June 30th, 2020

Ms. Lindsey Overton
Records Access Officer
New York Department of Public Service
Three Empire State Plaza
Albany, NY 12223


We request that the NY Public Service Commission (NYPSC) immediately deny Verizon’s motion to hide basic information and to require Verizon NY to supply the redacted information for Schedules 3, 8 and 61 of the Annual Report of Verizon NY Inc. for the Year Ending December 31, 2019, which was released on June 8th, 2020.¹

Verizon states that publishing this data is an “Unwarranted invasion of personal privacy” — This is an insult to the public.

This vacant form with the word “Confidential” is what the public sees when visiting schedule 61 from the Verizon NY 2019 Annual Report. This schedule is supposed to supply the phone lines in service.

Appendix A supplies the Verizon NY 2018 Annual Report, Schedule 61, for comparison. It shows that Verizon NY, the primary public telecommunications state utility had started the year 2018 with 1.9 access million lines and ended 2018 with 1.7 million lines — and this is just for NY State. However, even this data had been previously redacted and it has left out basic information like ‘single line business’ accounts, as well as missing an additional 80% of all other lines, as we will discuss.

Verizon’s Redacting of this Information has Now Opened Up Pandora’s Box

Having to take the time to get basic information restored has now opened up a much larger and deeper question – these schedules have been designed to hide and obfuscate the flows of money as well as a massive cross-subsidy scheme where the state wired utility has become the cash machine for Verizon’s other lines of business.

For example, manipulating the accounting of access lines has become an industry-wide practice to influence public policies; i.e., they claim that the wires no longer matter or are not in use—and therefore, Verizon et al. claim that it is unprofitable and they don’t have to upgrade or even maintain the critical wired infrastructure.

Verizon’s Specious Arguments

Let’s go over Verizon’s primary arguments then examine how each of the data that was redacted now requires full investigations for the public good.

Verizon NY is the primary NY state, public telecommunications utility and yet the Verizon NY “request for exception from disclosure” letter claims that it did not have to supply basic information in three ‘schedules’: 2

- **Schedule 3:** OFFICERS & DIRECTORS, (including Compensation)
- **Schedule 8:** IMPORTANT CHANGES DURING THE YEAR, which includes residential and business rate increases.
- **Schedule 61:** ACCESS LINES IN SERVICE

Let’s Discuss the Corporate Excuses.

Verizon writes:

“Verizon NY Inc. (‘Verizon’) hereby seeks exemption from public disclosure of certain portions of **Schedules 3, 8, and 61** of the Annual Report, pursuant to the Freedom of Information Law (“FOIL”) and the rules of the Commission promulgated thereunder, on the grounds that these schedules contain trade secrets and confidential commercial information the public disclosure of which would place Verizon at unfair competitive disadvantage. **Additionally, public disclosure of this information would constitute an unwarranted invasion of personal privacy.” (Emphasis added.)

Talk about some concocted smoke screen. In reading their filing, it is clear that Verizon believes they should be exempt from providing basic information that has been part of these PUBLIC reports for decades. Verizon also quotes the New York Public Officers Law, Section 89, Subdivision 2: (excerpted). 3

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“(a) The committee on public access to records may promulgate guidelines regarding deletion of identifying details or withholding of records otherwise available under this article to prevent unwarranted invasions of personal privacy. In the absence of such guidelines, an agency may delete identifying details when it makes records available. (b) An unwarranted invasion of personal privacy includes, but shall not be limited to: i. disclosure of employment, medical or credit histories or personal references of applicants for employment; ii. disclosure of items involving the medical or personal records of a client or patient in a medical facility;”

This is just a waste of our time. The law goes on to discuss what constitutes an unwarranted invasion of privacy. But that didn’t stop Verizon from taking the position—Let’s see what we can get away with?

“What constitutes an unwarranted invasion of privacy is measured by what would be offensive and objectionable to a reasonable person of ordinary sensibilities.”

Yes, We, the public are being presented with offensive and objectionable actions.

Why stop here. Verizon’s excuses for the redacting of information goes from worse to pathetic when Verizon, the state public telecommunications utility, can make a claim that giving out this information harms Verizon’s advantage over competitors.

“Courts applying New York law generally follow Section 757 of the Restatement of Torts. The Restatement defines a trade secret as any formula pattern, device or compilation of information which is used in one’s business when it gives him an opportunity to obtain an advantage over competitors who do not know or use it.”

What this says is: Verizon wants to gain an advantage over the competition by hiding information about the networks.

Or even more brain dead, Verizon claims that if it supplies the compensation information, some competitor may try to lure Verizon’s executives away.

“The compensation information in Schedule 3 could allow competitors to lure Verizon’s executives.”

To Summarize:

Verizon NY’s 2019 Annual Report Reveals the Need for Immediate Investigation: The Data and information in the Redacted Schedules Points the Way.
Why do we need to see these redacted items as well as open up the previous redacted information? The Verizon NY 2019 Annual Report had these questionable financial details:

- **“Local Service”,** was charged **over $½ billion for Corporate Operations expenses.** Local Service are the revenues from basic phone service and while it is only 22% of the revenues, it has been paying 61% of the total of this expense.
- **Verizon New York’s construction and maintenance budgets** (also called “plant” and “non-specific plant”) had the majority charged to Local Service. Local Service paid over $1.1 billion for what has been averaging $75-125 million.
- **These 2 expense items alone created a loss for Local Service.**
- **“Access” Services** (which include “Special Access”, also known as “backhaul”), had double the revenues of Local Service, but only paid a fraction of these 2 expenses, giving it an artificial profit, EBITDA, of 55%, i.e. monopoly profits from cross-subsidies. These can be copper or fiber optic wires that go to the cell sites and/or are used for business data lines.

Why does the Public Deserve this Data and the Redacted Data to Start?

**Schedule 3: Executive Compensation plans. (SEE APPENDIX B)**

We Now Want All Information for Schedule 3 as Well as the Flows of Money. Schedule 3 is supposed to supply the salaries and financial perks of the key Verizon executives.

- Have their salaries been added to the Corporate Operations expenses – which are out of control by any account?
- Are these corporate salaries being primarily placed into Local Service?
- Local Service has artificial losses, which have been used as an excuse for rate increases since 2005. Were excess Corporate Operations expenses intentionally used to help create this shell game? Did the executives know this is happening?
- Are their salaries excessive and were these expenses put into the Local Service category (as 60% of this expense goes into Local Service)?
- Are the Verizon legal filings also charged 60% to local phone customers?

We called attention to some of these issues in our previous filings and comments – which were never properly addressed.\(^5\) We have the right to see whether these expenses should be


\(^5\) https://newnetworks.com/ny-related-filings/
charged, as the majority of these expenses have ended being charged to the Local Service customers.

- **Schedule 8. IMPORTANT CHANGES DURING THE YEAR** is a collection of items including a listing of the “intrastate” rate increases for Business Toll and Term plans, which have been ‘redacted’.

The table below shows the changes in services and rates:

<table>
<thead>
<tr>
<th>Description of Changes</th>
<th>Service Classification</th>
<th>Effective Date</th>
<th>Estimated Annual Effect on Revenues</th>
</tr>
</thead>
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<tr>
<td>Business Toll Rate Increase</td>
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<td>2/19/2019</td>
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<td>Term Plans Increase</td>
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</tbody>
</table>

Annual Report of VERIZON NEW YORK INC. For the period ending DECEMBER 31, 2019

We do not even know what else has been redacted to detail what has been omitted. With these rate increases, we want to know, now, based on what we just presented, whether they are justified or just made up.

- Are the financials manipulated and the other lines of business getting a free ride?
- **Moreover**, were these term plans increased due to a) claims of line losses, b) Corporate Operations expenses that were improperly charged to the network services, c) who knows what else?
- (Attempting to find these documents online with matching dates was futile.)

**We Want Section 61 Unredacted and Updated**

First, **Schedule 61** is supposed to supply the number of access lines in service, as the opening chart shows, it shows nothing.

APPENDIX A supplies the Verizon NY 2018 Annual Report Schedule 61 and it shows that there were 1.9 million regulated access lines at the beginning of the year and ending with 1.7 million regulated access lines in service, in just New York State.

Weren’t we told that no one is using these mostly copper-based phone lines?

Verizon also claims that Schedule 61 has:

“Confidentially, geographically disaggregated market data”

This is just a lie. Section 61 has the different geographic areas, but that information has been redacted for years, and only the totals have been given.
Most of the Access Lines are Excluded or Hidden

Worse, this data has excluded basic information, such as single line business accounts for over a decade. If you look closely at Appendix B you also see that one category “single line business accounts” is missing. On top of this, Schedule 61 has left out ALL other categories of access lines that should have been supplied to the public. We believe this was done, on purpose, to mislead the public and to influence public policies. In fact, this is an industry-wide practice that has been aided by the FCC.

Below is the accounting of access lines by the FCC based on information supplied by Verizon NY for the year 2007, the last year the FCC published basic information.

It shows that whole categories of access lines – the majority being COPPER WIRES, were taken out of the accounting in this Schedule 61. Besides this FCC report supplying the number of single line business accounts, it also supplied the access lines (mostly copper) that are used for the Special Access, (Business Data Services), lines.

In 2007, the FCC showed over 47 million total access lines, which included the lines used for “Special Access”.

**Most Access Lines Are Not Counted.**

There are many caveats to all of this. In fact, most of these lines were not detailed in the FCC’s reports and never mentioned in the state proceedings.

**Just some of the missing lines:**

- Verizon’s fiber optic FiOS is based on a fiber optic wire that was installed as a “Title II”, common carrier, telecommunications network—so that the expenses could be charged mainly to local phone customers.
- There are zero fiber to the home lines listed in the Verizon NY report. Aren’t there supposed to be millions of lines?
There are zero copper and fiber optic lines to hot spots and wireless cell sites – which are sometimes called “backhaul”; many of these can also be copper-wires.

There is also DSL and other data lines that are using the copper networks – but they, too, are not in this accounting.

**Special Access Revenues: Zero Lines**

How many Special Access lines are there? The FCC’s 2007 data showed 40 million lines but there are caveats to this number.

Moreover, Special Access lines are NOT special. They are virtually the same physical wires used for voice calling or data but have been reclassified as “interstate” or an “information service” (or another category “switched” and “non-switched”, which is too complicated to explain in this document.)

But the real slight of hand has been that Schedule 61 access lines are only based on specific ‘Local Service’ (intrastate) revenues and do not account for ALL of the revenues for Verizon NY, in any year.

As we mentioned, local service was about a billion in revenues, but Special Access revenues (which are part of ‘Access’ lines of business) are also broken out. So, instead of counting lines, let’s examine the revenues.

Verizon New York’s Special Access revenues for 2019 are listed as part of “Network Access Services Revenues”, presented on Schedule 42. As you can see, there was $1.8 billion in revenue in just 2018, in just New York, and $1.7 billion in 2019—and yet ZERO access lines have been provided anywhere in the report.

<table>
<thead>
<tr>
<th>“Network Access Services Revenues”, Schedule 42</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE:</td>
</tr>
<tr>
<td>Special Access</td>
</tr>
</tbody>
</table>

In this case, there has to be millions of lines missing based on this revenue. It can’t be zero lines and yet nothing in the annual report supplies this basic data.

**Full Stop. New Start. Opening Pandora’s Box.**

After we receive the redacted information from Verizon that has been omitted, we will submit a full list of the questions we believe the public needs and has the right to have answered. This will include:

- **Schedule 61 Revamp: All Access Lines.** The total number of access lines for all services, including all copper and fiber optic services, as well as including all “special access” lines. This also must include all copper and fiber optic lines that are ‘dark’, meaning they are either not in use or were never put into service.
- The total number of access lines and services that were diverted to build the wired portion of Verizon Wireless’s subsidiary networks.
A complete audit of every cent that was charged to the “intrastate” construction and maintenance budgets, especially the monies charged to Local Service for wireless and all other services offered by Verizon’s subsidiaries or lines of business, including ‘special access’ services.

A full audit of the Corporate Operations Expenses to track what expenses, from executive compensation, which includes Schedule 3, to even the legal filings submitted by Verizon, are being charged to local customers.

A complete audit of how much of the expenses for the Corporate Operations or construction had been diverted to the intrastate-Local Service classification, as opposed to the ‘Nonregulated’ and ‘Access’ categories.

All of these issues are tied together and must be put into context. Verizon NY’s 2019 Annual Report shows billions of dollars in illegal cross-subsidies caused by using the FCC’s deformed USOA cost accounting formulas that are in use in these annual reports.

**IRREGULATORS v FCC:** In 2015 we started requesting that the FCC investigate how their accounting formulas, that are in use by the state utilities to allocate expenses, had become corrupted, and to clean up this mess. We ended up having to take the FCC to court. In March, 2020, the DC Court of Appeals gave us the decision we wanted – The States, including New York, are now independent and do NOT have to apply the deformed rules and they can stop the massive financial cross-subsidies.

**Conclusion: By Redacting this Information Verizon has Opened Up Pandora’s Box.**

We expect the State to immediately reject Verizon’s motion to redact the schedules discussed. We will file a formal complaint about this if necessary and it will be joined by others who have stake in having the state public utility respect the public.

Verizon’s executives have decided that Verizon New York really isn’t a state utility, the networks are not regulated, and that in one of the most absorb claims one can imagine – having to publish basic information about the PUBLIC utility is really an “Unwarranted invasion of personal privacy”

**Finally, We request that Commissioner Tracey A. Edwards recuse herself from this and all issues pertaining to Verizon and telecommunications.**

Verizon’s motion to ‘redact’ all information in Schedule 3 “OFFICERS & DIRECTORS”, (including Compensation) required us to examine the previous Annual Reports.

This is an excerpt of Schedule 3 from the Verizon NY 2017 Annual Report, published June, 2018, and it lists Commissioner Edwards as part of Verizon’s “Officers and Directors”; the same exact schedule that Verizon is now claiming should be redacted. Moreover, there are at least 6, (the majority), executives on this 2016 list that match the Verizon NY 2019 Schedule 3 in question. This 2017 Schedule 3 was also redacted.

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It appears that the law that Verizon is flashing around for ‘privacy concerns of a public utility’ appears to make it clear that the same law needs to be examined for conflicts of interest.

“New York State officers and employees and Legislative members and employees shall not... have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his (or her) duties in the public interest.”

About Us:

New Networks Institute (NNI) has been a telecommunications research and consulting firm focusing on the public interest established 1992.

The IRREGULATORS is an independent, consortium comprised of senior telecom experts, analysts, forensic auditors, and lawyers who are former senior staffers from the FCC, state advocate and Attorneys General Office experts and lawyers, as well as former telco consultants. Members of the group have been working together, in different configurations, since 1999.

We have been an active participant in multiple New York Public Service Commission proceedings, including Matter 10-01709.

Bruce Kushnick, Managing Director, IRREGULATORS
185 Marine Ave, apt 4E
Brooklyn NY, 11209
718-333-5161

CC: IRREGULATORS, PULP, Common Cause, AARP, Communications Workers of America, NYPIRG, NY Consumer Advocate, NY Attorney General, Stop the Cap, etc.

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7 https://jcope.ny.gov/conflicts-interest
### APPENDIX A:
Verizon New York 2018 Schedule 61; Access Lines

#### 61. ACCESS LINES IN SERVICE

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Division of Territory</th>
<th>At Beginning of the Year</th>
<th>Added</th>
<th>Discontinued</th>
<th>At End of the Year</th>
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**MISSING FROM TOTAL**  

Number of Access Lines:
- **At Beginning of the Year**: 1,990,063
- **Added**: 135,285
- **Discontinued**: 380,882
- **At End of the Year**: 1,654,466

#### NUMBER AT END OF THE YEAR

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Total: 1,990,063, 135,285, 380,882, 1,654,466
### 2. OFFICERS AND DIRECTORS (including Compensation)

1. Furnish the indicated data with respect to each executive officer and director, whether or not they received any compensation from the respondent.

2. Executive officers include a company's president, secretary, treasurer and vice presidents in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.

3. Indicate, with an asterisk (*) in column 8, those directors who were members of the executive committee, if any, and by a double asterisk (**) the chairman, if any, of that committee, at the end of the year.

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<thead>
<tr>
<th>Line No.</th>
<th>Name of Person (a)</th>
<th>Title and Department</th>
<th>Cheif Which Jurisdiction is Exercised (b)</th>
<th>Term Expired or Current (c)</th>
<th>Rate at Year End (d)</th>
<th>Paid During Year (e)</th>
<th>Deferred Compensation (f)</th>
<th>Incentive Pay (g)</th>
<th>Savings (h)</th>
<th>Stock Options (i)</th>
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<td>1</td>
<td>Keith B. Clemens</td>
<td>Vice President, General Counsel and Secretary / Director</td>
<td>2020 Mtg</td>
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APPENDIX C:
NNI, IRREGULATORS, Partial List of Reports and Filings Related to NY State

NNI & IRREGULATOR FILINGS, NYPSC: August 8th, 2017
We submitted 3 documents: Comment 1 has a short overview as well as a bibliography of our research, which is directly tied to this proceeding. It also gives a brief discussion of issues that have been overlooked or are missing and need to be part of the next steps the State should be implementing. Comment 2 is a more detailed view (that has been published in Huffington Post) of the current proceeding and a Verizon settlement. Comment 3 is a full report based on our analysis of the Verizon NY’s 2016 Annual Report.

- **COMMENT 1:** Overview and bibliography
- **COMMENT 2:** Huffington Post: Verizon NY in Multi-Billion Dollar Settlement Tangle, Underway in NY State, August 4th 2017

**Reports and Filings, 2010-**

- **Verizon’s State-Based Financial Issues & Tax Losses: The Destruction of America’s Telecommunications Utilities**
  In 2010, NNI started an investigation of the financial books of five Verizon’s state-based utility phone companies, including Verizon New York and Verizon New Jersey and the ties to Verizon Communications affiliate companies, (subsidiaries) including Verizon Wireless, Verizon Online, Verizon Services, among others. Published in 2012
- **Verizon Wireless and the Other Verizon Affiliate Companies Are Harming Verizon New York’s (The State-based Utility) Customers & the State.** In September 2013, our next report focused on Verizon New York and was the centerpiece of a filing by Common Cause, Consumer Union, CWA, and the Fire Island Association, which called for an investigation of Verizon’s financials and business practices, Alexander Goldman, Esq. co-authored the report.
- **“It’s All Interconnected”,** In May 2014, Public Utility Law Project, (PULP) published “It’s all interconnected”, written by New Networks (with assistance by David Bergmann, Esq.) and it relied on unexamined data from Verizon New York using different Verizon supplied financials books.
- **The Verge:** Game of Phones: How Verizon is playing the FCC and its customers, May 2014
- **The Connect New York Coalition, filed a Petition** with the New York State Public Service Commission to do a formal investigation of Verizon New York. July 1, 2014. The Petition is based, in part, on NNI’s continuing research.
- **Coalition members** include AARP, Consumer Union, Common Cause, CWA, NY state politicians.

**FIXING TELECOM REPORTS:**

- **Report 1: Exec Summary: Verizon’s Manipulated Financial Accounting & the FCC’s Big “Freeze”**
- **Report 2:** Full Data Report
- **Report 3:** SPECIAL REPORT How Municipalities and the States can Fund Fiber Optic Wireline and Wireless Broadband Networks.
- **REPORT 4:** Data Report Proving Verizon’s Wireline Networks Diverted Capex for Wireless Deployments Instead of Wiring Municipalities, and Charged Local Phone Customers for It.
- **Report 5:** The Hartman Memorandum proves that the FCC’s own cost allocation rules created massive financial cross subsidies between and among the state-based wired utilities, and the companies’ other lines of business, such as special access, or the wireless service.
- **Report 6:** The History & Rules of Setting Phone Rates in America The FCC’s ‘Big Freeze’ details that the FCC has set basic cost accounting expenses to based on the year 2000 and the FCC has never audited or investigated the impacts for 18 years.
APPENDIX D: Verizon NY 2019 Annual Report Analysis Excerpts

(Excerpted from Medium article)⁸

On June 8th, 2020, the Verizon New York 2019 Annual Report was released. It is the freshest data of a state-based telecommunications public utility in the US. In fact, no other state we know of, much less the FCC, still requires the publishing of these financial reports. (The last FCC report was based on the year 2007). ⁹

Like water, or gas or electric, Verizon Communications, Inc, the holding company, has the franchise to offer and maintain the telecommunications critical infrastructure in multiple states, with the goal – in exchange for many financial perks, the company has obligations to serve their entire service area. In most states, laws were in fact changed, starting the in 1990’s, to replace the existing copper wires with a fiber optic wire because it had a lot more capacity to deliver very high speed broadband.

But, over the last decade, the companies, with the help of the FCC, had manipulated the FCC financial accounting formulas to artificially make their entire state appear unprofitable so that they can dismantle the utilities and not upgrade their territories to fiber optics, even though customers paid for it. ¹⁰ Instead, over the last decade, Verizon and AT&T decided to give what was built to the wireless company—essentially for free, as private property – not because wireless to the home is better but because it makes the company more money.

IRREGULATORS v FCC: ¹¹ Starting in 2015 we started requesting that the FCC investigate how their accounting formulas, that are in use by the state utilities to allocate expenses, had become corrupted, and to clean up this mess. We ended up having to take the FCC to court. In March, 2020, the DC Court of Appeals gave us the decision we wanted – The States are now independent and do NOT have to apply the deformed rules and they can stop the massive financial cross-subsidies.

⁹ http://irregulators.org/verizonny2019annualcomplete/
**Corporate Social Injustice:** The opening chart shows that over one billion dollars annually of ‘Corporate Operations” expenses was put into the Verizon New York local utility network expenses. Worse, Local Service somehow ended up paying the majority, over 60%+ of the total, every year, which caused the networks to appear unprofitable. At the same time, the other lines of business, such as the Wireless or Business Data Services, (sometimes called “backhaul”) paid a fraction of these expenses, which artificially made them obscenely profitable.

And every expense item has had the same manipulated accounting. Local Service customers were charged over a billion dollars extra, annually, for wireline construction used for wireless network.

Fixing these cross-subsidies and halting the dumping of Corporate expenses will lower all communications costs, from broadband and Internet to wired and even wireless services; there is even enough to have the rural areas and inner cities upgraded to fiber to the home—finally.

Moreover, this means that 5G is not profitable once these subsidies are removed.

**Impacts All States, All FCC Proceedings:** The deformed FCC’s accounting formulas used in these Verizon NY Annual Reports are federal in scope; they have been used in every state. Every FCC and state proceeding has never fixed their data and analysis to reflect actual financial reports – including the state-based telecommunications utilities, such as Verizon NY. So all state ‘price caps’ used manipulated, (fraudulent?) accounting and numbers to create harmful public policies.

**Show Me the Money: First, the Real Basics**

The state utilities are not just the copper wires but all of the wires that are owned or used by Verizon in the State, including the fiber optic wires that are used for FiOS or most of the company’s wireless service. And the financial accounting is based on 3 primary categories:

- **“Local Service”** revenues are mostly from the copper-based phone services and these are “intra-state”, meaning in-state services.
- **“Access”** services, which are also known as “Backhaul” or “Business Data Services”, (“BDS”) or even “Special Access” are not special; they are just copper or fiber wire services used for business as well as the wireless 5G networks—and they are classified as ‘interstate’.
- **“Nonregulated”** can be FiOS video or VOIP calling, or other services, and they can be classified as ‘interstate’ or an ‘information’ service.

**REVENUES**

Verizon New York has been a $4-5 billion dollar state-based, telecommunications public utility, but it has been hemorrhaging losses for the last decade. Over the last 5 years, Verizon NY had, on average, $4.7 billion in revenues, with the “Access”, (BDS) bringing in 47%, while Local Service was only 23%.
**Verizon NY, Revenues by Lines of Business, 2013-2019 Average**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Nonregulated</th>
<th>Local Service</th>
<th>Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$4,674,708,297</td>
<td>$1,373,767,426</td>
<td>$1,099,233,724</td>
<td>$2,201,707,147</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>100%</td>
<td>29%</td>
<td>23%</td>
<td>47%</td>
</tr>
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</table>

*Source: Verizon NY Annual Reports*

**NOTE:** These are NOT all of the revenues Verizon receives in NY State. We estimate that there is an additional $7-10 billion from Wireless and Online Services; however, the majority of all expenses are charged to the wired state utility.

**EXPENSES**

All telecommunications utility companies have a few basic, primary expenses, which includes the “Corporate Operations” expenses and the “Construction & Maintenance” expenses of the networks (including staff).

But no independent company would survive if their financials were this distorted.

- **“Corporate Operations”**, is a garbage-pail category that includes everything from the executive pay, the lobbyists, and lawyers to even the corporate jets.  

The opening chart is a model using 2003-2019 financial reports and it shows just how screwed up the accounting has become. On the left it shows that “Local Service” was always charged 61% of the total while “Nonregulated” service only paid 10% and “Access” was at 29%. And if you want to see just how bizarre this gets, this next exhibit supplies the percentage of the Corporate Operations expenses since 2010, by line of business. Notice a pattern?

---

12 https://medium.com/@kushnickbruce/cooked-books-verizon-nys-local-service-was-charged-1-8-24f2324d7eb5
Verizon NY Corporate Operations Expenses by Line of Business, 2010-2019

<table>
<thead>
<tr>
<th></th>
<th>Nonregulated</th>
<th>Local Service</th>
<th>Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10%</td>
<td>61%</td>
<td>29%</td>
</tr>
<tr>
<td>2014</td>
<td>10%</td>
<td>60%</td>
<td>29%</td>
</tr>
<tr>
<td>2017</td>
<td>10%</td>
<td>61%</td>
<td>29%</td>
</tr>
<tr>
<td>2019</td>
<td>10%</td>
<td>61%</td>
<td>29%</td>
</tr>
</tbody>
</table>

This means that even as Local Service revenues declined, there was no change in how much of this expense would be applied.

**Though it varies by year, in 2019,** Local Service was charged over $½ billion for Corporate Operations. (There appears to be some manipulation as Verizon NY was charged $2.7 billion, with no explanation.) In 2017, Local Service was assessed $1.8 billion against revenue of just $1.1 billion. Considering that Local Service should be paying an estimated $200-300 million, all of this points to hundreds of millions of dollars of excess charges on Local Service.

- **Construction and Maintenance Overcharging**

From 2003-2019, Local Service, the aging copper networks, paid the majority of all construction and maintenance expenses—49% of the total, on average, while all of the areas, such as backhaul or even FiOS, paid only a fraction, even though Local Service was only 20-25% of the total revenues.

In 2019, Local Service was charged $1.2 billion in Construction and Maintenance, which was 43% of the total. But, in the actual expenditures for “network under construction” Local Service is paying 73.5% of the total amount. (NOTE: These expenses can also be known as “Plant” and “Non-Specific Plant”)
Verizon NY Revenues, Construction, Maintenance and Under Construction, 2019

<table>
<thead>
<tr>
<th></th>
<th>Nonregulated</th>
<th>Local Service</th>
<th>Access (BDS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$1,248,720,704</td>
<td>$863,900,772</td>
<td>$1,945,072,618</td>
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<tr>
<td>% Revenues</td>
<td>31%</td>
<td>21%</td>
<td>48%</td>
</tr>
<tr>
<td>2019 Capex &amp; Maintenance</td>
<td>$1,030,574,328</td>
<td>$1,237,251,778</td>
<td>$606,007,024</td>
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<tr>
<td>% Capex &amp; Maintenance</td>
<td>35.9%</td>
<td>43.1%</td>
<td>21.1%</td>
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<tr>
<td>Network Under Construction</td>
<td>10.8%</td>
<td>73.5%</td>
<td>15.7%</td>
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If Local Service only had about $100-$125 million actually spent on the copper networks, where the hell did the additional $1.1 billion go?

Profits, Losses and Special Excess: (Backhaul and Business Data Services)

Let’s end with the final insult. Because of all of the expenses diverted to Local service and the other lines of business are essentially getting a free ride, Local Service showed major losses, while services, especially the Business Data Services had obscene profits. As mentioned in the opening, each of these actions had harmful consequences.

Verizon New York 2019 Annual Report, Highlights, Published June 8th, 2020

<table>
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<th></th>
<th>Local Service</th>
<th>Access (BDS)</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$863,900,772</td>
<td>$1,945,072,618</td>
<td>125%</td>
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<tr>
<td>Total Operating Expenses</td>
<td>$ 2,784,315,438</td>
<td>$1,416,588,815</td>
<td>97%</td>
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<td>Net Operating Revenues</td>
<td>$(1,920,414,666)</td>
<td>$528,483,803</td>
<td>463%</td>
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Local Service in 2019 had revenues of $864 million and showed a loss of $1.9 billion, which gave a ‘tax benefit’ for Verizon Communications.

At the same time, the Access (Backhaul, BDS) was very profitable with a 55% EBITDA (Earnings Before Income Taxes, Depreciation and Amortization). Historically, these services would have a profit margin of 11.25%. On top of this, as we show in other research, these Access service revenues are only a fraction of the total. Verizon has other subsidiaries in New York, which also offer BDS but they also appear to be paying a fraction of the expenses. We estimated that Verizon BDS and Access services could have as much as 60-85% profit margins.

But it is the comparison of Local Service and Access that should be at the center of an investigation. The column on the right shows just how corrupted the FCC accounting formulas have become. By putting the majority of expenses into Local Service, while Access has 125% more revenue than Local Service, Local Service ended up with almost double the expenses. Thus, Access shows $½ billion in “Net Operating Revenues” against Local Service showing losses of $1.9 billion.