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RE: Empire State Development ConnectALL Office Five-Year Action Plan for NY BEAD Funding

Comments: New York's Initial Proposal of a 5 Year Plan to solve the Digital Divide has left out basic, material facts, creating distorted and even harmful public policies.

Annual Report of VERIZON NEW YORK INC. For the period ending DECEMBER 31, 2022					
Line No.	Item (a)	Total (b)	FIOS Video Nonregulated (c)	Local Service New York State (f)	BACKHAUL Other (g)
9	Total Operating Revenues	3,571,708,161	1,177,041,947	825,629,346	1,569,036,868
	Operating Expenses				
11	Total Plant	\$ 2,521,823,844	\$ 983,045,913	\$ 1,040,132,092	\$ 498,645,838
12	Marketing	273,689,619	83,670,154	147,868,792	42,150,673
13	Customer Operations Services	125,581,489	8,646,169	83,046,135	33,889,185
14	Access	105,119,145	0	50,442,893	54,676,252
15	Corporate Operations	1,212,629,201	123,247,994	736,141,775	353,239,432
16	Subtotal	4,238,843,298	1,198,610,231	2,057,631,688	982,601,379
17	Depreciation & Amortization	1,210,960,566	52,803,602	755,012,644	403,144,320
18	Total Operating Expenses	5,449,803,865	1,251,413,833	2,812,644,332	1,385,745,700
19	Net Operating Revenues	(1,878,095,703)	(74,371,886)	(1,987,014,986)	183,291,169

We Demand that New York conduct much needed investigations and audits of Verizon New York, the state's largest telecommunications public utility. Verizon NY has intentionally failed to upgrade the state's critical infrastructure, instead diverting funds to its wireless network in a massive, ongoing bait and switch. The result of its willful neglect of the landline network is the Digital Divide, unaffordable prices and inferior service for the public in New York. Verizon NY is a public utility that never delivered on its promise to provide fiber to the home. Lacking Verizon as a serious high speed broadband competitor, the cable companies had carte blanche to raise prices and pile on a slew of added fees.

Our CHAPGPT AI Analysis and Filed Comments.-- the IRREGULATORS, as analysts, forensic auditors, and lawyers, are now using these cutting edge technologies to analyze the State's plans and how it compares to the IRREGULATOR consortium of 30 years of research, filings and books.

We file these comments as the IRREGULATORS, a group of senior telecommunications experts, including forensic auditors, lawyers and former regulators. We have a strong track record of examining Verizon's misdeeds and achieving results in the public interest. We call to your attention the background of the Digital Divide in New York and ask you to take the steps necessary to prevent a repeat of the shortchanging of the State's consumers, as well as the economic harms over the last 3 decades.

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SUMMARY

How is it possible that the State of New York | BEAD Five-Year Action Plan | September 2023, presented by the Connect All Office, left out entirely that Verizon New York is the largest state telecommunications public utility in the state, that it had obligations multiple times to do maintenance and upgrades of the state, replacing the copper wires with a fiber optic wire, that Verizon left the rural areas and inner cities without proper upgrades, and that it had receive a continuous stream of rate increases.

Moreover, how is it possible that the State is negligent and failed to audit and examine the financial books of Verizon -- even when Verizon is required to supply a full financial annual report. One has only to examine the Verizon New York 2022 Annual Report, published May 27th, 2023-- i.e., this opening excerpt from the report, to see that there has been a massive financial cross-subsidy scheme underway to use the state utility as a 'cash machine', and that the other lines of business have been cross-subsidized, that billions in construction budgets were diverted to wireless and that at the core, this negligence created the Digital Divide.

In fact, the fiber optic wire that is used for FiOS, is classified as a Title II, Common Carrier network that is part of the state public utility, which Verizon pretends no longer exists. The company plays it both ways. It enjoys the public rights of way and other benefits of Title II, while depriving local telephone customers of the upgraded network they paid for via rate increases over many years.

And it is mind-boggling to think that since 2010-ish Verizon was able to transfer the construction budgets to be used for their cross-subsidized wireless network, perpetuating the Digital Divide.

Thus, while well intentioned, what has been presented by Connect ALL is a diss-connect as it has left out volumes of basic material facts that makes this entire proposal require a do-over.

We are calling for immediate investigations, as we have presented the research, including primary source data, such as the Verizon 2022 annual Reports, filings by the NY Attorney General's Office, pointing out the massive financial shell game, the cross-subsidies, that billions were not paid to the State due to artificial, contrived tax losses, for more than 2 decades.

This excerpt above from the Verizon New York 2022 Annual Report, published May 26th, 2023 should scare every legislator, regulator and the public. The excerpt shows that in 2022, and continuing in 2023, Local Telephone Service, is being charged over a billion dollars for construction expenses, -- while other parts of the report shows that on average, only \$30 million was spent on the utility upgrade. Worse, it appears that this money was moved to pay for the wireless network build out, particularly the fiber links connecting

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the cell sites, antennas and switching centers-- without the wireless subsidiary paying market prices for this construction.

\$1,000,000,000 Annually Went Somewhere. This money alone -- a billion dollars a year, should have been used over the last decade to fund the build out of fiber to the home in New York State.

But that's only a fraction of the potential monies that could be gone after-- such as

Local Service is being charged \$736 million for Corporate Operations, which are the lobbyists, lawyers, corporate jets, executive pay and golf tournaments -- which this $\frac{3}{4}$ of a billion dollars is over 60% of the total. Verizon NY barely pays any attention to its landline local telephone network, yet allocates a substantial portion of these expenses to local service in New York.

Where in the proposal is any discussion of creating affordable prices -- thus not requiring government subsidies for low income and other classes of consumers?

Overseas vs US: Prices are Out of Control. How is it that overseas, the 'triple play', according to the EU Broadband Commission, on average costs, \$35 a month; the US average, including Spectrum-New York, is \$225. a month. Overseas a 5G broadband phone can be \$10.00 with truly unlimited usage-- over 1000GB, vs the US which misleads about the word 'unlimited' and so it can cost \$40 for 5GB

At this critical time the State must probe the issues we have been bringing up for years. Closing the Digital Divide in New York requires that first, the State must recognize that Verizon New York helped to create the Digital Divide by its failure to properly upgrade the state telecommunications public utility, starting in the 1990s.

Second, Verizon has been able to rewrite the history and erase the fact that they had binding commitments, starting in 2005, to replace the existing aging, copper wires with a 'massive deployment of fiber optics', but by 2011, Verizon had started to move the construction budgets so that they were used by wireless and the other subsidiaries.

How do we know this? Besides the financial reports showing that the construction budgets have used the utility as a cash machine-- it has been the local wired utility customers that paid for the network fiber upgrades.

And worse, we know this because of interviews with CWA and IBEW union installers who work for Verizon, but also the report by the NY Attorney General Office after Hurricane Sandy.

Verizon NY should be held accountable for the many billions of dollars it collected from its local service customers for a fiber optic future it never gave them. Rather than give

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Verizon any public funding, it should be made to ante up some of the money it diverted to wireless and its other subsidiaries. Instead of getting more money from the public, it should contribute what it already took from the public to close the Digital Divide.

New York Attorney General on Verizon NY's Capital Investments, 2012

“Verizon NY’s claim of making over a ‘billion dollars’ in 2011 capital investments to its landline network is misleading. In fact, roughly three-quarters of the money was invested in providing transport facilities to serve wireless cell sites and its FiOS offering. Wireless carriers, including Verizon’s affiliate Verizon Wireless, directly compete with landline telephone service.”

We predicted that the failure of the regulators to properly do oversight over the incumbent state telecommunications public utility would create the Digital Divide -- and we documented all of the moving parts.

We submitted reports, filings, complaints, petitions and just to make this crystal clear -- we list them herein Appendix One.

Of Interest:

- The Connect New York Coalition, filed a Petition with the NY 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, and NY state politicians.
- Verizon NY Settlement Story, July 2018. The investigation used our research and was part of the concluded and Verizon NY settled the case. Estimated at \$300-500 million dollars, the settlement called for an estimated 30,000 lines of fiber optics to be installed and the existing copper networks maintained.
- In New Jersey, New Networks worked with Stow Creek and Greenwich New Jersey to have their towns upgraded to fiber optics in 2013, using the existing NJ state broadband telecommunications public utility laws.
- In New York, we assisted Fire Island residents to have their copper wires that were wiped out by the Sandy storm, replaced with fiber instead of an inferior wireless service
- We have just settled the 4th successful class action against Verizon New Jersey over billing issues, (November, 2023), and with LTC Consulting, our communications auditing group.
- And we predicted the coming of the Digital Divide in 2006, when we were featured on Bill Moyer’s Emmy-Nominated, PBS Special, the Net at Risk’ our segment was called “The New Digital Divide.

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- In 1992, New Networks Institute helped to create the first, independent, 3-Digit Dialing information service, “511”, with Cox Newspapers-, (which includes “311”.

With over 40 years experience, each, our combined expertise has come to one conclusion -- The State’s plan, unfortunately following the lead of the other too-cozy-to the-telecom and cable companies that created this Digital Divide, and this plan has thousands of material facts and data that must be dealt this.

Part 1: We will go through the Verizon New York 2022 Annual Report, published May 27th, 2023, and we will be using previous reports and filings as the basis.

Part 2: Explores the fact that the construction budgets of the state telecommunications public utility that should have been used for upgrading the state’s critical infrastructure with fiber optics was diverted to wireless and the other subsidiaries. We show that there is millions of miles of dark fiber -- that was never turned on, that only a fraction of the state’s capex was used for the utility,

The punchline is-- Verizon’s fiber optic wires were classified as Title II Common carrier networks to be able to charge local phone customers for upgrades.

And worse, the majority of the construction was charged to the local service category instead of being charged to the company’s business subsidiaries--due to the manipulation of the accounting which we document.

Wireless is a bait and switch and the state failed to address this over the last 15 years and what is really disconcerting is that the State is treating FWA Wireless as a replacement for the fiber, but Verizon now has started a deceptive, if not fraudulent attempt to blur the lines, even though the wireless networks have not been paying for these network upgrades.

Halting all of these cross-subsidies and the accounting manipulations would give the state enough money to upgrade the state to fiber, lower rates and not require ACP or other government subsidies.

That’s 1 billion annually-- vs the trifle \$600+ million of BEAD money.

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PART 1: The Verizon New York Annual Report Examination

Anyone who has ever read a corporate financial annual report knows that a company has revenues from different services or products; and it also has expenses, from marketing to answering customer questions. Moreover, in this case, Verizon is running and maintaining a state-wide telecommunications public utility network.

Answer This — This excerpt was taken directly from the [Verizon NY 2022 Annual Report](#), (spreadsheet) released May 26th, 2023. How is it possible that “Local Service”, the basic copper-based voice phone service, which is no longer being sold, and had revenues of \$826 million, is being charged the majority of corporate expenses (Column F, Line 15). Keep in mind that these expenses are mostly for Verizon Communications, Inc, the holding company, that owns the state telecom utilities in their service areas as well as many other affiliated corporations, which includes cellphone services. We will go through this in detail, but Local Service was charged: *(Estimates for overcharging are based on other information in the financial reports and filings.)

- **Construction** — Over a billion dollars which is not being used by Local Service. **This should be \$20–40 million; \$1 billion in overcharging.**
- **Marketing** — Charged almost \$148 million, the majority, for a service that is not being marketed — **Overcharged \$148 million.**
- **Corporate Operations Expenses** — Paid \$738 million, 60+% of the total (which includes the executive pay, lobbying, lawyers and even the corporate jets). **Overcharged \$725 million (or more).**
- **CONCLUSION: Over \$2 billion, in just 2022, in just Verizon NY.** The other expense categories are equally egregious.

At the same time, as we will discuss, the other lines of business are being subsidized by Local Service. Worse, it is the very customers, many being the low income and rural customers, who are on the wrong side of the Digital Divide.

Now multiply this one state telecommunications public utility egregious acts for this one year, with all of America’s other state utilities — from AT&T California or Illinois, or Verizon Massachusetts or Centurylink Oregon...

How Many Accounting Violations & Egregious Acts are there?

Again, the opening chart is taken directly from the Verizon NY 2022 Annual Report which was published on May 26th, 2023, and is required by the NY Public Service Commission. Verizon NY is the largest telecommunications public utility, covering almost 90% of NY State.

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Using this published financial report, and previous reports, we will show that in 2022, (and every year for the last 2 decades), billions of dollars in cross-subsidies and miss-allocation of corporate expenses have been underway.

In essence, using manipulated accounting, Verizon et al. have been able to make the wireline utility be a corporate cash machine to fund the other lines of business, especially wireless. Worse, in the end, not only did New York's rural communities and low-income inner city neighborhoods not get upgraded to fiber optics, but customers were overcharged thousands of dollars extra for services they never received — and to add insult to injury, they have and are being charged for the fiber that was diverted to the wireless subsidiary, and didn't go to give customers a fiber optic service to their homes and businesses.

- All of these financial machinations helped to create the Digital Divide on multiple levels.
- Requiring a halt to these and the other illegal cross-subsidies would be enough for the state to be upgraded to fiber optics — and lower rates.

Institutional Amnesia and the Hijacking of the 'Common Wisdom'.

What is also shocking — Virtually no regulator or politician knows that Verizon NY is still a state regulated public telecommunications utility or that these massive financial cross-subsidies are current and need to be addressed — and halted as soon as possible.

Answer This — How can the federal and state government agencies give out government subsidies of over \$100 billion in state and federal grant and loan funding — when it will mostly go to and reward the same companies that helped to create the Digital Divide?

NOTE: Every Verizon, AT&T and CenturyLink (now Lumen) state in America appears to still be using these same corrupt accounting rules, and New York is the only state we know of that requires a full annual report be presented to the public.

3 Primary Lines of Business using the Same Infrastructure

New Networks Institute (NNI) and the IRREGULATORS have been [tracking Verizon NY's financials reports for decades](#) and this summary analysis will expose that this is a long term problem that has never been examined and dealt with by the states or the FCC.

Verizon NY has 3 primary different lines of business.

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- **“Local Service”** — (COLUMN F) is the copper-wire based phone service, and is commonly called “POTS”, Plain Old Telephone Service.
- **“Backhaul”**, (COLUMN G) also called “Business Data Services”, “BDS”, or “Special Access”, are just copper and fiber lines used for data that go to banks or cell sites.
- **“Nonregulated”**, (COLUMN C) are items that are non-regulated services such as FiOS video and VOIP phone service.

IMPORTANT: A Lot More Revenues via Subsidiaries — There are many other Verizon subsidiaries, such as Verizon Wireless or Verizon Online, that also use the networks, but the revenues do not go back to the utility, and the payments to use the networks can be a fraction of the actual costs incurred.

Let’s Do the Math: Follow the Money

Local Service are the revenues and expenses from offering basic POTS service. (We will be using rounding for simplicity.)

Returning to the Numbers: Verizon NY Local Service brought in about \$826 million dollars in 2022 (Column F, Line 9) and elsewhere we find that there were over 1 million copper-based lines still in use and this number is missing millions of copper-based wired services that are still in use but not presented to the public. (We will address the miscounting of access lines in a separate story.)

Going Down Local Service Expenses, Column F: Expenses (State-based)

Corporate Operations (Line 15) is a garbage pail for corporate expenses including executive pay, lawyers, lobbyists and even the corporate jets, but the majority has been dumped into this Local Service line of business; it is paying \$736 million (Column F, Line 15) which is 61% of the total charged to Verizon NY.

This one corporate expense charge is 79% of the revenues.

Construction and Maintenance (Line 11) are known as “plant” and “non-specific plant”, — Local Service was charged over \$1 billion dollars, (Column F, Line 11) — 126% above the revenues, which was only \$826 million.

This means that Local Service was made unprofitable through the addition of these massive corporate expenses and the construction budgets, that were not related to or caused by Local Service.

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Marketing (Line 12). This is for a service that is not being marketed or is even on sale. Local Service paid \$147,868,792, 54% of the Total charged to Verizon NY (Line 12, Column F).

Let's Pause. This Makes Absolutely No Sense.

- Verizon, over a decade ago, decided to stop properly maintaining the copper wires.
- Verizon is no longer even selling the copper-wired POTS service —
- There is no marketing for this product.
- There has been virtually no maintenance and construction.
- Corporate Operations expenses have been obscenely, excessively charged to Local Service. Keep in mind that no state or federal regulatory agencies have audited or investigated this accounting practice.

Exposing the Cross-Subsidies via the Expense Allocation.

This next chart should be like reading the Riot Act to every city, municipality, state, not to mention the broadband agencies and all those living in underserved, unserved areas.

Verizon NY 2022: Percentage of Revenues and Expenses by Lines of Business			
	Nonregulated	Local Service	Backhaul
Verizon NY Revenue	33%	23%	44%
Total Construction and Maintenance	39%	41%	20%
Corporate Operations	10%	61%	29%
Marketing	31%	54%	15%

Local Service is only one-quarter of the revenues (Column F, Line 9) but in every category it is paying the majority of expenses. How can Local Service be charged the majority of these expenses? It is paying 54% of Marketing which is \$147 million when the other lines of business such as Nonregulated, including FiOS video, and Backhaul, which represent 77% of the revenues, are paying only a fraction of these expenses?

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PART 2: Where Did the Construction Money Go?

Local Service is paying 73% of the construction that is underway; known as “Work in Progress”, the other lines of business pay chump change.

This chart shows that Local Service (Column F, Line 19) paid \$629.6 million dollars in “plant under construction”, which is 73%, while the other lines of business, like the Nonregulated FiOS video, paid only 11%, only \$92 million.

Annual Report of VERIZON NEW YORK INC.					For the period ending DECEMBER 31, 2022				
Telephone Plant in Service									
Line No.	Plant under Construction (a)	Total (b)	Nonregulated (c)		New York State (f)		Other (g)		
			FiOS video		local service		Backhaul		
	Telephone Plant in Service	\$35,106,397,766	\$1,255,669,358		\$21,684,947,090		\$12,165,781,318		
19	Plant under Construction	857,811,157	92,430,010		629,644,120		135,737,027		
	Cash Working Capital *	172,429,535	0		172,429,535		0		
	Telephone Plant in Service		4%		62%		35%		
	Plant under Construction		11%		73%		16%		
	Cash Working Capital *		0%		100%		0%		

Dark and Lit Fiber in New York State?

Statistics of Communications Common Carriers

Table 2.2 - Outside Plant Statistics of Reporting Incumbent Local Exchange Carriers as of December 31, 2007 — Continued

State	Km of Fiber in Cable		% of Total	State Public Utility
	Fiber Km Equipped (Lit)	Total Fiber Km Deployed (Lit & Dark)		
New York	1,836,588	4,080,161	90%	Verizon

At the end of 2007, Verizon had been doing sporadic deployments of fiber optic wires, depending on the year, but the last data presented by the FCC showed an amounting 4 million KM of fiber had been installed but only 1.8 million KM, was lit, the other wires, known as Dark fiber, were not.

What this says is -- by the end of 2007, 55% of what was put in was not turned on.

While there are those who will question the use of this ancient history, much less the relevance, most can't answer fundamental, obvious questions:

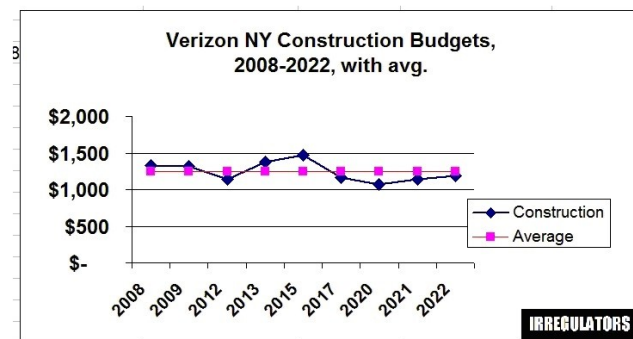
- Dark and Lit fiber was installed; why was the majority not turned on by the end of 2007?

- How much is still unlit and is running through unserved-underserved areas, now?
- What happened since 2007 in any state?
- Is the fiber still in the ground and ‘Dark’-- and can it be Lit?

What Happened to the Construction Budgets (Capital Investments) of the State Telecommunications Public Utilities?

The relevance is simple: All of these state telecommunications public utilities have an annual construction budget, and no utility has stopped or dramatically cut this money. Moreover, almost all of these companies are using the same Uniform System of Accounts, so the range of what one utility will pay for this expense item, are very similar, because they are based on the same formulas to calculate how expenses are allocated.

Using Verizon NY’s Annual reports, we will lay out the construction budgets for 2007 through to 2022. As we show, in New York, Verizon NY had continuous expenditures for the construction expenses, with little variation, for the 15 years -- i.e., the company spent about \$1.2 billion, on average, from 2008 through 2022.



**Verizon New York Construction Expenditures,
2008-2022, (Source, Verizon NY)**

	2008	2009	2012	2013	2015	2017	2020	2021	2022
Construction	\$1,335	\$1,315	\$1,141	\$1,382	\$1,470	\$1,165	\$1,068	\$1,139	\$1,187

- From 2008-2022, the average capex expense was over \$1.24 billion of annual network construction expenses, with a high of \$1.47 billion in 2015, and a low of \$1.07 billion in 2020.
- Over this 15 year period, and using the actual data from the financial reports, this expense comes to over \$18.6 billion for construction in just Verizon NY.
- We included the average as a line, against the actual construction expenditures and the amount rarely varied over this time-frame.

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Where did all the money go?

If Verizon New York is spending about \$1.2 billion a year on construction as part of the state telecommunications utility, and this includes an additional estimated \$1.2 billion (avg) in 2023, and an additional \$1.2 billion in 2024, (The charts leave out years for space requirements.), and using 2007 as the starting point, Verizon New York will have spent about \$18.6 billion through 2022. Where did all this money go?

Verizon stopped selling the copper based POTS wired utility services years ago, and halted the fiber optic FiOS deployments circa 2010-2012. Worse, all reports show that the copper wires needed to be replaced decades ago.

But, let us return to the opening chart and connect some of the dots of the potential construction expenses of the state utilities throughout the US, starting in 2007 and through 2023.

MOST IMPORTANT: And to repeat, for the most part, the utilities' construction budgets were never seriously stopped, slowed down, or halted. Thus, as a starting point, we use the last existing FCC data for 2007 and then use Verizon NY, extrapolated through 2022.

Only a Fraction of the Utility Construction Budgets is Used to Properly Upgrade and Maintain the Networks.

In 2020, we examined 8 years of expenses that were directly tied to the 'intrastate' utility networks vs what was the construction and maintenance overall, and on average, only \$30 million was charged to the copper, wireline, intrastate networks, out of an average of \$1.27 billion for this period.

**Verizon NY Construction Budgets, and the Funds Spent on the Utility,
2013-2020**

	Spent	Construct & Main
2013	\$3,324,535	\$1,382,194,463
2015	\$ 18,168,980	\$1,470,969,502
2017	\$57,725,361	\$1,165,566,907
2020	\$ 41,523,223	\$ 1,068,343,137
Average	\$ 30,185,525	\$1,271,768,502
8 Years	\$ 241,484,198	\$10,174,148,018

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While it seems absurd that so little was spent on the utility networks, the companies will claim we just moved the budgets to wireless to follow the markets. But, there are problems with this bait and switch because it is designed to make more corporate profits, vs delivering on the commitments to do fiber upgrades to the public.

- 1) First, wireless is a separate subsidiary, and it is being cross-subsidized by the utility customers.
- 2) It is not fiber and does not have the same capabilities;
- 3) wireless requires a fiber optic wire, and
- 4) as we will discuss, the FWA wireless services have a deceptive marketing campaign. In NY, Verizon is using the “FiOS Home Internet” brand name that has always been for a wireline FiOS, as in Fiber Optic Service.
- 5) There is total confusion by the public; there is no common wisdom, so what the public is told lasts as long as the next commercial or tweet. And what the public is told is actually different that what the investors are told.

This lack of basic knowledge and facts, and the ability for the utility to hide in plain sight shows up in the state 5 year plans. Not one state broadband office even references that there are state utilities still in existence or the commitments made in the state.

Local Service Utility Functions as the Bank:

Moreover, the state utility appears to be acting as the bank by paying for the ‘working capital’ of \$172 million.

- *If there is no construction of the state utility’s intrastate networks, then how is it that the Local Service category is picking up the majority of the expenses?*
- *And where is the (Line 19) \$630 million dollars going?*

Continuous Price Increases.

While there are many who will say that these financial books are for legacy services and they are a formality, this is patently not true.

Others will say — Why should anyone care?

First, these financial reports are used to set the rates of the state telecommunications utility services — and somehow, every year there are rate increases — a continuous stream over the last four decades:

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This is known as “harvesting”, which is the price gouging of the customers until they scream “uncle” and leave or they just keep paying seriously inflated rates, thus violating every fair and reasonable statute.

This next chart summarizes the last 5 years of rate increases on various services that were highlighted in the Verizon NY Annual Reports.

Verizon NY Rate Increases, 2018-2022				
	Description of Changes	Service Classification	Effective Date	Est. Effect on Revenues
2022	Residential Package Rate Increase	Local/Toll	5/1/2022	Confidential
	Private Line Rate Increase 2022	Local/Toll	6/1/2022	Confidential
	NY SUSF Surcharge	Local/Toll	8/1/2022	
2021	Core Voice Price Increase	Local/Toll	5/28/2021	Confidential
	Private Line Price Increase	Local/Toll	6/1/2021	Confidential
2020	Small Biz Rewards - Decommission	Local/Toll	7/21/2020	
	Private Line Rate Increase	Local/Toll	10/1/2020	Confidential
	Voice Services Price Increase	Local/Toll	11/1/2020	Confidential
2019	Business Toll Rate Increase	Local/Toll	2/1/2019	Confidential
	Individual Case Billing Addendum	Local/Toll	2/19/2019	
	Term Plans Increase	Local/Toll	2/21/2019	Confidential
2018	Business Toll Rate Increase	Local/Toll	9/1/2018	Confidential
	Directory Assistance Service Rate Increase	Local/Toll	11/1/2018	Confidential
	Non-Published Service Rate Increase	Local/Toll	11/1/2018	Confidential

The Connections between the Annual Reports and the Litany of Verizon’s Violations & Egregious Acts.

- How do we know that the wired local phone rates *(and thus all rates of all wireline and wireless services) have been increased based on fiber optic construction announcements and the state of FiOS?
- How do we know that this corrupt accounting has been used to divert the construction budgets to wireless?
- How do we know that there are billions of payments for the use of the networks missing from the ‘affiliate companies’ that should be paying market prices for these services, yet as the accounting shows, expenses were improperly allocated to Local Service?
- And how do we know that the affiliates and subsidiaries are NOT paying back to the utility for use of the construction or even the rights of way?

In June 2009, the [NYPSC issued a press release](#) stating that this rate increase was being done due to a ‘massive deployment of fiber optics’.

*“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.” (Emphasis added)*

Let Us Recap.

Verizon New York, which is the largest telecommunications public utility in NY state, used Title II as the classification for its fiber optic deployments, including FiOS. And, Verizon NY was able to use ‘Title II’ as the investment mechanism by having the state raise local rates, as well as ancillary services, to pay for the upgrade of its state telecommunications utility with a “massive deployment of fiber optics”. This contradicts virtually all arguments that Title II harms investment and it also is in direct contrast to lots of statements made by pundits and regulators about Net Neutrality and Title II,

Verizon Used Title II to Roll out FiOS, its Fiber-to-the-Premises, FTTP Service.

This is New York.

Verizon New York FiOS Franchise, 2005

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.

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Just to make sure that you didn't think this happened only in the states mentioned, the next quotes are BLACK AND WHITE (we added the red). These excerpts are from the [Verizon D.C. franchise agreement](#) of 2007. At the top, Verizon claimed that in 2007 it had 12 states with Fiber-to-the-Premises, FTTP, covering 835 municipal jurisdictions. Then, notice that Verizon actually calls the construction "Title II FTTP". And it states that it is an extension of the existing utility networks, and that it is a common carrier network and part of the Communications Act of 1934, the original law guaranteeing universal phone service.

As of August 3, 2007, affiliates of VZ DC hold cable television franchises (both local and state issued) covering 835 jurisdictions in areas of Texas, Indiana, Virginia, Maryland, Florida, California, Pennsylvania, New York, New Jersey, Delaware and Massachusetts, Oregon, and Rhode Island. As of the end of June, 2007, FiOS TV service was available to more than 3.9 million premises in 12 of the states where the Fiber to the Premises (FTTP) network is being constructed: California, Delaware, Florida, Indiana, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Texas and Virginia. 515,000 customers subscribed to FiOS TV as of the end of June 2007.

Verizon currently provides cable service in Montgomery County, Maryland; the cable franchise agreement was effective as of November 28, 2006 and Verizon initiated cable service in the County on December 5, 2006. Verizon also provides cable service in Fairfax County, Virginia; the cable franchise agreement was effective as of October 1, 2005 and Verizon initiated cable service in the County on November 25, 2005. In both counties, Verizon began the construction of its Title II FTTP network in late 2004. Therefore, Verizon was able to initiate cable service to some residents soon after the execution of a cable franchise agreement.

The proposed cable service will be provided over VZ DC's FTTP network, an extension and enhancement of the existing telecommunications network. A general description of the construction of the FTTP network is provided in Attachment 4.

VZ DC will install its FTTP network as a common carrier pursuant to Title II of the Communications Act of 1934, as amended, in accordance with its authority under DC and Federal law. Accordingly, VZ DC is not seeking authority through this Application to construct the FTTP network, but rather is seeking a franchise to use the FTTP network, once installed, to provide cable services in the District.

Punchline: "Title Shopping" of Title II Should be Investigated.

In 2014, New Networks filed [Comments at the FCC](#), as part of the Net Neutrality proceedings. We uncovered that the phone companies were able to tell different stories to different regulators, the press, the public and investors, and it appears that the companies told the investors and the FCC Title II harmed investment, when at the same time, as discussed, Title II has been used to fund the deployment of FiOS by including it as part of the state utility.

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Coined by Professor Eli Noam of Columbia's CITI program, the definition:

“Title Shopping is the use of different regulatory classifications for the same product or service in different local, state and federal regulatory or legal proceedings. It is designed to maximize the ‘regulatory’ benefits that would not be available if only one classification was applied.”

There are a myriad of overlapping issues. For example, an the access line can change classification based on the type of service it is handling. VOIP service on a wire will turn that wire into an "information" service, Title I, but the impacts go on and on as there are regulatory, tax and competitive use issues and advantages or harms that follow.

This brings up the question about Dark fiber and should a municipality be able to use it. I.e.; If there is a fiber optic wire that is not in use,-- “Dark”, and if the funding to lay it was paid for via local rates via the state utility, and it was done as Title II, and it is now fully written off

APPENDIX ONE

Decade of Examination: Verizon NY Reports & Filings, 2010-

New York is the only state that requires a full financial annual report. Starting in 2010, NNI's team started to find some unsettling financial transactions and business practices, which we later uncovered was happening in every state.

- **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 **Connect New York Coalition**, filed a **Petition** with the NY 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, and NY state politicians.
- **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
- **COMMENT 3: Full Report:** Verizon NY 2016 Annual Report: Follow the Money: Financial Analysis and Implications.

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- Verizon New York 2017 Annual Report: An Analysis of Cross-Subsidies and Customer Overcharging
- DESCRIPTION: This report, based on the Annual Report, shows that there is a utility and that it is hemorrhaging money because of the FCC.
- Verizon NY Settlement Story, July 2018. The investigation concluded and Verizon NY settled the case. Estimated at \$300-500 million dollars, the settlement called for an estimated 30,000 lines of fiber optics to be installed and the existing copper networks maintained.

Other New York Articles and Filings

- Dear Reimagine NY: Governor Cuomo's Broadband Plan Is Broken. Let's Fix It.
- Charter, (Spectrum) Altice (Optimum) and Verizon's FiOS Cable TV Franchises Expired in NYC. Do Not Renew but Investigate — Finally.
- Letter to Mayor De Blasio: NYC Must Call for a Halt to the Billion+ Dollars of Cross-Subsidies and Overcharging by Verizon NY, the NY State Public Telecommunications Utility
- New York City Internet Master Plan Is Missing Key Components: IRREGULATORS v FCC
- Verizon's NY City FiOS franchise has expired. Do not renew it until 100% has been upgraded to fiber optics. This letter was sent September 24th, 2020 requesting that the City hold Verizon accountable to finish NYC 100% with FiOS coverage, as stated in the agreement. In November, 2020, the City used the approach outlined in our letter.