

## 5.0 Timeline: Tracking the “Massive Deployment of Fiber Optics” & “Losses”.

In order to understand how all this has played out in New York State over the last decade — how the ‘losses’ were used to raise rates or as an excuse to stop building and maintaining the networks — we thought a timeline highlighting some of the critical points would be beneficial.

### The Timeline and Primary Issues

#### Summary

- In 2004, Verizon announced its plans for FiOS, a group of phone, Internet, broadband and cable TV services that ride over a fiber optic network wire.
- In 2005, Verizon was able to get the New York State Public Service Commission (NYPSC) to agree that the fiber optic wire was simply an upgrade and enhancement of the existing NY State telecommunications utility. In fact, all of Verizon’s fiber optic networks are classified as a telecommunications, “Title II”, “common carriage” service under the Communications Act of 1934.
- Starting in 2006, the NYPSC granted Verizon deregulation and started the process of multiple rate increases on residential as well as business customers’ basic phone service; ancillary services were allowed to increase to ‘market pricing’.
- The NYPSC claimed that Verizon needed rate increases and deregulation for two primary reasons — building broadband infrastructure and financial losses, which were being caused by competition and was evidenced by access line declines.
- In 2008 and 2009, Verizon was granted two additional rate increases based on “massive deployment of fiber optics” and financial losses.
- In 2010, Verizon Corporate announced it was no longer going to upgrade customers with fiber optic service unless there is an existing, unfulfilled agreement.
- In 2012, Verizon Corporate announced it was going to ‘kill the copper’ and shut off the networks in unupgraded areas and force-migrate customers onto wireless or in upgraded areas, force-migrate to FiOS.
- In 2015, the NYPSC is revisiting the last decade of telecommunications and its Staff has published a report. Unfortunately, the Commission never audited the company or conducted a major telecommunications proceeding. The NYPSC is also addressing the Petition by Connect New York Coalition (which was based, in part, on previous NNI reports).

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## 2004-2005

### **Verizon Announces FiOS, a Brand of Services**

Verizon announced that a fiber optic network would be created to deliver FiOS, a brand name for a group of services that includes broadband, Internet and cable TV. Verizon claimed that it will be built out to reach 18 million households nationwide, and the company would be spending \$23 billion, with a proposed completion by 2011-2012. This ‘broadband carrot’ was used for multiple state and federal changes in policies, laws and regulations.<sup>11</sup>

**Subplot:** FiOS was announced to get the FCC to close the state utility networks, including any fiber optic upgrades, to all competition, it would allow Verizon to purchase MCI, which was then an independent company, and it would consolidate all of its services over the wire, sometimes referred to as a ‘vertical integration’ of products. (SBC, like Verizon, also wanted to shut down competitors from using the networks and to purchase AT&T; SBC would merge with AT&T and take the name. SBC/AT&T announced “U-Verse” around the same time. It was supposed to be a fiber optic service, but instead it is based on the exiting copper wires.)

## 2005

### **In 2005, Verizon Starts Promoting FiOS TV to Municipalities.**

In 2005, Verizon tells the NYPSC that it is going to serve millions of New Yorkers, if only the NYPSC would just let the fiber optic networks be part of the state utility.<sup>12</sup> This is an excerpt of the original text. Notice it specifically states that this fiber optic network is “upgrading the existing network”.

#### **INTRODUCTION**

The legal question before the Commission is both narrow and straightforward. According to Petitioners, Verizon is prohibited from upgrading its existing network to provide improved telecommunications and information services to millions of New Yorkers until it obtains cable television franchises from the localities in which it already offers ubiquitous telecommunications and information services. Federal and state law, however, are unambiguously to the contrary.

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<sup>11</sup> See: “The Book of Broken Promises: \$400 Billion Broadband Scandal & Free the Net”.

<sup>12</sup> <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={C0FB1F9F-3880-417A-BAFE-EEF87DEB210D}>

## **Verizon's Fiber Optic Networks are "Title II" and Part of the State Utility.**

Verizon went to NYPSC and said that the Fiber-to-the-Premises, FTTP networks, are an enhancement and upgrade to the existing state telecommunications utility networks, and are classified as "Title II", "common carriage" networks, based on the Communications Act of 1934. This is commonly known as the "PSTN", Public Switched Telephone Network, and traditionally has been mostly based on a copper wire. This would also give Verizon the benefit of using the telecommunications rights-of-way.<sup>13</sup>

## **In 2005, the NYPSC Agrees with Verizon, Making the Fiber Optics Networks "Title II".<sup>14</sup>**

This is an excerpt from the original decision.

**On June 15, 2005, the New York Public Service Commission ("NY PSC") "declared that Verizon NY's FTTP upgrade is authorized under its existing state telephone rights because the upgrade furthers the deployment of telecommunications and broadband services, and is consistent with state and federal law and in the public interest." The NY PSC determined that, unlike a company seeking to build an unfranchised cable television system, Verizon NY already has the necessary authority to use the rights-of-way to provide telecommunications service over its existing network. See Declaratory Ruling on Verizon Communication, Inc.'s Built-Out of its Fiber to the Premises Network, NY Public Service Commission, Case 05-M-0520/05-M-0247, June 15, 2005 at 4.**

**As more fully described in Exhibit 1, Verizon NY maintains that it is constructing its FTTP network pursuant to its authority as a common carrier under Title II of the Communications Act of 1934, as amended, and Section 27 of the New York Transportation Corporations Law. For this reason and others, certain terms and conditions may differ between the incumbent cable provider's franchise and Verizon NY's franchise.**

## **2005-2006**

### **Verizon NY Receives Major Deregulation of Services and Less Obligations.**

(NOTE: There are two main incumbent utility phone companies in New York; Verizon and Frontier. The deregulation discussed in this part applies to both companies.)

In 2005, Verizon applies for major deregulation of most services and the NYPSC grants the request in 2006, in an Order referred to as "Comp III". Except for 'basic' phone

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<sup>13</sup> <http://newnetworks.com/verizonasutility2005/>

<sup>14</sup> Ibid.

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service, most of the other services could have “market pricing”, i.e., whatever they wanted to charge — with some caveats.

The idea was to give “regulatory” flexibility, meaning the companies can do what they want about the pricing of most non-basic services, such as nonlisted numbers and Caller ID.

Verizon claimed that there was plenty of “intermodal competition” and it needed a ‘level playing field’. The NYPSC claimed that raising rates and making the cost of service reflect the company’s reported cost to offer the service, was the way to do this.<sup>15</sup>

The NYPSC also claimed that this new regulatory freedom would bring investment in infrastructure (FiOS) and help stem Verizon’s financial losses. (There are two overlapping documents: the Order to raise rates, commonly referred to as “Comp III” and the press release.<sup>16,17</sup>)

## **NYPSC Uses Infrastructure Investment as a Main Reason for Rate Increases.**

One of the reasons to grant deregulation was to have the incumbents, Verizon and Frontier, build out infrastructure — for Verizon it was FiOS. The NYPSC Order and press release in 2006, make multiple references to this.

Notice these phrases in the following quotes: “Investment in the state telecom infrastructure”, “proper market-based incentives to invest in infrastructure” and “encourage economic investment in the state telecom infrastructure”.

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<sup>15</sup> Essentially, “intermodal competition” is a term that usually refers to the cable and phone companies being the primary competitors and all of the other competitors, from independent ISPs and CLECs are removed or severely hampered. This is as opposed to “open networks” that was part of the Telecommunications Act of 1996 which allowed competitors to rent parts of the network, (including the use of a phone line) to offer their own Internet, broadband, phone or even cable services. In 2001, the FCC created a series of interlocking orders known as the “Triennial Review”, to remove competitors from the networks. See: “The Book of Broken Promises”

<sup>16</sup> Proceeding on Motion of the Commission to Examine Issues Related to the Transition to Intermodal Competition in the Provision of Telecommunications Services. STATEMENT OF POLICY ON FURTHER STEPS TOWARD COMPETITION IN THE INTERMODAL TELECOMMUNICATIONS MARKET AND ORDER ALLOWING RATE FILINGS, CASE 05-C-0616, NYPSC (Issued and Effective April 11, 2006)

<http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={DE5DAC8C-CB50-4CAE-90BE-A5A56DB6DE99}>

<sup>17</sup> Commission Adopts Telecommunications Policy Framework to Address Changing Industry Dynamics, Case 05-C-0616, NYPSC, April, 11, 2006

<http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={BBB737DE-69AE-4E98-978D-61475362A027}>

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Some quotes:

“The Commission’s policy is designed to encourage infrastructure investment to promote network reliability and preserve the existing network, strengthen service quality and promote the emergence of new services.”

“The Commission undertook this comprehensive examination of the policies, rules and practices governing telephone service in New York with the goal of establishing a more flexible and symmetrical regulatory framework that will promote innovation, increase consumer benefits, encourage economic investment in the state's telecommunications infrastructure.”

“Commissioner Thomas Dunleavy said, ‘The information economy requires widespread access to flexible telecommunications applications that facilitate economic development and investments in jobs from the private sector. Achieving that objective requires a level playing field where all telecommunications providers have the proper market-based incentives to invest in infrastructure’.”

## **The NYPSC Granted Rate Increases Based on Losses — But Verizon Never Asked for Rate Increases Based on the Losses.**

This is the most bizarre part of the story. Verizon is ‘losing money’, but as the quote below highlights, Verizon never went to the NYPSC to raise rates for the losses.

“We conclude that Verizon-NY and Frontier Telephone of Rochester, Inc. (Frontier of Rochester), in particular, have lost significant market share and are losing dominance and market power. This circumstance is apparent from the fact that they are **experiencing dramatically lower earnings and in the case of Verizon operating losses.**

**“Verizon has not come to the Commission for major rate changes to redress the situation since the end of the Verizon Incentive Plan in March 2004.**

“It is our responsibility to balance interests in setting rates, and despite comments to the contrary, New York's wireline business is under substantial competitive financial pressure. It thus seems clear that the arrival of intermodal competition has affected the customer/investor balance to the detriment of the legacy carriers. The wireline losses cannot long continue before serious problems will arise in the

maintenance and operation of the legacy infrastructure. Accordingly, we believe the appropriate balance in this instance is to permit Verizon and Frontier of Rochester to raise the monthly charge for the access line portion of message rate service. Similarly we will allow Verizon to gradually raise existing flat rate basic service rates up to a statewide cap rate, and to retain any additional revenues generated by the increases from both the message rate and flat rate services.” (Emphasis added)

### **The NYPSC Did Not Audit the Books or Make Them Public.**

First, a footnote from the Order states that the New York Attorney General’s Office pointed out that Verizon did not ask for the rate increases because it wanted to get “around a formal rate proceeding”.

“The Attorney General of the State of New York) (DOL) charges that the rate increases proposed here are an improper shortcut around a formal rate proceeding.”<sup>18</sup>

The Attorney General of the State of New York ripped at the NYPSC, which had issued a report about the market and the increases. The AG found that the companies didn’t present a real proposal of rate increases; there was insufficient evidence, no independent public examination, and the rates were not supposed to be tied to the company’s revenues and profits.

“No affected telephone company presented the proposal sketched in the Staff White Paper. In fact, Staffs proposed rates are greater than some of the rates recently requested in a tariff filed by Verizon, the state’s largest regulated incumbent.

“The record evidence is insufficient to justify such across-the-board rate changes, and this proceeding, to date, has not allowed the parties to adequately examine the proposed new rates.

“For example, Verizon’s financial performance data has not been subjected to examination by interested parties, and has not even been vouched for under oath by a Verizon witness. Staff relies upon an assessment that Verizon’s financial condition requires these increases. Yet, Verizon voluntarily chose to divorce earnings from rates when it agreed to the Performance Regulatory Plan in 1995, and again more recently with adoption in 2002...

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<sup>18</sup> See footnote 6

“Instead, formal hearings with sworn testimony and a reasonable opportunity for examination of providers' financial data pursuant to Public Service Law §§91 and 92 should precede the adoption of any significant rate changes. Even If the Commission believes that the days of full-blown rate proceedings are past, prudence requires development of a record considerably more substantial than the high-level conceptual analysis and theoretical approach that has been applied thus far in this proceeding.”<sup>19</sup>

## 2008

### **Verizon is Granted a Second Rate Increase in 2008.**

In 2008, the NYPSC granted the second rate increase, again based on “massive deployment of fiber optics” and “losses”. And again, in 2008, Verizon “explicitly refused to make its case on financial need”.<sup>20</sup>

"And, moreover, it makes sense to allow Verizon to fund its capital program through increases to relatively inelastic customers (in much the same way exchange access was subsidized by pricing custom calling features and other non-basic services far above cost). Nor is it too little: Verizon explicitly refused to make its case on financial need and we could simply deny the requested relief. For the reasons set forth above, Verizon will be allowed to make tariff filings to increase rates for these services."

## 2009

### **Verizon Receives a Third Rate Increase for “Massive Deployment of Fiber Optics” and Financial Losses.**

For the third increase, which occurred in June 2009, Verizon filed a 2-page letter, with attachments — that’s it.<sup>21</sup>

In the discussion, Verizon characterizes the FiOS build out as “an advanced voice/video/data network”.

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<sup>19</sup> <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={D6B4AB39-B159-4F5E-BC70-01E347801A1B}>

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<sup>21</sup> <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={8AD98EB0-80A2-420C-9CFD-ED6E011E9CBB}>

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And most important, Verizon does not mention it is losing money but quotes the NYPSC that addresses Verizon's own financials.

Excerpt from Verizon's request for a rate increase:<sup>22</sup>

This price increase will generate needed additional short-term revenues for Verizon, as the company faces the dual financial pressures created by competitive access line losses and the costs of building out an advanced voice/video/data network in the State. As the Commission has noted, Verizon's financial condition is "relevant" when the Commission considers pricing changes because "the state has an interest in a viable company. This is especially important given the magnitude of the company's capital investment program, including its massive deployment of fiber." "There seems to be little question that the company is in need of financial relief; Verizon [New York] reported an overall intrastate return of a negative 4.89% in 2006 and its reported intrastate return on common equity was a negative 73.6%."<sup>3</sup> For 2007, Verizon reported an overall intrastate return of negative 6.24% and an intrastate return on common equity of negative 46.0%.

Moreover, this price change will encourage the migration of customers towards higher-value service bundles, consistent with the trend toward bundled service offerings in the market as a whole.

And there is a curious note added to the Verizon letter above — Verizon's plan will encourage customers to pay more via "higher-value service bundles", which is a euphemism for when the customer goes to FiOS, the company can upsell them and make more money, which we documented in statements made by Verizon's CEO and CFO.<sup>23</sup>

Verizon's quote references the original language of the State-granted 2008 rate increase.

"Cases 06-C-0897 and 07-C-061 0, "Order Denying Request for 25% Pricing Flexibility and Allowing for a 10% Increase to Certain Business Rates" (issued and effective January 17, 2008), at 13-14 (emphasis in original). The Public Service Law requires the Commission to consider a regulated company's ability to earn a reasonable rate of return in considering price changes. See Pub. Serv. L. §§ 97(1), 114."

Notice: Verizon is a 'regulated' company.

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<sup>22</sup> Ibid.

<sup>23</sup> [http://www.huffingtonpost.com/bruce-kushnick/want-to-know-what-verizon-and-att-really-tell-their-investors\\_b\\_4640640.html](http://www.huffingtonpost.com/bruce-kushnick/want-to-know-what-verizon-and-att-really-tell-their-investors_b_4640640.html)

## 2010-2012

### **Verizon Stops the Deployment of FiOS.**

Verizon made announcements that it will no longer be upgrading most of their territories, except where there are existing requirements, starting in 2010, but most of the discussion happened in 2012.

*Stop the Cap*, writes:<sup>24</sup>

“Verizon Won’t Expand FiOS Beyond Current Franchise Obligations, CFO Tells Investors, September 25<sup>th</sup>, 2012.

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<sup>24</sup> <http://stopthecap.com/2012/09/25/verizon-wont-expand-fios-beyond-current-franchise-obligations-cfo-tells-investors/>

## 6.0 2015: Verizon NY’s Fiber Optic, FiOS Services in NY State & NYC

There are a number of questions that arise from the examination of FiOS but at the core is the status of the ‘massive deployment of fiber optics’.

This exhibit summarizes the status of FiOS service coverage, or the lack thereof, and was created using FCC, US Census and Verizon’s statements.

**EXHIBIT 19**  
**Accounting of Verizon New York’s FiOS Coverage, 2015**

	NY State	Verizon	NY City
Household	7,234,743	6,438,921	3,070,298
Housing Units	8,126,026	7,232,163	3,371,062
Firms	1,956,733	1,741,492	944,129
Homes & Business	9,191,476	8,180,414	4,014,427
Housing Units & Biz	10,082,759	8,973,656	4,315,191
<b>FiOS Homes and Businesses</b>		<b>4,000,000</b>	
		<b>NY State</b>	<b>% coverage</b>
Homes		6,438,921	62%
Housing Units		7,232,163	55%
Homes & Business		8,180,414	49%
Housing Units & Biz		8,973,656	45%
		<b>NY City</b>	<b>% coverage</b>
<b>FiOS Homes and Businesses</b>		<b>2,000,000</b>	
Homes		<b>3,070,298</b>	<b>65%</b>
Housing Units		<b>3,371,062</b>	<b>59%</b>
Homes & Business		<b>4,014,427</b>	<b>50%</b>
Housing Units & Biz		<b>4,315,191</b>	<b>46%</b>

**NOTE:** There are differences based on the terms used. “Homes” (“Households”), “Housing Units” (sometimes called “Residential Dwelling Units”), “Homes and Businesses”, etc., all have specific definitions of what they cover and thus have a different accounting of population.<sup>25</sup>

### Walking through the Calculations and Facts

- The number of “Households”, “Housing Units” (“Residential Dwelling Units”) and “Businesses” for NY State and NY City are taken from the US Census.
- Using FCC supplied data — Verizon controls about 89% of the State.<sup>26</sup>
- “New York State” includes New York City.

<sup>25</sup> <http://quickfacts.census.gov/qfd/states/36000.html>

<sup>26</sup> “Statistics of Common Carriers”, FCC, for the year ending December, 31, 2007 (the last year of publication.)

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- Verizon has 100% of New York City's telecommunications as the incumbent phone company.

Verizon's own press release claimed that it had "over 4 million homes and businesses" in New York State (and including the City of New York) at the end of 2014.<sup>27</sup>

"Fiber-optic networks strengthen communities, and last year Verizon continued deployment of its 100 percent fiber-optic network, with its FiOS TV and FiOS Internet services. At year's end, FiOS services were available to more than 4 million New York and Connecticut homes and businesses."

Notice that this quote from Verizon is for 'homes and businesses', while the New York City franchise appears to use "households" in some places, but in other places uses "residential dwelling units".

They are not the same. There are 300,000 more 'residential dwelling (housing) units' than 'households' according to the US Census, (and almost 800,000 more in New York State total).

This quote from the original Verizon FiOS franchise agreement with the City of New York would indicate that the coverage was for 'residential dwelling units'.

## EXHIBIT 20

### Verizon New York FiOS Cable Franchise: Residential Dwelling Units

#### 5.3. *Service Availability:*

5.3.1. *Initial Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units at Franchisee's expense, except that Franchisee may charge a standard installation fee, and may make Cable Service available to businesses, in conformance with Section 5.4. The parties hereto agree that the terms of this Section 5.3.1 satisfy the minimum standards set forth in 16 NYCRR Section 895.5.

5.4. *Provision of Service:* Subject to the exceptions set forth in Subsection 5.5 hereof, Franchisee shall make Cable Service available to all residential dwelling units in the Service Area. Franchisee agrees that it shall not discriminate between or among any individuals in the availability of Cable Service or based upon the income in a local area.

NOTE: The Verizon NYC FiOS franchise does not include commercial businesses.

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<sup>27</sup> <http://www.manhattanc.org/wcnews/NewsArticleDisplay.aspx?articleid=1271>

## Simple Math Kicks in.

### Using Only “Homes”:

- If Verizon has 4 million homes and businesses
- There are 6.4 million households covered by Verizon in New York State, and if
- ½ of the deployments are upstate and the other half are in New York City,
- Then, Verizon can only have 2 million covered in New York City.
- Census tells us that New York City has 3 million homes.
- 65% coverage—at best.

### Using the Other Terms

- The Verizon New York quote states there are 4 million “homes and businesses”, then availability in New York City is only 50%.
- If we use “housing units” and “housing units and businesses”, the number drops further.

## 6.1 Verizon’s NY City’s FiOS Cable Franchise

By July, 2014, 100% of New York City’s residential households should have been able to get FiOS TV cable service delivered over a fiber optic wire. As discussed, Verizon has about 46-65% of coverage of New York City, depending on which metric you decide to apply.

On June 18, 2015, an audit report of Verizon’s FiOS deployment came out by the City of New York.<sup>28</sup> So it is no surprise that the City found gaps in deployment.

“The findings of this audit, are that Verizon claimed households as “passed” with fiber optic cable before the necessary fiber connections to the block containing those households were made; that Verizon systematically refused to accept orders for residential service, not only before it had “passed” a household but even well after it claimed it had passed a household...and Verizon provided the public with misleading information with regard to Verizon’s obligations.

“Anecdotal evidence in the form of complaints from potential subscribers revealed that Verizon was taking credit for households passed when reporting compliance with milestones to the City but informing potential subscribers that service was not available at their addresses.”

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<sup>28</sup> <http://www.nyc.gov/html/doitt/downloads/pdf/verizon-audit.pdf>

The one thing the audit report did not do is the math of just how far off Verizon has to be by their own accounting.

Backtracking, in April 2013, then-NYC Public Advocate, now-Mayor Bill de Blasio presented facts that Verizon's buildout was way behind schedule. Using data from July-through-December 2012 (and published in April 2013), Verizon only had 51% of NYC residential 'housing units' capable of ordering FiOS service. According to the City, there are 3.4 million housing units and Verizon had "passed" only 1.7 million of them.<sup>29</sup>

## EXHIBIT 21 Verizon New York FiOS Franchise Deployment 2013

Borough	Population *	Housing Units*	Housing Units w/ Access to Fiber Broadband	% of Total Housing Units w/ Access to Fiber Broadband
Manhattan	1,585,873	847,090	423,000	49.9%
Brooklyn	2,504,700	1,000,293	404,000	40.4%
Bronx	1,385,108	511,896	235,000	45.9%
Queens	2,230,722	835,127	488,000	58.4%
Staten Island	468,730	176,656	168,000	95.1%
<b>Total</b>	<b>8,175,133</b>	<b>3,371,062</b>	<b>1,718,000</b>	<b>51.0%</b>

\* Based on 2010 Census data

And yet, according to *Ars Technica*, quoting Verizon, Verizon's claimed that their fiber optic service in June 2014 passed buildings in "90 percent of the Bronx, 89 percent of Brooklyn, 94 percent of Manhattan, 90 percent of Queens and virtually the entirety".

### 6.2 80% of NY Municipalities are Not being Served by Verizon NY's FiOS.

According to *Newsday*, January 31, 2014, Verizon spokesman John J. Bonomo stated that Verizon had commitments to deploy FiOS fiber optic services in 182 communities.

"Bonomo said the company is required to complete fiber-optic 'buildouts' in about 182 New York State communities where Verizon holds franchise contracts."<sup>30</sup>

In an interview on *WAMC* radio, November, 27, 2013, Bonomo claimed there are 183 municipalities in VNY's service territory that do or should be able to receive FiOS TV. VNY had no plans for expansion beyond these commitments.

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<sup>29</sup> <http://archive.advocate.nyc.gov/verizon>

<sup>30</sup> <http://www.newsday.com/long-island/towns/brookhaven-officials-want-fios-expansion-1.6919245>

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"But right now we have commitments to 183 municipalities where we need to complete 100% of our network. So we want to make sure that we make good on those commitments before we reach out and get new commitments. Of franchises in other communities, namely like Albany."<sup>31</sup>

And in 2015, nothing has changed. Verizon New York, in October 2015, still claimed it wasn't going to expand the FiOS network. Along side this, the company has been accused of 'redlining'. According to the *Times Union*.<sup>32</sup>

"Verizon not expanding FiOS, but says redlining claims false.

"Verizon told state regulators it has no plans to expand its FiOS fiber-optic network beyond its current locations while at the same time defending itself against claims of redlining.

"Verizon's critics have accused the company of not deploying FiOS in lower income communities, but in a filing made Friday with the New York State Public Service Commission, the company says it has deployed FiOS in many low income areas, including Schenectady."

According to Wikipedia, there are a total of 996 towns and cities in New York State.

"This is a list of towns in New York. As of the 2010 United States population census, the 62 counties of New York State are subdivided into 932 towns and 62 cities."<sup>33</sup>

With an estimate of 90% of coverage of New York State households by Verizon New York, based on the FCC's access line accounting, this would mean that only 20% of towns have been or are being upgraded by Verizon New York for FiOS.

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<sup>31</sup> <http://wamc.org/post/mayor-elect-city-leaders-call-verizon-fios-albany>

<sup>32</sup> <http://blog.timesunion.com/business/verizon-not-expanding-fios-but-says-redlining-claims-false/70000/>

<sup>33</sup> [http://en.wikipedia.org/wiki/List\\_of\\_towns\\_in\\_New\\_York](http://en.wikipedia.org/wiki/List_of_towns_in_New_York)

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## 7.0 Verizon New York Rate Increases

This next exhibit gives the rate increases on regular basic POTS phone service from 2004 through 2015 and the numbers are taken (for 2004-2012) from actual residential phone bills in Brooklyn, New York.

Since 2004, pre-rate increases, there has been an:

- 84% rate increase on basic service.
- 248% increase on inside wire maintenance, a service that originally was built into basic service rates. We use it as an example to represent any additional services.
- All ‘add-on services’ from inside wiring to nonlisted numbers had major rate increases.
- From 2004 through 2015, if you simply had basic phone service and inside wiring, your rates went up 92%.

**EXHIBIT 22**  
**Verizon NY Basic Residential Phone Service, 2004-2015**

	2004	2006	2008	2012	2013	2014	2015	Increase
<b>Untimed Message</b>	\$ 8.61	\$ 9.85	\$ 13.85	\$ 15.80	\$ 15.80	\$ 15.80	\$ 15.80	84%
<b>FCC Line Charge</b>	\$ 6.38	\$ 6.40	\$ 6.42	\$ 6.40	\$ 6.40	\$ 6.40	\$ 6.40	
<b>Access Recovery (ARC)</b>				\$ 0.47	\$ 0.47	\$ 0.47	\$ 2.00	
<b>E911</b>	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	
<b>Universal Service Charge</b>	\$ 0.62	\$ 0.74	\$ 0.73	\$ 1.11	\$ 1.15	\$ 1.20	\$ 1.46	
<b>Taxes, Fees Surcharges</b>	\$ 2.87	\$ 3.09	\$ 3.74	\$ 4.20	\$ 4.21	\$ 4.22	\$ 4.55	
<b>Total Basic</b>	\$ 19.48	\$ 21.08	\$ 25.74	\$ 28.98	\$ 29.03	\$ 29.08	\$ 31.21	
<b>Annual</b>	\$ 233.76	\$252.99	\$308.88	\$347.78	\$348.34	\$348.97	\$374.55	60%
<b>Inside Wire (with taxes)</b>	\$ 4.01	\$ 5.20	\$ 6.96	\$ 9.28	\$ 9.28	\$ 11.60	\$ 13.92	248%
<b>Total Monthly</b>	\$ 23.49	\$ 26.29	\$ 32.70	\$ 38.26	\$ 38.31	\$ 40.68	\$ 45.14	92%
<b>Toal Annual</b>	\$ 281.83	\$315.42	\$392.35	\$459.12	\$459.68	\$488.18	\$541.63	92%

*Sources: Verizon NY Phone Bills and Web Info, New Networks Institute*

And Calling Features, for example, used by residential and business customers, have reached all time highs. This next exhibit is from the Verizon NY tariff showing that Call Waiting or Call Forwarding cost \$8.25 a month per service, even though these services cost a fraction of one cent to offer.

## EXHIBIT 23 Verizon NY Calling Features, 2015

### 4. Rates and Charges

The following rates and charges are in addition to all other applicable rates and charges for the facilities and service furnished. Each line equipped, including all stations on the line:

	Monthly Rate		Connection Charge**	USCC
	Residence	Business		
*; #(1) Speed Dialing-8 number capacity	\$8.00	\$ 7.70	} Service Charge as specified in Section 30.14 of this Tariff	ESL
*; #(2) Speed Dialing-30 number capacity	10.25	11.82		ESF
(3) Three-way Calling	8.25	(C)(1) 7.70		ESC
(4) Call Forwarding	8.25	7.98		ESM
(5) Call Waiting	8.75	12.95		ESX
(6)				
##(7) Combination of all features shown in:				
(4) and (5)	9.75			ES7
(3) and (5)	9.75			ER9
(3) and (4)	9.75			ER5
(3), (4) and (5)	13.00			ETC
(4) and (1)	9.75			ER3
(5) and (1)	9.75			ES6
(3) and (1)	9.75		ER6	
(4),(5) and (1)	13.00		ESA	
(3),(5) and (1)	13.00		ET8	
(3),(4) and (1)	13.00		ESR	
(3),(4),(5) and (1)	16.00		ES3	

However, it is impossible to know the full impact as this detailed list of rate increases and changes from the 2013 Verizon NY Annual Report shows a long list of changes to business and residential service.

## EXHIBIT 24 Verizon NY Rate Changes, 2013

2013 Verizon New York Rates	
Description of Changes	Effective Date
Limited Service Offerings Revisions	1/25/2013
Individual Case Billing Addendum	1/16/2013
Residential Packages - Flexibly Priced Rate Change	1/19/2013
CustoPAK Rate Change	1/19/2013
Grandfathering of Frame Relay and ATM Cell Relay Services	2/15/2013
Individual Case Billing Addendum	2/15/2013
Foreign Exchange Line Rate Change	3/8/2013
Implementation of Charge for Blocking of '69 and Busy Redial for Business Customers	3/18/2013
Grandfathering of Verizon Regional Value Fixed Price Bundle	3/18/2013
Grandfathering and Price Increase of ISDN Basic Service for Business Customers	5/18/2013
Eliminate Quarterly Update for Unbundled TC Reciprocal Compensation Charge	4/5/2013
Verizon Credit Plan Promotion	3/17/2013
Rate Increase for Business Services and Features	3/16/2013
Withdrawal of Operator Passthrough and Busy Line Verification and Intercept Service	4/14/2013
Withdrawal of Busy Line Verification and Interrupt Service	4/6/2013
Individual Case Billing Addendum	3/22/2013
Rate Increase for Business Service Connection Charges	6/18/2013
Individual Case Billing Addendum	4/22/2013
Surcharge for State Universal Service Fund	7/1/2013
Wireless Service as Sole Offering	5/18/2013
UltraForward Revisions and Rate Increase	5/18/2013
Individual Case Billing Addendum	5/18/2013
Private Switch/Automatic Location Identification Service Rate Change	6/10/2013
Municipal Surcharge for Endicott and Fishkill	9/21/2013
Intrastate Access Service Rate Reductions	7/1/2013
Individual Case Billing Addendum	6/7/2013
Business Direct Bill Credit Changes	6/21/2013
SLIC Network Solutions Concurrence	6/14/2013
Withdrawal of Regional Value Bundle Discount Plan	7/5/2013
Rate Increase for Regional Essentials and Regional Value	7/20/2013
Rate Increase for Caller ID - Number Only	7/20/2013
Electronic Notifications of Suspension and Termination	6/17/2013
Rate Increase for Unlimited Local Usage for Business	9/21/2013
Withdrawal of Foreign Exchange Service - 24 month term	8/5/2013
Individual Case Billing Addendum	7/22/2013
Limited Service Offerings Revisions	8/10/2013
Rate Increase for Business Individual Message and Trunk	8/5/2013
Individual Case Billing Addendum	8/8/2013
Individual Case Billing Addendum	9/10/2013
Rate Increase for Residential Package	9/21/2013
Rate Increase for Unlimited Local and Toll Usage for Business	9/21/2013
Verizon Credit Plan Promotion	9/22/2013
Modification of Calculation of the Unbundled TC Reciprocal Compensation Charge	10/31/2013
Quarterly Revision to the Unbundled TC Reciprocal Compensation Charge	11/2/2013
Individual Case Billing Addendum	10/23/2013
Limited Service Offerings Revisions	11/12/2013
Rate Increase for Residential Services	11/16/2013
Grandfathering of Verizon Call Assistant	11/21/2013
Revisions to Solutions for Business	11/16/2013
Individual Case Billing Addendum	11/22/2013
Local Directory Assistance - Residential and National Directory Assistance Increase	12/3/2013

### 7.1 How Much Money Were Customers Charged? How Much Extra Did Verizon Make?

The following exhibit details the basic ‘extra’ charges on basic phone service and wire maintenance (though we use it to represent all ‘added’ services). I.e., these are the additional costs that were created via the rate increases that started in 2006 as told by an actual Verizon New York residential phone bills.

This example uses a Verizon New York City ‘measured’ service (meaning that calls are billed per call or per minute vs ‘flat rate’, where there is unlimited local calling) for just the basic charge. We also counted the taxes, fees and surcharges, as some of them are pass-through taxes on Verizon that customers pay, or they can be even direct revenue back to the company, such as the “FCC Line Charge” or the “Access Recovery Charge”, which is an added local charge, thrown on the bill by the FCC.

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- Customers paid about \$996.74 extra, counting taxes, fees and surcharges, since 2006 for the changes in state regulation.
- In 2015, that will be an extra \$140.80 for just basic service for one year.
- If the customer had inside wire maintenance, they paid an additional \$611.61.
- If the customer had just basic service and inside wire maintenance (or any other add on featured), they would have been charged about \$1,608.35 extra since 2006.

**EXHIBIT 25**  
**Verizon NY Increases in Local Service & Inside Wiring, 2006-2014**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Untimed Message	\$ 1.24	\$ 5.24	\$ 5.24	\$ 7.19	\$ 7.19	\$ 7.19	\$ 7.19	\$ 7.19	\$ 7.19	\$ 7.19	\$744.80
FCC Line Charge	\$ 0.02	\$ 0.04	\$ 0.04	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$2.88
Access Recovery (ARC)	\$ -	\$ -	\$ -	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.47	\$ 2.00	\$48.66
Universal Service Charge	\$ 0.12	\$ 0.11	\$ 0.11	\$ 0.49	\$ 0.49	\$ 0.49	\$ 0.53	\$ 0.53	\$ 0.58	\$ 0.84	\$51.44
Taxes, Fees Surcharges	\$ 0.22	\$ 0.87	\$ 0.87	\$ 1.33	\$ 1.33	\$ 1.33	\$ 1.34	\$ 1.34	\$ 1.35	\$ 1.68	\$139.97
<b>Total Extra</b>	<b>\$ 1.60</b>	<b>\$ 6.26</b>	<b>\$ 6.26</b>	<b>\$ 9.50</b>	<b>\$ 9.50</b>	<b>\$ 9.50</b>	<b>\$ 9.55</b>	<b>\$ 9.55</b>	<b>\$ 9.60</b>	<b>\$ 11.73</b>	<b>\$996.74</b>
<b>Total</b>	<b>\$ 19.24</b>	<b>\$76.12</b>	<b>\$75.12</b>	<b>\$114.03</b>	<b>\$ 114.03</b>	<b>\$ 114.03</b>	<b>\$ 114.68</b>	<b>\$ 114.68</b>	<b>\$ 116.22</b>	<b>\$ 140.80</b>	
<b>Total Wire Maintenance</b>	<b>\$ 1.20</b>	<b>\$ 2.95</b>	<b>\$ 2.95</b>	<b>\$ 5.27</b>	<b>\$ 5.27</b>	<b>\$ 5.27</b>	<b>\$ 5.27</b>	<b>\$ 5.27</b>	<b>\$ 7.59</b>	<b>\$ 9.92</b>	<b>\$611.61</b>
<b>Total With Wire</b>	<b>\$ 2.80</b>	<b>\$ 9.21</b>	<b>\$ 9.21</b>	<b>\$ 14.77</b>	<b>\$ 14.77</b>	<b>\$ 14.77</b>	<b>\$ 14.82</b>	<b>\$ 14.82</b>	<b>\$ 17.20</b>	<b>\$ 21.65</b>	<b>\$1,608.35</b>

And on the revenue side, using Verizon NY's own claimed decline in access lines and the rate increases, Verizon brought in over \$4.3 billion on just basic local service. If we add just the increases to one added charge, inside wire maintenance, (which we used as a surrogate for other add-on services), this brought the total to \$5.6 billion (counting taxes). This is an estimate, considering the previous, highlighted additions and charges to local service costs.

**EXHIBIT 26**  
**Verizon NY Revenues from Rate Increases in Local Service & Inside Wiring, 2006-2015**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
POTS Access Lines	7.90	7.20	6.50	5.90	5.30	4.10	3.50	3.06	2.73	2.55	
<i>(In the Millions)</i>											
Basic Service	\$ 151,976,250	\$ 540,893,160	\$ 480,306,325	\$ 672,749,565	\$ 604,334,355	\$ 467,503,935	\$ 401,039,625	\$ 350,623,215	\$ 314,537,276	\$ 359,030,427	\$ 4,350,994,136
1/2 Second Feature	\$ 200,670,793	\$ 660,314,900	\$ 603,339,750	\$ 859,391,020	\$ 771,996,340	\$ 587,196,900	\$ 511,753,200	\$ 447,410,512	\$ 439,936,417	\$ 510,761,675	\$ 5,617,759,491

## How Many Customers Have Inside Wire Maintenance?

There is no available accounting but surveys we conducted indicated that 50% of those paying this fee didn't order the service. This estimate used 1/2 of the customers having this (or an additional service, from 2006-2015).