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June 27, 2011

Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Docket No. 4240 – Tariff of Verizon RI re recovery of gross receipts tax

Dear Ms. Massaro:

I write on behalf of Verizon New England Inc., d/b/a Verizon Rhode Island (“Verizon RI”), in response to the comments of the Division of Public Utilities and Carriers (“Division”) filed in the above docket on June 24, 2011.

First and foremost, Verizon RI appreciates the Division’s decision not to seek further suspension of the tariff, and Verizon RI urges the Commission to approve the tariff, as filed, at its Open Meeting on June 29, 2011.

The Division asserts that, while the tariff itself is not objectionable, “the tariff filing made to the Commission is unclear and misleading as to its true purpose.” Division Comments at 1. The Division further claims that the filing “appears ... to be a rate increase of 5% disguised as a pass-through of a recently enacted state tax.” *Id.* at 2. There is no valid basis for these assertions. Verizon RI has been clear and candid from the beginning that the surcharge is in addition to its current rates, and Verizon RI has not asserted or implied that the surcharge would be offset by a reduction in other charges. The proposed tariff clearly states that:

In addition to the rates and charges provided in this tariff, a surcharge may be imposed to recover the Gross Receipts Tax imposed on the Company. The surcharge will be shown as a separate line item on the customer’s monthly bill.

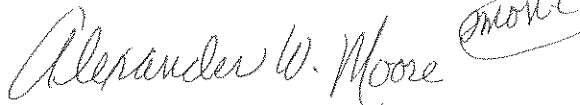
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(Emphasis added.) Since Verizon RI has not filed changes to reduce any of its current tariffed rates, the only reasonable reading of the proposed tariff is that the surcharge will be in addition to the Company's current rates. In addition, Verizon RI has specifically notified its customers in billing inserts that, "you will see an increase in the tax surcharge" and "the tax surcharge will appear on some customer's bills for the first time." *See* Verizon RI Response to Div 2-8. The bill message did not state or imply that the surcharge would not affect the overall charges paid by the customer or would be offset by reductions in other charges.

Verizon RI understands that the Division initially believed that Verizon RI would offset the surcharge by reducing its other tariffed rates, but that belief appears to have been based not on any statements of Verizon RI but from traditional notions of rate regulation as applied to electric and gas providers. *See* Division Comments at 2. In contrast, the telecommunications market in Rhode Island is fiercely competitive, and the Commission long ago granted Verizon RI flexibility to set its rates based on market conditions, as do all other telecommunications providers in the state.

In summary, Verizon RI appreciates that the Division has now reviewed and investigated the proposed tariff and has no objection to it. Verizon RI therefore asks the Commission to approve the tariff without delay, for effect on July 1.

Sincerely,

A handwritten signature in cursive script that reads "Alexander W. Moore". To the right of the signature is a small, circular stamp containing the word "MOORE" in capital letters.

Alexander W. Moore

cc: Jon G. Hagopian, Esq.
Service List