

STATE OF NEW YORK

Public Service Commission

Garry A. Brown, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: James Denn (518) 474-7080

<http://www.dps.state.ny.us>

FOR RELEASE: IMMEDIATELY

09054/09-C-0327

VERIZON GRANTED RESIDENTIAL RATE INCREASE

— Review of Lifeline Gets Underway —

Albany, NY—06/18/09—The New York State Public Service Commission (Commission) today authorized Verizon New York Inc. (Verizon) to increase its monthly charges for certain residence local exchange access lines by \$1.95 a month, and to allow those charges to go into effect on June 20, 2009.

“We are always concerned about the impacts on ratepayers of any rate increase, especially in times of economic stress,” said Commission Chairman Garry Brown. “Nevertheless, there are certain increases in Verizon’s costs that have to be recognized. This is especially important given the magnitude of the company's capital investment program, including its massive deployment of fiber optics in New York. We encourage Verizon to make appropriate investments in New York, and these minor rate increases will allow those investments to continue.”

The rate increases will generate much needed additional short-term revenues as the company faces the dual financial pressures created by competitive access line losses and the significant capital it is committing to its New York network.

For 2008, Verizon reported an overall intrastate return of negative 6.7 percent and a return on common equity of negative 48.66 percent. The current trend in the market is toward bundled service offerings, and Verizon believes the proposed price changes to its message rate residential service will encourage the migration of customers towards higher-value service

bundles. Customers with message rate service pay a monthly fee to be connected to the network and 9 cents per local call.

The Competition III Order of 2006 authorized annual increases of up to \$2 to Verizon's residential flat-rate service (1FR) up to a cap rate of \$23, and increases of up to \$2 for two years to Verizon's residential message-rate service (1MR). In July 2006 and June 2007, Verizon implemented increases to these services in compliance with that Order. The 2006 and 2007 filings increased the 1FR monthly rates in each group by either \$2 or an amount to bring the rate up to the \$23 cap, and the monthly 1MR rates by \$1.24 and \$2, respectively.

Upon the effective date of this tariff change, all Verizon 1FR customers will be paying \$23, the cap established in Comp III; fewer than 30 percent of residential customers subscribe to 1MR service. The Commission also authorized a 21 percent reduction in the price of Verizon's Unlimited Local Plan, an optional, residential calling plan available to 1MR customers in the New York Metropolitan Area LATA providing unlimited calling within the subscriber's "Home Region" (the metro LATA equivalent of a local calling area).

As part of its action, the Commission reiterated its commitment to ensuring that affordable and reliable telecommunications services are universally available to residential customers. One initiative to accomplish this goal has been New York's Lifeline program, which provides both installation and ongoing monthly discounts for eligible customers. The \$1.95 increase will not affect Lifeline rates, as those rates were capped by the Comp III Order. However, there may be additional residential customers who are eligible for Lifeline service.

Noting that since 1996, Lifeline enrollment has been declining in many states, including New York, the Commission today endorsed the need for a sustained and robust Lifeline outreach effort, and acknowledged ongoing Staff efforts to promote participation in New York's Lifeline program. These efforts have included ensuring the continuation of automatic enrollment of Verizon customers and ensuring HEAP recipients are eligible for automatic enrollment, working with the New York State Telecommunications Association to develop a generic Lifeline application, participating on a national task force to increase Lifeline enrollment, and developing

a public information program including a media campaign, partnerships with service providers, and an enhanced Lifeline Web site.

The Commission is interested in making certain that Lifeline enrollment in New York is maximized and that the ongoing changes in consumer choice in telephone service make this a timely opportunity to achieve that goal. To address the decline in New York Lifeline enrollment, Staff will begin an initiative to look at opportunities to maximize Lifeline participation by eligible consumers.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.state.ny.us and entering Case Number 09-C-0327 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).