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District of Columbia

Public Service Commission

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The Public Service Commission

is an independent agency established by Congress in 1913 to regulate electric, natural gas, and telephone companies in the District of Columbia. The Commission is comprised of three members; a Chairperson and two Commissioners. Each member is appointed to a four-year term by the Mayor and confirmed by the DC Council.



Fact Sheet:

Price Cap Plan 2008 (Formal Case No. 1057)

The Public Service Commission of the District of Columbia (“Commission”) issued Order No. 15071 approving a new Price Cap Plan for Verizon DC called “Price Cap Plan 2008.” Price Cap Plan 2008 contains Commission-required modifications to a proposed Plan contained in a Settlement Agreement between Verizon DC and the Office of the People’s Counsel filed with the Commission on March 13, 2008.

The Commission-approved Price Cap Plan 2008 contains the following features:

1. Freezes **Basic Residential Service Rates** for two years until September 8, 2010. The Settlement Agreement had proposed that the rates be frozen until December 2009.
2. Freezes lifeline **Economy II Service Rates** until the Commission approves otherwise. The Settlement Agreement permitted Economy II Rates to increase by the lesser of ten percent annually or \$1.00 for monthly recurring, non-recurring, or per-use charges. Without the Commission’s modification, the rates for Economy II Service could have doubled within a year and significantly increased each year thereafter.
3. Classifies **Business Message Rate – PBX Trunk Service** in the competitive services basket and **Business Message Rate (Individual Line and Additional Line)** and **Message Unit Services** in the basic business services basket.
4. Limits annual rate increases for **Basic Residential and Business Services** to the lesser of ten percent annually or \$1.00 for monthly recurring, non-recurring, or per-use charges. This modification is intended to prevent potentially massive rate increases in the charges for residential and business service per call message units.
5. Prevents Verizon DC from withdrawing **Basic Residential and Business Services** without approval by the Commission.
6. Caps **Discretionary Service Rate** increases to 15 percent annually. This modification will prevent dramatic rate increases for many types of Residential Services.
7. Requires Verizon DC’s rates to equal or exceed incremental cost in order to prevent the cross-subsidization of competitive services by basic residential and business service ratepayers.
8. Expedites the introduction of new services and the reduction of service prices to competitive price levels by simplifying and shortening Verizon DC’s tariff filing procedures, whereby new price changes or changes in the terms and conditions for basic and discretionary services become effective one day after the

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tariff is filed with the Commission instead of the current 120-day approval process.

In addition, today's Commission order incorporates the Settlement Agreement, which addresses several quality of service issues, as follows:

1. Requires Verizon to provide bill credits for all residential and business customers who experience service outages that last more than 24 hours.
2. Promotes the deployment of Verizon's fiber to the premises network to enable the provision of advanced video and Internet services within the District.
3. Ensures basic residential service customers will not have their service disconnected for non-payment of bills for Verizon's wireless services.
4. Promotes additional training for Verizon DC's customer service representatives and service technicians.
5. Reduces the risk of identity theft by limiting the circumstances under which Verizon DC's customer service representatives may request customers' social security numbers.

Unlike past Price Cap Plans previously submitted by Verizon and the OPC, there is no time limit for Price Cap Plan 2008; thus it will be effective for an indefinite period.

The Commission-approved Price Cap Plan 2008 was evaluated for compliance with D.C. Code Section 34-2002 (j), which requires a price cap plan to:

1. Be in the public interest;
2. Contain tariffs for network elements that are not inconsistent with the Federal Telecommunications Act;
3. Produce fair, just & reasonable rates;
4. Account for changes in technology and industry structure;
5. Contain customer benefits from the efficiency gains, cost savings, and productivity improvements;
6. Maintain the quality and availability of telecommunications services;
7. Contain adequate safeguards to ensure nondiscrimination against any service provider, including itself;
8. Contain safeguards against subsidies; and
9. Not reasonably prejudice or disadvantage any customer class or telecommunications service provider.

The Commission-approved Price Cap Plan is the end result of a settlement agreement filed with the Commission between Verizon DC and the Office of the People Counsel ("OPC") on March 5, 2008. The Commission also held a public interest hearing on May 15, 2008 on whether it should approve the Price Cap Plan submitted by Verizon DC and OPC. At the hearing, Verizon DC, OPC, and the Communication Workers of America (CWA) testified. In addition, the Commission received numerous letters from individuals requesting the Commission to reject the Settlement Agreement. To obtain additional information, the Commission requested the parties to supplement their testimony.

In the District of Columbia, Verizon DC, the incumbent local telecommunications service provider, is regulated by the Public Service Commission of the District of Columbia under a form of alternative regulation known as price cap regulation. In price cap regulation, Verizon DC sets rates for basic residential and business services in accordance with limits set in the plan and it sets the rates of competitive services on the basis of market prices. A price cap plan also determines which services are considered basic, competitive or an emerging competitive category, and the band of reasonableness. Since price cap regulation was instituted in 1996, all price cap plans have been the result of settlement agreements between Verizon DC and the OPC.

To obtain a copy of Price Cap Plan 2008 or Commission Order No. 15071 approving the Plan, please contact the Public Service Commission of the District of Columbia at 202-626-5120 or visit the Commission's website at www.dcpsc.org.

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