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PUBLIC UTILITIES COMMISSION

Alexander W. Moore  
Deputy General Counsel



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June 6, 2011

Ms. Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

Re: RI Docket No. 4240 – Tariff of Verizon RI re Recovery of  
Gross Receipts Tax

Dear Ms. Massaro:

Enclosed for filing in the above-referenced matter, please find an original and three copies of Verizon Rhode Island's responses to Set #2 of the Data Requests of the Division of Public Utilities and Carriers, dated June 2, 2011.

Thank you for your assistance. If you have any questions, please feel free to contact me at the number above.

Sincerely,

A handwritten signature in cursive script that reads "Alexander W. Moore". To the right of the signature is a circular stamp containing the word "encl." written in cursive.

Alexander W. Moore

cc: Docket 4240 Service List

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** In Verizon's reply to Division's DIV 1-1 Verizon Rhode Island stated the application of the GRT will apply to residential and small business customers. Is it Verizon's contention any telecommunications customer not residential or small business will not be charged the GRT? If not charged, then please provide the authority site for this exclusion.  
**DIV. 2 - 1**

**REPLY:** As stated in response to DIV 1-1 and 1-7, Verizon RI intends to apply the GRT surcharge initially to all intrastate, retail telephone services it provides to residential and small business customers. Other Verizon RI customers will not be charged the GRT surcharge at this time. The Alternative Regulation Plan applicable to Verizon RI provides Verizon RI with flexibility to determine its pricing and rates structures in accordance with market conditions. Verizon RI has chosen the proposed structure based on its assessment of the market.

VZ DIV 2 - 1

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** The billing of a separate GRT for Verizon Long Distance would imply  
**DIV. 2 - 2** that the GRT was not imbedded within retail rates, is this correct?

**REPLY:** Objection: This request seeks information that is neither relevant to the subject matter of the proposed tariff nor reasonably calculated to lead to the discovery of admissible evidence.

Subject to the objection, Verizon RI states the following: Verizon RI currently bills customers a GRT surcharge on behalf of Verizon Long Distance. Verizon Long Distance's rates are based on market conditions and therefore no GRT is embedded in the rates.

VZ DIV 2 - 2

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** With this tariff change, would residential and small business customers  
**DIV. 2 - 3** monthly invoices increase?

**REPLY:** As stated in response to DIV 1-1, Verizon RI intends to apply the GRT surcharge initially to all intrastate, retail telephone services it provides to residential and small business customers. Therefore, all else being unchanged, residential and small business customers' monthly bills will increase.

VZ DIV 2 - 3

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** If the retail rate does not increase to reflect the elimination of the  
**DIV. 2 - 4** imbedded gross revenue tax, how would the additional \$3.1 million dollar  
increase revenue to Verizon reflect in the additional Gross Receipts Tax,  
as stated in Verizon's answer on Divisions DIV 1-4 and DIV 1-11?

**REPLY:** Objection: This request incorrectly presumes that the GRT is  
already "imbedded" in Verizon RI's retail rates. In fact, those rates  
do not include an amount for recovery of the Gross Receipts Tax.

Subject to the objection, Verizon RI states the following: As stated  
in response to DIV 1-4 and 1-11, the revenue received from the  
GRT surcharge will be in addition to Verizon RI's current revenue.  
That additional revenue will itself be subject to the RI Gross  
Receipts Tax and therefore will increase Verizon RI's payments to  
the state.

VZ DIV 2 - 4

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** Please provide detail tariffs that were approved in New York as  
**DIV. 2 - 5** referenced in your answer in Division's DIV 1-5 and any additional state  
tariffs that provide this authority through tariffs.

**REPLY:** See attached New York tariff page. As stated in response to DIV 1-  
5, other Verizon RI affiliates that assess a separate GRT surcharge  
do so without a tariff.

VZ DIV 2 - 5

Verizon New York Inc.

PSC NY No. 1-COMMUNICATIONS

Section 1  
Original Page 111

GENERAL RULES AND REGULATIONS

EE. SURCHARGE FOR STATE EXCISE TAX ON TELECOMMUNICATION SERVICES AND GROSS EARNINGS TAX (GROSS REVENUE TAX)

A Surcharge to recover the additional expense related to the State Gross Revenue Tax applies to recurring, nonrecurring and usage rates and charges for all intrastate services except charges collected for sent-paid Public Access Smart-pay Lines dialed calls, check return charge and late payment charge.

The surcharge applies on a bill period basis.

The applicable Gross Revenue Tax Surcharge rates are shown on a statement which is attached to this Tariff. Any changes to these rates will be filed on 15 days' notice to the Commission, and as directed by the Commission. Customers will be notified of such changes on the first bill following the change. Whenever the state levies a new tax on the Company's gross revenues, repeals such a tax, or changes the rate of such tax, the Commission may approve new surcharge factors, and the Company will file revised surcharges as directed by the Commission.

The statement is bound with this schedule following all pages and supplements that are a part of this schedule.

Issued: August 1, 2001

Effective: September 1, 2001

By Sandra Dilorio Thorn, General Counsel  
1095 Avenue of the Americas, New York, N.Y. 10036

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** In your response to Division's DIV 1-7 that other providers have similar  
**DIV. 2 - 6** language in their tariffs to bill the GRT separately, please explain if the  
'others' referred to have an imbedded GRT charge in their retail rates.  
Can you explain how this would be the same?

**REPLY:** To Verizon RI's knowledge, no telephone rates of any provider in Rhode Island are governed by rate-of-return style regulation. Therefore, Verizon RI believes that providers that currently assess a GRT surcharge, such as Cox Telecom, do not have a GRT charge imbedded in their rates. Verizon RI is no different; Verizon RI is not governed by rate-of-return regulation and does not have any GRT charge imbedded in its rates. All providers are free to price their products and services at levels based on their assessment of the market. Just as other providers choose to charge a separate and distinct GRT surcharge, the proposed tariff will allow Verizon RI the same ability.

VZ DIV 2 - 6

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

## DATA REQUEST

**DATED:** June 2, 2011

**ITEM:** In Division's DIV 1-14, Verizon Rhode Island stated that the Public  
**DIV. 2 - 7** Service Company tax on tangible personal property on an annual basis is not collected separately from its customers. Is there an embedded cost assigned in the cost-of-service Docket No. 1780 for tangible personal property? What would stop Verizon Rhode Island from pulling this tax cost out and billing their customers separately, like the GRT Tax?

**REPLY:** Objection: This request seeks information that is neither relevant to the subject matter of the proposed tariff nor reasonably calculated to lead to the discovery of admissible evidence. Moreover, the request incorrectly presumes that the personal property tax is included in Verizon RI's current rates and would need to be "pulled out." In fact, that tax is not included in Verizon RI's rates, and as stated in response to DIV 1-14, Verizon RI does not currently collect that tax from its customers.

Subject to the objection, Verizon RI states the following: Verizon RI does not know whether the state personal property tax was treated as an embedded cost in 1984. In response to the final question in this request, Verizon RI states that market conditions may prevent Verizon RI from raising its rates or from assessing a separate surcharge for any particular cost (such as the personal

property tax), just as the market disciplines the rates and surcharges of all other telephone providers in Rhode Island. Due to fierce competition in the Rhode Island telecommunications market, every carrier in managing its rates must continually assess the demand for its products and services and the effects, if any, a change in rates may have on that demand.

VZ DIV 2 - 7

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** How will Verizon Rhode Island provide adequate notice to customers that  
**DIV. 2 - 8** their bill will increase? Please provide written and verbal notice material explaining the increase.

**REPLY:** Verizon RI has included the following notice in customers' May 2011 bills: "Verizon has reviewed the services on which Rhode Island Gross Receipts Tax applies and, as a result, is expanding the surcharge of the tax to apply to more of the services on which Verizon pays the tax to the State. As a result you will see an increase in the tax surcharge effective with your July 2011 bill. In addition, the tax surcharge may appear on some customer's bills for the first time."

VZ DIV 2 - 8

Verizon New England, Inc.  
d/b/a Verizon Rhode Island

State of Rhode Island

Docket No. 4240

Respondent: John L. Conroy  
Title: Vice President-  
Regulatory Affairs

**DATA REQUEST**

**DATED:** June 2, 2011

**ITEM:** In Verizon Rhode Island's response to DIV 1-10, the company reported a  
**DIV. 2 - 9** GRT of \$9,399,141 for a six-month period ending June 30, 1984. Was  
that at the 10% rate applicable as indicated in §44-13-4 prior to July 1,  
1985?

**REPLY:** Yes.

VZ DIV 2 - 9