

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

FAX (717) 783-7152
consumer@paoca.org

August 20, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Verizon Pennsylvania LLC 2018 Price
Change Opportunity Filing
Docket No. R-2017-2632523
Office of Small Business Advocate v.
Verizon Pennsylvania LLC
Docket No. C-2017-2633476

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Main Brief in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Barrett C. Sheridan
Barrett C. Sheridan
Assistant Consumer Advocate
PA Attorney I.D. # 61138
E-Mail: BSheridan@paoca.org

Enclosures:

cc: Honorable Joel Cheskis
Honorable Andrew Calvelli
Certificate of Service
*257275

CERTIFICATE OF SERVICE

Re: Verizon Pennsylvania LLC :
2017 Price Change Opportunity Filing : Docket No. R-2017-2632523
Office of Small Business Advocate v. :
Verizon Pennsylvania LLC : Docket No. C-2017-2633476

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Main Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 20th day of August 2018.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Richard A. Kanaskie, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL, POSTAGE PREPAID

Susan D. Paiva, Esquire
Verizon
900 Race Street, 6th Floor
Philadelphia, PA 19107

Phillip J. Wood, Jr.
Verizon
417 Walnut Street, 1st Floor
Harrisburg, PA 17101

Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street
Suite 202
Harrisburg, PA 17101

/s/ Barrett C. Sheridan
Barrett C. Sheridan
Assistant Consumer Advocate
PA Attorney I.D. # 61138
E-Mail: BSheridan@paoca.org

Counsel for Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
*257277

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Verizon Pennsylvania LLC 2018 Price :
Change Opportunity Filing : Docket No. R-2017-2632523
: :
Office of Small Business Advocate : Docket No. C-2017-2633476
v. :
Verizon Pennsylvania, LLC :

**MAIN BRIEF OF THE
OFFICE OF CONSUMER ADVOCATE**

Barrett C. Sheridan
Assistant Consumer Advocate
PA Attorney I.D. # 61138
E-Mail: BSheridan@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: August 20, 2018

I. Introduction and Summary of the Argument

On November 1, 2017, Verizon made its annual Price Change Opportunity (2018 PCO) filing and proposed tariffs to increase rates for certain non-competitive services.¹ Based on Verizon's Chapter 30 Plan price cap formula, Verizon PA calculated an allowed annual increase in revenues from non-competitive services of \$1,257,000. Verizon proposed uniform increases to residential dial tone rates in Density Cells 1, 2, 3, and 4; increases to business dial tone rates in Density Cells 1, 2, and 3; and an increase to the business late payment charge.

The Office of Small Business Advocate (OSBA) filed a formal complaint, opposing Verizon's increases to business dial tone rates in Density Cells 1, 2, and 3 as unjust, unreasonable, and discriminatory. According to OSBA, there are no meaningful differences between non-competitive residential and business local exchange services. On one hand, OSBA has asked the Commission to provide guidance, limits or a simple warning "that future increases to the business will be denied." OSBA St. No. 1 at 9. On the other hand, OSBA has requested that the Commission limit increases to Verizon's non-competitive business service rates -- based upon consideration of cost of service, differences in competitive pressure, and/or to not exceed the 1.7:1 business-to-residential rate relationship in Cell 1 -- even if Verizon will not be made whole. OSBA St. No. 1 at 12, OSBA St. No. 1-SR at 4. The OSBA's request for relief is unquantified.

The Office of Consumer Advocate (OCA) intervened to protect the interests of Verizon's residential consumers and to assure Verizon's compliance with the Public Utility Code and

¹ For ease of discussion in this Main Brief, when the Office of Consumer Advocate refers to "residential local exchange service," "residential services," "business local exchange service," "business services," and "dial tone line service," these are references to Verizon's non-competitive services, i.e. the category of Verizon intrastate services which are subject to rate regulation pursuant to Chapter 30 and the "Alternative Plan of Regulation of Verizon Pennsylvania Inc. as of December 2011" (Verizon Chapter 30 Plan).

Verizon's Chapter 30 Plan. The OCA supports Verizon's allocation of the 2018 PCO allowed revenue increase, between residential and business local service rates and the business late payment charge, as resulting in rates which are just and reasonable and consistent with the Public Utility Code, the Verizon Chapter 30 Plan, and relevant Commission orders.

The Commission should exercise its discretion and expertise and determine that Verizon's 2018 PCO rate increases are just and reasonable and non-discriminatory.² Verizon's allocation of the 2018 PCO allowed revenue increase is supported by Verizon's compliance with the Section 3015(a)(3) statutory residential rate limitation.³ Thus, the residential rate increase is deemed just and reasonable, by operation of law. Verizon is not discriminating against business service customers when Verizon complies with the statutory residential rate limitation. As addressed below, the OCA is not persuaded that consideration of cost of service or the availability of a substitute services for one protected service class is consistent with Verizon's alternative form of or ratemaking and price cap regulation.

II. Factual and Procedural Background

A. Case History

Verizon filed its 2018 PCO report and proposed tariffs to increase rates for certain non-competitive services on November 1, 2018. The OSBA filed its formal complaint on November 13, 2017. Verizon filed its answer to OSBA's complaint on November 21, 2017. The OCA filed its Notice of Intervention and Public Statement on December 21, 2017.

² Buffalo Valley Tel. Co. v. Pa. PUC, 990 A.2d 67, 80 (Pa. Commw. Ct. 2009).

³ 66 Pa. C.S. § 3015(a)(3).

By Order entered December 21, 2017, the Commission approved the Verizon PCO and allowed the proposed rate increases to take effect as scheduled, pending resolution of the OSBA formal complaint and subject to refund.

The OSBA formal complaint was assigned to the presiding officers, Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Andrew Calvelli. A prehearing conference was held. The OSBA filed the direct testimony and surrebuttal testimony of Mr. Joseph Gillan. Verizon filed the rebuttal and surrebuttal testimony (public and proprietary versions) of Mr. Philip Wood. The OCA filed the rebuttal testimony (public and proprietary versions) of the Dr. Robert Loube. The OCA, Verizon and OSBA stipulated to the admission of the pre-filed testimony and agreed to waive the scheduled hearings.

B. Burden of Proof

“The term ‘burden of proof’ is comprised of two distinct burdens, the burden of production and the burden of persuasion.” Hurley v. Hurley, 754 A.2d 1283, 1285 (Pa. Super. Ct. 2000). The burden of production dictates which party has the duty to introduce enough evidence to support a cause of action. Id. at 1286. The burden of persuasion determines which party has the duty to convince the finder-of-fact that a fact has been established. Id. “The burden of persuasion never leaves the party on whom it is originally cast.” Id. See also Pa. PUC v. Equitable Gas Co., 57 Pa. PUC 423, 471 (1983).

“It is well-established that the evidence adduced by a utility to meet this burden must be substantial.” Lower Frederick Twp. v. Pa. PUC, 409 A.2d 505, 507 (1980). The Supreme Court of Pennsylvania has stated that even where a party establishes a prima facie case by producing enough evidence to support a cause of action, the party does not satisfy its burden of persuasion unless the elements of that cause of action are proven with substantial evidence. Burleson v. Pa. PUC, 461 A.2d 1234, 1236 (Pa. 1983).

Verizon has the burden of proving that its PCO filing and related tariff supplements to increase rates for non-competitive services comply with the Public Utility Code and Verizon Chapter 30 Plan. 66 Pa.C.S. § 315(a).

III. Argument

A. The Commission's Process For Review of Verizon PCO Filings And Proposed Rate Increases Includes Consideration of Verizon's Compliance With Section 1301 And Related Statutes As Well As The Verizon Chapter 30 Plan

For more than twenty years, Verizon's annual opportunity to increase revenues has been determined based on the annual change in inflation as applied to Verizon's Chapter 30 Plan price stability mechanism (PSM). Verizon's PSM price cap formula is an alternative form of ratemaking, in complete substitution of traditional rate base/rate of return ratemaking.⁴ "[T]raditional cost-based rate base/rate of return analysis" and constructs such as a future test year "[do] not apply under Verizon's alternative form of regulation (i.e., rate cap regulation)."⁵ Rates for non-competitive services set pursuant to Verizon's Chapter 30 PSM must still meet the "just and reasonable" standard as set forth in Section 1301 and be non-discriminatory, per Section 1304.⁶ Sections 3015(a)(3) and 3015(g) also bear on the just and reasonable standard, while Section 3019(e) provides protection against unreasonable preferences.⁷ OCA St. No. 1 at 3-4, 7, 8-10.

The OSBA has expressed concern that Verizon's annual PCO filing and proposed rates, followed by the Commission's review, may not result in a meaningful determination as to

⁴ See, Verizon Chapter 30 Plan at 1.

⁵ Verizon Pennsylvania Inc.'s 2006 Price Change Opportunity Filing, Docket Nos. R-00051228, et al., Opinion and Order at 8-9 (May 27, 2008) (Settlement Order re Verizon 2006 PCOs), available at <http://www.puc.pa.gov/PCDOCS/1019578.doc>

⁶ See, Verizon Chapter 30 Plan at 4. 66 Pa. C.S. §§ 1301, 1304.

⁷ 66 Pa. C.S. §§ 1301, 3015(a)(3), 3015(g), 3019(e). See, Verizon Chapter 30 Plan at 4 (Section 1301), 10 (Section 3015(a)(3)).

whether Verizon's proposed allocation of revenues and rate increases are just, reasonable, and non-discriminatory . See, OSBA St. No. 1 at 2.

In response to Act 183 and the change in the inflation offset in Chapter 30 plans, the Commission determined that annual PSM filings should be subject to elevated review and disposition at Public Meeting. In August 2005, the Commission outlined its concerns and future procedure for review:

1. The new Chapter 30 law virtually provides *automatic* revenue and rate *increases*
2. Automatic revenue and rate increases under the new Chapter 30 law annual ILEC PSI/SPI filings have concrete revenue and rate impacts on end-user consumers.... Since these filings impact end-user consumers in a substantial fashion, the Commission will publicly rule on these filings at Public Meeting.
3. Although these filings may be uncontested, the allocation of the related revenue increases among the ILECs' categories of services may and will present issues that will be decided by the Commission at a Public Meeting.⁸

The Commission noted that an incumbent local exchange carrier (ILEC) Chapter 30 PSM filing must be evaluated for consistency with the Chapter 30 Plan and:

adjudicated anew by the Commission each time these filings are made. Furthermore, the Commission still has the statutory mandate, authority, and responsibility under 66 Pa.C.S. § 3019(h) to adjudicate whether the proposed rate changes are just and reasonable and non-discriminatory under sections 1301 and 1304 ...

[S]uch an adjudication cannot take place in advance ... since neither the changes in the annual GDP-PI index are known in advance, nor have the ILECs themselves decided upon how to implement their respective proposed revenue and rate

⁸ Commonwealth Telephone Co. PSI/SPI Filing for the Year 2005, Docket Nos. R-00050551, et al., Delegation of Certain Routine, Ministerial and Nonpolicymaking Public Meeting Agenda Items, Docket No. M-00970915, Order 4 (Aug. 31, 2005), published 35 Pa.B. 5207 (Sept. 17, 2005) (CTCo 2005 PSI). (Emphasis in the original), available at <http://www.puc.pa.gov/PcDocs/563085.doc>

increases until they make these filings with the Commission, i.e., what services will absorb those proposed revenue and rate increases.⁹

The Commission has followed these procedures for review of Verizon's earlier PCO filings and proposed rate increases, even if the filing was uncontested.¹⁰ In some cases, the Commission has approved settlements of contested Verizon PCO filings as in the public interest.¹¹

B. Verizon's Allocation of the 2018 PCO Revenue And Rate Increases Among Protected Residential and Business Services Complies With Public Utility Code, Verizon's Chapter 30 Plan, And Is Just And Reasonable

1. Summary of Verizon's 2018 PCO Revenue and Rate Increases

Based upon Verizon's intrastate noncompetitive service revenue base of \$82,665,000, the one year change in the Gross Domestic Product-Price Index (GDP-PI), and offset for Verizon's 0.5% inflation factor, Verizon calculated an unadjusted allowed annual revenue increase of \$1,257,000. OCA St. No. 1 at 3. To produce part of the allowed increase in revenue, Verizon focused on charges for protected residential and business local services.

Verizon increased its residential dial tone line rate in all four Density Cells from \$9.00 per month to \$9.20, an increase of \$0.20. Verizon's proposed residential increase is equal to the Section 3015(a)(3) residential average PCO per line per month allowed increase.¹² OCA St. No. 1 at 6, 11; Verizon St. 1.0 at 7-8. The total revenue increase associated with this residential

⁹ CTCo 2005 PSI at 7. See also, Buffalo Valley, 990 A.2d at 73-75. Pursuant to Section 3019(h), the terms of an ILEC's Chapter 30 Plan supersedes some provisions of Chapter 13, but not "sections 1301 (relating to rates to be just and reasonable, 1302 (relating to tariffs; filing and inspection), 1303 (relating to adherence to tariffs), 1304 (relating to discrimination and rates), 1305 (relating to advance payment of rates; interest on deposits), 1309 (relating to rates fixed on complaint; investigation of costs of production) and 1312 (relating to refunds)." 66 Pa.C.S. § 3019(h).

¹⁰ See, e.g., Verizon Pennsylvania LLC 2014 Price Change Opportunity Filing, Docket No. R-2013-2931528, Order (Dec. 19, 2013), available at <http://www.puc.pa.gov/pdocs/1262243.docx> (Ordering an adjustment to account for a line count error).

¹¹ See, e.g., Verizon Pennsylvania LLC 2016 Price Change Opportunity Filing, Docket No. R-2015-2510231, OSBA v. Verizon Pennsylvania LLC, Docket No. C-2015-2512860, Order (Jan. 19, 2017), available at <http://www.puc.pa.gov/pdocs/1503822.docx>.

¹² 66 Pa. C.S. § 3015(a)(3).

rate increase is \$495,100 of the \$1,257,000 allowed revenue increase. OCA St. No. 1 at 6; Verizon St. 1.0 at 2.

Verizon increased the business late payment charge, accounting for \$27,700 in additional revenue. OCA St. No. 1 at 6. The OSBA is not contesting this increase to business rates.

Verizon increased business dial tone rates for Density Cells 1, 2, and 3 by \$2.55, \$2.45, and \$0.80 respectively. Verizon proposed no increase for business in Density Cell 4, the Company's most rural and less densely populated service area. OCA St. 1 at 7; Verizon St. 1.0 at 10. The business dial tone rate increases correspond to a revenue increase of \$411,900.

When Verizon made its 2003 PCO filing, between the change in inflation and Verizon's then effective inflation offset, Verizon's 2003 PCO produced a "negative" PCO or obligation to reduce annual revenues. With the Commission's permission, Verizon has accounted for the negative 2003 PCO value in subsequent PCO filings. As part of its 2018 PCO filing, Verizon took a credit against its 2003 PCO liability of \$322,300. OCA St. No. 1 at 7.

2. Verizon's Revenue And Rate Increase To Residential Dial Tone Line Service Complies With Section 3015(a)(3), Is Just And Reasonable, And Is Non-Discriminatory

Verizon, as a non-rural telecommunications carrier, is subject to Section 3015(a)(3), as acknowledged in Verizon's Chapter 30 Plan.¹³ When Verizon's PCO based annual rate adjustments are calculated "using revenues from protected services," Section 3015(a)(3) directs that the rate adjustment for any individual residential protected line shall not vary from the average rate adjustment by more than 20%, as determined by dividing total protected service revenues by the associated lines. OCA St. No. 1 at 3-4.

¹³ Verizon Chapter 30 Plan at 10. (Part I. B. 3. "When annual rate adjustments made under Verizon's PSM are calculated using protected service revenues, an average rate adjustment for protected residential local exchange telecommunications service lines shall be determined")

Verizon's allocation of \$495,100 of the \$1,257,000 allowed annual revenue increase to residential dial tone line service in all four Density Cells in the form of a \$0.20 per month increase is the maximum allowed by the annual residential rate limitation established by Section 3015(a)(3). OCA St. No. 1 at 6, 11; Verizon St. No. 1 at 2, 7. The second sentence of Section 3015(g) ties together the significance of such an annual rate limitation with the just and reasonable standard:

Nothing in this chapter shall be construed to limit the requirement of section 1301 (relating to rates to be just and reasonable) that rates shall be just and reasonable. **The annual rate change limitation set forth in a local exchange telecommunications company's effective commission-approved alternative form of regulation plan or any other commission-approved annual rate change limitation shall remain applicable and shall be deemed just and reasonable.**¹⁴

Verizon's 2018 PCO residential rate increases are within the Section 3015(a)(3) annual rate change limitation and so are deemed just and reasonable, pursuant to Section 3015(g).

The General Assembly's decision to single out residential protected services for an annual rate limitation is a legislative policy choice. OCA St. 1 at 10. Section 3011(2) and (3) state that it is the policy of the Commonwealth to "[m]aintain universal telecommunications service at affordable rates..." and "[e]nsure that customers pay only reasonable charges for protected services"¹⁵ Both Residential and business dial tone line services are "protected services," as part of the service necessary to complete a local exchange call.¹⁶ However, through Section 3015(a)(3), the General Assembly provides a specific annual rate limitation for protected residential customers as a class.¹⁷

¹⁴ 66 Pa.C.S. § 3015(g) (emphasis added).

¹⁵ 66 Pa. C.S. § 3011(2), (3).

¹⁶ 66 Pa. C.S. § 3012 (Definition of "protected services").

¹⁷ 66 Pa. C.S. § 3015(a)(3).

The question of whether there is a rate limitation for protected business services was resolved in March 2007. OSBA pursued a formal complaint against Verizon's 2006 PCO filing. As part of that case, OSBA argued that a rate limitation set forth in Verizon's pre-Act 183 Chapter 30 Plan, which applied to both residential and small business local exchanges services, should continue as providing protection in addition to the new Section 3015(a)(3) residential class only rate limitation. The Commission ruled that the Section 3015(a)(3) residential rate limitation replaced Verizon's pre-Act 183 Chapter 30 Plan rate limitations. The Commission "conclude[d] that there is no basis to direct Verizon PA to limit the residential and business (with three or fewer lines) local exchange increases" to the average PCO per line increase.¹⁸

Verizon's allocation of \$495,100 in revenue and \$0.20 per month increase to residential dial tone line service in all four Density Cells is not evidence of an unreasonable preference nor is it discriminatory. Section 3015(a)(3) does not provide Verizon with the discretion to increase residential protected services revenues and rates in excess of this statutory annual rate limitation. Complying with this statutory requirement does not constitute an unreasonable preference or discrimination.

The Commission should rule, based upon the record in this proceeding, that Verizon's 2018 PCO revenue and rate increase to protected residential services are just, reasonable, and non-discriminatory. There is no basis for any further increase in residential service rates.

¹⁸ Pa. PUC et al. v. Verizon North Inc., Docket Nos. R-00051227, et al., Pa. PUC et al. v. Verizon Pennsylvania Inc., Docket Nos. R-00051228, Opinion and Order at 36 (Mar. 22, 2007)(Verizon 2005 PCOs March 2007 Order), available at <http://www.puc.pa.gov/PCDOCS/655211.doc>. Subsequent history, Opinion and Order (Apr. 25, 2007)(Reconsideration on other grounds) available at <http://www.puc.pa.gov/pcdocs/1330047.pdf>, Settlement Order re Verizon 2005 PCOs Opinion and Order (May, 27, 2008)(Settlement Order re Verizon 2005 PCOs (Approving Verizon and OSBA settlement of other issues) available at <http://www.puc.pa.gov/PCDOCS/1019578.doc>

C. The Commission Need Not Price Business Dial Tone Line Rates Lower, Based Upon Considerations Of Cost Or Competitive Alternatives

The OSBA's general statements regarding the costs of retail protected services or the relative availability of competitive options for residential versus business customers in non-competitive wire centers do not provide probative, substantial grounds to modify Verizon's 2018 PCO rate increases.

OSBA argues residential dial tone line and business dial tone line services are more similar than not, or "lack of meaningful differences...." See, OSBA St. 1 at 11, 12. As reviewed above, the General Assembly has made a policy choice to protect Verizon residential local service consumers as a class through the Section 3015(a)(3) rate limitation. OCA St. 1 at 9-10. Further, as Dr. Loube testified:

The Commission has approved or allowed carriers to maintain different rates between different classes of service. For every Pennsylvania carrier that I have observed the rate for local business service is greater than the rate for local residential service. Thus, the just and reasonable standard allows and does not prohibit different rates for different classes of services.

Id. at 9. Dr. Loube further explained pricing differences between residential and business market segments exist among non-regulated businesses operating in similar markets, such as Comcast voice and broadband services. Id. at 12-13, 17.

Dr. Loube disagreed that business dial tone line and residential dial tone line services are similar in function, use of the network, and so would be cost. OCA St. 1 at 11. Dr. Loube did not agree with the assumption "that if the underlying network facilities are similar then the cost of serving residential and business customers must be similar" is not sound. OCA St. 1 at 11. For example, Dr. Loube testified that the cost of serving residential customers can be different from the cost of serving business customers -- even if the underlying network facilities are similar -- "if the cost of customer service and marketing is different." Id.

Dr. Loube identifies other rate making standards which the Commission could use as guidance in this proceeding, such as: “The Commission could choose (1) to emulate the results of an effective competitive market, (2) adopt Ramsay pricing, and (3) avoid cross-subsidies.” OCA St. 1 at 13-18. For example, the cost of service may be of significance to determine whether a:

service receives a subsidy when the price of the service is below its incremental cost and a service provides a subsidy when the price of a service is above the stand-alone costs of the service. Therefore a cross-subsidy is avoided when prices for all services are less than the stand-alone cost of the service and the price is above the incremental cost of service.

OCA St. 1 at 16. The Chapter 30 prohibition of cross-subsidies applies between competitive and non-competitive services, not between retail non-competitive services to different classes of customers.¹⁹

To illustrate how residential and business services could have different costs, Dr. Loube used a simplified cost model and inputs from the Federal Communications Commission’s Synthesis Model. See, OCA St. 1, Exh. RL-3. One result worth noting according to Dr. Loube was the impact of allocated cost of the loop, where the loop cost for business customers is allocated to fewer customers than to residential customers, in the hypothetical system with 300 business customers and 700 residential customers. Id. at 2. “Because the shared cost is allocated among a larger customer group, the stand-alone residential cost is less than the stand-alone business....” Id. Dr. Loube acknowledged “whether this result will be duplicated when examining Verizon’s costs depends on the relative amount of shared to dedicated plant and the relative number of business customers” Id. The OCA submits that the key take-away from Dr. Loube’s illustration is that even if similar retail services provided to two different rate

¹⁹ See, 66 Pa. C.S. § 3016(d)(1), (f).

classes, provided over a common network, the two rate classes may not in fact have the same cost of service.

OSBA witness Gillan also offered a “general observation” that wireless service is a more effective substitute for residential markets than for business service markets. OSBA St. No. 1 at 9. Under Chapter 30, the “the availability of like or substitutes services” is only pertinent to competitive classification of a wire center or other area or business activity, based on a petition by the ILEC.²⁰

OCA witness Dr. Loube testified that wireless is not a more effective substitute, contrary to OSBA’s position. OCA St. 1 at 10. In his professional opinion:

customers are moving away from basic telephone service and toward wireless service because of the convenience of wireless service and the numerous applications available on smart phones. **Because of these advantages, there is no logical connection between the fact that the residential rate is lower than the business rate and a claim that the business rate is not just and reasonable.**

Id. (emphasis added). The Commission should not use the supposed availability of competitive services as a guide for allocating revenues and rates between noncompetitive, protected services.

²⁰ See, 66 Pa. C.S. § 3016(a).

IV. CONCLUSION

WHEREFORE, the Office of Consumer Advocate respectfully submits that Verizon Pennsylvania LLC's 2018 Price Change Opportunity filing, including its allocation of revenue and rates to the residential class within the bounds of the statutory annual residential rate limitation should be approved as just, reasonable and non-discriminatory, based upon the particular facts of this proceeding.

Respectfully Submitted,



Barrett C. Sheridan
Assistant Consumer Advocate
PA Attorney I.D. # 61138
E-Mail: BSheridan@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

August 20, 2018
257317