2510231, C-2015-2512883 and R-2015-2510233, the Parties agree as follows:

(a) The Joint Settlement Petition is in full satisfaction of all issues raised in the OSBA’s complaints.

(b) The OSBA will take all steps necessary to close the case, including but not limited to withdrawing its complaints, effective upon Commission approval of the settlement. Verizon will make any filings needed to accomplish closing the case.

(c) There will be no change to the rates proposed by Verizon PA and Verizon North (which rates have already gone into effect).

11. With respect to the 2017 PCO filings of Verizon PA and Verizon North, due to be filed on or about November 1, 2016, the Parties agree as follows:

(a) Verizon PA will not increase retail rates with its 2017 PCO. Instead it will bank the entire 2017 PCO and will use this banked amount to reduce the balance of the banked negative 2003 PCO, in the same manner as prior PCO filings. Verizon PA made its 2017 PCO filing on November 1, 2016, consistent with this agreement.

(b) Verizon North anticipates that its 2017 PCO will be approximately \$226,000. Subject to the limits of 66 Pa. C.S. § 3015(a)(3), Verizon North reserves the right to increase residential and/or business rates or bank all or some portion of the allowed revenue increase. Verizon North made its 2017 PCO filing on November 1, 2016, consistent with this agreement.

(c) The OCA and the OSBA will not oppose Verizon's 2017 PCO filings if those filings conform to agreement set forth in the Joint Settlement Petition.

12. With respect to the 2018 PCO filings of Verizon PA and Verizon North, due to be filed on or about November 1, 2017, the parties agree as follows:

(a) The OSBA will support a Verizon PA and Verizon North request to restructure the Late Payment Charge ("LPC") for business services. The LPC is considered a noncompetitive service subject to the PCO. The increase would be from the current 1.5% for business (Verizon PA's PA PUC No. 1, Section 1, 8<sup>th</sup> Revised Sheet 5A and Verizon North's PA PUC No. 4, Section 2, 5<sup>th</sup> Revised Sheet 7A) to the LPC structure that applies in most of Verizon's other ILEC states and for Verizon's unregulated services. This structure is 1.5% or \$5, whichever is greater. Providing additional flexibility for business LPC will allow Verizon the option to allocate some or all of the revenue opportunity from its PCO to the LPC based on an estimate of the increased revenue to be gained from adding the minimum \$5 to the structure.

(b) Within one week after the filing of the 2018 PCOs, the OSBA will file a letter or other document supporting the restructure of the LPC for noncompetitive business services to 1.5% or \$5, whichever is greater.

(c) It may take more than one PCO to fully implement the business LPC restructure, and if that is the case OSBA will support the business LPC increases in future years and any interim increases necessary to reach the structure of 1.5% or \$5, whichever is greater, for the LPC for noncompetitive business services.

(d) Verizon will simultaneously implement the same LPC structure and amount for its competitive business services.

(e) If the Commission permits Verizon to increase the business LPC in this manner, before increasing any other retail rates Verizon PA and Verizon North will allocate their allowed 2018 PCO revenue increases first to the business LPC until each company reaches the 1.5% or \$5 structure for noncompetitive business services.

(f) To the extent Verizon is not able to or permitted to increase the LPC to the full extent necessary to account for the available revenue increase opportunities for the 2018 PCOs, or if the revenue increase opportunity exceeds what is necessary to restructure the LPC, Verizon reserves the right to increase any noncompetitive residential or business rates consistent with its Alternative Regulation Plans and the Chapter 30 statute. The OCA and OSBA do not waive the right to challenge any such proposed retail rate increases.

13. Verizon will meet with OSBA and OCA in June of 2018 to discuss the 2019 and 2020 PCO filings.

### **III. GENERAL PROVISIONS**

14. This settlement is expressly conditioned upon the Commission's approval, without modification, of all of the specific terms and conditions contained in this Joint

Settlement Petition. If the Commission should fail to grant such approval, or should modify any material term or condition within the Joint Settlement Petition, any party may elect to withdraw, in whole or in part, from this agreement upon written notice to the Commission and the other Parties within 20 calendar days of issuance of an adverse final Commission order. In that event, each of the Parties shall have all legal rights that they may have waived by agreeing to this Joint Settlement Petition. The Parties agree to support this Settlement and to make their best efforts to secure its approval by the Commission.

15. If the presiding officer issues a recommended decision approving this Joint Settlement Petition without modification, then the Parties agree to waive the filing of Exceptions and Reply Exceptions.

#### **IV. PUBLIC INTEREST CONSIDERATIONS**

16. The resolution of the issues as set forth in this Joint Settlement Petition is in the public interest and should be approved in full.

17. The Settlement achieves a just and fair compromise by all parties to this proceeding, who represent a variety of interests, of the important and contentious issues raised in the proceeding.

18. Approval of the Joint Settlement Petition will avoid the substantial time, expense and uncertainty involved in litigation of issues in this proceeding. By avoiding the necessity of further administrative proceedings and litigation, including possible appeals, the resources of the parties and the Commission will be appropriately conserved.

19. The Parties have attached individual Statements in support of the Settlement to this Joint Settlement Petition. Verizon's Statement in Support is attached as Exhibit A.

OSBA's Statement in Support is attached as Exhibit B. OCA's Statement in Support is attached as Exhibit C.

## V. CONCLUSION

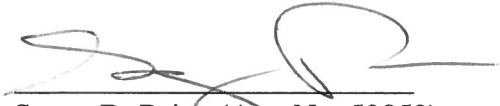
Wherefore, the Parties to this Joint Settlement Petition, intending to be legally bound, respectfully request that the Commission approve without modification the terms of this Joint Settlement Petition as the resolution of the issues described herein.

Respectfully submitted,

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Attorney for Verizon Pennsylvania LLC  
And Verizon North LLC

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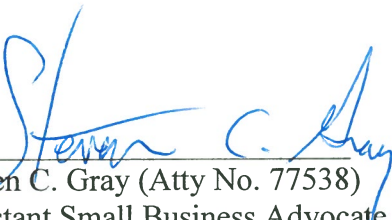
Date: November 21, 2016

OSBA's Statement in Support is attached as Exhibit B. OCA's Statement in Support is attached as Exhibit C.

## V. CONCLUSION

Wherefore, the Parties to this Joint Settlement Petition, intending to be legally bound, respectfully request that the Commission approve without modification the terms of this Joint Settlement Petition as the resolution of the issues described herein.

Respectfully submitted,



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Attorney for Verizon Pennsylvania LLC  
And Verizon North LLC

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Attorney for the Office of  
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Date: November 21, 2016

OSBA's Statement in Support is attached as Exhibit B. OCA's Statement in Support is attached as Exhibit C.

## V. CONCLUSION

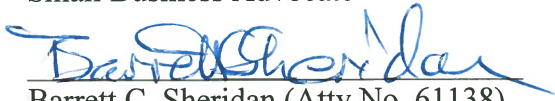
Wherefore, the Parties to this Joint Settlement Petition, intending to be legally bound, respectfully request that the Commission approve without modification the terms of this Joint Settlement Petition as the resolution of the issues described herein.

Respectfully submitted,

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Attorney for Verizon Pennsylvania LLC  
And Verizon North LLC

Date: November 21, 2016

# **EXHIBIT A**

**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	:	

**VERIZON’S STATEMENT IN SUPPORT OF THE  
JOINT SETTLEMENT PETITION**

On November 22, 2016, the parties to this proceeding submitted a Joint Settlement Petition pursuant to 52 Pa. Code § 5.232 setting forth their unanimous agreement to settle all of the issues in the above-captioned proceeding. Verizon Pennsylvania LLC (“Verizon PA”) and Verizon North LLC (“Verizon North”) (together “Verizon”) submit this statement in support of the settlement, to be attached to the Joint Settlement Petition. Verizon urges the Commission to approve this unanimous settlement. Resolution of this proceeding through settlement will conserve Commission and party resources by avoiding further litigation. This settlement provides a reasonable resolution of the disputed issues and will provide certainty on particular matters for future filings. This settlement is in the public interest and should be approved without modification.

## **I. BACKGROUND**

This proceeding involves the separate filings made by Verizon PA and Verizon North on October 22, 2015 to implement their 2016 Price Change Opportunities (“PCOs”) under the terms of their Commission-approved Chapter 30 Plans and the requirements of the Chapter 30 statute. 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 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.

On November 10, 2015, the OSBA filed complaints against the Verizon PA and Verizon North PCO filings, raising the same issues against each company. On December 18, 2015, the OCA filed a notice of intervention in each case. By two 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 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.”

## **II. TERMS OF THE SETTLEMENT**

The parties have reached a comprehensive, unanimous settlement resolving all of the issues to be decided in this proceeding. The terms of the settlement are supported by

record evidence in the form of written testimony from Verizon, OSBA and OCA, which were admitted into the record at the October 6, 2016 hearing. The settlement resolves all of the issues raised in the OSBA's 2016 PCO complaints and provides certainty on future PCO filings.

The full details of the settlement are described in the Joint Settlement Petition. In summary the parties agreed as follows:

- There will be no change to the rates proposed by Verizon PA and Verizon North for the 2016 PCOs (which rates already went into effect earlier this year) and the Joint Settlement Petition is in full satisfaction of all issues raised in the OSBA's complaints against the 2016 PCO.
- The parties agreed on certain parameters for the 2017 PCO filings, and Verizon made those filings on November 1, 2016 consistent with the terms of the parties' agreement. In sum, Verizon PA will bank its entire 2017 PCO and to use this banked amount to reduce the balance of the banked negative 2003 PCO, while Verizon North will make some rate increases and bank the remainder of its 2017 PCO. The OCA and the OSBA agreed not to oppose Verizon's 2017 PCO filings if those filings conform to the agreement set forth in the Joint Settlement Petition.
- For the 2018 PCOs, OSBA agreed to support Verizon's request to restructure the Late Payment Charge ("LPC") for business services. The LPC is considered a noncompetitive service subject to the PCO. The increase would be from the current 1.5% for business to the 1.5% or \$5, whichever is greater, structure that applies in most of Verizon's other ILEC states and for Verizon's unregulated services. Providing additional flexibility to increase revenue from the business LPC will allow Verizon to allocate some or all of the revenue opportunity from its PCO to the business LPC based on an estimate of the increased revenue to be gained from adding the minimum \$5 to the structure. If the Commission permits Verizon to increase the business LPC in this manner, then before increasing any other retail rates Verizon PA and Verizon North will allocate their allowed 2018 PCO revenue increases first to the business LPC until each company reaches the 1.5% or \$5 structure for noncompetitive business services. If Verizon is not able to or permitted to increase the LPC to the full extent necessary to account for the available revenue increase opportunities, then it reserves the right to increase rates consistent with its Alternative Regulation Plans and the Chapter 30 statute and the OCA and OSBA do not waive the right to challenge any such proposed retail rate increases.

- Verizon will meet with OSBA and OCA in June of 2018 to discuss the 2019 and 2020 PCO filings.

### **III. THIS SETTLEMENT IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED**

“It is the policy of the Commission to encourage settlements.” 52 Pa. Code § 5.231(a). The parties to this proceeding represent the companies, consumers and small business customers. They have thoroughly examined the record and the competing legal, policy and factual arguments and have reached a reasonable compromise of the disputed issues in this matter. Approval of this settlement will conserve party and Commission resources by avoiding further litigation and will provide for a reasonable resolution of the 2016 PCO filings, taking into account the costs and risks of litigation. It will also provide certainty as to issues relating to the 2017 and 2018 PCOs, thereby reducing the prospect of future litigation. The agreement also ensures that the parties will discuss the 2019 and 2020 PCO filings in advance, which increases the likelihood that litigation can be avoided for those filings as well.

By avoiding changes to the already implemented 2016 PCO rate increases the settlement will avoid customer disruption and confusion. For the 2017 PCO, there will be no business rate increases and Verizon PA will make no rate increases at all. The agreement to support a modification for the business LPC, if approved by the Commission with the 2018 PCO filing, provides another alternative for Verizon to use its PCO revenue without increasing monthly basic service rates.

Accordingly, this settlement is in the public interest and should be approved without modification. If the settlement is approved by the presiding officer without

modification, the parties have agreed to waive exceptions and reply exceptions, allowing for a prompt resolution of this matter by the Commission.

#### IV. CONCLUSION

For the foregoing reasons, Verizon respectfully requests that the Commission approve the Joint Settlement Petition without modification as the resolution of this proceeding.

Date: November 22, 2016

Respectfully submitted,



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Verizon

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Attorney for Verizon Pennsylvania LLC  
And Verizon North LLC

# **EXHIBIT B**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Small Business Advocate	:		
	:		
v.	:	Docket No.	R-2015-2510231
	:		C-2015-2512860
Verizon Pennsylvania LLC	:		

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Office of Small Business Advocate	:		
	:		
v.	:	Docket No.	R-2015-2510233
	:		C-2015-2512883
Verizon North LLC	:		

**STATEMENT OF  
THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE  
JOINT SETTLEMENT PETITION**

**Introduction**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed complaints against the annual Price Change Opportunity (“PCO”) filings submitted by Verizon Pennsylvania LLC (“Verizon PA”) and Verizon North LLC (“Verizon North”) (collectively “Verizon”) to the Pennsylvania Public Utility Commission (“Commission”) on October 22, 2015.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Settlement Petition (“*Settlement Petition*”). The OSBA submits this statement in support of the *Settlement Petition*.

### The Settlement Petition

The *Settlement Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Settlement Petition* was in the best interests of Verizon's small business customers.

**Payor of Last Resort** – In his Surrebuttal Testimony, OSBA witness Joseph Gillan summarized a central concern of the OSBA in these proceedings:

I believe that [the Verizon and Office of Consumer Advocate Rebuttal] testimony exposes a structural flaw in the mathematics of the Verizon plan that can only be corrected by additional Commission guidance. This structural flaw is that only residential customers are automatically protected (by a residential rate cap) under the plan, while there is a shrinking base of business customers that are (and will be asked) to provide the additional revenues authorized by the plan.

The fundamental message of the Verizon testimony is 'if the math is right, the answer is right;' while the fundamental message of the OCA testimony is 'not my problem' (because residential customers are protected by the rate capping mechanism that effectively shifts to the small business class a residual obligation to provide Verizon its inflation-adjusted revenues).

OSBA Statement No. 1-SR, at 2-3.

Mr. Gillan explained the issue of the shrinking base of business customers, as follows:

Beginning in 2014, Verizon began classifying entire exchanges as competitive, a process that has (and will continue to) shrink the number of business lines whose prices can increase according to its Plan. As noted, residential lines are protected by a cap, but this shrinking base of business lines is not.

OSBA Statement No. 1-SR, at 11.

The rate increases for Verizon PA and Verizon North illustrate the problem that is rapidly developing in the Verizon service territory. Verizon business customers will receive rate

increases of 65 cents, \$1.50, or \$2.00, depending upon their location. In contrast, Verizon PA and Verizon North residential customers will only receive an increase of 12 cents. *See* OSBA Statement No. 1, Table 1, at 4.

Simply put, there are three forces at work that are on a collision course. First, residential rate increases in the Verizon service territory are limited by Section 3015(a)(3) of the Public Utility Code, 66 Pa. C.S. §3015(a)(3), and residential lines face increasing competitive pressures from wireless services. Second, Verizon's rates, including its rates to business customers, must still meet the just and reasonable standard of Section 1301 of the Public Utility Code, 66 Pa. C.S. § 1301. Third, although business customers face fewer competitive options (primarily because wireless services are less frequently a viable substitute), the number of noncompetitive business customers is shrinking as a result of the reclassification of exchanges as competitive (as well as competition). The net effect is that the remaining noncompetitive business customers are the "payor of last resort," and Verizon's rate increases are spread over fewer and fewer noncompetitive business customers. Importantly, and despite these trends, Verizon's rates still have to meet the just and reasonable standard.

Consider a possible result of this collision course, if, for example, Verizon PA were to submit another \$1.5 million PCO filing in the future. The increase to the residential customers will be limited by the residential rate cap, as well as the competitive pressures of residential wireless substitution. This will push the majority of the rate increase onto the business customers. However, the number of business customers still classified as noncompetitive will have dropped. Consequently, the remaining noncompetitive business customers could be in for a massive rate hit.<sup>1</sup>

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<sup>1</sup>As an example, if the \$1.5 million PCO filing was spread among 10,000 noncompetitive business customers, a \$150.00 rate increase would be required from those noncompetitive business customers in order to provide the necessary increase in revenue.

**The Settlement Petition** – The *Settlement Petition* provides a degree of rate protection for small business customers in the Verizon service territory. The *Settlement Petition* proposes that no rate increases will be assigned to any noncompetitive customers in the Verizon PA 2017 PCO filing. See *Settlement Petition*, at Paragraph 11(a). This will allow a period of stable rates for Verizon PA’s small business customers during 2017.<sup>2</sup>

The *Settlement Petition* does not provide for any specific rate increase limitations on Verizon North’s noncompetitive business customers. See *Settlement Petition*, at Paragraph 11(b). Nevertheless, the OSBA is aware that Verizon North’s 2017 PCO filing did not assign any rate increases to noncompetitive business customers. This will also allow a period of stable rates for Verizon North’s PA’s small business customers during 2017.

The *Settlement Petition* also proposes that Verizon, the OCA, and the OSBA will meet in June 2018 to discuss the 2019 and 2020 PCO filings. *Settlement Petition*, at Paragraph 11. The OSBA considers this a valuable “get,” as this provides important rate stability between November 2016 and June 2018. Meeting with Verizon and the statutory advocates prior to the 2019 PCO filings will enable the parties to fully address the economic and market conditions that cannot be accurately predicted at this time.

**The Commission** – Mr. Gillan testified that “Commission Orders are a useful ‘bully pulpit’ to signal concerns with future behavior.” OSBA Statement No. 1-SR, at 12. The OSBA filed complaints in these PCO proceedings to begin to address the seemingly inevitable collision of Section 3015(a)(3), Section 1301, and the diminishing number of noncompetitive small business customers. The OSBA supports the *Settlement Petition* as a reasonable resolution of the 2016 PCO filings, and as a means to provide noncompetitive business customers rate stability

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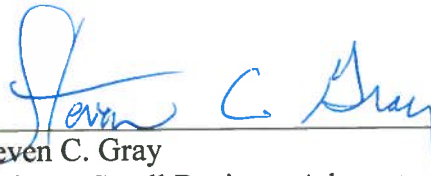
<sup>2</sup> In addition, Verizon North’s 2017 PCO filing did not propose an increase in business rates.

through 2017. The OSBA further supports the *Settlement Petition* as a platform to bring Verizon and the statutory advocates together to avoid future litigation. Finally, the OSBA supports the *Settlement Petition* as a way to highlight its concerns to the Commission without the need for a fully litigated record.

**Conclusion**

For the reasons set forth in the *Settlement Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Settlement Petition* and respectfully requests that the ALJ and the Commission approve the *Settlement Petition* in its entirety.

Respectfully submitted,



Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538

Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

Dated: November 21, 2016

# **EXHIBIT C**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Office of Small Business Advocate	:		
	:		
v.	:	Docket No.	C-2015-2512860
	:		R-2015-2510231
Verizon Pennsylvania LLC	:		
Office of Small Business Advocate	:		
	:		
v.	:	Docket No.	C-2015-2512883
	:		R-2015-2510233
Verizon Pennsylvania LLC	:		

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STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF SETTLEMENT

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement) of the formal complaints of the Office of Small Business Advocate (OSBA) against the separate Verizon Pennsylvania LLC (Verizon PA) and Verizon North LLC (Verizon North; collectively Verizon) 2016 Price Change Opportunity (PCO) filings, finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

**I. Introduction**

On October 22, 2015, Verizon PA and Verizon North filed their respective PCO filings and proposed tariffs, pursuant to each company's Amended Alternative Regulation Plan (Chapter 30 Plans). Based on its Chapter 30 Plan price cap mechanism, Verizon PA calculated an allowed increase in annual revenues for non-competitive services of \$1,422,000. Verizon North

calculated an allowed increase of \$216,000. Both Verizon PA and Verizon North filed proposed tariffs, to increase rates for residence and business dial tone lines.

On November 10, 2015, the OSBA filed formal complaints against the Verizon PA and Verizon North PCO filings and proposed rate increases. The OCA filed a Notice of Intervention in each case on December 18, 2015.

The Commission entered Orders on December 3, 2015 which deemed the Verizon PA and Verizon North PCO filings as in compliance” with their respective Chapter 30 Plans. The Commission allowed the Verizon PA and Verizon North increases to non-competitive services to take effect, subject to resolution of the pending OSBA complaints.

The OSBA formal complaints were assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Joel D. Cheskis. Pursuant to established procedural schedule, the OSBA served the pre-filed Direct testimony of its witness, Joseph Gillan. The OCA submitted the pre-filed Rebuttal testimony of its witness Dr. Robert Loube. Verizon served the pre-filed Rebuttal testimony of its witness, Philip J. Wood, Jr.

In accordance with the Commission’s Rules and Regulations at 52 Pa. Code § 5.231, the parties undertook discussions in an attempt to reach a settlement. Based on these efforts, ALJ Cheskis agreed to suspend the procedural schedule. On November 9, 2016, the parties informed ALJ Cheskis that a settlement in principle had been reached on all issues.

The OCA submits that the terms and conditions of the Settlement are in the public interest and should be approved. The OCA addresses the key provisions of the Settlement as set forth below.

## II. Settlement

### A. Verizon PA and Verizon North 2016 PCOs

The OCA supports the Settlement provision which would allow the rate changes implemented pursuant to the Verizon PA and Verizon North 2016 PCOs to continue, without modification. The Commission previously deemed the PCO filings and proposed rates as compliant with the respective Amended Chapter 30 Plans.

### B. Verizon PA and Verizon North 2017 PCOs

The Settlement provides that the Verizon PA 2017 PCO, recently filed on November 1, 2017, should be approved without modification. The Verizon PA 2017 PCO filing calculated an allowed increase. Rather than increase rates for non-competitive services, as part of the Settlement, the Verizon PA 2017 PCO filing proposes to apply the allowed increase as an offset to a portion of Verizon PA's negative 2003 PCO. Verizon PA requests permission to use the ongoing value of the negative 2003 PCO to support Verizon PA's 2017 payment to the Pennsylvania Universal Service Fund. The OCA does not oppose Verizon PA's 2017 PCO filing, which includes no increases to residential non-competitive service rates. Verizon PA's 2017 PCO filing and proposed treatment of its negative 2003 PCO balance are consistent with its Amended Chapter 30 Plan and prior Commission Orders.

The Settlement provides that the Verizon North 2017 PCO and accompanying tariffs, recently filed on November 1, 2017, should be approved without modification. The Verizon North 2017 PCO filing calculated an allowed increase in revenues. Verizon North has proposed to increase residential basic local service rates by \$0.19 per month and bank the balance of the allowed revenue increase. For the purpose of this Settlement, the OCA does not oppose the Verizon North 2017 PCO filing as within the bounds of its Amended Chapter 30 Plan.

C. Verizon PA and Verizon North Future PCOs

The Settlement provides that the Verizon PA and Verizon North 2018 PCO filings will propose changes to restructure the Late Payment Charge (LPC) for business services, a non-competitive service. Verizon PA and Verizon North reserve the option of allocating some or all of any 2018 PCO revenue increase to the LPC. For the purpose of this Settlement, the OCA finds benefit in the advance notice of Verizon's future plans. The OCA will review the Verizon PA and Verizon North 2018 PCO filings and any proposed rate changes on their merits, upon receipt of those filings on or around November 1, 2017.

The Settlement provides that the OCA, the OSBA, and Verizon PA and Verizon North will meet in June 2018 to discuss future 2019 and 2020 PCO filings. Such a meeting may be beneficial, without binding the OCA.

### III. Conclusion

The Office of Consumer Advocate submits that the terms of the Settlement are in the public interest and in the interest of Verizon PA's and Verizon North's ratepayers. Based on the above reasons, the Office of Consumer Advocate submits that the proposed Settlement should be approved.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Barrett Sheridan". The signature is written in a cursive style and is positioned above the printed name.

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November 21, 2016  
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