

WHAT IS THE DTE'S ROLE?

The Massachusetts Department of Telecommunications and Energy ("DTE") ensures that regulated industries provide quality, safe service at reasonable rates. The DTE is an administrative agency that uses a judicial process to make decisions.

WHAT IS THE DTE'S INVOLVEMENT SPECIFICALLY WITH PHONE CARRIERS?

By state law, the DTE has authority over the rates, terms, and practices of most telephone companies for services within Massachusetts. The DTE also administers the federal Telecommunications Act of 1996, where the U.S. Congress announced its national policy to promote competition for all telephone services and promote new products and services.

WHAT IS THE STATE OF COMPETITION IN RESIDENTIAL PHONE CARRIERS IN MASSACHUSETTS?

The DTE has promoted competition for telephone services since 1985. Massachusetts has one of the most competitive telephone markets in the country for both residential and business customers. As of December 31, 2002, telephone companies other than Verizon served more than one third of all business lines and more than 10% of all residential lines in the state.

WHEN WAS THE DTE'S LATEST RULING ON VERIZON'S RATES MADE?

April 11, 2003.

WHAT WAS THE FINDING?

The DTE analyzed data and testimony from its two-year investigation into Verizon's costs and found that current residential monthly line rates are more than \$6 below cost. The DTE decided that a rate increase of over \$6 would be too much and instead ordered an increase of \$2.44 per month. The DTE also decided to continue its service quality program where Verizon's performance is measured and any sub-par service will result in financial penalties to Verizon.

WHAT ARE THE SPECIFICS OF THIS INCREASE?

The current monthly dial-tone line rate for Massachusetts residential customers is \$9.91. The new rate will be \$12.35. However, the DTE is eliminating any separate charges (\$0.49 per month) for Touch Tone service (most customers receive this service) so the increase for most customers will be \$1.95 per month.

WHAT ABOUT LOW INCOME CUSTOMERS – WILL THIS INCREASE RATES FOR THEM?

Most low-income customers actually will see a rate decrease as a result of today's decision, and no low-income customer will see an increase. The "Lifeline" credit, provided to low-income customers, will actually increase to offset the price increase. Every Touch Tone customer will see a decrease of \$0.49 per month.

WHY WOULD THE DTE APPROVE A RATE INCREASE?

The DTE would never lightly increase rates. As competitive options increase, consumer prices should decrease. However, an adequate rate must be available for competitive options to flourish. The new residential line rate will still be below the actual costs incurred even after this increase. This new rate will promote real competition which will increase consumer options.

WHAT KIND OF RESEARCH DID YOU CONDUCT TO ARRIVE AT THIS DECISION?

The DTE has been analyzing Verizon's costs for over two years and has been investigating the right regulatory policies for almost as long. The DTE conducted four public hearings across the state as well as several judicial hearings. We received testimony from several prominent economists and examined what other states have been doing recently, such as New York (which recently approved a similar increase).

WILL THERE BE FUTURE RATE INCREASES?

In its decision, the DTE did not approve any future pricing flexibility for Verizon.

IS THIS GOING TO BE A REVENUE OR PROFIT GENERATOR FOR VERIZON?

No. The lower rates for residential service are subsidized by higher rates for other services. The DTE ordered reductions in rates that Verizon charges other telephone companies for access to its network and facilities. These other reductions are designed to completely cancel out the revenue gain from increased residential rates so Verizon will receive no additional profit as a result of today's decision.

HOW CAN A RATE INCREASE POSSIBLY BE GOOD FOR CONSUMERS?

It's never easy for us to approve a rate increase, particularly in tough economic times. But we believe that the long term benefits to consumers will outweigh any short term burden. This decision will promote a more competitive market and will spur investment in the new communications services that customers are demanding.

WHEN WILL CONSUMERS SEE AN INCREASE IN THEIR MONTHLY BILL?

Verizon will be required to make a compliance filing with the DTE in the beginning of May, 2003. Customers could see this change in their bill as soon as June, 2003.

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